

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
May 23, 1988

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in Conference Room 103, 801 - 9th Street, at 1:45 p.m. on May 23, 1988.

PRESENT: Masuoka, Friery, DeCamilla

ABSENT: Frierson, Wolford

CONSENT CALENDAR

MINUTES OF REGULAR MEETING APRIL 25, 1988

APPROVED

The Board received and reviewed the minutes of the regular meeting held April 25, 1988. Mr. Friery moved the minutes be approved. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the March, 1988 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report with the Board.

Mr. Friery informed the Board that attachment A-3 of the Treasurer's Investment Activity Report will be amended to reflect only estimated annual income.

Ms. Masuoka moved to accept the investment activity report. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

May 23, 1988

REPORTS OF CONSULTANTS AND ADVISORSTERMINATION OF ARCO ARENA/SECURITY PACIFIC NATIONAL BANK
ACCEPTED AS INFORMATIONAL

The Board accepted as informational a memorandum from Thomas P. Friery, City Treasurer, regarding the Arco Arena/Security Pacific National Bank (Negotiable Certificate of Deposit with Letter of Credit). Mr. Friery informed the Board that the Letter of Credit and Investment Agreement was terminated, resulting in the release of the commitment of SCERS to hold the SPNB Negotiable Certificate of Deposit. Also, he stated the return on this transaction was exceptional.

HARD ASSET, MARCH 31, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the Hard Asset, March 31, 1988 Quarterly report. Mr. Friery reviewed the report with the Board. Ms. Masuoka moved to accepted the report. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

CITY TREASURER'S UTILITY STOCK MARCH 31, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the Treasurer's Utility Stock Fixed Income Alternative Portfolio and Portfolio Results for the quarter ending March 31, 1988. Mr. Friery reviewed the report with the Board

After discussion, Ms. Masuoka moved to accept the report. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the May, 1988 Real Estate Advisor's Report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

Mr. Smith informed the Board renovation on 1414 K Street building continues on schedule and that it will be necessary to install protective coverings over the southern windows.

Mr. Smith informed the Board that it will be necessary to take legal action on the two tenants of the Enterprise Buildings, Natural Grocers and Diamond National, who moved out with time remaining on each of their leases. Mr. Carnazzo, Counsel to the Board, recommend these two matters be handle by Mr. Pach, outside counsel.

After discussion, Mr. Friery moved to accept the Real Estate Advisor's Report, approve installing protective coverings on windows at the 1414 K Street Building and instruct Mr. Pach to proceed with legal action against Natural Grocers and Diamond National and also attempt to recover all incurred attorney fees. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

NEWBOLD'S ASSET MANAGEMENT MARCH 31, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the March 31, 1988 quarterly report from Newbold's Asset. Harry K. Hiestand reviewed the report with the Board.

Mr. Friery moved to accept the report. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

May 23, 1988

DELAWARE INVESTMENT ADVISERS MARCH 31, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the March 31, 1988 quarterly report from Delaware Investment Advisers. George Deming reviewed the report with the Board.

Mr. Friery moved to accept the report. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

BATTERYMARCH MARCH 31, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the March 31, 1988 quarterly report from Batterymarch. Richard Gula reviewed the report with the Board.

Mr. Friery moved to accept the report. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

ALLIANCE CAPITAL MARCH 31, 1988 PERFORMANCE REVIEW
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Alliance Capital's March 31, 1988 Performance Review.

SEI PERFORMANCE SUMMARY AND MARKET INDEXES, MARCH 1988
ACCEPTED AS INFORMATIONAL

The Board accepted as informational SEI's March 1988 Performance Summary and Market Indexes.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPONCONSENT AND AGREEMENT OF REORGANIZATION OF DELAWARE INVESTMENT ADVISERS
APPROVED

The Board received and reviewed the documents submitted by Delaware Investment Advisers regarding change in ownership. After discussion, Mr. Friery moved the Chair execute the consent agreement. The motion was seconded

by Ms. Masuoka and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

AGREEMENT AMENDMENT, LEXINGTON CAPITAL MANAGEMENT, INC. AND AGREEMENT
AMENDMENT, AXE-HOUGHTON MANAGEMENT, INC.
APPROVED

Richard E. Snyder, Secretary to the Board, informed the Board that Lexington Capital Management, Inc. and Axe-Houghton Management, Inc. have submitted for Board's approval amended language of Exhibit C which recognizes their individual investment style.

Ms. Masuoka moved to approve the amended language of each Exhibit C. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

REPORTS OF SECRETARY

Secretary Richard Snyder informed the Board that at the May 17, 1988 City Council meeting Mr. DeCamilla and Mr. Friery reviewed the 1986-87 Annual Report with the Council.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

Mr. Friery recommended the Board make an annual presentation to the City Council of the SCERS annual report.

Mr. Friery has written to Barron's publication to correct erroneous articles that appeared in the March 14, 1988 and March 21, 1988 issues regarding investments of the City and SCERS.

Mr. Friery attended a meeting of the International Real Estate Management Group and made a presentation on the system's unfunded liability and real estate investment assets.

May 23, 1988

Mr. Friery has finalized his response to the Mayor regarding the system's real estate investment policy. Board members will be receiving a copy.

There being no further business, the meeting was adjourned at 3:40 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF MARCH 31, 1988

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	4,141,892	0	0	0	4,141,892
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS.	4,051,354	1,629,182	0	150,217,781	155,898,317
REAL ESTATE MORTGAGE	1,691,517	0	0	5,857,486	7,549,003
UTILITY STOCKS	0	662,925	0	14,693,465	15,356,390
TOTAL FIXED	5,742,871	2,292,107	0	170,768,732	178,803,710
EQUITY:					
ALLIANCE	0	10,906,827	0	12,488,481	23,395,308
BATTERYMARCH	0	1,421,445	0	26,053,609	27,475,054
DELAWARE	0	1,541,172	0	25,995,718	27,536,890
NEWBOLD'S	4,026,667	2,340,216	0	21,333,386	27,700,269
GOLD & SILVER	159,547	0	0	2,874,400	3,033,947
REAL ESTATE EQUITY	1,741,782	0	0	21,699,479	23,441,261
LESS: LOAN PAYABLE	0	0	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	5,927,996	16,209,660	0	104,445,073	126,582,729
TOTAL	15,812,759	18,501,767	0	275,213,805	309,528,331

1/ This column represents the amount available for investment for each category derived by adding to or subtracting from the previous period's balance all invested income (interest, dividend, gains, losses, etc.) and all contribution transfers.

SCERS - STATEMENT OF ASSETS @ MARKET VALUE
AS OF MARCH 31, 1988

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	4,141,892	0	0	0	4,141,892
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS.	4,051,354	1,629,182	0	144,669,179	150,349,715
REAL ESTATE MORTGAGE	1,691,517	0	0	6,086,168	7,777,685
UTILITY STOCKS	0	662,925	0	12,780,738	13,443,663
TOTAL FIXED	5,742,871	2,292,107	0	163,536,085	171,571,063
EQUITY:					
ALLIANCE	0	10,906,827	0	12,617,682	23,524,509
BATTERYMARCH	0	1,421,445	0	27,391,071	28,812,516
DELAWARE	0	1,541,172	0	24,387,875	25,929,047
NEWBOLD'S	4,026,667	2,340,216	0	19,478,869	25,845,752
GOLD & SILVER	159,547	0	0	2,422,525	2,582,072
REAL ESTATE EQUITY	1,741,782	0	0	22,580,000	24,321,782
LESS: LOAN PAYABLE	0	0	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	5,927,996	16,209,660	0	102,878,022	125,015,678
TOTAL	15,812,759	18,501,767	0	266,414,107	300,728,633

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 3/1/88 TO 3/31/88

	BALANCE 2/29/88	INTEREST INCOME			GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 3/31/88
		POOL A	PAC HDR	INVESTMENT						
EXTERNAL CONTRIBUTION	3,531,531	28,072						582,289		4,141,892
BONDS, 2ND TD'S, & MTG. BK. CERTS	154,459,627	43,445	3,849	1,399,127	(1,731)					155,896,317
REAL ESTATE MORTGAGES	7,462,250	18,234		68,519						7,549,003
UTILITY STOCKS	15,267,662		1,568		87,160	0				15,356,390
EQUITY:										
ALI LANCE	23,302,252		8,439		46,405	38,212				23,395,308
BATTERYMARCH	27,313,716		1,391		116,292	43,655				27,475,054
DELAWARE	27,377,156		12,716		147,019	0				27,536,892
MEGOLD'S	27,548,170	26,667	11,642		113,790	0				27,700,269
GOLD & SILVER	3,032,871			1,076		0				3,033,947
REAL ESTATE EQUITY	23,379,607	31,029					80,000	(49,375)		23,441,261
LOAN PAYABLE	(6,000,000)									(6,000,000)
TOTAL	306,674,841	147,441	39,605	1,468,722	510,666	74,136	80,000	(49,375)	582,289	309,528,331

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF MARCH 31, 1988

AMENDED

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	15,812,759	15,812,759	1,296,646	8.20%	8.20%
PAC HORIZONS MONEY MARKET FUND	18,501,767	18,501,767	1,234,675	6.67%	6.67%
SCERS INVESTMENT POOLS	0	0	0	0.00%	0.00%
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	150,217,781	144,669,179	13,287,753	8.88%	9.18%
REAL ESTATE MORTGAGE	5,857,486	6,086,168	679,087	11.59%	11.25%
UTILITY STOCKS	14,693,465	12,780,738	929,024	6.32%	7.27%
EQUITY:					
ALLIANCE	12,488,481	12,617,682	150,452	1.20%	1.51%
BATTERYMARCH	26,053,609	27,391,071	767,200	2.91%	2.80%
DELAWARE	25,995,718	24,287,911	1,334,386	5.09%	5.43%
HEMBOLD'S	21,333,386	21,333,386	873,640	4.10%	4.49%
CONSTITUTIONAL	2,874,400	2,874,400	0	0.00%	0.00%
REAL ESTATE MORTGAGE	21,699,479	21,522,000	1,490,500	6.87%	6.60%
LOAN PAYABLE	(6,000,000)	(6,000,000)	(592,500)	-9.88%	-9.88%
TOTAL	<u>309,309,331</u>	<u>300,728,633</u>	<u>21,479,835</u>	<u>6.94%</u>	<u>7.14%</u>

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF MARCH 31, 1988

	1/ COST	1/ MARKET	%AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED BASED UPON COST	2/ OVER (UNDER) INVESTED BASED UPON MARKET
EXTERNAL CONTRIBUTIONS	4,141,892	4,141,892	0.00%	0	4,141,892	4,141,892
FIXED:						
BONDS, 2ND TD'S, & MTG. BK. CERTS.	155,898,317	150,349,715	50.50%	156,311,807	(413,490)	(5,962,092)
REAL ESTATE MORTGAGE	7,549,003	7,777,685	2.50%	7,738,208	(189,205)	39,477
UTILITY STOCKS	15,356,390	13,443,663	5.00%	15,476,417	(120,027)	(2,032,754)
TOTAL FIXED	178,803,710	171,571,063	58.00%	179,526,432	(722,722)	(7,955,369)
EQUITY:						
ALLIANCE	23,395,308	23,524,509	8.00%	24,762,266	(1,366,958)	(1,237,757)
BATTERYMARCH	27,475,054	28,812,516	9.00%	27,857,550	(382,496)	954,966
DELAWARE	27,536,890	25,929,047	9.00%	27,857,550	(320,660)	(1,928,503)
NEWBOLD'S	27,700,269	25,845,752	9.00%	27,857,550	(157,281)	(2,011,798)
GOLD & SILVER	3,033,947	2,582,072	1.00%	3,095,283	(61,336)	(513,211)
REAL ESTATE EQUITY	23,441,261	24,321,782	6.00%	18,571,700	4,869,561	5,750,082
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)	0.00%	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	126,582,729	125,015,678	42.00%	130,001,899	(3,419,170)	(4,986,221)
TOTAL	309,528,331	300,728,633	100.00%	309,528,331	0	(8,799,698)

1/ Includes cash for each investment category. See Attachment A-1 and Attachment A-1A for the breakdown of cash and investments at cost and market respectively.

2/ These two columns represent the amount over (under) invested for each category (Cost/Market) based upon the Board's asset allocation policy. These are the amounts to be considered should the Board decide to reallocate assets as of this date. The last reallocation was as of 12/31/87 and became effective 2/29/88. Effective 1/25/88 the Board adopted a resolution which reduced Alliance's allocation from 10% to 8% and increased the Corporate Bond's allocation from 48.50% to 50.50%.

Effective March 31, 1988, the services of Alliance Capital Management were terminated, and effective April 1, 1988, the Board appointed Aye-Houghton Management, Inc. and Lexington Capital Management, Inc.

ATTACHMENT A-5

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR MARCH 1988

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$0	\$68,000	(\$65,680)	\$2,320
MTG BACKED	\$0	\$161,322	(\$163,736)	(\$2,414)
2ND TD'S	\$0	\$59,105	(\$66,741)	(\$7,636)
REAL ESTATE MORTGAGES:	\$0	\$18,374	(\$18,374)	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$0	\$306,801	(\$314,531)	(\$7,730)
EQUITY:				
ALLIANCE	\$1,004,925	\$10,359,707	(\$10,321,494)	\$38,213
BATTERYMARCH	\$2,046,013	\$2,265,634	(\$2,222,938)	\$42,696
DELAWARE	\$0	\$0	\$0	\$0
NEWBOLD'S	\$271,584	\$0	\$0	\$0
GOLD & SILVER	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$3,322,522	\$12,625,341	(\$12,544,432)	\$80,909
TOTAL	\$3,322,522	\$12,932,142	(\$12,858,963)	\$73,179

1] For detailed listings of activity, see Attachments 'B' through 'H'.