

January 7, 1991

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
January 7, 1991

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in Conference Room 101, 921 - 10th Street, at 1:30 p.m. on January 7, 1991.

PRESENT: Crist, Frierson, Sperling

ABSENT: Masuoka, DeCamilla

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD NOVEMBER 26, 1990
APPROVED

The Board received and reviewed the minutes of the regular meeting held November 26, 1990. Mr. Crist moved the minutes be approved. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, Frierson, Sperling

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the October 1990 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report with the Board.

January 7, 1991

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

AYES: Crist, Frierson, Sperling

NOES: None

Ms. Carter informed the Board that Rich Gula, the system's portfolio manager with Batterymarch, is no longer with Batterymarch. Larry Spiedel has replaced Mr. Gula as the portfolio manager.

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT

ACCEPTED

The Board received the December 1990 Real Estate Advisor's report, submitted by W. Jim Smith of WJS & Associates.

Ms. Crist moved to accept the report and to continue the issue of replacing the trees on the Discovery Plaza property until the February 1991 meeting, when Mr. Smith will be present. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, Frierson, Sperling

NOES: None

SEI SEPTEMBER 30, 1990 QUARTERLY PERFORMANCE REPORT

ACCEPTED

The Board received SEI's performance report for the quarter ending September 30, 1990. As in the last several performance reviews, Mr. McLaughlin focused on the performance of Batterymarch and discussed the performance of the other equity managers, knowing the Board will be considering the asset allocation policy in February.

January 7, 1991

Mr. McLaughlin discussed establishing a "custom benchmark for the fund." SEI currently provides this service for other funds. Mr. McLaughlin wanted the Board to be aware of this concept.

BATTERYMARCH SEPTEMBER 30, 1990 QUARTERLY REPORT
ACCEPTED

The Board received the September 30, 1990 quarterly report from Batterymarch.

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

AYES: Crist, Frierson, Sperling

NOES: None

BATTERYMARCH OCTOBER 1990 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Batterymarch's October 1990 performance report.

LEXINGTON CAPITAL MANAGEMENT OCTOBER 1990 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Lexington's October 1990 performance report.

DELAWARE INVESTMENT ADVISERS NOVEMBER 1990 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Delaware's November 1990 performance report.

CORRESPONDENCE - TOWERS, PERRIN, FORSTER & CROSBY
ACCEPTED AS INFORMATIONAL

Per the Board's request David LeSueur, the system's actuary, provided statistical information on actual retirements during the last five years. The Board accepted this as informational.

January 7, 1991

POLICY MATTERS TO BE CONSIDERED AND ACTED UPONRESOLUTION ADOPTING CITY CONTRIBUTION RATES TO SCERS FOR FISCAL YEAR
1990-91 - CONTINUED
ADOPTED AS AMENDED

This item was continued from the last meeting in order to receive comments from Ms. Masuoka. Since Ms. Masuoka was unable to attend this meeting, she informed Yvonne Berdan, Retirement Officer, that she recommended the resolution be amended to incorporate language from the actuarial report that the City's contribution rate for amortization of the unfunded actuarial accrued liability is 0.74% of total payroll or the equivalent to 1.17% of total miscellaneous payroll.

Mr. Crist moved to amend the resolution. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, Frierson, Sperling

NOES: None

REPORTS OF SECRETARYSACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM ANNUAL FINANCIAL REPORT JUNE
30, 1990
ACCEPTED AS INFORMATIONAL

The Board accepted as informational the Sacramento City Employees' Retirement System Annual Financial Report, June 30, 1990. The Board complimented staff for an excellent and timely report.

Mr. DeCamilla and Mr. Friery will present the report to the City Council.

CALAPRS GENERAL ASSEMBLY

Margaret Allen, Secretary to the Board, distributed information regarding CALAPRS General Assembly, scheduled for March 3-4 in Palm Springs. Ms. Allen informed the Board because of budget constraints she would not be attending this meeting but plans to attend the 1992 General

January 7, 1991

Assembly to be held in northern California. Ms. Allen informed the Board that she attends the quarterly CALAPRS System Administrators meetings.

CLOSED SESSION - REAL PROPERTY TRANSACTIONS (GOVERNMENT CODE SECTION 54956.8) AND PENDING LITIGATION (GOVERNMENT CODE SECTION 54956.9(a))

The Board adjourned to closed session at 2:30 p.m.

The Board reconvened to open session at 2:45 p.m.

There being no further business, the meeting was adjourned at 2:45 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF OCTOBER 31, 1990

	CASH		INVESTMENTS	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR	@ COST	
OPERATING CASH	(1,145,709)			(1,145,709)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	(607,879)	1,067,230	143,131,523	143,590,874
REAL ESTATE MORTGAGE	3,116,497		8,245,796	11,362,293
UTILITY STOCKS	914,935	1,064,514	11,931,597	13,911,045
TOTAL FIXED	3,423,553	2,131,744	163,308,916	168,864,213
EQUITY:				
AXE-HOUGHTON	11,487	300,159	10,032,620	10,344,265
BATTERYMARCH		901,614	8,825,632	9,727,246
DELAWARE		3,162,636	24,636,858	27,799,493
LEXINGTON	769	1,123,358	10,993,734	12,117,861
NEWBOLDS	51,878	4,357,683	20,086,224	24,495,785
REAL ESTATE EQUITY	3,259,180		23,039,904	26,299,083
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	3,323,313	9,845,450	91,614,971	104,783,734
GRAND TOTAL	5,601,157	11,977,193	254,923,888	272,502,238

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.

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 9/30/90 - 10/31/90

	BALANCE 9/30/90	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 10/31/90
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	(1,719,553)								(226,152)	799,996	(1,145,709)
FIXED:											
BONDS, 2ND TD'S, & MTC. BK. CRTS	143,521,967	0	8,651	860,729		(476)				(799,996)	143,590,875
REAL ESTATE MORTGAGES	11,285,932	0		76,361							11,362,293
UTILITY STOCKS	13,825,568	0	6,056		79,422	0					13,911,045
EQUITY:											
AIX-HOUGHTON	10,347,235	0	6,657		94	(9,720)					10,344,266
BATTERYMARCH	9,951,959		21,863		6,154	(252,731)					9,727,246
DELAWARE	28,470,723		21,951		112,237	(805,417)					27,799,494
LEINGTON	12,332,571	0	23,130		8,522	(246,363)					12,117,860
NEWBOLDS	24,121,515	0	86,106		21,678	266,486					24,495,785
REAL ESTATE EQUITY LOAN PAYABLE	26,206,083 (6,000,000)	0					142,375	(49,375)			26,299,083 (6,000,000)
GRAND TOTAL	272,344,000	0	174,415	937,090	228,107	(1,048,221)	142,375	(49,375)	(226,152)	0	272,502,239
YEAR TO DATE:	271,043,656	29,292	597,018	4,920,536	956,382	(1,391,819)	633,500	(197,500)	(4,088,826)	0	272,502,239

ATTACHMENT A-1A

SCERS -- STATEMENT OF ASSETS @ MARKET VALUE
AS OF OCTOBER 31, 1990

	CASH		INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	(1,145,709)			(1,145,709)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	(607,879)	1,067,230	139,871,260	140,330,610
REAL ESTATE MORTGAGE	3,116,497		8,522,262	11,638,759
UTILITY STOCKS	914,935	1,064,514	11,160,863	13,140,311
TOTAL FIXED	3,423,553	2,131,744	159,554,384	165,109,680
EQUITY:				
AXE-HOUGHTON	11,487	300,159	9,471,942	9,783,588
BATTERYMARCH		901,614	8,459,738	9,361,352
DELAWARE		3,162,636	22,878,557	26,041,192
LEXINGTON	769	1,123,358	10,498,178	11,622,305
NEWBOLDS	51,878	4,357,683	19,032,979	23,442,540
REAL ESTATE EQUITY	3,259,180		22,580,000	25,839,180
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	3,323,313	9,845,450	86,921,394	100,090,156
GRAND TOTAL	5,601,157	11,977,193	246,475,778	264,054,128

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF OCTOBER 31, 1990

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	5,601,157	5,601,157	484,500	8.65%	8.65%
PAC HORIZONS MONEY MARKET FUND	11,977,193	11,977,193	919,848	7.68%	7.68%
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	143,131,523	139,871,260	13,206,614	9.23%	9.44%
REAL ESTATE MORTGAGE	8,245,796	8,522,262	852,746	10.34%	10.01%
UTILITY STOCKS	11,931,597	11,160,863	746,562	6.26%	6.69%
EQUITY:					
AXE-HOUGHTON	10,032,620	9,471,942	26,090	0.26%	0.28%
BATTERYMARCH	8,825,632	8,459,738	263,361	2.98%	3.11%
DELAWARE	24,636,858	22,878,557	1,276,889	5.18%	5.58%
LEXINGTON	10,993,734	10,498,178	246,005	2.24%	2.34%
NEWBOLDS	20,086,224	19,032,979	1,090,937	5.43%	5.73%
REAL ESTATE EQUITY	23,039,904	22,580,000	1,989,500 1/	8.64%	8.81%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
GRAND TOTAL	272,502,238	264,054,128	21,103,052 2/	7.74%	7.99%

1/ Per Board Resolution # 86-007, dated 6/23/86, Real Estate Equity can be leveraged up to 50% of the System's Portfolio and up to 75% of the purchase price of a particular property. The Discovery Plaza Property purchased for \$10 million was leveraged with a \$6 million-9.875% note dated 2/24/87 payable to the Travelers Insurance Company. Annual interest expense on this loan is \$592,500.

2/ The estimated annual income represents only interest and dividends, and does not include Capital Gains, Administrative Expenses and Debt Service. The Capital Gains for the prior fiscal year 1989/90 was \$8.5 million. Administrative Expenses for this same period were \$119,000 for Banking and Trustee Fees, \$748,000 for Investment Manager Fees, \$592,500 for Interest Expense on Note Payable (Discovery Plaza), and \$1,008,000 for Real Estate Maintenance and Repair Expenses. Although we are unable to estimate Capital Gains for Fiscal Year 1990/91, we anticipate that the other expenses should remain fairly constant. These additional income and expense items should be considered in determining the funds total performance.

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF OCTOBER 31, 1990

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	(1,145,709)	(1,145,709)			(1,145,709)
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	143,590,874	140,330,610	51.00%	138,976,141	4,614,733
REAL ESTATE MORTGAGE	11,362,293	11,638,759	4.00%	10,900,090	738,669
UTILITY STOCKS	13,911,045	13,140,311	5.00%	13,625,112	285,933
TOTAL FIXED	168,864,213	165,109,680	60.00%	163,501,343	5,639,336
EQUITY:					
AXE-HOUGHTON	10,344,265	9,783,588	4.00%	10,900,090	(555,824)
BATTERYMARCH	9,727,246	9,361,352	4.00%	10,900,090	(1,172,843)
DELAWARE	27,799,493	26,041,192	11.00%	29,975,246	(2,175,753)
LEXINGTON	12,117,861	11,622,305	5.00%	13,625,112	(1,507,251)
NEWBOLDS	24,495,785	23,442,540	9.00%	24,525,201	(29,417)
REAL ESTATE EQUITY	26,299,083	25,839,180	7.00%	19,075,157	1,223,927
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	104,783,734	100,090,156	40.00%	109,000,895	(4,217,161)
GRAND TOTAL	272,502,238	264,054,128	100.00%	272,502,238	276,466

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/ This column represents 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 of this date. The last reallocation was as of 12/31/89 and became effective 2/28/90.

Should the Board reallocate as of October 31, 1990, \$276,466 would be allocated to the managers according to the percentages authorized.

1)
SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR OCTOBER 1990

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$0	\$55,000	(\$56,218)	(\$1,218)
MTG BACKED	\$0	\$197,503	(\$196,761)	\$742
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$0	\$252,503	(\$252,979)	(\$476)
EQUITY:				
AXE-HOUGHTON	\$2,189,650	\$1,388,206	(\$1,397,926)	(\$9,720)
BATTERYMARCH	\$167,506	\$636,441	(\$889,172)	(\$252,731)
DELAWARE	\$1,624,290	\$1,122,810	(\$1,928,227)	(\$805,417)
LEXINGTON	\$3,837,186	\$569,009	(\$815,372)	(\$246,363)
NEWBOLDS	\$872,324	\$2,024,290	(\$1,757,805)	\$266,486
TOTAL EQUITY	\$8,690,955	\$5,740,756	(\$6,788,502)	(\$1,047,745)
GRAND TOTAL	\$8,690,955	\$5,993,259	(\$7,041,480)	(\$1,048,221)

1) For detailed listings of activity, see Attachments "B" through "I".