

January 28, 1991

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
January 28, 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 28, 1991.

PRESENT: Crist, Frierson, Masuoka, Sperling, DeCamilla

ABSENT: None

CONSENT CALENDAR

ELECTION OF CHAIRPERSON FOR CALENDAR YEAR 1991

Chairman David DeCamilla opened the nominations for Chairman of the Board for calendar year 1991. Mr. Sperling nominated David DeCamilla. The nomination was seconded by Ms. Frierson. Mr. DeCamilla was re-elected Chairman by the following vote:

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

ELECTION OF VICE-CHAIRPERSON FOR CALENDAR YEAR 1991

Chairman David DeCamilla opened the nominations for Vice Chairman of the Board for calendar year 1990. Ms. Masuoka nominated Jack Crist. The nomination was seconded by Ms. Frierson. Mr. Crist nominated Ms. Masuoka. There was no second. Mr. Crist was elected Vice Chairman by the following vote:

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

January 28, 1991

MINUTES OF REGULAR MEETING HELD JANUARY 7, 1991
APPROVED

The Board received and reviewed the minutes of the regular meeting held January 7, 1991. Mr. Crist moved the minutes be approved. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

INVESTMENTS -- TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the November, 1990 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, informed the Board that she and Ms. Michelle Stenoski have changed job duties and Ms. Stenoski will be reporting to the Board. Ms. Stenoski reviewed the report with the Board. Ms. Stenoski informed the Board that at the February meeting the asset diversification and allocation report will be presented.

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

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

ANNUAL PROXY REPORT
ACCEPTED AS INFORMATIONAL

As per AIFM Board Resolution #79-002, the Treasurer is to vote proxy proposals of corporations owned by SCERS and report the results of the proxy voting to the Board annually.

Deborah Carter, Investment Officer, presented a summary of the proxies voted last fiscal year. A complete listing of each proxy voted is on file with the AIFM Board Secretary and the Treasurer's office.

January 28, 1991

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the January, 1991 Real Estate Advisor's report, submitted by W. Jim Smith of WJS & Associates.

Ms. Masuoka moved to accept the Real Estate Advisor's Report. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

BATTERYMARCH, NOVEMBER, 1990 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

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

LEXINGTON CAPITAL MANAGEMENT, INC., NOVEMBER 1990 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

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

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

RESOLUTION ADOPTING CITY CONTRIBUTION RATES TO SCERS FOR FISCAL YEAR 1990-91 (CONTINUED)
ADOPTED

Ms. Masuoka expressed her appreciation that the Board continued this matter until she had an opportunity to express her comments.

After discussion, Mr. Sperling moved that the resolution establishing the City's contribution rates to SCERS for fiscal year 1990-91 be adopted. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

January 28, 1991

REPORTS OF SECRETARYTERMS OF BOARD MEMBERS
CONTINUED

The Board received copies of Ordinance 90-040 which limits terms of board and commission appointments to two consecutive terms.

Joseph McInerney, Counsel to the Board, is currently researching this matter as it relates to the AIFM Board. Sacramento City Charter Section 381 specifically defines the terms of the appointed members and does not place a term limitation. Mr. McInerney will report back to the Board after completing his research.

The Board expressed their concern about placing a two term limitation as there is a significant learning curve for appointed members.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

In addition to the regular meeting scheduled for February 25, 1991, the Board scheduled a special meeting for February 25, 1991, to discuss asset allocation and diversification.

There being no further business, the meeting was adjourned at 2:00 p.m. to meet again at the call of the chair.

ATTACHMENT A-1A

SCERS - STATEMENT OF ASSETS @ MARKET VALUE
AS OF NOVEMBER 30, 1990

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @-MARKET
	POOL A	PAC HOR		
OPERATING CASH	(2,162,989)			(2,162,989)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	(279,035)	1,393,045	142,132,647	143,246,657
REAL ESTATE MORTGAGE	3,200,202		8,514,362	11,714,564
UTILITY STOCKS	914,935	333,490	12,261,456	13,509,881
TOTAL FIXED	3,836,102	1,726,535	162,908,465	168,471,102
EQUITY:				
AXE-HOUGHTON	11,487	282,462	10,578,617	10,872,565
BATTERYMARCH		973,954	8,692,973	9,666,927
DELAWARE		3,525,939	24,265,763	27,791,701
LEXINGTON	769	182,118	12,132,081	12,314,968
NEWBOLDS	51,878	3,360,140	21,258,912	24,670,931
REAL ESTATE EQUITY	3,299,180		22,580,000	25,879,180
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	3,363,313	8,324,613	93,508,346	105,196,272
GRAND TOTAL	5,036,426	10,051,148	256,416,811	271,504,385

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SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 10/31/90 - 11/30/90

	BALANCE 10/31/90	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 11/30/90
		POOL - A	PAC - HOR	INVESTMENT							
OPERATING CASH	(1,145,709)								(2,119,514)	1,102,234	(2,162,989)
FIXED:											
BONDS, 2ND TD'S, & MTC. BK. CERTS	143,590,875	0	6,244	1,095,990		15,342				(1,102,234)	143,606,218
REAL ESTATE MORTGAGES	11,362,293	0		76,292							11,438,585
UTILITY STOCKS	13,911,045	0	6,844		68,003	0					13,985,892
EQUITY:											
AIX-HOUGHTON	10,344,266	0	4,181		850	(152,041)					10,197,256
BATTERYMARCHE	9,727,246		5,660		20,027	(110,343)					9,642,590
DELAWARE	27,799,494		24,532		90,411	(525,772)					27,388,665
LEXINGTON	12,117,860	0	18,674		9,997	(1,607)					12,144,925
NEWBOLDS	24,495,745	0	56,584		23,875	0					24,576,245
REAL ESTATE EQUITY LOAN PAYABLE	26,299,083 (6,000,000)	0					89,375	(49,375)			26,339,083 (6,000,000)
GRAND TOTAL	272,502,230	0	122,720	1,172,282	213,162	(774,421)	89,375	(49,375)	(2,119,514)	0	271,156,467
YEAR TO DATE:	271,043,656	29,292	719,738	6,092,817	1,169,544	(2,166,240)	722,875	(246,875)	(6,208,340)	0	271,156,467

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF NOVEMBER 30, 1990

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	5,036,426	5,036,426	435,651	8.65%	8.65%
PAC HORIZONS MONEY MARKET FUND	10,051,148	10,051,148	761,877	7.58%	7.58%
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	142,492,207	142,132,647	13,151,921	9.23%	9.25%
REAL ESTATE MORTGAGE	8,238,383	8,514,362	851,985	10.34%	10.01%
UTILITY STOCKS	12,737,467	12,261,456	794,362	6.24%	6.48%
EQUITY:					
AXE-HOUGHTON	9,903,306	10,578,617	31,688	0.32%	0.30%
BATTERYMARCH	8,668,635	8,692,973	259,857	3.00%	2.99%
DELAWARE	23,862,726	24,265,763	1,233,762	5.17%	5.08%
LEXINGTON	11,962,038	12,132,081	273,687	2.29%	2.26%
NEWBOLDS	21,164,226	21,258,912	1,156,278	5.46%	5.44%
REAL ESTATE EQUITY	23,039,904	22,580,000	1,959,500 1/	8.50%	8.68%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
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GRAND TOTAL	271,156,467	271,504,385	20,910,568 2/	7.71%	7.70%
	=====	=====	=====	=====	=====

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.

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF NOVEMBER 30, 1990

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	(2,162,989)	(2,162,989)			(2,162,989)
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	143,606,217	143,246,657	51.00%	138,289,798	5,316,419
REAL ESTATE MORTGAGE	11,438,585	11,714,564	4.00%	10,846,259	868,306
UTILITY STOCKS	13,985,892	13,509,881	5.00%	13,557,823	428,069
TOTAL FIXED	169,030,694	168,471,102	60.00%	162,693,880	6,612,793
EQUITY:					
AXE-HOUGHTON	10,197,255	10,872,565	4.00%	10,846,259	26,307
BATTERYMARCH	9,642,590	9,666,927	4.00%	10,846,259	(1,179,331)
DELAWARE	27,388,664	27,791,701	11.00%	29,827,211	(2,035,510)
LEXINGTON	12,144,925	12,314,968	5.00%	13,557,823	(1,242,855)
NEWBOLDS	24,576,244	24,670,931	9.00%	24,404,082	266,849
REAL ESTATE EQUITY	26,339,083	25,879,180	7.00%	18,980,953	1,358,131
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	104,288,762	105,196,272	40.00%	108,462,587	(2,806,411)
GRAND TOTAL	271,156,467	271,504,385	100.00%	271,156,467	1,643,393

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 November 30, 1990, \$1,623,393 would be allocated to the managers according to the percentages authorized.

ATTACHMENT A-5

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR NOVEMBER 1990

1]

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$1,976,562	\$2,367,425	(\$2,350,000)	\$17,425
MTG BACKED	\$0	\$263,458	(\$265,541)	(\$2,083)
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$805,871	\$0	\$0	\$0
TOTAL FIXED	\$2,782,433	\$2,630,883	(\$2,615,541)	\$15,342
EQUITY:				
AXE-HOUGHTON	\$1,449,204	\$1,426,476	(\$1,578,517)	(\$152,041)
BATTERYMARCH	\$443,114	\$488,625	(\$598,967)	(\$110,342)
DELAWARE	\$0	\$248,360	(\$774,132)	(\$525,772)
LEXINGTON	\$974,717	\$4,806	(\$6,413)	(\$1,607)
NEWBOLDS	\$1,078,002	\$0	\$0	\$0
TOTAL EQUITY	\$3,945,037	\$2,168,267	(\$2,958,030)	(\$789,763)
GRAND TOTAL	\$6,727,470	\$4,799,150	(\$5,573,571)	(\$774,421)

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