

November 25, 1991

MINUTES  
REGULAR MEETING OF THE  
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM  
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD  
November 25, 1991

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in Conference Room 101, 921 Tenth Street, at 1:30 p.m. on November 25, 1991.

PRESENT: Crist, Sperling, DeCamilla

ABSENT: Frierson, Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD OCTOBER 28, 1991  
APPROVED

The Board received and reviewed the minutes of the regular meeting held October 28, 1991. Mr. Crist moved to approve the minutes. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, Sperling, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT  
ACCEPTED

The Board received the September 1991 Treasurer's Investment Activity Report. Deborah Kanner, Investment Officer, reviewed the investment report with the Board.

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

AYES: Crist, Sperling, DeCamilla

NOES: None

November 25, 1991

REPORTS OF CONSULTANTS AND ADVISORSUTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO & PORTFOLIO RESULTS  
SEPTEMBER 30, 1991  
CONTINUED

This item was continued to next regular meeting.

REAL ESTATE ADVISOR'S REPORT  
ACCEPTED

The Board received the October 1991 Real Estate Advisor's Report continued from the October meeting and the November 1991 Real Estate Advisor's Report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed both reports with the Board.

Mr. Smith reported that the Larchmont property continues to run over budget due to the electricity cost. SMUD is currently doing a study on the building and the results are due out shortly.

Mr. Smith recommended postponing reroofing 1414 K until spring. Mr. Smith will do additional investigating on encapsulating the asbestos.

Mr. Smith informed the Board that the State Department of General Services requires buildings leased by the State to be asbestos free. The Department of Social Services has agreed to lease the fourth floor of 1414 K but the lease cannot be executed until an asbestos survey is completed; therefore, Mr. Smith recommended the Board approve an expenditure of \$2900.00 for an asbestos survey.

Mr. Crist moved to accept the two reports and approve the expenditure for the asbestos survey. The motion was seconded by Mr. Sperling and carried by the following vote:

AYES: Crist, Sperling, DeCamilla

NOES: None

November 25, 1991

COMMUNITY CENTER EXPANSION DRAFT SUPPLEMENTAL EIR  
ACCEPTED AS INFORMATIONAL

The Board received and accepted as informational correspondence from the City informing them that the Sacramento Convention Center draft supplemental environmental impact report was available. Mr. Smith informed the Board that the report was delivered to Dowling Associates for their review.

NEWBOLD'S ASSET MANAGEMENT SEPTEMBER 30, 1991 QUARTERLY REPORT  
PRESENTATION  
ACCEPTED

The Board received the September 30, 1991 quarterly report from Newbold's Asset Management. Harry Hiestand reviewed the report with the Board. Mr. Hiestand informed the Board that this will be his last presentation as he will be retiring.

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

AYES: Crist, Sperling, DeCamilla

NOES: None

DELAWARE INVESTMENT ADVISERS, SEPTEMBER 30, 1991 QUARTERLY REPORT  
PRESENTATION  
ACCEPTED

The Board received the September 30, 1991 quarterly report from Delaware Investment Advisers. Bernard Schaffer reviewed the report with the Board.

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

AYES: Crist, Sperling, DeCamilla

NOES: None

AXE-HOUGHTON MANAGEMENT, INC., SEPTEMBER 30, 1991, QUARTERLY REPORT  
ACCEPTED

The Board received the September 30, 1991 quarterly report from Axe-Houghton Management.

November 25, 1991

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

AYES: Crist, Sperling, DeCamilla

NOES: None

LEXINGTON CAPITAL MANAGEMENT, INC., SEPTEMBER 30, 1991, QUARTERLY REPORT  
ACCEPTED

The Board received and reviewed the September 30, 1991 Quarterly Report submitted by Lexington Capital Management, Inc.

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

AYES: Crist, Sperling, DeCamilla

NOES: None

BATTERYMARCH, SEPTEMBER 30, 1991, QUARTERLY REPORT  
ACCEPTED

The Board received and reviewed the September 30, 1991 Quarterly Report submitted by Batterymarch.

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

AYES: Crist, Sperling, DeCamilla

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

RESOLUTION ADOPTING SCERS FY 1991-92 CONTRIBUTION RATES  
ADOPTED

To formalize the action taken by the Board at the October 1991 meeting, Mr. Sperling moved to adopt the resolution setting the SCERS FY 1991-92 contribution rates. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Sperling, DeCamilla

NOES: None

November 25, 1991

REPORTS OF SECRETARY

1992 AIFM BOARD MEETING SCHEDULE  
ACCEPTED AS INFORMATIONAL

Margaret Allen, Secretary to the Board, distributed the 1992 AIFM Board meeting schedule.

TRANSMITTAL LETTER FOR SCERS FY 1990-91 ANNUAL REPORT  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational the annual transmittal letter.

CLOSED SESSION - PENDING LITIGATION

The Board adjourned to closed session to discuss the tentative decision rendered by the Superior Court of California regarding the transfer of the safety members from SCERS to PERS.

The Board reconvened in open session.

There being no further business, the meeting was adjourned at 3:15 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT  
AS OF SEPTEMBER 30, 1991

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	300,984			300,984
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	(243,608)	1,195,722	144,678,376	145,630,489
REAL ESTATE MORTGAGE	411,737		12,142,223 2/	12,553,960
UTILITY STOCKS	1,827,058	199,398	12,908,033	14,934,489
TOTAL FIXED	1,995,187	1,395,120	169,728,632	173,118,938
EQUITY:				
AXE-HOUGHTON		1,454,296	10,570,553	12,024,849
BATTERYMARCH		1,072,341	7,431,034	8,503,375
DELAWARE		1,690,536	28,873,354	30,563,890
LEXINGTON		8,563,224	4,839,623	13,402,847
NEWBOLDS		1,399,432	23,986,782	25,386,214
REAL ESTATE EQUITY	349,939		27,430,004 3/	27,779,942
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	349,939	14,179,828	97,131,350	111,661,117
GRAND TOTAL	2,646,109	15,574,948	266,859,982	285,081,039

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.

2/ Included is \$1.5 million Commercial Paper due 10/2/91 to be used for any future Real Estate Mortgage Investments.

3/ Included is \$4.4 million Commercial Paper due 10/2/91 to be used for any future Real Estate Equity Investments.

ATTACHMENT A-1A

SCERS - STATEMENT OF ASSETS @ MARKET VALUE  
AS OF SEPTEMBER 30, 1991

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	300,984			300,984
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	(243,608)	1,195,722	151,469,055	152,421,168
REAL ESTATE MORTGAGE	411,737		12,612,671	13,024,408
UTILITY STOCKS	1,827,058	199,398	13,412,381	15,438,837
TOTAL FIXED	1,995,187	1,395,120	177,494,107	180,884,413
EQUITY:				
AXE-HOUGHTON		1,454,296	12,443,276	13,897,572
BATTERYMARCH		1,072,341	8,313,690	9,386,031
DELAWARE		1,690,536	32,261,863	33,952,399
LEXINGTON		8,563,224	7,288,392	15,851,616
NEWBOLDS		1,399,432	26,764,558	28,163,990
REAL ESTATE EQUITY	349,939		26,970,100	27,320,039
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	349,939	14,179,828	108,041,879	122,571,646
GRAND TOTAL	2,646,109	15,574,948	285,535,986	303,757,043

ATTACHMENT A-2

SCRS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT  
FOR THE PERIOD 8/31/91 - 9/30/91

	BALANCE 8/31/91	INTEREST INCOME				GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 9/30/91
		POOL A	PAC HOR	INVESTMENT	DIV						
OPERATING CASH	1,279,476	24,795						(2,110,820)	1,107,541	300,984	
FIXED:											
BONDS, 2ND TD'S, & NYC. BK. CERTS	145,623,209	15,833	31,957	1,076,201		1,609		(10,779)	(1,107,541)	145,630,489	
REAL ESTATE MORTGAGES	12,451,603	14,614		87,744						12,553,961	
UTILITY STOCKS	14,854,512	42,459	1,021		36,498	0				14,934,489	
EQUITY:											
AIX-MOUGHTON	12,053,600	0	9,182		9,835	(47,047)				12,024,849	
BATTERYMARSH	8,390,979		6,863		22,891	74,642				8,503,375	
DELAWARE	30,448,545		4,223		186,156	(75,034)				30,563,890	
LEWINGTON	13,164,136	0	30,341		15,024	182,566		10,779		13,402,847	
NEWBOLDS	25,259,550	0	104,051		9,136	13,476				25,396,213	
REAL ESTATE EQUITY LOAN PAYABLE	27,597,207 (6,000,000)	15,938		5,546			260,000	(90,750)		27,779,941 (6,000,000)	
GRAND TOTAL	285,130,897	113,639	147,638	1,169,491	270,740	150,212	260,000	(90,750)	(2,110,820)	0	285,081,039
YEAR TO DATE:	283,083,423	113,639	400,976	3,229,407	761,130	1,437,277	394,375	(140,125)	(4,991,063)	0	285,081,039



ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN  
AS OF SEPTEMBER 30, 1991

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
<b>CASH</b>					
CITY POOL A	2,646,109	2,646,109	215,235	8.13%	8.13%
PAC HORIZONS MONEY MARKET FUND	15,574,948	15,574,948	892,445	5.73%	5.73%
<b>FIXED:</b>					
BONDS, 2ND TD'S & MTG. BK CERTS	144,678,376	151,469,055	13,040,983	9.01%	8.61%
REAL ESTATE MORTGAGE	12,142,223	12,612,671	1,255,242	10.34%	9.95%
UTILITY STOCKS	12,908,033	13,412,381	814,308	6.31%	6.07%
<b>EQUITY:</b>					
AXE-HOUGHTON	10,570,553	12,443,276	15,685	0.15%	0.13%
BATTERYMARCH	7,431,034	8,313,690	157,101	2.11%	1.89%
DELAWARE	28,873,354	32,261,863	1,353,692	4.69%	4.20%
LEXINGTON	4,839,623	7,288,392	124,007	2.56%	1.70%
NEWBOLDS	23,986,782	26,764,558	1,153,286	4.81%	4.31%
REAL ESTATE EQUITY	27,430,004	26,970,100	2,059,850 1/	7.51%	7.64%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
<b>GRAND TOTAL</b>	<b>285,081,039</b>	<b>303,757,043</b>	<b>21,081,833 2/</b>	<b>7.40%</b>	<b>6.94%</b>

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 1990/91 was \$3.1 million. Administrative Expenses for this same period were \$87,000 for Banking and Trustee Fees, \$603,000 for Investment Manager Fees, \$592,500 for Interest Expense on Note Payable (Discovery Plaza), and \$1,025,000 for Real Estate Maintenance and Repair Expenses. All income and expense items are considered in determining the funds total performance.

## ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON  
COST/MARKET AS OF SEPTEMBER 30, 1991

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	300,984	300,984			300,984
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	145,630,489	152,421,168	53.00%	151,092,951	1,328,218
REAL ESTATE MORTGAGE	12,553,960	13,024,408	4.00%	11,403,242	1,621,166
UTILITY STOCKS	14,934,489	15,438,837	5.00%	14,254,052	1,184,785
TOTAL FIXED	173,118,938	180,884,413	62.00%	176,750,244	4,134,169
EQUITY:					
AXE-HOUGHTON	12,024,849	13,897,572	3.75%	10,690,539	3,207,033
BATTERYMARCH	8,503,375	9,386,031	3.00%	8,552,431	833,600
DELAWARE	30,563,890	33,952,399	10.75%	30,646,212	3,306,187
LEXINGTON	13,402,847	15,851,616	4.75%	13,541,349	2,310,266
NEWBOLDS	25,386,214	28,163,990	8.75%	24,944,591	3,219,399
REAL ESTATE EQUITY	27,779,942	27,320,039	7.00%	19,955,673	1,824,270
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	111,661,117	122,571,646	38.00%	108,330,795	14,700,755
GRAND TOTAL	285,081,039	303,757,043	100.00%	285,081,039	19,135,908

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 12/31/90 and became effective 2/25/91. The transfer of cash was completed in April 1991.

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY  
FOR SEPTEMBER 1991

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
<b>FIXED:</b>				
BONDS	\$1,500,000	\$151,003	(\$150,258)	\$745
MTG BACKED	\$0	\$215,046	(\$214,182)	\$864
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$7,991,620	\$1,500,000	(\$1,500,000)	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
<b>TOTAL FIXED</b>	<b>\$9,491,620</b>	<b>\$1,866,049</b>	<b>(\$1,864,440)</b>	<b>\$1,609</b>
<b>EQUITY:</b>				
AXE-HOUGHTON	\$1,506,011	\$1,623,919	(\$1,670,967)	(\$47,047)
BATTERYMARCH	\$609,975	\$518,126	(\$443,483)	\$74,642
DELAWARE	\$0	\$261,891	(\$336,925)	(\$75,034)
LEXINGTON	\$0	\$955,993	(\$773,427)	\$182,566
NEWBOLDS	\$263,480	\$460,256	(\$446,780)	\$13,476
REAL ESTATE EQUITY	\$16,882,660	\$4,400,000	(\$4,400,000)	\$0
<b>TOTAL EQUITY</b>	<b>\$19,262,126</b>	<b>\$8,220,185</b>	<b>(\$8,071,582)</b>	<b>\$148,603</b>
<b>GRAND TOTAL</b>	<b>\$28,753,746</b>	<b>\$10,086,233</b>	<b>(\$9,936,021)</b>	<b>\$150,212</b>

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