

January 25, 1993

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
January 25, 1993

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 9:30 a.m. on January 25, 1993.

PRESENT: Crist, Masuoka, Friery

ABSENT: DeCamilla

CONSENT CALENDAR

Mr. David DeCamilla arrived at 9:42 a.m.

ELECTION OF CHAIRPERSON FOR CALENDAR YEAR 1993

Nominations for Chairperson of the Board for calendar year 1993 were opened. Ms. Masuoka nominated David DeCamilla. The nomination was seconded by Mr. Crist. Mr. DeCamilla was re-elected Chairperson by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

ELECTION OF VICE-CHAIRPERSON FOR CALENDAR YEAR 1993

Chairman David DeCamilla opened the nominations for Vice-Chairperson of the Board for calendar year 1993. Mr. Crist nominated Thomas Friery. The nomination was seconded by Mr. DeCamilla. Mr. Friery was re-elected Vice-Chairman by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

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MINUTES OF REGULAR MEETING HELD JANUARY 4, 1993

APPROVED

The Board received and reviewed the minutes of the regular meeting held January 4, 1993. Mr. Friery moved to approve the minutes. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the November 1992 Treasurer's Investment Activity Report. Deborah Kanner, Investment Officer, reviewed the investment report with the Board.

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

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORSREAL ESTATE ADVISOR'S REPORT DECEMBER 1992 AND JANUARY 1993

CONTINUED

The Board received and reviewed the December 1992 and January 1993 Real Estate Advisor's reports. Ms. Masuoka moved to accept the reports. The motion was seconded by Mr. Friery and carried by the following vote:

AYES: Crist, Masuoka, Friery DeCamilla

NOES: None

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POLICY MATTERS TO BE CONSIDERED AND ACTED UPONSTATUS OF MID-YEAR ACTUARIAL REPORT
ACCEPTED AS INFORMATIONAL

As directed by the Board Mr. Friery contacted David LeSueur, system's actuary, to conduct a mid-year actuarial valuation. Deborah Kanner informed the Board that during the asset allocation process staff estimated the December 1992 book and market value of the system's assets along with capital gains and provided this information to David LeSueur.

Mr. LeSueur indicated that the report could be completed within a month.

Ms. Masuoka suggested that Mr. LeSueur should contact her regarding the expected demographic changes in the City because of the voluntary severance program and expected layoffs and also he should be made aware that there will be no salary increases.

1993 ASSET ALLOCATION REBALANCING
ADOPTED

The Board received a report submitted by Thomas Friery regarding the 1993 Asset Allocation strategy. Mr. Friery reviewed the report with the Board.

The report recommended the Board adopt a resolution to rebalance the fixed asset and equity asset allocations to reflect a 66% to 34% ratio pursuant to Resolution No. 90-002. Resolution No. 90-002 established the policy to annually reduce the equity asset allocation by 2% until the asset allocation equaled 70% fixed investments and 30% equity investments.

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After discussion Mr. Crist moved to adopt the resolution which established the asset allocation for 1993 as follows:

1.

Fixed:

Bonds/2nd Trust/Mtg Backs	57.0%
Real Estate Mortgages	4.0%
Utility Stocks	<u>5.0%</u>
Total Fixed	66.0%

Equity:

Axe-Houghton	9.0%
Delaware	8.5%
Large Capital/Growth	5.0%
Newbolds	6.5%
Real Estate Equity (Net)	<u>5.0%</u>
Total Equity	34.0%

Total Fixed & Equity 100.0%

2. Direct the City Treasurer to advise the external managers of the 1993 asset allocation and to effect the necessary transfers of monies to implement the rebalancing by March 31, 1993, except the \$2.5 million excess real estate mortgage monies which shall remain as over-invested and the transfer of real estate equity monies, which is deferred until real estate assets can be sold at which time the monies will be transferred to the large capital/growth asset allocation.

The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

There being no further business the meeting was adjourned at 10:20 a.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF NOVEMBER 30, 1992

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	2,688,555			2,688,555
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	1,754,252	3,213,119	158,433,092	163,400,463
REAL ESTATE MORTGAGE	165,435	728,823	14,557,416	15,451,674
UTILITY STOCKS	3,292,977	1,554,439	10,692,373	15,539,789
TOTAL FIXED	5,212,664	5,496,381	183,682,881	194,391,926
EQUITY:				
AXE-HOUGHTON		6,131,190	12,005,315	18,136,504
DELAWARE		320,033	33,356,085	33,676,118
LARGE CAPITAL/GROWTH	6,978,000			6,978,000
LEXINGTON		1,693		1,693
NEWBOLDS		2,525,500	25,580,440	28,105,941
REAL ESTATE EQUITY	342,575	374,101	25,456,219	26,172,895
LESS: LOAN PAYABLE			(5,977,554) 2/	(5,977,554)
TOTAL EQUITY	7,320,575	9,352,518	90,420,504	107,093,597
GRAND TOTAL	15,221,794	14,848,899	274,103,385	304,174,078

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/ Balance is an outstanding loan on Discovery Plaza. Loan payments commenced 4/1/92.

ATTACHMENT A-1A

SCERS - STATEMENT OF ASSETS @ MARKET VALUE
AS OF NOVEMBER 30, 1992

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	2,688,555			2,688,555
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	1,754,252	3,213,119	168,498,123	173,465,494
REAL ESTATE MORTGAGE	165,435	728,823	15,229,909	16,124,167
UTILITY STOCKS	3,292,977	1,554,439	12,182,975	17,030,391
TOTAL FIXED	5,212,664	5,496,381	195,911,007	206,620,052
EQUITY:				
AXE-HOUGHTON		6,131,190	15,100,125	21,231,315
DELAWARE		320,033	37,251,479	37,571,512
LARGE CAPITAL/GROWTH	6,978,000			6,978,000
LEXINGTON		1,693		1,693
NEWBOLDS		2,525,500	26,902,702	29,428,202
REAL ESTATE EQUITY	342,575	374,101	25,016,315	25,732,991
LESS: LOAN PAYABLE			(5,977,554)	(5,977,554)
TOTAL EQUITY	7,320,575	9,352,518	98,293,066	114,966,159
GRAND TOTAL	15,221,794	14,848,899	294,204,073	324,274,766

ATTACHMENT A-2

SCRES - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 10/31/92 - 11/30/92

	BALANCE 10/31/92	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST/ PRINCIPAL PAYMENTS	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 11/30/92
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	2,803,925								(1,984,135)	1,868,765	2,688,555
FIXED:											
BONDS, 2ND TD'S, & MTG. BK. CERTS	160,385,849		4,837	1,393,247		13,286				1,603,243	163,400,462
REAL ESTATE MORTGAGES	15,451,676			130,391						(130,391)	15,451,676
UTILITY STOCKS	15,206,759		3,409		62,662	266,958					15,539,787
EQUITY:											
ANE-HOUGHTON	11,780,284		1,716		2,443	352,061				6,000,000	18,136,503
DELAWARE	33,649,684		2,491		58,790	(34,845)					33,676,120
LARGE CAPITAL/GROWTH										6,978,000	6,978,000
LXINGTON	13,520,485		15,739		5,148	1,138,321				(14,678,000)	1,693
NEWROLDS	28,183,924		67,641		6,428	(72,054)					28,183,924
REAL ESTATE EQUITY LOAN PAYABLE	27,727,895 (5,980,441)			1,617			134,214	(49,214) 2,887		(1,641,617)	26,172,895 (5,977,554)
GRAND TOTAL	302,650,040	0	95,893	1,525,254	135,471	1,663,726	134,214	(46,327)	(1,984,135)	0	304,174,077
YEAR TO DATE:	299,604,557	118,885	849,649	6,260,412	838,417	3,251,236	844,304	(232,102)	(7,361,261)	0	304,174,077

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF NOVEMBER 30, 1992

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	15,221,794	15,221,794	1,020,773	6.71%	6.71%
PAC HORIZONS MONEY MARKET FUND	14,848,899	14,848,899	451,407	3.04%	3.04%
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	158,433,092	168,498,123	14,046,319	8.87%	8.34%
REAL ESTATE MORTGAGE	14,557,416	15,229,909	1,553,634	10.67%	10.20%
UTILITY STOCKS	10,692,373	12,182,975	672,578	6.29%	5.52%
EQUITY:					
AXE-HOUGHTON	12,005,315	15,100,125	20,500	0.17%	0.14%
DELAWARE	33,356,085	37,251,479	1,270,643	3.81%	3.41%
LARGE CAPITAL/GROWTH LEXINGTON					
NEWBOLDS	25,580,440	26,902,702	1,174,517	4.59%	4.37%
REAL ESTATE EQUITY	25,456,219	25,016,315	1,816,862 1/	7.14%	7.26%
LOAN PAYABLE	(5,977,554)	(5,977,554)			
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GRAND TOTAL	304,174,078	324,274,766	22,027,232 2/	7.24%	6.79%
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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. Paydown for this loan started April 1992, with the annual interest expense to be approximately \$591,000.

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 1991/92 was \$10.1 million. Administrative Expenses for this same period were \$85,000 for Banking and Trustee Fees, \$639,000 for Investment Manager Fees, \$592,400 for Interest Expense on Note Payable (Discovery Plaza), and \$1,194,000 for Real Estate Maintenance and Repair Expenses. All income and expense items are considered in determining the funds total performance.

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF NOVEMBER 30, 1992

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	2,688,555	2,688,555			2,688,555
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	163,400,463	173,465,494	54.00%	175,108,374	(1,642,879)
REAL ESTATE MORTGAGE	15,451,674	16,124,167	5.00%	16,213,738	(89,571)
UTILITY STOCKS	15,539,789	17,030,391	5.00%	16,213,738	816,652
TOTAL FIXED	194,391,926	206,620,052	64.00%	207,535,850	(915,799)
EQUITY:					
AXE-HOUGHTON	18,136,504	21,231,315	4.00%	12,970,991	8,260,324
DELAWARE	33,676,118	37,571,512	11.00%	35,670,224	1,901,288
LARGE CAPITAL/GROWTH	6,978,000	6,978,000			
LEXINGTON	1,693	1,693	5.00%	16,213,738	(16,212,045) 3/
NEWBOLDS	28,105,941	29,428,202	9.00%	29,184,729	243,473
REAL ESTATE EQUITY	26,172,895	25,732,991	7.00%	22,699,234	(2,503,893)
LESS: LOAN PAYABLE	(5,977,554)	(5,977,554)			
TOTAL EQUITY	107,093,597	114,966,159	36.00%	116,738,916	(8,310,853)
GRAND TOTAL	304,174,078	324,274,766	100.00%	324,274,766	(6,538,096)

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 using the higher of Cost or Market based upon the Board's asset allocation policy.

3/ Effective November 30, 1992 the AI&PM Board terminated Lexington Capital Management and reallocated certain assets and established a Large Capital/Growth Equity program.

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR NOVEMBER 1992

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$4,465,991	\$4,987,536	(\$4,969,824)	\$17,713
MTG BACKED 2ND TD'S	\$3,004,217	\$335,088	(\$339,515)	(\$4,427)
REAL ESTATE MORTGAGES UTILITY STOCKS	\$233,310	\$984,304	(\$717,346)	\$266,958
TOTAL FIXED	\$7,703,518	\$6,306,928	(\$6,026,685)	\$280,243
EQUITY:				
AXE-HOUGHTON	\$2,626,807	\$2,314,339	(\$1,962,279)	\$352,061
DELAWARE	\$2,062,180	\$1,978,383	(\$2,013,228)	(\$34,845)
LARGE CAPITAL/GROWTH LEXINGTON		\$8,676,440	(\$7,538,119)	\$1,138,321
NEWBOLDS	\$411,734	\$463,098	(\$535,152)	(\$72,054)
REAL ESTATE EQUITY				
TOTAL EQUITY	\$5,100,721	\$13,432,260	(\$12,048,778)	\$1,383,483
GRAND TOTAL	\$12,804,239	\$19,739,188	(\$18,075,462)	\$1,663,726

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

SCERS FIXED ACTIVITY

11/1/92 - 11/30/92

SECURITY DESCRIPTION	COUPON	YIELD	MAT DATE	RATING	BROKER	CASH/PROCEEDS	PAR VALUE
PURCHASES							
US TREASURY BOND	7.250%	7.671%	15-Aug-22	AAA	M LYNCH	\$1,933,872.28	\$2,000,000.00
BELL TEL (CANADA)	7.750%	7.710%	01-Apr-06	AA	R PIERCE	\$2,532,118.75	\$2,500,000.00
GNMA POOL #329837	7.500%	7.751%	15-Nov-22	AAA	S BARNEY	\$3,004,216.67	\$3,040,000.00
						\$7,470,207.70	\$7,540,000.00
SALES, CALLS							
MATURITIES							
CALL-FED HOME LOAN MTG	7.790%		19-Nov-01			\$3,000,000.00	\$3,000,000.00
MAT-GT WESTERN BANK MTN	10.450%		30-Nov-92			\$1,000,000.00	\$1,000,000.00
CALL-NEW BRUNSWICK ELEC	8.750%		01-Apr-04			\$101,750.00	\$100,000.00
CALL-NEW ENGLAND TEL	4.000%		01-Apr-93			\$50,000.00	\$50,000.00
CALL-PACIFIC GAS & ELEC	9.125%		01-Jun-06			517,500.00	500,000.00
CALL-SOUTHERN BELL TEL	4.625%		01-Dec-93			\$50,000.00	\$50,000.00
CALL-TEXACO	7.750%		01-Jun-01			\$268,286.00	\$265,000.00
						\$4,987,536.00	\$4,965,000.00