

May 24, 1993

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
May 24, 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 1:30 p.m. on May 24, 1993.

PRESENT: Frierson, Masuoka, Friery

ABSENT: Crist, DeCamilla

Mr. Friery introduced Mr. John Worcester, the new Retirement System Manager replacing Ms. Margaret Allen.

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD MARCH 22, 1993

APPROVED

Mr. DeCamilla arrived at 1:35 p.m.

The Board received and reviewed the minutes of the regular meeting held March 22, 1993. Ms. Masuoka moved to approve the minutes. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the February and March, 1993 Treasurer's Investment Activity Reports. Ms. Deborah Kanner, Investment Officer, reviewed the investment reports with the Board.

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Mr. Smith informed the Board that they could appeal the decision to the City Council; however, recognizing the wide opposition to the system's proposal along with the system's basic reasons for removal, he did not recommend the Board appeal the decision.

The Board discussed possible options, however, since Mr. Crist was not in attendance and the Board wanted to receive his comments the matter was continued to the next meeting.

The Board did direct Ms. Leslie Lopez, Counsel to the Board, to review and report back on the Board's options under the Historical Preservation Ordinance.

Mr. Friery moved to accept the paper, have Counsel report back at the next meeting on the Boards options and continue the matter to the next meeting. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

DELAWARE INVESTMENT ADVISERS, MARCH 31, 1993, QUARTERLY REPORT
PRESENTATION
ACCEPTED

The Board received the March 31, 1993 quarterly report from Delaware Investment Advisers. Bernard P. Schaffer reviewed the report with the Board.

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

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

Ms. Masuoka left at 2:45 p.m. Before leaving Ms. Masuoka requested that item 10, Resolution Amending Axe-Houghton Assoc., Fees be

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have any concerns or questions regarding the fee increase so staff can be prepared to respond at the next meeting

Mr. Friery stated Axe-Houghton first approached staff with a higher fee structure correlated to their performance which Mr. Friery felt was inappropriate. However, he stated that when the Board initially hired Axe-Houghton five years ago the fee structure was artificially lower than one would expect to pay a specialty investment manager.

Mr. Friery felt the proposed fee structure was reasonable. He stated that if the Board were to terminate the services of Axe-Houghton and replace them with another specialty investment manager the Board could expect to pay comparable fees.

Mr. Friery stated it was fair to consider a fee increase based on the facts of their performance, the additional funds they are managing and that they have not increased their fees since the Board initially hired them.

There being no further business the meeting was adjourned at 3:05 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF MARCH 31, 1993

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	260,366			260,366
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	2,513,233	1,484,071	157,933,301	161,930,605
REAL ESTATE MORTGAGE	250,853	728,823	14,480,424	15,460,101
UTILITY STOCKS	16,285,494	240,134	803,120	17,328,748
TOTAL FIXED	19,049,581	2,453,029	173,216,845	194,719,454
EQUITY:				
AXE-HOUGHTON		58,828	23,336,561	23,395,389
DELAWARE		9,769,513	25,712,000	35,481,513
LARGE CAPITAL/GROWTH	712,351	20,839	6,648,782	7,381,973
NEWBOLDS		9,798,007	18,686,641	28,484,648
REAL ESTATE EQUITY	128,528	177,514	26,370,253	26,676,295
LESS: LOAN PAYABLE			(5,965,767)2/	(5,965,767)
TOTAL EQUITY	840,879	19,824,702	94,788,470	115,454,050
GRAND TOTAL	20,150,826	22,277,731	268,005,315	310,433,871

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 MARCH 31, 1993

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	260,366			260,366
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	2,513,233	1,484,071	172,174,305	176,171,610
REAL ESTATE MORTGAGE	250,853	728,823	15,088,993	16,068,669
UTILITY STOCKS	16,285,494	240,134	886,000	17,411,628
TOTAL FIXED	19,049,581	2,453,029	188,149,298	209,651,907
EQUITY:				
AXE-HOUGHTON		58,828	28,562,938	28,621,766
DELAWARE		9,769,513	31,165,663	40,935,176
LARGE CAPITAL/GROWTH	712,351	20,839	6,262,850	6,996,040
NEWBOLDS		9,798,007	20,886,980	30,684,987
REAL ESTATE EQUITY	128,528	177,514	25,930,349	26,236,391
LESS: LOAN PAYABLE			(5,965,767)	(5,965,767)
TOTAL EQUITY	840,879	19,824,702	106,843,013	127,508,594
GRAND TOTAL	20,150,826	22,277,731	294,992,311	337,420,867

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 2/28/93 - 3/31/93

	BALANCE 2/28/93	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST/ PRINCIPAL PAYMENTS	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 3/31/93
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	1,056,486	(4,749)							(2,099,346)	1,307,975	260,366
FIXED:											
BONDS, 2ND YD'S, & MTG. BK. CERTS	164,369,180	95,035	4,861	1,147,417		(67,070)				(3,610,020)	161,930,604
REAL ESTATE MORTGAGES	15,453,778	0,459	1,658	127,810						(131,602)	15,460,103
UTILITY STOCKS	15,936,724	97,937	3,429		27,038	2,263,618				(1,000,000)	17,328,746
EQUITY:											
AXE-HOUGHTON	19,812,801		945		7,793	73,849				3,500,000	23,395,388
DELAWARE	34,223,571		2,189		203,151	1,052,604					35,481,515
LARGE CAPITAL/GROWTH	7,178,308	13,733	25		9,378	180,530				0	7,381,974
NEWBOLDS	28,071,076		11,002		126,440	276,130					28,484,648
REAL ESTATE EQUITY LOAN PAYABLE	26,667,518 (5,968,749)	(789)	404	9,216			106,618	(49,118) 2,983		(57,554)	26,676,295 (5,965,766)
GRAND TOTAL	306,800,693	209,625	24,512	1,284,444	373,799	3,779,662	106,618	(46,135)	(2,099,346)	(0)	310,433,872
YEAR TO DATE:	299,604,557	466,679	1,219,845	11,215,675	1,809,311	10,115,747	1,310,919	(416,932)	(14,891,929)	0	310,433,872

transfers

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF MARCH 31, 1993

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	20,150,826	20,150,826	1,303,758	6.47%	6.47%
PAC HORIZONS MONEY MARKET FUND	22,277,731	22,277,731	661,649	2.97%	2.97%
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	157,933,301	172,174,305	13,707,917	8.68%	7.96%
REAL ESTATE MORTGAGE	14,480,424	15,088,993	1,545,376	10.67%	10.24%
UTILITY STOCKS	803,120	886,000	0	0.00%	0.00%
EQUITY:					
AXE-HOUGHTON	23,336,561	28,562,938	32,070	0.14%	0.11%
DELAWARE	25,712,000	31,165,663	1,036,701	4.03%	3.33%
LARGE CAPITAL/GROWTH	6,648,782	6,262,850	90,080	1.35%	1.44%
NEWBOLDS	18,686,641	20,886,980	847,257	4.53%	4.06%
REAL ESTATE EQUITY	26,370,253	25,930,349	1,698,978 1/	4.20%	4.28%
LOAN PAYABLE	(5,965,767)	(5,965,767)	(590,126)		
	-----	-----	-----	-----	-----
GRAND TOTAL	310,433,871	337,420,867	20,333,660 2/	6.55%	6.03%
	=====	=====	=====	=====	=====

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.

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF MARCH 31, 1993

	1/ COST	1/ MARKET	% AUTHORIZED 3/	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	260,366	260,366			260,366
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	161,930,605	176,171,610	57.00%	192,329,894	(16,158,285)
REAL ESTATE MORTGAGE	15,460,101	16,068,669	4.00%	13,496,835	2,571,834
UTILITY STOCKS	17,328,748	17,411,628	5.00%	16,871,043	540,585
TOTAL FIXED	194,719,454	209,651,907	66.00%	222,697,772	(13,045,865)
EQUITY:					
AXE-HOUGHTON	23,395,389	28,621,766	9.00%	30,367,878	(1,746,112)
DELAWARE	35,481,513	40,935,176	8.50%	28,680,774	12,254,402
LARGE CAPITAL/GROWTH	7,381,973	6,996,040	5.00%	16,871,043	(9,489,071)
NEWBOLDS	28,484,648	30,684,987	6.50%	21,932,356	8,752,631
REAL ESTATE EQUITY	26,676,295	26,236,391	5.00%	16,871,043	3,839,484
LESS: LOAN PAYABLE	(5,965,767)	(5,965,767)			
TOTAL EQUITY	115,454,050	127,508,594	34.00%	114,723,095	13,611,335
GRAND TOTAL	310,433,871	337,420,867	100.00%	337,420,867	825,836

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&FM Board terminated Lexington Capital Management, reallocated certain assets and established a Large Capital/Growth Equity program. The present percentages are effective March 31, 1993.

ATTACHMENT A-5

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR MARCH 1993

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$5,166,861	\$4,230,634	(\$4,298,095)	(\$67,461)
MTG BACKED	\$0	\$134,442	(\$134,051)	\$391
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$0	\$10,714,436	(\$8,450,817)	\$2,263,618
TOTAL FIXED	\$5,166,861	\$15,079,512	(\$12,882,963)	\$2,196,549
EQUITY:				
AXE-HOUGHTON	\$6,834,267	\$3,362,652	(\$3,288,803)	\$73,849
DELAWARE	\$992,266	\$8,001,032	(\$6,948,428)	\$1,052,604
LARGE CAPITAL/GROWTH	\$1,786,250	\$2,235,703	(\$2,055,173)	\$180,530
NEWBOLDS	\$1,048,604	\$4,555,906	(\$4,279,775)	\$276,130
REAL ESTATE EQUITY	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$10,661,386	\$18,155,293	(\$16,572,179)	\$1,583,114
GRAND TOTAL	\$15,828,247	\$33,234,805	(\$29,455,143)	\$3,779,662

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

SCERS FIXED ACTIVITY

3/1/93 - 3/31/93

SECURITY DESCRIPTION	COUPON	YIELD	MAT DATE	RATING	BROKER	CASH/PROCEEDS	PAR VALUE
PURCHASES							
PROVINCE OF ONTARIO	7.3750%	7.0000%	27-Jan-03	AA2/AA-	MISC	\$5,166,861.39	\$5,000,000.00
						\$5,166,861.39	\$5,000,000.00
SALES, CALLS							
MATURITIES							
PART CALL-CROWN ZELLERBACH	8.8750%		15-Mar-00			\$38,000.00	\$38,000.00
PART CALL-INGERSOLL-RAND	8.0500%		01-Mar-04			\$12,000.00	\$12,000.00
CALL-INGERSOLL-RAND	8.0500%		01-Mar-04			\$88,687.80	\$87,000.00
CALL-TRW INC.	8.7500%		01-Mar-96			\$4,000,000.00	\$4,000,000.00
CALL-WEYERHAUSER	8.6250%		01-Oct-00			\$91,946.40	\$91,000.00
						\$4,230,634.20	\$4,228,000.00

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF FEBRUARY 28, 1993

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	1,056,486			1,056,486
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	698,998	6,436,513	157,233,671	164,369,182
REAL ESTATE MORTGAGE	227,245	728,823	14,497,707	15,453,776
UTILITY STOCKS	6,344,241	338,549	9,253,937	15,936,727
TOTAL FIXED	7,270,484	7,503,885	180,985,315	195,759,684
EQUITY:				
AXE-HOUGHTON		21,705	19,791,098	19,812,802
DELAWARE		2,555,407	31,668,162	34,223,569
LARGE CAPITAL/GROWTH	249,165	11,437	6,917,706	7,178,307
NEWBOLDS		6,153,263	21,917,812	28,071,076
REAL ESTATE EQUITY	303,076	177,514	26,186,928	26,667,518
LESS: LOAN PAYABLE			(5,968,750) 2/	(5,968,750)
TOTAL EQUITY	552,241	8,919,326	100,512,955	109,984,522
GRAND TOTAL	8,879,211	16,423,211	281,498,270	306,800,692

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 FEBRUARY 28, 1993

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	1,056,486			1,056,486
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	698,998	6,436,513	171,844,886	178,980,397
REAL ESTATE MORTGAGE	227,245	728,823	15,058,212	16,014,281
UTILITY STOCKS	6,344,241	338,549	11,652,875	18,335,664
TOTAL FIXED	7,270,484	7,503,885	198,555,973	213,330,342
EQUITY:				
AXE-HOUGHTON		21,705	22,507,938	22,529,642
DELAWARE		2,555,407	36,825,050	39,380,457
LARGE CAPITAL/GROWTH	249,165	11,437	6,503,488	6,764,089
NEWBOLDS		6,153,263	23,994,827	30,148,090
REAL ESTATE EQUITY	303,076	177,514	25,747,024	26,227,614
LESS: LOAN PAYABLE			(5,968,750)	(5,968,750)
TOTAL EQUITY	552,241	8,919,326	109,609,576	119,081,142
GRAND TOTAL	8,879,211	16,423,211	308,165,549	333,467,970

ATTACHMENT A-2

SCRS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 1/31/93 - 2/28/93

	BALANCE 1/31/93	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST/ PRINCIPAL PAYMENTS	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 2/28/93
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	1,369,128								(1,632,000)	1,319,366	1,056,486
FIXED:											
BONDS, 2ND TD'S, & HYG. BK. CERTS	164,442,125		1,667	1,133,708		442,420				(1,650,739)	164,369,180
REAL ESTATE MORTGAGES	15,457,030			129,893						(133,146)	15,453,778
UTILITY STOCKS	15,875,400		757		41,085	19,482					15,936,724
EQUITY:											
AEE-HOUGHTON	19,119,345		1,482		2,174	689,880					19,812,881
DELAWARE	33,980,377		895		62,286	188,012					34,223,571
LARGE CAPITAL/GROWTH	7,108,766		3,770		14	65,757					7,178,308
HEWLETT	27,601,355		68,389		8,754	392,578					28,071,076
REAL ESTATE EQUITY LOAN PAYABLE	26,177,227 (5,971,708)		773				74,142 (49,142) 2,959		464,518		26,667,518 (5,968,749)
GRAND TOTAL	305,159,045	0	77,653	1,263,601	114,313	1,790,130	74,142 (46,183)	(1,632,000)	(0)		306,800,692
YEAR TO DATE:	299,604,557	257,054	1,195,333	9,931,231	1,435,511	6,336,085	1,204,301 (370,797)	(12,792,583)	0		306,800,692

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF FEBRUARY 28, 1993

	1/ COST	1/ MARKET	% AUTHORIZED 3/	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	1,056,486	1,056,486			1,056,486
FIXED:					
BONDS, 2ND TD'S, & MTO BK. CERTS.	164,369,182	178,980,397	57.00%	190,076,743	(11,096,346)
REAL ESTATE MORTGAGE	15,453,776	16,014,281	4.00%	13,338,719	2,675,562
UTILITY STOCKS	15,936,727	18,335,664	5.00%	16,673,399	1,662,266
TOTAL FIXED	195,759,684	213,330,342	66.00%	220,088,860	(6,758,518)
EQUITY:					
AXE-HOUGHTON	19,812,802	22,529,642	9.00%	30,012,117	(7,482,475)
DELAWARE	34,223,569	39,380,457	8.50%	28,344,777	11,035,679
LARGE CAPITAL/GROWTH	7,178,307	6,764,089	5.00%	16,673,399	(9,495,091)
NEWBOLDS	28,071,076	30,148,090	6.50%	21,675,418	8,472,672
REAL ESTATE EQUITY	26,667,518	26,227,614	5.00%	16,673,399	4,025,369
LESS: LOAN PAYABLE	(5,968,750)	(5,968,750)			
TOTAL EQUITY	109,984,522	119,081,142	34.00%	113,379,110	6,556,154
GRAND TOTAL	306,800,692	333,467,970	100.00%	333,467,970	854,122

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, reallocated certain assets and established a Large Capital/Growth Equity program. The present percentages are effective March 31, 1993.

ATTACHMENT B

SCERS FIXED ACTIVITY

1/31/93 - 2/28/93

SECURITY DESCRIPTION	COUPON	YIELD	MAT DATE	RATING	BROKER	CASH/PROCEEDS	PAR VALUE
PURCHASES							
US TREASURY BOND	7.6250%	7.2045%	15-Nov-22	AAA	D WITTER	\$1,069,419.03	\$1,000,000.00
PROVINCE OF ONTARIO	7.3750%	7.0000%	27-Jan-03	AA2/AA-	LAZARD	\$10,302,993.62	\$10,000,000.00
						\$11,372,412.65	\$11,000,000.00
SALES, CALLS							
MATURITIES							
GNMA POOL #307647	8.5000%	8.0545%	15-Apr-21	AAA	S BARNEY	\$4,733,875.28	\$4,445,605.54
GNMA POOL #311433	7.5000%	7.4403%	15-Apr-22	AAA	SALOMON	\$3,967,512.72	\$3,887,336.41
CALL-ANR PIPELINE	8.6250%		15-Aug-93			\$26,000.00	\$26,000.00
CALL-DOW CHEMICAL	8.6250%		15-Feb-08			\$79,000.00	\$79,000.00
CALL-FLORIDA POWER	9.6250%		01-Feb-18			\$2,140,600.00	\$2,000,000.00
MAT-GT WESTERN MTN	9.6250%		26-Feb-93			\$4,200,000.00	\$4,200,000.00
						\$15,146,988.00	\$14,637,941.95