

October 23, 1989

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
October 23, 1989

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in Conference Room 103, 801 - 9th Street, at 1:30 p.m. on October 23, 1989.

PRESENT: Frierson, Stamper, Wolford, Sperling, DeCamilla

ABSENT: None

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD SEPTEMBER 25, 1989

APPROVED

The Board received and reviewed the minutes of the regular meeting held September 25, 1989. Ms. Frierson moved the minutes be approved. The motion was seconded by Mr. Stamper and was carried by the following vote:

AYES: Frierson, Stamper, Wolford, Sperling, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the August 1989 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report with the Board.

Michelle Stenoski, Investment Officer, informed the Board about a bond trade that occurred over a two month period, August and September. The net results were consolidation of lower quality bonds into a better rated security plus an additional \$30,000.00.

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Ms. Carter reviewed an addendum to the treasurer's report amending the administrative procedures to monitor the employee/employer contributions associated with the SCERS/PERS transfer.

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

AYES: Frierson, Stamper, Wolford, Sperling, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
APPROVED

The Board received the October, 1989 Real Estate Advisor's report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

Mr. Smith informed the Board that he received two bids for re-roofing the Larchmont Square property. Mr. Smith recommended the Board accept the bid submitted by Yancey Roofing for \$55,108.

Mr. Wolford moved to accept the report and approve the re-roofing of the Larchmont Square property as recommended by Mr. Smith. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Frierson, Stamper, Wolford, Sperling, DeCamilla

NOES: None

LEXINGTON CAPITAL MANAGEMENT, INC. AUGUST, 1989 PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Lexington Capital Management, Inc., August, 1989 performance report.

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BATTERYMARCH, AUGUST 1989 PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Batterymarch's August, 1989 performance report.

REPORTS OF SECRETARY

Margaret Allen, Secretary to the Board, informed the Board Mr. Friery prepared a press release regarding the success of the Board's investment performance and submitted it to the City's Public Information Officer for release.

There being no further business, the meeting was adjourned at 1:45 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF AUGUST 31, 1989

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	(496,248)			(496,248)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	(1,936,999)	1,270,210	119,648,476	118,981,687
REAL ESTATE MORTGAGE	257,090		5,552,153	5,809,244
UTILITY STOCKS	883,763	1,009,662	9,880,949	11,774,375
TOTAL FIXED	(796,145)	2,279,872	135,081,579	136,565,306
EQUITY:				
AXE-HOUGHTON	107,329	1,465,222	8,186,878	9,759,429
BATTERYMARCH		524,791	18,896,891	19,421,682
DELAWARE		2,656,089	18,524,308	21,180,397
LEXINGTON	23,050	671,967	8,755,180	9,450,197
NEWBOLDS	2,184,688	1,106,058	17,638,797	20,929,543
GOLD & SILVER	301,467		2,049,044	2,350,512
REAL ESTATE EQUITY	1,914,747		22,870,498	24,785,245
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	4,531,281	6,424,126	90,921,597	101,877,004
SUB-TOTAL	3,238,888	8,703,998	226,003,176	237,946,062
PERS TRUST ACCOUNT 2/		3,398,289	112,977,894	116,376,183
GRAND TOTAL	3,238,888	12,102,287	338,981,070	354,322,245

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/ In compliance with action taken by the AIFM Board approving the plan to transfer the Safety Members assets, all the investments have been liquidated as of June 30, 1989. During the month of July 1989, \$116,217,073 was transferred to a separate account at Security Pacific National Bank and have been invested in various short term securities until January 12, 1990, when the transfer to PERS will take place.

SCERS - STATEMENT OF ASSETS @ MARKET VALUE
AS OF AUGUST 31, 1989

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	CASH		INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	(496,248)			(496,248)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	(1,936,999)	1,270,210	119,355,296	118,688,507
REAL ESTATE MORTGAGE	257,090		5,968,636	6,225,726
UTILITY STOCKS	883,763	1,009,662	10,398,888	12,292,314
TOTAL FIXED	(796,145)	2,279,872	135,722,820	137,206,547
EQUITY:				
AXE-HOUGHTON	107,329	1,465,222	10,282,375	11,854,926
BATTERYMARCH		524,791	22,549,831	23,074,622
DELAWARE		2,656,089	22,045,644	24,701,733
LEXINGTON	23,050	671,967	11,344,119	12,039,136
NEWBOLDS	2,184,688	1,106,058	21,084,998	24,375,744
GOLD & SILVER	301,467		1,304,310	1,605,777
REAL ESTATE EQUITY	1,914,747		22,580,000	24,494,747
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	4,531,281	6,424,126	105,191,277	116,146,684
SUB-TOTAL	3,238,888	8,703,998	240,914,097	252,856,983
PERS TRUST ACCOUNT		3,398,289	112,977,894	116,376,183
GRAND TOTAL	3,238,888	12,102,287	353,891,991	369,233,166

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 7/31/89 - 8/31/89

	BALANCE 7/31/89	INTEREST INCOME				GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 8/31/89
		POOL A	PAC HOR	INVESTMENT	DIV						
EXTERNAL CONTRIBUTION	492,161							(988,409)		(496,248)	
FIXED:											
BONDS, 2ND TD'S, & MTG. BK. CERTS	117,972,131	0	4,887	1,150,235		(145,565)				118,981,687	
REAL ESTATE MORTGAGES	5,755,203	0		54,041						5,809,244	
UTILITY STOCKS	11,717,312	0	9,427		47,636	0				11,774,375	
EQUITY:											
AXE-HOUGHTON	9,325,104	0	4,922		23,563	405,840				9,759,429	
BATTERYMARSH	18,884,199		13,617		45,811	478,055				19,421,682	
DELAWARE	21,027,130		28,657		50,112	34,498				21,180,397	
LEXINGTON HOLDINGS	8,951,225	0	7,285		11,319	480,368				9,450,196	
GOLD & SILVER	2,348,268			2,224		(0)				2,350,512	
REAL ESTATE EQUITY	24,702,245	0					132,375	(49,375)		24,785,245	
LOAN PAYABLE	(6,000,000)									(6,000,000)	
SUB-TOTAL	235,815,888	0	78,679	1,206,499	280,839	1,469,566	132,375	(49,375)	(988,409)	0	237,946,062
PERS TRUST ACCOUNT	116,279,775		96,408		0						116,376,183
GRAND TOTAL	352,095,663	0	175,087	1,206,499	280,839	1,469,566	132,375	(49,375)	(988,409)	0	354,322,246
YEAR TO DATE:											
PERMANENT ASSETS	349,384,263	0	400,520	1,947,577	565,709	2,150,067	361,500	(98,750)	(547,749)	(116,217,074)	237,946,063
PERS TRUST ACCOUNT			96,408	62,701						116,217,074	116,376,183
TOTAL YEAR TO DATE	349,384,263	0	496,928	2,010,278	565,709	2,150,067	361,500	(98,750)	(547,749)	0	354,322,246

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF AUGUST 31, 1989

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	3,238,888	3,238,888	283,403	8.75%	8.75%
PAC HORIZONS MONEY MARKET FUND	8,703,998	8,703,998	737,228	8.47%	8.47%
SCERS INVESTMENT POOLS					
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	119,648,476	119,355,296	10,890,334	9.10%	9.12%
REAL ESTATE MORTGAGE	5,552,153	5,968,636	651,746	11.74%	10.92%
UTILITY STOCKS	9,880,949	10,398,888	645,221	6.53%	6.20%
EQUITY:					
AXE-HOUGHTON	8,186,878	10,282,375	82,205	1.00%	0.80%
BATTERYMARCH	18,896,891	22,549,831	368,569	1.95%	1.63%
DELAWARE	18,524,308	22,045,644	912,322	4.92%	4.14%
LEKINGTON	8,755,180	11,344,119	203,253	2.32%	1.79%
NEWBOLDS	17,638,797	21,084,998	719,725	4.08%	3.41%
GOLD & SILVER	2,049,044	1,304,310			
REAL ESTATE EQUITY	22,870,498	22,580,000	1,660,500 1/	7.26%	7.35%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
SUB-TOTAL	237,946,062	252,856,983	17,154,506 2/	7.21%	6.78%
PERS TRUST ACCOUNT	116,376,183	116,376,183	10,357,480	8.90%	8.90%
GRAND TOTAL	354,322,245	369,233,166	27,511,986	7.76%	7.45%

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. Capital Gains for the prior fiscal year 1987/8 was \$9 million. Administrative Expenses for this same period were \$90,000 for Banking and Trustee Fees, \$766,000 for Investment Manager Fees, \$444,000 for Interest Expense on Note Payable (Discovery Plaza), and \$793,000 for Real Estate Maintenance and Repair Expenses. Although we are unable to estimate Capital Gains for Fiscal Year 1988/9, 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 AUGUST 31, 1989

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
EXTERNAL CONTRIBUTIONS	(496,248)	(496,248)			
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	118,981,687	118,688,507	50.50%	120,162,761	(1,181,074)
REAL ESTATE MORTGAGE	5,809,244	6,225,726	2.50%	5,948,652	277,075
UTILITY STOCKS	11,774,375	12,292,314	5.00%	11,897,303	395,010
TOTAL FIXED	136,565,306	137,206,547	58.00%	138,008,716	(508,989)
EQUITY:					
AXE-HOUGHTON	9,759,429	11,854,926	4.00%	9,517,842	2,337,083
BATTERYMARCH	19,421,682	23,074,622	9.00%	21,415,146	1,659,476
DELAWARE	21,180,397	24,701,733	9.00%	21,415,146	3,286,587
LEXINGTON	9,450,197	12,039,136	4.00%	9,517,842	2,521,293
NEWBOLDS	20,929,543	24,375,744	9.00%	21,415,146	2,960,598
GOLD & SILVER	2,350,512	1,605,777	1.00%	2,379,461	(28,949)
REAL ESTATE EQUITY	24,785,245	24,494,747	6.00%	14,276,764	4,508,481
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	101,877,004	116,146,684	42.00%	99,937,346	17,244,571
SUB-TOTAL	237,946,062	252,856,983	100.00%	237,946,062	16,735,582
PERS TRUST ACCOUNT	116,376,183	116,376,183	100.00%	116,376,183	0
GRAND TOTAL	354,322,245	369,233,166	100.00%	354,322,245	16,735,582

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 12/31/88 and became effective 2/29/89.

Should the Board reallocate as of August 31, 1989, \$16,239,334 (\$16,735,582 - \$496,248) would be allocated to the managers according to the percentages authorized.

Effective April 1, 1988, the Board appointed Axe-Houghton Management, Inc. and Lexington Capital Management, Inc.

1]

**SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR AUGUST 1989**

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$2,945,000	\$947,993	(\$1,092,785)	(\$144,792)
MTG BACKED		\$142,403	(\$143,176)	(\$773)
2ND TD'S				\$0
REAL ESTATE MORTGAGES				\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$2,945,000	\$1,090,396	(\$1,235,961)	(\$145,565)
EQUITY:				
AXE-HOUGHTON	\$1,703,410	\$2,451,780	(\$2,045,940)	\$405,840
BATTERYMARCH	\$2,569,472	\$2,864,515	(\$2,386,377)	\$478,055
DELAWARE	\$678,735	\$338,164	(\$303,666)	\$34,498
LEXINGTON	\$1,181,085	\$1,646,319	(\$1,165,951)	\$480,368
NEWBOLDS	\$1,988,587	\$1,561,079	(\$1,344,709)	\$216,370
GOLD & SILVER				\$0
TOTAL EQUITY	\$8,121,290	\$8,861,857	(\$7,246,643)	\$1,615,131
SUB -TOTAL	\$11,066,290	\$9,952,253	(\$8,482,604)	\$1,469,566
PERS TRUST ACCOUNT	\$162,415,195	\$94,437,299	(\$94,437,299)	\$0
GRAND TOTAL	\$173,481,485	\$104,389,552	(\$102,919,903)	\$1,469,566

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