

March 22, 1993

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
March 22, 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 March 22, 1993.

PRESENT: Crist, Frierson, Friery, DeCamilla

ABSENT: Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JANUARY 25, 1993 - CONTINUED

MINUTES OF REGULAR MEETING HELD FEBRUARY 22, 1993

APPROVED

The Board received and reviewed the minutes of the regular meetings held January 25, 1993 and February 22, 1993. Mr. Friery moved to approve the minutes. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Frierson, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the January, 1993 Treasurer's Investment Activity Report. Ms. Deborah Kanner, Investment Officer, reviewed the investment report with the Board.

Mr. Crist moved to accept the January, 1993 investment activity report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, Frierson, Friery, DeCamilla

NOES: None

March 22, 1993

REPORTS OF CONSULTANTS AND ADVISORSREAL ESTATE ADVISOR'S REPORT MARCH, 1993
ACCEPTED

The Board received the March, 1993 Real Estate Advisor's report. Jim Smith, of WJS & Associates, reviewed the report with the Board.

Ms. Masuoka arrived at 1:50 p.m.

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

AYES: Crist, Frierson, Friery, DeCamilla

ABSTAINED: Masuoka

NOES: None

LOAN PROPOSAL TO WEST DAVIS ASSOCIATES
APPROVED

The Board received a loan proposal to a partnership known as West Davis Associates. Jim Smith, Real Estate Advisor, reviewed the proposal with the Board.

The loan request is for \$3.7 million at a 9 1/2% interest rate plus a non-refundable loan fee of 1% to the System. The term of the loan is for 12 years with a 25 year amortization. The loan is locked in for 10 years.

Mr. Smith recommended the Board approve the loan proposal.

After discussion, Mr. Friery moved to approve the loan proposal to West Davis Associates with all legal costs and fiduciary toxic insurance paid by the borrower. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Frierson, Friery, DeCamilla

NOES: Masuoka

March 22, 1993

D. B. FITE/BRADSHAW BUSINESS PARK PROPERTY

The Board received a brief memorandum from Jim Smith, Real Estate Advisor, regarding a request from Mr. Gerald Perkins relative to a loan extension on the D. B. Fite/Bradshaw Business Park Property.

Mr. Smith requested guidance from the Board to negotiate the loan extension. Mr. Smith recommended extending the loan, which has a current balance of \$2,030,699.50 under, the following terms:

Term: Three years terminating 7/1/96
Interest Rate:: 10% fixed with a 15 year amortization
Points: 1% of loan

After discussion, Mr. Crist moved that Mr. Smith proceed with negotiating the loan extension. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO REPORT, DECEMBER 31, 1992
ACCEPTED

The Board received the December 31, 1992, Utility Stock Fixed Income Alternative Portfolio report. Deborah Kanner, Investment Officer, reviewed the report with the Board.

Mr. Friery informed the Board on the current management strategy for the portfolio. Under the current weak economic environment, the investment strategy is to remain in cash and look for opportunities to buy more reasonably priced utility positions. As the market appears to be less over valued, positions will possibly be bought back.

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

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

March 22, 1993

SCERS LARGE CAPITALIZATION/GROWTH PORTFOLIO QUARTER ENDING DECEMBER 31, 1992
ACCEPTED

The Board received the first quarterly SCERS Large Capitalization/Growth Portfolio for quarter ending December 31, 1992. Anthony Ives, Investment Officer, reviewed the report with the Board.

Mr. Ives reviewed the investment strategy and objectives of the new program with the Board.

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

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

SEI DECEMBER 31, 1992, QUARTERLY PERFORMANCE REPORT
ACCEPTED

The Board received SEI's performance report for the quarter ending December 31, 1992. Karen Smith, of SEI, reviewed the report with the Board.

Mr. Friery moved to accept SEI's December 31, 1992, quarterly performance report. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

DELAWARE INVESTMENT ADVISERS, FEBRUARY, 1993, PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Delaware Investment Advisers' February, 1993, performance report.

RESOLUTION AUTHORIZING AGREEMENT TO AXE-HOUGHTON ASSOCIATES
ADOPTED

The Board received a proposed resolution authorizing consent to

March 22, 1993

assign Axe-Houghton Associates Investment Advisory Agreement to Axe-Houghton Associates, a wholly-owned subsidiary of Hoenig Group Incorporated. Deborah Kanner, Investment Officer, reviewed the proposed resolution with the Board.

Ms. Masuoka moved to adopt the proposed resolution. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

FISCAL YEAR 1993-94 INTEREST RATE CREDIT TO MEMBERS' ACCOUNTS
ADOPTED

Betty Masuoka, Director of Finance and Thomas P. Friery, City Treasurer, submitted a report for the adoption of a 9.50% interest rate to be credited to members' accounts.

Ms. Frierson moved to adopt the resolution establishing 9.50% as the interest rate credit to members' accounts for FY 93-94. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

ADJUSTMENT TO SCERS CONTRIBUTION RATES
ADOPTED

The Board received a proposed resolution repealing resolution 92-011 related to adopting City contribution rates to SCERS. The proposed resolution is formalizing the action taken by the Board at the regular meeting of February 22, 1993.

After a brief discussion, Ms. Masuoka moved to adopt the proposed resolution which suspends the UAAL contribution through FY 93-94 and

March 22, 1993

allows the system to use the estimated surplus of \$2,561,000 for normal contributions through December 31, 1993. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

REPORTS OF SECRETARY

PENSIONERS' COST OF LIVING INCREASE
ACCEPTED AS INFORMATIONAL

Secretary Margaret Allen submitted a memorandum informing the Board that system retirees and beneficiaries will be receiving a 3% cost of living increase effective July 1, 1993. The Board accepted the memorandum as informational.

There being no further business the meeting was adjourned at 3:30 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

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

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	1,369,128			1,369,128
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	2,726,189	950,400	160,765,537	164,442,126
REAL ESTATE MORTGAGE	213,418	728,823	14,514,787	15,457,028
UTILITY STOCKS	5,344,241	325,498	10,205,664	15,875,402
TOTAL FIXED	8,283,847	2,004,722	185,485,988	195,774,557
EQUITY:				
AXE-HOUGHTON		785,312	18,334,035	19,119,346
DELAWARE		725,528	33,254,846	33,980,375
LARGE CAPITAL/GROWTH	752,947	7,667	6,348,151	7,108,766
NEWBOLDS		4,487,942	23,113,413	27,601,355
REAL ESTATE EQUITY	4,319	177,514	25,995,394	26,177,227
LESS: LOAN PAYABLE			(5,971,709) ^{2/}	(5,971,709)
TOTAL EQUITY	757,266	6,183,963	101,074,130	108,015,360
GRAND TOTAL	10,410,242	8,188,685	286,560,118	305,159,045

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 JANUARY 31, 1993

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	1,369,128			1,369,128
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	2,726,189	950,400	173,781,843	177,458,432
REAL ESTATE MORTGAGE	213,418	728,823	15,076,295	16,018,536
UTILITY STOCKS	5,344,241	325,498	11,907,500	17,577,239
TOTAL FIXED	8,283,847	2,004,722	200,765,638	211,054,207
EQUITY:				
AXE-HOUGHTON		785,312	22,175,063	22,960,374
DELAWARE		725,528	37,960,296	38,685,825
LARGE CAPITAL/GROWTH	752,947	7,667	6,293,575	7,054,189
NEWBOLDS		4,487,942	25,257,652	29,745,594
REAL ESTATE EQUITY	4,319	177,514	25,555,490	25,737,323
LESS: LOAN PAYABLE			(5,971,709)	(5,971,709)
TOTAL EQUITY	757,266	6,183,963	111,270,367	118,211,596
GRAND TOTAL	10,410,242	8,188,685	312,036,005	330,634,931

ATTACHMENT A-2

SCRS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 12/31/92 - 1/31/93

	BALANCE 12/31/92	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST/ PRINCIPAL PAYMENTS	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 1/31/93
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	2,064,456								(1,614,796)	919,468	1,369,128
FIXED:											
BONDS, 2ND YD'S, & MTG. BK. CRTS	164,336,172		6,378	781,735		(2,601)				(679,559)	164,442,125
REAL ESTATE MORTGAGES	15,457,030			160,577						(160,577)	15,457,030
UTILITY STOCKS	15,768,923		2,187		104,290						15,875,400
EQUITY:											
AXE-HOUGHTON	18,537,751		4,201		7,203	570,191					19,119,345
DELAWARE	33,761,728		1,815		87,986	128,849					33,980,377
LARGE CAPITAL/GROWTH	7,001,945				5,448	101,372					7,108,766
NEWBOLDS	28,361,751		77,508		7,969	(845,873)					27,601,355
REAL ESTATE EQUITY LOAN PAYABLE	26,177,227 (5,974,643)		1,832				126,666	(49,166) 2,935		(79,332)	26,177,227 (5,971,700)
GRAND TOTAL	305,492,340	0	93,922	942,312	212,894	(48,063)	126,666	(46,232)	(1,614,796)	(0)	305,159,045
YEAR TO DATE:	299,604,557	257,054	1,117,680	8,667,630	1,321,198	4,545,955	1,130,160	(324,614)	(11,160,575)	0	305,159,045

shel IBM

ATTACHMENT A-3

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

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	10,410,242	10,410,242	673,334	6.47%	6.47%
PAC HORIZONS MONEY MARKET FUND	8,188,685	8,188,685	248,936	3.04%	3.04%
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	160,765,537	173,781,843	14,188,457	8.83%	8.16%
REAL ESTATE MORTGAGE	14,514,787	15,076,295	1,549,106	10.67%	10.28%
UTILITY STOCKS	10,205,664	11,907,500	684,928	6.71%	5.75%
EQUITY:					
AXE-HOUGHTON	18,334,035	22,175,063	40,040	0.22%	0.18%
DELAWARE	33,254,846	37,960,296	1,284,288	3.86%	3.38%
LARGE CAPITAL/GROWTH-	6,348,151	6,293,575	73,163	1.15%	1.16%
NEWBOLDS	23,113,413	25,257,652	1,073,323	4.64%	4.25%
REAL ESTATE EQUITY	25,995,394	25,555,490	1,805,968 1/	6.95%	7.07%
LOAN PAYABLE	(5,971,709)	(5,971,709)			
	-----	-----	-----	-----	-----
GRAND TOTAL	305,159,045	330,634,931	21,621,543 2/	7.09%	6.54%
	=====	=====	=====	=====	=====

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 JANUARY 31, 1993

	1/ COST	1/ MARKET	% AUTHORIZED 3/	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	1,369,128	1,369,128			1,369,128
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	164,442,126	177,458,432	57.00%	188,461,911	(11,003,479)
REAL ESTATE MORTGAGE	15,457,028	16,018,536	4.00%	13,225,397	2,793,139
UTILITY STOCKS	15,875,402	17,577,239	5.00%	16,531,747	1,045,492
TOTAL FIXED	195,774,557	211,054,207	66.00%	218,219,055	(7,164,848)
EQUITY:					
AXE-HOUGHTON	19,119,346	22,960,374	9.00%	29,757,144	(6,796,770)
DELAWARE	33,980,375	38,685,825	8.50%	28,103,969	10,581,855
LARGE CAPITAL/GROWTH	7,108,766	7,054,189	5.00%	16,531,747	(9,422,981)
NEWBOLDS	27,601,355	29,745,594	6.50%	21,491,271	8,254,323
REAL ESTATE EQUITY	26,177,227	25,737,323	5.00%	16,531,747	3,673,771
LESS: LOAN PAYABLE	(5,971,709)	(5,971,709)			
TOTAL EQUITY	108,015,360	118,211,596	34.00%	112,415,877	6,290,200
GRAND TOTAL	305,159,045	330,634,931	100.00%	330,634,931	494,480

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. The present percentages are effective March 31, 1993

ATTACHMENT A-5

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR JANUARY 1993

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS		\$5,000	(\$5,000)	
MTG BACKED		\$265,369	(\$267,970)	(\$2,601)
2ND TD'S				
REAL ESTATE MORTGAGES				
UTILITY STOCKS				
TOTAL FIXED		\$270,369	(\$272,970)	(\$2,601)
EQUITY:				
AXE-HOUGHTON	\$3,041,210	\$3,508,779	(\$2,938,588)	\$570,191
DELAWARE	\$1,249,057	\$1,714,010	(\$1,585,161)	\$128,849
LARGE CAPITAL/GROWTH	\$228,070	\$872,728	(\$771,356)	\$101,372
NEWBOLDS	\$683,055	\$2,534,645	(\$3,380,517)	(\$845,873)
REAL ESTATE EQUITY				
TOTAL EQUITY	\$5,201,392	\$8,630,161	(\$8,675,623)	(\$45,461)
GRAND TOTAL	\$5,201,392	\$8,900,530	(\$8,948,593)	(\$48,062)

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

ATTACHMENT B

SCERS FIXED ACTIVITY

1/1/93 - 1/31/93

SECURITY DESCRIPTION	COUPON	YIELD	MAT DATE	RATING	BROKER	CASH/PROCEEDS	PAR VALUE
PURCHASES							
						\$0.00	\$0.00
SALES, CALLS							
MATURITIES							
CALL-MERCANTILE BANCORP	8.500%		15-Jan-04			\$2,000.00	\$2,000.00
CALL-MOORE McCORMACK	8.875%		15-Jul-01			\$3,000.00	\$3,000.00
						\$5,000.00	\$5,000.00