

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
July 25, 1988

AND ROLL CALL

Administration, Investment and Fiscal Management Board met in
Conference Room 103, 801 - 9th Street, at 1:32 p.m. on July

erson, Masuoka, Wolford, Friery, DeCamilla

AR

ULAR MEETING JUNE 27, 1988

Board received and reviewed the minutes of the regular meeting
1988. Mr. Wolford moved the minutes be approved. The motion
by Ms. Frierson and was carried by the following vote:

n, Masuoka, Wolford, DeCamilla

ry

TREASURER'S ACTIVITY REPORT

Board received the May, 1988 Treasurer's Investment Activity
ah Carter, Investment Officer, reviewed the investment report
l. Ms. Carter informed the board that in the near future, the
port format will be enhanced (ie. turnover ratio of equity
mated performance results, etc.). Ms. Carter advised the Board
y managers would be reminded again that they can enhance their
return by using the City's short-term Pool A fund as an
the lower yielding bank sweep account.

July 25, 1988

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

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

SCERS INVESTMENT POLICY AND GUIDELINES
ACCEPTED AS INFORMATIONAL

The Board received and accepted as informational Mr. Friery's written response to the Mayor regarding SCERS investment policy and guidelines. The Board briefly discussed the response and Mr. Friery's recommendation.

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the June, 1988 Real Estate Advisor's Report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

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

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

The Board briefly discussed the article that appeared in the Sacramento Bee regarding the SCERS/PERS merger. William Carnazzo, Counsel to the Board and Richard Snyder, Secretary to the Board, informed the members the issue is currently being negotiated with the employee bargaining groups. It is a personnel and employee relations matter and not an investment issue. The Board will be notified of any changes at the appropriate time.

Mr. Friery expressed interest and received support from the Board in participating in the newly formed CALAPRS Investment Committee.

The Board discussed the future need for appropriations for travel and educational expenses of Board members.

There being no further business, the meeting was adjourned at 2:28 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF MAY 31, 1988

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	3,846,200	0	0	0	3,846,200
FIXED:					
BONDS, 2ND TD'S, & MIG. BK. CERTS.	5,433,878	813,979	0	151,092,423	157,340,280
REAL ESTATE MORTGAGE	1,837,560	0	0	5,823,653	7,661,213
UTILITY STOCKS	0	811,498	0	14,693,465	15,504,963
TOTAL FIXED	<u>7,271,438</u>	<u>1,625,477</u>	0	<u>171,609,541</u>	<u>180,506,456</u>
EQUITY:					
ALLIANCE	0	19,966	0	0	19,966
AXE-HOUGHTON	0	4,250,419	0	7,598,707	11,849,126
BATTERYMARCH	0	1,492,579	0	26,821,993	28,314,572
DELAWARE	0	2,405,677	0	25,773,227	28,178,904
LEXINGTON	0	6,337,618	0	5,683,024	12,020,642
NEWBOLD'S	3,526,667	918,233	0	23,379,930	27,824,830
GOLD & SILVER	12,069	0	0	3,020,655	3,032,724
REAL ESTATE EQUITY	1,835,712	0	0	21,832,299	23,668,011
LESS: LOAN PAYABLE	0	0	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	<u>5,374,448</u>	<u>15,424,492</u>	0	<u>108,109,835</u>	<u>128,908,775</u>
TOTAL	<u>16,492,086</u>	<u>17,049,969</u>	0	<u>279,719,376</u>	<u>313,261,431</u>

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.

SCERS - STATEMENT OF ASSETS @ MARKET VALUE
AS OF MAY 31, 1988

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	3,846,200	0	0	0	3,846,200
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS.	5,433,878	813,979	0	142,494,137	148,741,994
REAL ESTATE MORTGAGE	1,837,560	0	0	6,022,100	7,859,660
UTILITY STOCKS	0	811,498	0	13,182,463	13,993,961
TOTAL FIXED	<u>7,271,438</u>	<u>1,625,477</u>	<u>0</u>	<u>161,698,700</u>	<u>170,595,615</u>
EQUITY:					
ALLIANCE	0	19,966	0	0	19,966
AKE-HOUGHTON	0	4,250,419	0	7,470,524	11,720,943
BATTERYMARCH	0	1,492,579	0	27,891,005	29,383,584
DELAWARE	0	2,405,677	0	24,289,875	26,695,552
LEXINGTON	0	6,337,618	0	5,764,813	12,102,431
NEWBOLD'S	3,526,667	918,233	0	21,499,081	25,943,981
GOLD & SILVER	12,069	0	0	2,519,250	2,531,319
REAL ESTATE EQUITY	1,835,712	0	0	22,580,000	24,415,712
LESS: LOAN PAYABLE	0	0	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	<u>5,374,448</u>	<u>15,424,492</u>	<u>0</u>	<u>106,014,548</u>	<u>126,813,488</u>
TOTAL	<u>16,492,086</u>	<u>17,049,969</u>	<u>0</u>	<u>267,713,248</u>	<u>301,255,303</u>

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 4/30/88 TO 5/31/88

	BALANCE 4/30/88	INTEREST INCOME				GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 5/31/88
		POOL A	PAC HOR	INVESTMENT	DIV.						
EXTERNAL CONTRIBUTION	4,034,822								(188,622)	3,846,200	
FIXED:											
BUNDS, 2ND TD'S, & MTG. BK. CERTS	156,632,993		3,866	702,855		566				157,340,280	
REAL ESTATE MORTGAGES	7,605,170			56,043						7,661,213	
UTILITY STOCKS	15,435,688		3,711		65,564					15,504,963	
EQUITY:											
ALLIANCE	1		17,331		2,634					19,966	
AXE-HOUGHTON	12,038,965		20,100		1,920	(211,859)				11,849,126	
BATTERYMARCH	27,998,197		5,913		44,924	265,538				28,314,572	
DELAWARE	27,764,209		8,188		84,400	322,107				28,178,904	
LEXINGTON	12,000,000		30,402		3,320	(13,080)				12,020,642	
NEBOLD'S	27,815,592		11,733		50,680	(53,175)				27,824,830	
GOLD & SILVER	3,032,680			44		0				3,032,724	
REAL ESTATE EQUITY LOAN PAYABLE	23,604,011 (6,000,000)						113,375	(49,375)		23,668,011 (6,000,000)	
TOTAL	311,962,328	0	101,244	758,942	253,442	310,097	113,375	(49,375)	(188,622)	0	313,261,431
YEAR TO DATE	285,022,204	484,444	716,815	10,666,195	4,070,896	9,189,677	959,250	(395,000)	2,546,950	0	313,261,431

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF MAY 31, 1988

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	16,492,086	16,492,086	1,339,157	8.12%	8.12%
PAC HORIZONS MONEY MARKET FUND	17,049,969	17,049,969	1,099,723	6.45%	6.45%
SCERS INVESTMENT POOLS	0	0	0	0.00%	0.00%
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	151,092,423	142,494,137	13,346,181	8.83%	9.37%
REAL ESTATE MORTGAGE	5,823,653	6,022,100	676,062	11.61%	11.23%
UTILITY STOCKS	14,693,465	13,182,463	915,784	6.23%	6.95%
EQUITY:					
ALLIANCE	0	0	0		
AXE-HOUGHTON	7,598,707	7,470,524	79,360	1.04%	1.06%
BATTERYMARCH	26,821,993	27,891,005	842,407	3.14%	3.02%
DELAWARE	25,773,227	24,289,875	1,304,978	5.06%	5.37%
LEXINGTON	5,683,024	5,764,813	122,898	2.16%	2.13%
NEWBOLD'S	23,379,930	21,499,081	989,976	4.23%	4.60%
GOLD & SILVER	3,020,655	2,519,250	0	0.00%	0.00%
REAL ESTATE EQUITY	21,832,299	22,580,000	1,481,500 1/	6.79%	6.56%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL	313,261,431	301,255,303	22,198,026 2/	7.09%	7.37%

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. Capital gains for fiscal year 1986/87 was \$13 million and for fiscal year 1987/88 to date was approximately \$9 million. Administrative expenses for fiscal year 1986/87 were \$80,000 for Banking and Trustee Fees, \$600,000 for Investment Manager Fees, and \$400,000 for Real Estate Maintenance and Repair Expenses. These additional income and expenses as well as the debt service expense described in footnote 1/ should be considered in determining the funds total performance.

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF MAY 31, 1988

	1/ COST	1/ MARKET	%AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED BASED UPON COST	2/ OVER (UNDER) INVESTED BASED UPON MARKET
EXTERNAL CONTRIBUTIONS	3,846,200	3,846,200	0.00%	0	3,846,200	3,846,200
FIXED:						
BONDS, 2ND TD'S, & MTG. BK. CERTS.	157,340,280	148,741,994	50.50%	158,197,023	(856,743)	(9,455,029)
REAL ESTATE MORTGAGE	7,661,213	7,859,660	2.50%	7,831,536	(170,323)	28,124
UTILITY STOCKS	15,504,963	13,993,961	5.00%	15,663,072	(158,109)	(1,669,111)
TOTAL FIXED	180,506,456	170,595,615	58.00%	181,691,630	(1,185,174)	(11,096,015)
EQUITY:						
ALLIANCE	19,966	19,966			19,966	19,966
AXE-HOUGHTON	11,849,126	11,720,943	4.00%	12,530,457	(681,331)	(809,514)
BATTERYMARCH	28,314,572	29,383,584	9.00%	28,193,529	121,043	1,190,055
DELAWARE	28,178,904	26,695,552	9.00%	28,193,529	(14,625)	(1,497,977)
LEXINGTON	12,020,642	12,102,431	4.00%	12,530,457	(509,815)	(428,026)
NEWBOLD'S	27,824,830	25,943,981	9.00%	28,193,529	(368,699)	(2,249,548)
GOLD & SILVER	3,032,724	2,531,319	1.00%	3,132,614	(99,890)	(601,295)
REAL ESTATE EQUITY	23,668,011	24,415,712	6.00%	18,795,686	4,872,325	5,620,026
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			(6,000,000)	(6,000,000)
TOTAL EQUITY	128,908,775	126,813,488	42.00%	131,569,801	(2,661,026)	(4,756,313)
TOTAL	313,261,431	301,255,303	100.00%	313,261,431	0	(12,006,128)

July 25, 1988

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SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR MAY 1988

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$0	\$0	\$0	\$0
MTG BACKED	\$0	\$108,930	(\$109,496)	(\$566)
2ND TD'S	\$0	\$461	(\$461)	\$0
REAL ESTATE MORTGAGES:	\$0	\$16,979	(\$16,979)	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$0	\$126,370	(\$126,936)	(\$566)
EQUITY:				
ALLIANCE	\$0	\$0	\$0	\$0
AXE-HOUGHTON	\$2,892,553	\$2,840,865	(\$3,052,724)	(\$211,859)
BATTERYMARCH	\$2,523,129	\$1,589,795	(\$1,324,262)	\$265,533
DELAWARE	\$596,735	\$1,624,004	(\$1,301,897)	\$322,107
LEXINGTON	\$1,207,055	\$331,345.00	(\$344,425)	(\$13,080)
NEWBOLD'S	\$2,072,129	\$222,257	(\$275,432)	(\$53,175)
GOLD & SILVER	\$32,275	\$0	\$0	\$0
TOTAL EQUITY	\$9,323,876	\$6,608,266	(\$6,298,740)	\$309,526
TOTAL	\$9,323,876	\$6,734,636	(\$6,425,676)	\$308,960

1] For detailed listings of activity, see Attachments 'B' through 'J'.