

May
April 24, 1989

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
May 22, 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 1:35 p.m. on May 22, 1989.

PRESENT: Frierson, Wolford, Friery, DeCamilla

ABSENT: Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD APRIL 24, 1989

APPROVED

The Board received and reviewed the minutes of the regular meeting held April 24, 1989. Mr. Friery requested the minutes be amended to reflect that the Board requested he write an article for the newsletter regarding the 12.25% interest rate credit to members' accounts for FY 89-90. Mr. Friery moved the minutes be approved as amended. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

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

Mr. Wolford moved to accept the investment activity report. The

motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

Ms. Carter distributed to the Board an addendum to the March 1989 Treasurer's Report regarding the impact of potential SCERS/PERS transfer of assets of the active safety members if Measure M is approved by voters on June 6, 1989. The report apprised the Board of those assets which have been segregated for the potential transfer and underscored the volatility of the portfolio.

REPORTS OF CONSULTANTS AND ADVISORS
CITY TREASURER'S UTILITY STOCK MARCH 31, 1989 QUARTERLY REPORT
ACCEPTED

The Board received the Treasurer's Utility Stock Fixed Income Alternative Portfolio and Portfolio Results for the quarter ending March 31, 1989. Ms. Carter reviewed the report with the Board.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

HARD ASSET PROGRAM MARCH 31, 1989 QUARTERLY REPORT
ACCEPTED

The Board received the Hard Asset Quarterly Report for the quarter ending March 31, 1989. Ms. Carter reviewed the report with the Board.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

April 24, 1989

REAL ESTATE ADVISOR'S REPORT MAY 1989

ACCEPTED

The Board received the May 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 he had received and reviewed three offers on the Enterprise Building and had rejected two of the three proposals. The third proposal is from the Bank of America Investment Department. Mr. Smith requested direction from the Board on responding to a letter from the the Bank of America asking the Board if the property is for sale and at what price. Mr. Friery informed the Board that he, Mr. DeCamilla and Mr. Smith have discussed a selling price of \$7 million. After discussion, the Board decided to retain the property and instructed Mr. Smith to inform the Bank of America.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

BATTERYMARCH MARCH 31, 1989 QUARTERLY REPORT

ACCEPTED

The Board received the March 31, 1989 quarterly report from Batterymarch. Richard Gula reviewed the report with the Board.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

DELAWARE INVESTMENT ADVISERS MARCH 31, 1989 QUARTERLY REPORT

ACCEPTED

The Board received the March 31, 1989 quarterly report from Delaware Investment Advisors. George Deming reviewed the report with the Board.

er discussion, Mr. Wolford moved to accept the report. The motion
by Mr. Friery and was carried by the following vote:
son, Wolford, Friery, DeCamilla

MANAGEMENT, INC. MARCH 31, 1989 QUARTERLY REPORT

Board received the March 31, 1989 quarterly report from
. Porter Sutro reviewed the report with the Board.
er discussion, Mr. Friery moved to accept the report. The motion
d by Ms. Frierson and was carried by the following vote:
son, Wolford, Friery, DeCamilla

ASET MANAGEMENT MARCH 31, 1989 QUARTERLY REPORT

Board received the March 31, 1989 quarterly report from Newbold's
ment. Madelyn Y. Wharton reviewed the report with the Board.
er discussion, Ms. Frierson moved to accept the report. The
econded by Mr. Wolford and was carried by the following vote:
son, Wolford, Friery, DeCamilla

PITAL MANAGEMENT MARCH 31, 1989 QUARTERLY REPORT

Board received the March 31, 1989 quarterly report from Lexington
lph D'Agostini reviewed the report with the Board.
er discussion, Mr. Friery moved to accept the report. The motion
by Ms. Frierson and was carried by the following vote:
son, Wolford, Friery, DeCamilla

April 24, 1989

SEI PERFORMANCE SUMMARY AND MARKET INDEXES, MARCH 31, 1989
ACCEPTED AS INFORMATIONAL

The Board accepted as informational SEI's March 31, 1989 performance summary and market indexes.

There being no further business the meeting was adjourned at 3:00 p.m. to meet again at the call of the chair.

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

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	965,698			965,698
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	9,391,976	1,723,418	160,761,041	171,876,435
REAL ESTATE MORTGAGE	2,452,018		5,645,687	8,097,704
UTILITY STOCKS	1,518,247	1,293,020	14,086,662	16,897,929
TOTAL FIXED	<u>13,362,240</u>	<u>3,016,437</u>	<u>180,493,390</u>	<u>196,872,068</u>
EQUITY:				
AXE-HOUGHTON	2,798,748	1,583,041	8,635,288	13,017,077
BATTERYMARCH		1,069,745	27,965,163	29,034,908
DELAWARE		3,002,391	27,625,220	30,627,611
LEXINGTON	22,886	1,853,436	11,100,146	12,976,468
NEWBOLDS	3,311,921	3,076,773	24,006,232	30,394,925
GOLD & SILVER	315,157		3,020,675	3,335,832
REAL ESTATE EQUITY	3,485,219		22,484,615	25,969,834
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	<u>9,933,931</u>	<u>10,585,385</u>	<u>118,837,339</u>	<u>139,356,655</u>
TOTAL	<u>24,261,869</u>	<u>13,601,823</u>	<u>299,330,728</u>	<u>337,194,421</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.

ATTACHMENT A-1A

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

	CASH		INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	965,698			965,698
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	9,391,976	1,723,418	150,785,634	161,901,027
REAL ESTATE MORTGAGE	2,452,018		5,892,321	8,344,339
UTILITY STOCKS	1,518,247	1,293,020	12,723,250	15,534,517
TOTAL FIXED	<u>13,362,240</u>	<u>3,016,437</u>	<u>169,401,205</u>	<u>185,779,883</u>
EQUITY:				
AXE-HOUGHTON	2,798,748	1,583,041	9,903,250	14,285,039
BATTERYMARCH		1,069,745	31,238,516	32,308,261
DELAWARE		3,002,391	28,530,885	31,533,276
LEXINGTON	22,886	1,853,436	13,164,163	15,040,485
NEWBOLDS	3,311,921	3,076,773	25,381,938	31,770,632
GOLD & SILVER	315,157		2,195,565	2,510,722
REAL ESTATE EQUITY	3,485,219		22,580,000	26,065,219
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	<u>9,933,931</u>	<u>10,585,385</u>	<u>126,994,317</u>	<u>147,513,633</u>
TOTAL	<u>24,261,869</u>	<u>13,601,823</u>	<u>296,395,522</u>	<u>334,259,214</u>

SCORS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 2/28/89 - 3/31/89

	BALANCE 2/28/89	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 3/31/89
		POOL A	PAC HOR	INVESTMENT							
EXTERNAL CONTRIBUTION	1,702,543	110,136							(846,981)		965,698
FIXED:											
COMB. 2ND TD'S, & MTG. BK. CERTS	170,228,704	103,997	8,611	1,532,575		2,547					171,876,434
REAL ESTATE MORTGAGES	8,032,760	46,271		54,133							8,097,704
UTILITY STOCKS	16,792,173	31,784	4,002		69,970	0					16,897,929
EQUITY:											
AFC-HOUGHTON	12,865,343	48,748	9,014		9,450	84,522					13,017,076
BATTERYMARSH	28,537,809		13,732		119,303	364,034					29,034,908
DELAWARE	30,480,428		16,810		127,372	0					30,627,611
LOXINGTON	12,866,061	22,686	5,942		44,013	17,567					12,976,468
HOBGOLD	30,047,232	63,501	2,854		115,429	165,909					30,394,925
GOLD & SILVER	3,333,573			2,259							3,335,832
REAL ESTATE EQUITY	25,923,372	28,462					67,375	(49,375)			25,969,834
LOAN PAYABLE	(6,000,000)										(6,000,000)
TOTAL	<u>334,802,968</u>	<u>449,734</u>	<u>60,964</u>	<u>1,589,567</u>	<u>485,537</u>	<u>634,578</u>	<u>67,375</u>	<u>(49,375)</u>	<u>(846,981)</u>	<u>0</u>	<u>337,194,418</u>
YEAR TO DATE	315,753,098	1,209,455	637,618	10,768,137	3,523,171	2,136,548	964,999	(444,375)	2,645,767		337,194,418

April 24, 1989

ATTACHMENT A-3

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

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	24,261,869	24,261,869	2,062,259	8.50%	8.50%
PAC HORIZONS MONEY MARKET FUND	13,601,823	13,601,823	1,228,245	9.03%	9.03%
SCERS INVESTMENT POOLS					
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	160,761,041	150,785,634	14,508,469	9.02%	9.62%
REAL ESTATE MORTGAGE	5,645,687	5,892,321	660,151	11.69%	11.20%
UTILITY STOCKS	14,086,662	12,723,250	910,760	6.47%	7.16%
EQUITY:					
AXE-HOUGHTON	8,635,288	9,903,250	74,343	0.86%	0.75%
BATTERYMARCH	27,965,163	31,238,516	847,635	3.03%	2.71%
DELAWARE	27,625,220	28,530,885	1,388,295	5.03%	4.87%
LEXINGTON	11,100,146	13,164,163	284,893	2.57%	2.16%
NEWBOLDS	24,006,232	25,381,938	1,010,871	4.21%	3.98%
GOLD & SILVER	3,020,675	2,195,565			
REAL ESTATE EQUITY	22,484,615	22,580,000	1,411,500 1/	6.28%	6.25%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL	337,194,421	334,259,214	24,387,420 2/	7.23%	7.30%

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.

	1/ COST	1/ MARKET	% AUTHORIZED	AUTHORIZED	INVESTED, BASED UPON COST/MARKET
EXTERNAL CONTRIBUTIONS	965,698	965,698			
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	171,876,435	161,901,027	50.50%	170,283,182	1,593,252
REAL ESTATE MORTGAGE	8,097,704	8,344,339	2.50%	8,429,861	(85,522)
UTILITY STOCKS	16,897,929	15,534,517	5.00%	16,859,721	38,208
TOTAL FIXED	<u>196,872,068</u>	<u>185,779,883</u>	<u>58.00%</u>	<u>195,572,764</u>	<u>1,545,938</u>
EQUITY:					
AXE-HOUGHTON	13,017,077	14,285,039	4.00%	13,487,777	797,262
BATTERYMARCH	29,034,908	32,308,261	9.00%	30,347,498	1,960,764
DELAWARE	30,627,611	31,533,276	9.00%	30,347,498	1,185,778
LEXINGTON	12,976,468	15,040,485	4.00%	13,487,777	1,552,708
NEWBOLDS	30,394,925	31,770,632	9.00%	30,347,498	1,423,134
GOLD & SILVER	3,335,832	2,510,722	1.00%	3,371,944	(36,112)
REAL ESTATE EQUITY	25,969,834	26,065,219	6.00%	20,231,665	(166,446)
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	<u>139,356,655</u>	<u>147,513,633</u>	<u>42.00%</u>	<u>141,621,657</u>	<u>6,717,087</u>
TOTAL	<u>337,194,421</u>	<u>334,259,214</u>	<u>100.00%</u>	<u>337,194,421</u>	<u>8,263,025</u>

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 3/31/89, \$9,228,723 (\$8,263,025 + \$965,698) 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.

April 24, 1989

April 24, 1989
W. J. J.

ATTACHMENT A-5

1)
SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR MARCH 1989

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$1,865,038	\$17,500	(\$17,413)	\$88
MTG BACKED		\$125,765	(\$123,305)	\$2,460
2ND TD'S				\$0
REAL ESTATE MORTGAGES				\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$1,865,038	\$143,265	(\$140,718)	\$2,547
EQUITY:				
AXE-HOUGHTON	\$2,397,047	\$1,586,561	(\$1,502,039)	\$84,522
BATTERYMARCH	\$4,392,978	\$2,106,169	(\$1,742,136)	\$364,034
DELAWARE	\$0	\$0	\$0	\$0
LEXINGTON	\$536,006	\$752,546	(\$734,979)	\$17,567
NEWBOLDS	\$585,622	\$2,630,028	(\$2,464,119)	\$165,909
GOLD & SILVER				\$0
TOTAL EQUITY	\$7,911,653	\$7,075,304	(\$6,443,273)	\$632,031
TOTAL	\$9,776,691	\$7,218,569	(\$6,583,991)	\$634,578

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