

January 8, 1990

MINUTES
 REGULAR MEETING OF THE
 SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
 ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
 January 8, 1990

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in Conference Room 101, 921 - 10th Street, at 1:30 p.m. on January 8, 1990.

PRESENT: Frierson, Wolford, Friery, DeCamilla

ABSENT: Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD NOVEMBER 27, 1989

APPROVED

The Board received and reviewed the minutes of the regular meeting held November 27, 1989. Mr. Wolford moved the minutes be approved. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the October, 1989 Treasurer's Investment Activity Report. Michelle Stenoski, Investment Officer, reviewed the investment report with the Board.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

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REPORTS OF CONSULTANTS AND ADVISORSREAL ESTATE ADVISOR'S REPORT

ACCEPTED

The Board received the December, 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 the two water tanks at the 1414 K Street Building require maintenance. Mr. Smith recommended the Board approve an expenditure of \$8,592 for the maintenance work. Mr. Wolford moved to approve the expenditure. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

Mr. Friery requested Mr. Smith prepare a profile on the 1414 K Street Building for the February meeting. The report is to include all capital improvements and expenses.

Mr. Friery moved to accepted the Real Estate Advisor's Report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

SEI JUNE 30, 1989 QUARTERLY PERFORMANCE REPORT

ACCEPTED

Ms. Masuoka arrived at 2:10 p.m.

The Board received SEI's performance reports for the quarter ending September 30, 1989. John McLaughlin, from SEI, reviewed the report with the Board.

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The Board reviewed and discussed Batterymarch's investment performance.

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

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

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

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

BATTERYMARCH, OCTOBER AND NOVEMBER, 1989 PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Batterymarch's October and November 1989 performance report.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

RESOLUTION ADOPTING CITY CONTRIBUTION RATES TO SCERS FOR FISCAL YEAR 89-90
ADOPTED

At the November meeting the Board adopted the new actuarial rates. The resolution formalized the action.

REPORTS OF SECRETARY

Margaret Allen, Secretary to the Board, requested that the regular May meeting be changed from May 21 to May 14. The Board agreed.

IDEAS QUESTIONS, MEMBERS OF THE BOARD

Due to time constraints, Ms. Masuoka requested and received the Board's permission to forward the SCERS Annual Financial Report for FY 88-89 to the State Controller before submitting the report to the Board

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for review. Ms. Masuoka informed the Board she will invite the auditor's to the February meeting to present an overview of the annual financial report.

CLOSED SESSION - REAL PROPERTY TRANSACTIONS (Government Code Section 54956.8) and Pending Litigation (Government Code Section 54956.9(a)).

The Board met in closed session to discuss pending litigation.

There being no further business, the meeting was adjourned at 3:15 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

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

	CASH		INVESTMENTS	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR	@ COST	
EXTERNAL CONTRIBUTIONS	(3,070,347)			(3,070,347)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	614,456	1,048,485	119,641,569	121,304,510
REAL ESTATE MORTGAGE	471,226		5,513,752	5,984,978
UTILITY STOCKS	821,671	1,553,198	9,647,119	12,021,988
TOTAL FIXED	1,907,353	2,601,684	134,802,440	139,311,476
EQUITY:				
AXE-HUGHTON	(17,288)	907,962	9,787,994	10,678,668
BATTERYMARCH		463,864	19,249,129	19,712,993
DELAWARE		3,531,503	18,311,837	21,843,340
LEXINGTON	(18,449)	3,721,192	6,570,949	10,273,692
NEWBOLDS	(19,353)	2,407,685	19,857,817	22,246,149
GOLD & SILVER	305,954		2,049,044	2,354,999
REAL ESTATE EQUITY	2,142,230		22,898,652	25,040,882
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	2,393,094	11,032,207	92,725,422	106,150,723
SUB-TOTAL	1,230,100	13,633,891	227,527,862	242,391,852
PERS TRUST ACCOUNT 2/	(435,083)	755,150	116,086,973	116,407,039
GRAND TOTAL	795,017	14,389,040	343,614,835	358,798,892

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 OCTOBER 31, 1989

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	(3,070,347)			(3,070,347)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	614,456	1,048,485	120,708,496	122,371,437
REAL ESTATE MORTGAGE	471,226		5,929,328	6,400,554
UTILITY STOCKS	821,671	1,553,198	10,228,241	12,603,110
TOTAL FIXED	<u>1,907,353</u>	<u>2,601,684</u>	<u>136,866,065</u>	<u>141,375,102</u>
EQUITY:				
AXE-HOUGHTON	(17,288)	907,962	11,050,813	11,941,487
BATTERYMARCH		463,864	21,278,072	21,741,936
DELAWARE		3,531,503	20,623,052	24,154,555
LEXINGTON	(18,449)	3,721,192	8,036,975	11,739,718
NEWBOLDS	(19,353)	2,407,685	21,477,376	23,865,708
GOLD & SILVER	305,954		1,341,280	1,647,234
REAL ESTATE EQUITY	2,142,230		22,580,000	24,722,230
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	<u>2,393,094</u>	<u>11,032,207</u>	<u>100,387,568</u>	<u>113,812,869</u>
SUB-TOTAL	1,230,100	13,633,891	237,253,633	252,117,624
PERS TRUST ACCOUNT	(435,083)	755,150	116,086,973	116,407,039
GRAND TOTAL	<u>795,017</u>	<u>14,389,040</u>	<u>353,340,606</u>	<u>368,524,663</u>

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 9/30/89 - 10/31/89

	BALANCE 9/30/89	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 10/31/89
		POOL A	PAC HOR	INVESTMENT							
EXTERNAL CONTRIBUTION	(353,231)								(2,717,116)		(3,070,347)
FIXED:											
BONDS, 2ND TD'S, & MTG. BK. CERTS	120,561,055	0	7,106	728,520		7,630					121,304,510
REAL ESTATE MORTGAGES	5,931,223	0		53,756							5,984,979
UTILITY STOCKS	11,668,675	0	7,347		64,853	81,113					12,021,988
EQUITY:											
AXE-HUGHTON	10,168,111	0	10,782		4,815	494,961					10,678,669
BATTERYMARCH	19,649,765		2,087		41,333	19,608					19,712,933
DELAWARE	21,635,603		20,451		57,040	120,247					21,843,341
LEXINGTON	10,020,224	0	11,756		10,584	231,126					10,273,690
HEMBOLDG	21,103,782	0	7,658		72,360	1,062,485					22,246,149
GOLD & SILVER	2,352,742			2,257		0					2,354,999
REAL ESTATE EQUITY	24,921,862	0					168,375	(49,375)			25,040,862
LOAN PAYABLE	(6,000,000)										(6,000,000)
SUB-TOTAL	241,859,751	0	67,188	784,532	260,924	2,017,574	168,375	(49,375)	(2,717,116)	0	242,391,853
PERS TRUST ACCOUNT	116,400,605		6,434	0							116,407,039
GRAND TOTAL	358,260,356	0	73,623	784,532	260,924	2,017,574	168,375	(49,375)	(2,717,116)	0	358,798,893
YEAR TO DATE:											
PERMANENT ASSETS	349,384,263	582,853	526,108	4,020,685	1,160,261	5,614,855	629,250	(197,500)	(3,121,848)	(116,217,074)	242,391,853
PERS TRUST ACCOUNT			127,265	62,700						116,217,074	116,407,039
TOTAL YEAR TO DATE	349,384,263	582,853	653,373	4,083,385	1,160,261	5,614,855	629,250	(197,500)	(3,121,848)	0	358,798,892

STATE OF CALIFORNIA - DEPARTMENT OF REVENUE - INVESTMENT SERVICES DIVISION

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

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	1,230,100	1,230,100	123,010	10.00%	10.00%
PAC HORIZONS MONEY MARKET FUND	13,633,891	13,633,891	1,130,250	8.29%	8.29%
SCERS INVESTMENT POOLS					
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	119,641,569	120,708,496	10,905,603	9.12%	9.03%
REAL ESTATE MORTGAGE	5,513,752	5,929,328	648,291	11.76%	10.93%
UTILITY STOCKS	9,647,119	10,228,241	618,053	6.41%	6.04%
EQUITY:					
AXE-HOUGHTON	9,787,994	11,050,813	81,540	0.83%	0.74%
BATTERY/MARCH	19,249,129	21,278,072	383,057	1.99%	1.80%
DELAWARE	18,311,837	20,623,052	876,108	4.78%	4.25%
LEXINGTON	6,570,949	8,036,975	181,856	2.77%	2.26%
NEWBOLDS	19,857,817	21,477,376	810,893	4.08%	3.78%
GOLD & SILVER	2,049,044	1,341,280			
REAL ESTATE EQUITY	22,898,652	22,580,000	1,727,500 1/	7.54%	7.65%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
SUB-TOTAL	242,391,852	252,117,624	17,486,161 2/	7.21%	6.94%
PERS TRUST ACCOUNT	116,407,039	116,407,039	10,185,052	8.75%	8.75%
GRAND TOTAL	358,798,892	368,524,663	27,671,213	7.71%	7.51%

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 OCTOBER 31, 1989

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
EXTERNAL CONTRIBUTIONS	(3,070,347)	(3,070,347)			
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	121,304,510	122,371,437	50.50%	122,407,885	(36,449)
REAL ESTATE MORTGAGE	5,984,978	6,400,554	2.50%	6,059,796	340,758
UTILITY STOCKS	12,021,988	12,603,110	5.00%	12,119,593	483,518
TOTAL FIXED	139,311,476	141,375,102	58.00%	140,587,274	787,827
EQUITY:					
AXE-HOUGHTON	10,678,668	11,941,487	4.00%	9,695,674	2,245,813
BATTERYMARCH	19,712,993	21,741,936	9.00%	21,815,267	(73,331)
DELAWARE	21,843,340	24,154,555	9.00%	21,815,267	2,339,289
LEXINGTON	10,273,692	11,739,718	4.00%	9,695,674	2,044,044
NEWBOLDS	22,246,149	23,865,708	9.00%	21,815,267	2,050,442
GOLD & SILVER	2,354,999	1,647,234	1.00%	2,423,919	(68,920)
REAL ESTATE EQUITY	25,040,882	24,722,230	6.00%	14,543,511	4,497,371
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	106,150,723	113,812,869	42.00%	101,804,578	13,034,708
SUB-TOTAL	242,391,852	252,117,624	100.00%	242,391,852	13,822,535
PERS TRUST ACCOUNT	116,407,039	116,407,039	100.00%	116,407,039	0
GRAND TOTAL	358,798,892	368,524,663	100.00%	358,798,892	13,822,535

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 October 31, 1989, \$10,752,188 (\$13,822,535 - \$3,070,347) 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 OCTOBER 1989

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS		\$137,490	(\$130,390)	\$7,100
MTG BACKED	\$2,010,649	\$167,766	(\$167,036)	\$730
2ND TD'S				\$0
REAL ESTATE MORTGAGES				\$0
UTILITY STOCKS	\$0	\$481,600	(\$400,486)	\$81,113
TOTAL FIXED	\$2,010,649	\$786,856	(\$697,912)	\$88,943
EQUITY:				
AXE-HOUGHTON	\$4,158,605	\$3,657,447	(\$3,162,487)	\$494,961
BATTERYMARCH	\$58,262	\$107,645	(\$88,003)	\$19,808
DELAWARE	\$0	\$415,466	(\$295,219)	\$120,247
LEXINGTON	\$1,934,657	\$2,504,444	(\$2,273,318)	\$231,126
NEWBOLDS	\$2,162,268	\$3,168,652	(\$2,106,163)	\$1,062,489
GOLD & SILVER				\$0
TOTAL EQUITY	\$8,313,792	\$9,853,653	(\$7,925,190)	\$1,928,631
SUB -TOTAL	\$10,324,441	\$10,640,509	(\$8,623,102)	\$2,017,574
PERS TRUST ACCOUNT				\$0
GRAND TOTAL	\$10,324,441	\$10,640,509	(\$8,623,102)	\$2,017,574

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