

August 26, 1991

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
August 26, 1991

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 August 26, 1991.

PRESENT: Frierson, Masuoka, Friery

ABSENT: Crist, DeCamilla

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JULY 22, 1991
APPROVED

The Board received and reviewed the minutes of the regular meeting held July 22, 1991. Ms. Masuoka moved to approve the minutes. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Friery

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the June 1991 Treasurer's Investment Activity Report. Deborah Kanner, Investment Officer, reviewed the investment report with the Board.

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

AYES: Frierson, Masuoka, Friery

NOES: None

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REPORTS OF CONSULTANTS AND ADVISORS

FY 1990-91 ANNUAL REPORT OF PROXIES
ACCEPTED AS INFORMATIONAL

The Board received and reviewed the FY 1990-91 annual report of proxies voted for the system. Deborah Kanner, Investment Officer, reviewed the report with the Board.

The Board accepted the report as informational.

UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO, JUNE 30, 1991 QUARTERLY REPORT
CONTINUED

Deborah Kanner, Investment Officer, informed the Board that the report will be presented at the next meeting.

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

David DeCamilla arrived at 1:45 p.m.

The Board received the August 1991 Real Estate Advisor's Report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the reports with the Board.

Mr. Smith informed the Board that the League of California Cities has requested that the League and the Board hire Dowling Associates to conduct a review of the Draft Supplemental Environmental Impact Report on the expansion of the Sacramento Convention Center. The cost to the system would be \$2,500.00. After a discussion, Mr. Friery, Ms. Masuoka and Mr. Smith were authorized to meet with the League and to negotiate and execute an agreement in partnership with the League with a qualified consultant to conduct a review of the environmental impact report.

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

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

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COMMUNITY/CONVENTION CENTER EXPANSION-DESIGN REVIEW HEARING
ACCEPTED AS INFORMATIONAL

The Board accepted as informational the notification that a hearing has been scheduled August 28, 1991 before the Design Review/Preservation Board regarding the expansion of the community center.

BATTERYMARCH, JUNE 30, 1991, QUARTERLY REPORT PRESENTATION
ACCEPTED

The Board received Batterymarch's June 30, 1991 quarterly report. Larry Speidell reviewed the report with the Board and focused on the performance of the foreign investment program. Mr. Speidell apprised the Board that the foreign equity investment had been superior to the domestic investment performance.

The Board express their disappointment in the performance of the fund since inception.

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

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

The Board accepted as informational Batterymarch's July 31, 1991 performance report.

LEXINGTON CAPITAL MANAGEMENT, INC., JUNE 30, 1991, QUARTERLY REPORT PRESENTATION
ACCEPTED

The Board received the June 30, 1991, quarterly report from Lexington Capital Management. Jack Waymire reviewed the report with the Board. Mr. Waymire distributed and reviewed material on Lexington's quantitative asset management style.

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

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

The Board accepted as informational Lexington's July 1991 performance report.

AXE-HOUGHTON MANAGEMENT, INC., JUNE 30, 1991, QUARTERLY REPORT PRESENTATION
ACCEPTED

The Board received Axe-Houghton Management's June 30, 1991 quarterly report. Seth Lynn, President & CEO, and Porter H. Sutro reviewed the report with the Board, discussed Axe's investment style and strategy and a possible problem with the Board's 1982 Investment Standards.

The Board complimented Mr. Lynn and Mr. Sutro on investment performance of the fund.

Mr. Friery will report back to the Board on the possible problem with Axe's investment strategy and the Board's investment standards.

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

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

DELAWARE INVESTMENT ADVISERS, JUNE 30, 1991 QUARTERLY REPORT
ACCEPTED

Ms. Masuoka left at 3:00 p.m.

The Board received and reviewed the June 30, 1991 quarterly report from Delaware Investment Advisers.

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

AYES: Frierson, Friery, DeCamilla

NOES: None

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The Board accepted as informational Delaware's July 1991 performance report.

NEWBOLD'S ASSET MANAGEMENT JUNE 30, 1991 QUARTERLY REPORT
ACCEPTED

The Board received and reviewed the June 30, 1991 quarterly report from Newbold's Asset Management.

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

AYES: Frierson, Friery, DeCamilla

NOES: None

REPORTS OF SECRETARY

CALAPRS NEWSLETTER

Margaret Allen, Secretary to the Board, distributed CALAPRS Summer 1991 newsletter.

CLOSED SESSION-REAL PROPERTY TRANSACTIONS

The Board adjourned to closed session to discuss a real estate transaction.

The Board reconvened in open session. There being no further business, the meeting was adjourned at 3:20 p.m. to meet again at the call of the chair.

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ATTACHMENT A-1.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF JUNE 30, 1991

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	2,242,328			2,242,328
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	644,804	1,279,346	143,789,505	145,713,654
REAL ESTATE MORTGAGE	615,210		11,633,737 2/	12,248,947
UTILITY STOCKS	2,084,599	57,632	12,548,371	14,690,602
TOTAL FIXED	3,344,613	1,336,978	167,971,612	172,653,203
EQUITY:				
AXE-HOUGHTON	38,975	1,608,241	10,397,156	12,044,373
BATTERYMARCH		761,739	7,368,544	8,130,283
DELAWARE		1,190,667	28,821,408	30,012,076
LEXINGTON	(10,779)	2,248,640	10,112,583	12,350,445
NEWBOLDS	85,910	1,770,353	23,135,894	24,992,157
REAL ESTATE EQUITY	772,305		26,686,254 3/	27,458,558
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	886,411	7,579,641	100,521,839	108,987,891
GRAND TOTAL	6,473,352	8,916,619	268,493,452	283,883,423

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/ Included is \$3.5 million Commercial Paper due 8/21/91 to be used for any future Real Estate Mortgage Investments.

3/ Included is \$3.7 million Commercial Paper due 8/21/91 to be used for any future Real Estate Equity Investments.

ATTACHMENT A-1A

SCERS - STATEMENT OF ASSETS @ MARKET VALUE
AS OF JUNE 30, 1991

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	2,242,328			2,242,328
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	644,804	1,279,346	144,096,939	146,021,089
REAL ESTATE MORTGAGE	615,210		11,998,445	12,613,655
UTILITY STOCKS	2,084,599	57,632	11,913,375	14,055,606
TOTAL FIXED	3,344,613	1,336,978	168,008,759	172,690,350
EQUITY:				
AXE-HOUGHTON	38,975	1,608,241	11,171,300	12,818,517
BATTERYMARCH		761,739	8,408,323	9,170,062
DELAWARE		1,190,667	30,790,525	31,981,192
LEXINGTON	(10,779)	2,248,640	12,407,089	14,644,950
NEWBOLDS	85,910	1,770,353	24,969,870	26,826,132
REAL ESTATE EQUITY	772,305		26,226,350	26,998,655
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	886,411	7,579,641	107,973,456	116,439,508
GRAND TOTAL	6,473,352	8,916,619	275,982,215	291,372,186

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 5/31/91 - 6/30/91

	BALANCE 5/31/91	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 6/30/91
		POOL A	PAC BOR	INVESTMENT							
OPERATING CASH	1,255,722	(88,207)							(55,830)	1,130,643	2,242,328
FIXED:											
BONDS, 2ND TD'S, & MTC. BK. CERTS	145,614,187	29,699	75,542	1,123,730		1,140				(1,130,643)	145,713,655
REAL ESTATE MORTGAGES	12,093,243	55,187		100,517							12,248,947
UTILITY STOCKS	14,622,899	26,109	5,346		36,248	0					14,690,602
EQUITY:											
AXE-BOUGHTON	12,000,355	27,416	6,744		11,843	(1,985)					12,044,373
BATTERYMARCH	8,033,359		3,827		39,668	53,430					8,130,284
DELAWARE	29,867,623		4,633		181,678	(41,857)					30,012,076
LEXINGTON	12,177,350	(11,458)	236		37,690	146,617					12,350,444
WEBBOLDS	24,520,889	30,795	155,686		10,311	274,476					24,992,157
REAL ESTATE EQUITY LOAN PAYABLE (6,000,000)	27,270,341 (6,000,000)	60,716					176,875	(49,375)			27,458,557 (6,000,000)
GRAND TOTAL	281,455,976	130,258	252,014	1,224,247	317,438	431,821	176,875	(49,375)	(55,830)	0	283,883,423
YEAR TO DATE:	271,043,656	357,295	1,879,030	14,268,493	2,953,848	3,121,766	1,919,000	(592,500)	(11,067,165)	0	283,883,423

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF JUNE 30, 1991

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	6,473,352	6,473,352	541,108	8.36%	8.36%
PAC HORIZONS MONEY MARKET FUND	8,916,619	8,916,619	530,539	5.95%	5.95%
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	143,789,505	144,096,939	13,396,072	9.32%	9.30%
REAL ESTATE MORTGAGE	11,633,737	11,998,445	1,048,118	9.01%	8.74%
UTILITY STOCKS	12,548,371	11,913,375	796,008	6.34%	6.68%
EQUITY:					
AXE-HOUGHTON	10,397,156	11,171,300	47,150	0.45%	0.42%
BATTERYMARCH	7,368,544	8,408,323	179,095	2.43%	2.13%
DELAWARE	28,821,408	30,790,525	1,365,584	4.74%	4.44%
LEXINGTON	10,112,583	12,407,089	253,942	2.51%	2.05%
NEWBOLDS	23,135,894	24,969,870	1,173,179	5.07%	4.70%
REAL ESTATE EQUITY	26,686,254	26,226,350	2,130,488 1/	7.98%	8.12%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
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GRAND TOTAL	283,883,423	291,372,186	21,461,282 2/	7.56%	7.37%
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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. The Capital Gains for the prior fiscal year 1989/90 was \$8.5 million. Administrative Expenses for this same period were \$119,000 for Banking and Trustee Fees, \$748,000 for Investment Manager Fees, \$592,500 for Interest Expense on Note Payable (Discovery Plaza), and \$1,008,000 for Real Estate Maintenance and Repair Expenses. Capital Gains for the Fiscal Year 1990/91 are approximately \$3.1 million. The other expenses for Fiscal Year 1990/91 should remain constant, however they will be reported in the July 1991 monthly Report. 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 JUNE 30, 1991

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	2,242,328	2,242,328			2,242,328
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	145,713,654	146,021,089	53.00%	150,458,214	(4,437,125)
REAL ESTATE MORTGAGE	12,248,947	12,613,655	4.00%	11,355,337	1,258,318
UTILITY STOCKS	14,690,602	14,055,606	5.00%	14,194,171	496,431
TOTAL FIXED	172,653,203	172,690,350	62.00%	176,007,722	(2,682,376)
EQUITY:					
AXE-HOUGHTON	12,044,373	12,818,517	3.75%	10,645,628	2,172,888
BATTERYMARCH	8,130,283	9,170,062	3.00%	8,516,503	653,559
DELAWARE	30,012,076	31,981,192	10.75%	30,517,468	1,463,724
LEXINGTON	12,350,445	14,644,950	4.75%	13,484,463	1,160,488
NEWBOLDS	24,992,157	26,826,132	8.75%	24,839,799	1,986,333
REAL ESTATE EQUITY	27,458,558	26,998,655	7.00%	19,871,840	1,586,719
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	108,987,891	116,439,508	38.00%	107,875,701	9,023,711
GRAND TOTAL	283,883,423	291,372,186	100.00%	283,883,423	8,583,663

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 12/31/90 and became effective 2/25/91. The transfer of cash was completed in April 1991.

ATTACHMENT A-5

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR JUNE 1991

1]

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$1,966,380	\$1,997,725	(\$1,997,725)	\$0
MTG BACKED	\$0	\$99,264	(\$98,125)	\$1,139
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$1,966,380	\$2,096,989	(\$2,095,850)	\$1,139
EQUITY:				
AXE-HOUGHTON	\$1,706,904	\$2,202,216	(\$2,204,201)	(\$1,985)
BATTERYMARCH	\$437,173	\$462,679	(\$409,249)	\$53,430
DELAWARE	\$1,190,556	\$1,768,296	(\$1,810,153)	(\$41,857)
LEXINGTON	\$0	\$2,161,438	(\$2,014,820)	\$146,617
NEWBOLDS	\$1,735,208	\$1,271,274	(\$996,798)	\$274,476
REAL ESTATE EQUITY	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$5,069,840	\$7,865,902	(\$7,435,221)	\$430,681
GRAND TOTAL	\$7,036,220	\$9,962,891	(\$9,531,071)	\$431,820

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