

June 25, 1990

MINUTES  
REGULAR MEETING OF THE  
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM  
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD  
June 25, 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 June 25, 1990.

PRESENT: Crist, Frierson, Masuoka, Sperling, DeCamilla

ABSENT: None

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD MAY 14, 1990  
APPROVED

The Board received and reviewed the minutes of the regular meeting held May 14, 1990.

Mr. Crist moved the minutes be approved. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT  
ACCEPTED

The Board received the April 1990 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report with the Board.

Ms. Carter informed the Board that this was the first time bond income was transferred to operating cash in accordance with the Board's Resolution 90-004 adopted May 14, 1990.

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

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

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REPORTS OF CONSULTANTS AND ADVISORSCITY TREASURER'S UTILITY STOCK REPORT, MARCH 1990 - CONTINUED  
ACCEPTED AS INFORMATIONAL

Since the Board formally adopted a summary of the report last month, the Board accepted the final written report as informational. Ms. Carter reviewed the report, in its new format, with the Board.

The new report still provides comprehensive data but in a more user friendly format.

SEI MARCH 31, 1990 QUARTERLY PERFORMANCE REPORT  
ACCEPTED

The Board received SEI's performance reports for the quarter ending March 31, 1990. John McLaughlin, from SEI, reviewed the report with the Board. Mr. McLaughlin informed the Board the figures for Axe-Houghton and Batterymarch are incorrect. Corrected reports will be forwarded to the Treasurer.

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

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

REAL ESTATE ADVISOR'S REPORT  
ACCEPTED

The Board received the May and June 1990 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 the \$2,925,000 Power Inn Industrial loan closed. Also, he rejected the \$700,000 office loan in West Sacramento when the MAI appraisal valued the property at \$885,000 rather than \$1,000,000 as originally reported.

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

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

LETTER TO CITY COUNCIL REGARDING EXPANSION OF COMMUNITY CONVENTION CENTER AND PLANNING DIRECTOR'S SPECIAL PERMIT/VARIANCE 1401 L STREET  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational the final draft letter to the City Council expressing the Board's concerns regarding the expansion of the community convention center and the impact on the system's property located at 1414 K Street.

Also, the Board accepted as informational a notice from the City's Planning Department regarding the issuance of a special permit to provide public parking at 1401 L Street.

BATTERYMARCH APRIL AND MAY 1990 PERFORMANCE  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Batterymarch's April and May 1990 performance reports.

NEWBOLD'S ASSET APRIL 1990 PERFORMANCE  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Newbold's Asset Management's April 1990 performance report.

DELAWARE INVESTMENT ADVISERS APRIL AND MAY 1990 PERFORMANCE  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Delaware Investment Advisers' April and May 1990 performance reports.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

At the May 14, 1990 meeting the Board discussed Batterymarch's performance since inception, the portfolio's exposure to non-US equities and the investment limitations imposed by the Board's investment policy.

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In response to that discussion, the Board received a letter from Batterymarch, dated May 16, 1990, requesting the Board consider removing investment constraints limiting exposure to non-US equities.

The Board discussed the request and decided not to consider amending the current agreement with Batterymarch. The Treasurer's office will notify Batterymarch of this decision.

CLOSED SESSION - REAL PROPERTY TRANSACTIONS

The Board met in executive session to discuss a real estate proposal submitted by Jim Smith, real estate advisor.

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

## ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT  
AS OF APRIL 30, 1990

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	(1,312,334)			(1,312,334)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	10,571,369	910,931	131,715,436	143,197,736
REAL ESTATE MORTGAGE	5,446,820		5,361,241	10,808,061
UTILITY STOCKS	931,891	2,022,981	10,569,325	13,524,196
TOTAL FIXED	16,950,080	2,933,912	147,646,001	167,529,993
EQUITY:				
AXE-HOUGHTON	9,793	3,361,424	6,994,837	10,366,053
BATTERYMARCH		310,157	9,593,840	9,903,997
DELAWARE		3,896,763	23,832,679	27,729,441
LEXINGTON	(423)	4,209,597	8,496,051	12,705,224
NEWBOLDS	50,667	674,589	21,640,202	22,365,458
GOLD & SILVER	23,381		0	23,381
REAL ESTATE EQUITY	2,630,694		23,039,904	25,670,598
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	2,714,111	12,452,530	87,597,511	102,764,152
SUB-TOTAL	18,351,857	15,386,442	235,243,512	268,981,811
SCERS SAFEKEEPING II 2/	(3,391)	0	0	(3,391)
GRAND TOTAL	18,348,465	15,386,442	235,243,512	268,978,420

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 were liquidated as of June 30, 1989. During the month of July 1989, the amount representing these assets was transferred to a separate account at Security Pacific National Bank and invested in short term securities. During the month of January 1990, \$103,339,314.34 was transferred to PERS.

ATTACHMENT A-1A

SCERS - STATEMENT OF ASSETS @ MARKET VALUE  
AS OF APRIL 30, 1990

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	(1,312,334)			(1,312,334)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	10,571,369	910,931	125,493,667	136,975,967
REAL ESTATE MORTGAGE	5,446,820		5,793,978	11,240,798
UTILITY STOCKS	931,891	2,022,981	9,781,519	12,736,390
TOTAL FIXED	<u>16,950,080</u>	<u>2,933,912</u>	<u>141,069,164</u>	<u>160,953,156</u>
EQUITY:				
AXE-HOUGHTON	9,793	3,361,424	7,389,833	10,761,050
BATTERYMARCH		310,157	9,741,985	10,052,142
DELAWARE		3,896,763	24,304,326	28,201,089
LEXINGTON	(423)	4,209,597	8,515,638	12,724,812
NEWBOLDS	50,667	674,589	22,830,213	23,555,469
GOLD & SILVER	23,381		0	23,381
REAL ESTATE EQUITY	2,630,694		22,580,000	25,210,694
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	<u>2,714,111</u>	<u>12,452,530</u>	<u>89,361,995</u>	<u>104,528,636</u>
SUB-TOTAL	18,351,857	15,386,442	230,431,159	264,169,458
SCERS SAFEKEEPING II	(3,391)	0	0	(3,391)
GRAND TOTAL	<u>18,348,465</u>	<u>15,386,442</u>	<u>230,431,159</u>	<u>264,166,067</u>

CCORS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT  
FOR THE PERIOD 3/31/90 - 4/30/90

	BALANCE 3/31/90	INTEREST INCOME				GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 4/30/90
		POOL A	PAC HOR	INVESTMENT	DIV						
OPERATING CASH	(3,007,115)								872,547	822,234	(1,312,334)
FIXED:											
COMM. 2ND TD'S. & MTG. BK. CERTS	143,219,659	0	15,474	806,761		(21,924)				(822,234)	143,197,735
REAL ESTATE MORTGAGES	10,755,511	0		52,552							10,808,063
UTILITY STOCKS	13,440,908	0	13,289		62,020	0					13,524,196
EQUITY:											
AXE-HOUGHTON	10,332,544	0	13,645		5,015	14,851					10,366,055
BATTERYMARCH	9,812,956		2,936		23,681	4,373					9,903,997
DELAWARE	27,490,265		33,594		80,163	125,420					27,729,441
LORINGTON	12,724,175	0	21,579		18,063	(58,594)					12,705,223
MERCOLES	22,314,559	0	42,930		7,968	0					22,365,457
GOLD & SILVER	23,382	0		0		0					23,382
REAL ESTATE EQUITY	25,589,597	0					130,375	(49,375)			25,670,597
LOAN PAYABLE	(6,000,000)										(6,000,000)
SUB-TOTAL	266,764,441	0	143,475	859,313	196,910	64,126	130,375	(49,375)	872,547	(0)	268,981,812
CCORS SAFEKEEPING II	(5,057)		1,666	0	0						(3,391)
GRAND TOTAL	266,759,384	0	145,141	859,313	196,910	64,126	130,375	(49,375)	872,547	(0)	268,978,421
YEAR TO DATE:											
PERMANENT ASSETS	349,384,263	586,539	1,343,017	9,732,331	2,660,206	7,622,339	1,403,321	(493,750)	12,960,619	(116,217,074)	268,981,811
CCORS SAFEKEEPING II			148,731	4,925,024	17,027.00	27,267			(121,339,314)	116,217,074	(3,391)
TOTAL YEAR TO DATE	349,384,263	586,539	1,491,748	14,657,355	2,677,233	7,649,606	1,403,321	(493,750)	(108,378,695)	0	268,978,420

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN  
AS OF APRIL 30, 1990

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
<b>CASH</b>					
CITY POOL A	18,351,857	18,351,857	1,578,259	8.60%	8.60%
PAC HORIZONS MONEY MARKET FUND	15,386,442	15,386,442	1,210,912	7.87%	7.87%
<b>FIXED:</b>					
BONDS, 2ND TD'S & MTG. BK CERTS	131,715,436	125,493,667	12,075,277	9.17%	9.62%
REAL ESTATE MORTGAGE	5,361,241	5,793,978	634,890	11.84%	10.96%
UTILITY STOCKS	10,569,325	9,781,519	592,188	5.60%	6.05%
<b>EQUITY:</b>					
AXE-HOUGHTON	6,994,837	7,389,833	27,448	0.39%	0.37%
BATTERYMARCH	9,593,840	9,741,985	260,937	2.72%	2.68%
DELAWARE	23,832,679	24,304,326	1,177,379	4.94%	4.84%
LEXINGTON	8,496,051	8,515,638	252,645	2.97%	2.97%
NEWBOLDS	21,640,202	22,830,213	987,922	4.57%	4.33%
GOLD & SILVER	0	0			
REAL ESTATE EQUITY	23,039,904	22,580,000	1,853,500 1/	8.04%	8.21%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
<b>SUB-TOTAL</b>	<b>268,981,811</b>	<b>264,169,458</b>	<b>20,651,357 2/</b>	<b>7.68%</b>	<b>7.82%</b>
<b>SCERS SAFEKEEPING II</b>	<b>(3,391)</b>	<b>(3,391)</b>	<b>0</b>	<b>0.00%</b>	<b>0.00%</b>
<b>GRAND TOTAL</b>	<b>268,978,420</b>	<b>264,166,067</b>	<b>20,651,357</b>	<b>7.68%</b>	<b>7.82%</b>

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 1988/89 was \$8.6 million. Administrative Expenses for this same period were \$82,000 for Banking and Trustee Fees, \$665,000 for Investment Manager Fees, \$592,500 for Interest Expense on Note Payable (Discovery Plaza), and \$1,060,000 for Real Estate Maintenance and Repair Expenses. Although we are unable to estimate Capital Gains for Fiscal Year 1989/90, 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 APRIL 30, 1990

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	(1,312,334)	(1,312,334)			(1,312,334)
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	143,197,736	136,975,967	51.00%	137,180,724	6,017,012
REAL ESTATE MORTGAGE	10,808,061	11,240,798	4.00%	10,759,272	481,526
UTILITY STOCKS	13,524,196	12,736,390	5.00%	13,449,091	75,106
TOTAL FIXED	167,529,993	160,953,156	60.00%	161,389,087	6,573,644
EQUITY:					
AXE-HOUGHTON	10,366,053	10,761,050	4.00%	10,759,272	1,778
BATTERY/MARCH	9,903,997	10,052,142	4.00%	10,759,272	(707,130)
DELAWARE	27,729,441	28,201,089	11.00%	29,587,999	(1,386,911)
LEXINGTON	12,705,224	12,724,812	5.00%	13,449,091	(724,279)
NEWBOLDS	22,365,458	23,555,469	9.00%	24,208,363	(652,894)
GOLD & SILVER	23,381	23,381	0.00%	0	23,381
REAL ESTATE EQUITY	25,670,598	25,210,694	7.00%	18,828,727	841,871
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	102,764,152	104,528,636	40.00%	107,592,724	(2,604,184)
SUB-TOTAL	268,981,811	264,169,458	100.00%	268,981,811	2,657,125
SCERS SAFEKEEPING II	(3,391)	(3,391)	100.00%	(3,391)	0
GRAND TOTAL	268,978,420	264,166,067	100.00%	268,978,420	2,657,125

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 April 30, 1990, \$2,657,125 would be allocated to the managers according to the percentages authorized.

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY  
FOR APRIL 1990

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$4,208,156	\$179,250	(\$202,514)	(\$23,264)
MTG BACKED	\$1,501,662	\$124,597	(\$123,257)	\$1,340
2ND TD'S				\$0
REAL ESTATE MORTGAGES				\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$5,709,818	\$303,847	(\$325,771)	(\$21,924)
EQUITY:				
AXE-HOUGHTON	\$2,102,868	\$3,769,053	(\$3,754,202)	\$14,851
BATTERYMARCH	\$65,516	\$15,280	(\$10,906)	\$4,373
DELAWARE	\$1,080,482	\$525,455	(\$400,035)	\$125,420
LEXINGTON	\$0	\$750,763	(\$809,357)	(\$58,594)
NEWBOLDS	\$278,776	\$0	\$0	\$0
GOLD & SILVER				\$0
TOTAL EQUITY	\$3,527,641	\$5,060,550	(\$4,974,500)	\$86,050
SUB -TOTAL	\$9,237,459	\$5,364,397	(\$5,300,271)	\$64,126
SCERS SAFEKEEPING II				\$0
GRAND TOTAL	\$9,237,459	\$5,364,397	(\$5,300,271)	\$64,126

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