

July 22, 1991

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
July 22, 1991

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 July 22, 1991.

PRESENT: Masuoka, Friery, DeCamilla

ABSENT: Crist, Frierson

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JUNE 24, 1991
APPROVED

The Board received and reviewed the minutes of the regular meeting held June 24, 1991. Ms. Masuoka moved the minutes be approved. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the May 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 Mr. Friery and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

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REPORTS OF CONSULTANTS AND ADVISORSREAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received and reviewed the July, 1991 Real Estate Advisor's Report, submitted by W. Jim Smith of WJS & Associates.

Mr. Smith's report informed the Board that an agreement with the Senate Rules Committee was reached relative to their extra use of utilities after normal working hours. They have agreed to pay the additional costs.

Also the report informed the Board that the loan commitment letter for the Bel Air Market in Roseville has been submitted to the borrower's for execution and return. Mr. Smith anticipates the loan will close late August or early September.

CORRESPONDENCE FROM AXE-HOUGHTON
ACCEPTED AS INFORMATIONAL

The Board accepted as informational a letter from Axe-Houghton informing the Board that Chairman John L. Schroeder has retired and Mr. J. Michael Gaffney is the new Chairman. Mr. Steve Darby the system's account manager has resigned and Mr. Seth Lynn will be the system's new account manager.

LEXINGTON CAPITAL MANAGEMENT, INC., MAY 1991 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Lexington's May 1991 performance report. The Board briefly discussed Lexington's performance.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPONRESOLUTION RELATING TO RECOVERY OF CITY SCERS INVESTMENT COSTS BY THE
TREASURER'S OFFICE
ADOPTED

Michael Medema, Assistant City Treasurer, briefly reviewed the City Treasurer's report which was presented to the Board at the June 24,

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1991 meeting and the resolution which formalized the action taken by the Board at the June 24, 1991 meeting.

Ms. Masuoka requested the resolution include language which would authorize the City Director of Finance, on an annual basis, to expend an amount of SCERS funds to the City of Sacramento's General Fund to pay for the estimated costs which will be incurred by the City Treasurer's office for the direct management of SCERS funds and that the City Treasurer's office shall annually present to the Board a reconciliation of this budgeted amount with the actual costs incurred.

Mr. Friery moved to adopted the resolution to include Ms. Masuoka's recommendation. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

There being no further business, the meeting was adjourned at 2:00 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF MAY 31, 1991

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	1,255,722			1,255,722
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	169,175	1,523,853	143,921,158	145,614,186
REAL ESTATE MORTGAGE	451,587		11,641,656	12,093,243
UTILITY STOCKS	2,058,490	16,038	12,548,371	14,622,899
TOTAL FIXED	2,679,252	1,539,892	168,111,184	172,330,328
EQUITY:				
AXE-HOUGHTON	12,143	1,093,758	10,894,454	12,000,355
BATTERYMARCH		692,749	7,340,609	8,033,358
DELAWARE		426,617	29,441,006	29,867,622
LEXINGTON	817	49,138	12,127,404	12,177,359
NEWBOLDS	55,115	2,068,290	22,397,484	24,520,889
REAL ESTATE EQUITY	584,088		26,686,254	27,270,342
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	652,163	4,330,552	102,887,210	107,869,925
GRAND TOTAL	4,587,137	5,870,444	270,998,394	281,455,975

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 MAY 31, 1991

	CASH		INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	1,255,722			1,255,722
FIXED:				
BONDS, 2ND TD'S. & MTG. BK. CERTS.	169,175	1,523,853	145,775,769	147,468,798
REAL ESTATE MORTGAGE	451,587		11,978,205	12,429,793
UTILITY STOCKS	2,058,490	16,038	12,185,700	14,260,228
TOTAL FIXED	2,679,252	1,539,892	169,939,675	174,158,818
EQUITY:				
AXE-HOUGHTON	12,143	1,093,758	12,712,188	13,818,089
BATTERYMARCH		692,749	8,797,568	9,490,317
DELAWARE		426,617	33,213,725	33,640,342
LEXINGTON	817	49,138	15,236,041	15,285,996
NEWBOLDS	55,115	2,068,290	25,780,400	27,903,805
REAL ESTATE EQUITY	584,088		26,226,350	26,810,438
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	652,163	4,330,552	115,966,271	120,948,986
GRAND TOTAL	4,587,137	5,870,444	285,905,946	296,363,526

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 4/30/91 - 5/31/91

	BALANCE 4/30/91	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET INTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 5/31/91
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	2,019								121,557	1,132,146	1,255,722
FIXED:											
BONDS, 2ND TD'S, & MTC. BK. CERTS	144,916,160	0	7,811	1,124,336		698,027				(1,132,146)	145,614,187
REAL ESTATE MORTGAGES	12,017,379	0		75,864							12,093,243
UTILITY STOCKS	14,549,937	0	7,816		65,147	0					14,622,899
EQUITY:											
AXE-HOUGHTON	11,904,749	0	17,101		(100)	78,604					12,000,355
BATTERYMARCH	7,955,931		2,401		11,612	63,415					8,033,359
DELANARK	29,372,981		11,524		43,649	439,469					29,867,623
LEXINGTON	12,158,336	0	4,419		16,179	(1,576)					12,177,358
NEWBOLDS	24,362,938	0	78,722		6,715	72,515					24,520,889
REAL ESTATE EQUITY LOAN PAYABLE	27,185,341 (6,000,000)	0					134,375	(49,375)			27,270,341 (6,000,000)
GRAND TOTAL	278,425,771	0	129,794	1,200,200	143,201	1,350,454	134,375	(49,375)	121,557	0	281,455,977
YEAR TO DATE:	271,043,656	227,037	1,627,016	13,044,246	2,636,411	2,689,945	1,742,125	(543,125)	(11,011,334)	0	281,455,977

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF MAY 31, 1991

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	4,587,137	4,587,137	374,907	8.17%	8.17%
PAC HORIZONS MONEY MARKET FUND	5,870,444	5,870,444	355,749	6.06%	6.06%
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	143,921,158	145,775,769	13,225,710	9.19%	9.07%
REAL ESTATE MORTGAGE	11,641,656	11,978,205	1,007,735	8.66%	8.41%
UTILITY STOCKS	12,548,371	12,185,700	796,008	6.34%	6.53%
EQUITY:					
AXE-HOUGHTON	10,894,454	12,712,188	69,180	0.64%	0.54%
BATTERYMARCH	7,340,609	8,797,568	183,260	2.50%	2.08%
DELAWARE	29,441,006	33,213,725	1,358,624	4.61%	4.09%
LEXINGTON	12,127,404	15,236,041	302,217	2.49%	1.98%
NEWBOLDS	22,397,484	25,780,400	1,136,667	5.07%	4.41%
REAL ESTATE EQUITY	26,686,254	26,226,350	2,087,988 1/	7.82%	7.96%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
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GRAND TOTAL	281,455,975	296,363,526	20,898,045 2/	7.42%	7.05%
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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. Although we are unable to estimate Capital Gains for Fiscal Year 1990/91, 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.

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF MAY 31, 1991

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	1,255,722	1,255,722			1,255,722
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	145,614,186	147,468,798	53.00%	149,171,667	(1,702,869)
REAL ESTATE MORTGAGE	12,093,243	12,429,793	4.00%	11,258,239	1,171,554
UTILITY STOCKS	14,622,899	14,260,228	5.00%	14,072,799	550,100
TOTAL FIXED	172,330,328	174,158,818	62.00%	174,502,704	18,785
EQUITY:					
AXE-HOUGHTON	12,000,355	13,818,089	3.75%	10,554,599	3,263,489
BATTERYMARCH	8,033,358	9,490,317	3.00%	8,443,679	1,046,637
DELAWARE	29,867,622	33,640,342	10.75%	30,256,517	3,383,824
LEXINGTON	12,177,359	15,295,996	4.75%	13,369,159	1,916,837
NEWBOLDS	24,520,889	27,903,000	8.75%	24,627,398	3,276,407
REAL ESTATE EQUITY	27,270,342	26,810,000	7.00%	19,701,918	1,568,424
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	107,869,925	120,948,986	38.00%	106,953,270	14,455,619
GRAND TOTAL	281,455,975	296,363,526	100.00%	281,455,975	15,730,125

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

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR MAY 1991

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$29,946,686	\$17,216,569	(\$16,961,130)	\$255,439
MTG BACKED	\$0	\$11,676,820	(\$11,234,232)	\$442,588
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$3,449,250	\$0	\$0	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$33,395,936	\$28,893,389	(\$28,195,362)	\$698,027
EQUITY:				
AXE-HOUGHTON	\$2,840,902	\$1,604,501	(\$1,525,896)	\$78,604
BATTERYMARCH	\$694,685	\$557,802	(\$494,387)	\$63,415
DELAWARE	\$4,032,954	\$2,498,364	(\$2,058,895)	\$439,469
LEXINGTON	\$253,554	\$242,479	(\$244,055)	(\$1,576)
NEWBOLDS	\$794,661	\$767,318	(\$694,804)	\$72,515
REAL ESTATE EQUITY	\$3,646,350	\$0	\$0	\$0
TOTAL EQUITY	\$12,263,105	\$5,670,464	(\$5,018,037)	\$652,428
GRAND TOTAL	\$45,659,041	\$34,563,853	(\$33,213,399)	\$1,350,455

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