

June 22, 1992

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
June 22, 1992

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 June 22, 1992.

PRESENT: Frierson, Friery, DeCamilla

ABSENT: Crist, Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD MAY 18, 1992

APPROVED

The Board received and reviewed the minutes of the regular meeting held May 18, 1992. Mr. Friery moved to approve the minutes. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the April, 1992 Treasurer's Investment Activity Report. Mr. Friery, City Treasurer, reviewed the investment report with the Board.

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

AYES: Frierson, Friery, DeCamilla

NOES: None

June 22, 1992

REPORTS OF CONSULTANTS AND ADVISORSCITY TREASURER'S UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO,
MARCH 31, 1992 - CONTINUED
ACCEPTED

The Board received the March 31, 1992 Quarterly Report on the City Treasurer's Utility Stock Fixed Income Alternative Portfolio. Mr. Friery, City Treasurer, reviewed the report with the Board.

Ms. Frierson moved to accept the March 31, 1992 Quarterly Report. The motion was seconded by Mr. DeCamilla and carried by the following vote:

AYES: Frierson, Friery, DeCamilla

NOES: None

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received and reviewed the June, 1992 real estate advisor's report submitted by Jim Smith, WJS Associates.

Mr. Friery informed the Board that he spoke with Mr. Smith and that there are no action items on the report.

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

AYES: Frierson, Friery, DeCamilla

NOES: None

HISTORIC PRESERVATION STRATEGY - 1414 K STREET BUILDING
CONTINUED

Mr. Friery informed the Board that Mr. Smith, Real Estate Advisor, has requested that Don Pach, the system's real estate attorney, review and advise the Board on this issue. Mr. Smith will report back to the Board at the next meeting.

The Board continued this item to the July, 1992 meeting.

June 22, 1992

SEI MARCH 31, 1992 QUARTERLY REPORT
ACCEPTED

The Board received SEI's performance report for the quarter ending March 31, 1992. Bruce Pflug reviewed the report with the Board.

The Board requested that Mr. Pflug prepare an analysis on Lexington Capital Management performance to see if they are meeting the Board's objectives.

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

DELAWARE INVESTMENT ADVISERS, APRIL AND MAY 1992 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Delaware Investment Advisers' April and May, 1992 performance report.

LEXINGTON CAPITAL MANAGEMENT, INC., APRIL 1992 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Lexington Capital Management's April, 1992 performance report.

GENERAL COMMUNICATIONS

POSSIBLE TRANSFER OF ACTIVE SCERS MEMBERS TO PERS
ACCEPTED AS INFORMATIONAL

Mr. Steve Lakich, Employee Relations Director, updated the Board on the transfer of active SCERS members to PERS. Mr. Lakich informed the Board that negotiations with the recognized employee organizations concluded last month without an agreement; therefore, there will not be a Charter amendment to permit the SCERS to PERS transfer for the November

BLANK PAGE

June 22, 1992

ballot. Mr. Lakich informed the Board that the issue could be reopened during the 1993 negotiations.

Mr. Friery stated for the record that this type of major change really alters the characteristics of the pension plan and the uncertainty of any future SCERS to PERS transfer makes it difficult for the Board to plan and recommend an asset strategy. Mr. Friery hoped that the transfer issue could be resolved one way or the other so that the Board could determine the proper investment strategy.

Mr. Lakich stated that it is difficult to predict what will happen in future negotiations regarding this issue.

There being no further business the meeting was adjourned at 2:30 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF APRIL 30, 1992

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	882,832			882,832
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	4,208,616	2,237,162	156,940,206	163,385,984
REAL ESTATE MORTGAGE	22,310	1,664,026	10,564,361	12,250,697
UTILITY STOCKS	282,930	389,607	13,740,955	14,413,491
TOTAL FIXED	4,513,855	4,290,796	181,245,522	190,050,173
EQUITY:				
AXE-HOUGHTON		353,834	11,860,180	12,214,014
DELAWARE		511,887	31,525,185	32,037,072
LEXINGTON		1,551,701	11,575,444	13,127,146
NEWBOLDS		2,360,813	24,162,277	26,523,090
REAL ESTATE EQUITY	(34,042)	3,041,953	24,447,735	27,455,646
LESS: LOAN PAYABLE			(5,997,274) 2/	(5,997,274)
TOTAL EQUITY	(34,042)	7,820,188	97,573,547	105,359,694
GRAND TOTAL	5,362,646	12,110,984	278,819,069	296,292,699

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/ Balance is an outstanding loan on Discovery Plaza. Loan payments commenced 4/1/92.

SCERS - STATEMENT OF ASSETS @ MARKET VALUE
AS OF APRIL 30, 1992

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	882,832			882,832
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	4,208,616	2,237,162	163,278,289	169,724,067
REAL ESTATE MORTGAGE	22,310	1,664,026	11,007,441	12,693,777
UTILITY STOCKS	282,930	389,607	14,867,288	15,539,824
TOTAL FIXED	4,513,855	4,290,796	189,153,017	197,957,668
EQUITY:				
AXE-HOUGHTON		353,834	11,545,413	11,899,246
DELAWARE		511,887	35,798,813	36,310,700
LEXINGTON		1,551,701	12,948,411	14,500,112
NEWBOLDS		2,360,813	27,178,422	29,539,235
REAL ESTATE EQUITY	(34,042)	3,041,953	24,637,831	27,645,743
LESS: LOAN PAYABLE			(5,997,274)	(5,997,274)
TOTAL EQUITY	(34,042)	7,820,188	106,111,615	113,897,761
GRAND TOTAL	5,362,646	12,110,984	295,264,632	312,738,261

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 03/31/92 - 04/30/92

	BALANCE 3/31/92	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST/ PRINCIPAL PAYMENTS	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 4/30/92
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	1,150,384	0							(1,642,753)	1,375,201	882,832
FIXED:											
BONDS, 2ND TD'S, & MTG. BK. CERTS	163,170,288	0	97,201	1,202,807		130,478				(1,214,790)	163,385,984
REAL ESTATE MORTGAGES	12,252,666	0		104,136						(106,103)	12,250,699
UTILITY STOCKS	14,290,819	0	3,539		119,133	0					14,413,490
EQUITY:											
AYR-HOUGHTON	12,223,049		13,616		4,941	(27,592)					12,214,013
DELAWARE	31,865,970		1,011		82,079	88,013					32,037,073
LEWINGTON	13,205,183		196		36,344	(114,577)					13,127,146
HEMBOLDS	26,272,379		58,475		15,801	176,433					26,523,089
REAL ESTATE EQUITY LOAN PAYABLE	27,439,912 (6,000,000)	0		25,042			94,375 2,726	(49,375)		(54,308)	27,455,646 (5,997,274)
GRAND TOTAL	295,870,650	0	174,038	1,331,985	258,297	252,755	94,375	(46,649)	(1,642,753)	0	296,292,698
YEAR TO DATE:	283,883,423	350,015	1,470,940	11,705,349	2,479,882	9,876,100	1,479,275	(491,024)	(14,461,262)	0	296,292,698

150

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF APRIL 30, 1992

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	5,362,646	5,362,646	375,385	7.00%	7.00%
PAC HORIZONS MONEY MARKET FUND	12,110,984	12,110,984	482,017	3.98%	3.98%
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	156,940,206	163,278,289	13,886,941	8.85%	8.51%
REAL ESTATE MORTGAGE	10,564,361	11,007,441	1,033,449	9.78%	9.39%
UTILITY STOCKS	13,740,955	14,867,288	893,758	6.50%	6.01%
EQUITY:					
AXE-HOUGHTON	11,860,180	11,545,413	39,322	0.33%	0.34%
DELAWARE	31,525,185	35,798,813	1,222,884	3.88%	3.42%
LEXINGTON	11,575,444	12,948,411	251,802	2.18%	1.94%
NEWBOLDS	24,162,277	27,178,422	1,129,996	4.68%	4.16%
REAL ESTATE EQUITY	24,447,735	24,637,831	1,795,000 1/	7.34%	7.29%
LOAN PAYABLE	(5,997,274)	(5,997,274)			
	-----	-----	-----	-----	-----
GRAND TOTAL	296,292,699	312,738,261	21,110,555 2/	7.12%	6.75%
	=====	=====	=====	=====	=====

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 1990/91 was \$3.1 million. Administrative Expenses for this same period were \$87,000 for Banking and Trustee Fees, \$603,000 for Investment Manager Fees, \$592,500 for Interest Expense on Note Payable (Discovery Plaza), and \$1,025,000 for Real Estate Maintenance and Repair Expenses. All income and expense items are considered in determining the funds total performance.

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF APRIL 30, 1992

	1/ COST	1/ MARKET	2/ % AUTHORIZED	DOLLARS AUTHORIZED	3/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	882,832	882,832			882,832
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	163,385,984	169,724,067	54.00%	168,878,661	845,406
REAL ESTATE MORTGAGE	12,250,697	12,693,777	5.00%	15,636,913	(2,943,136)
UTILITY STOCKS	14,413,491	15,539,824	5.00%	15,636,913	(97,089)
TOTAL FIXED	190,050,173	197,957,668	64.00%	200,152,487	(2,194,819)
EQUITY:					
AXE-HOUGHTON	12,214,014	11,899,246	4.00%	12,509,530	(295,516)
DELAWARE	32,037,072	36,310,700	11.00%	34,401,209	1,909,491
LEXINGTON	13,127,146	14,500,112	5.00%	15,636,913	(1,136,801)
NEWBOLDS	26,523,090	29,539,235	9.00%	28,146,444	1,392,791
REAL ESTATE EQUITY	27,455,646	27,645,743	7.00%	21,891,678	(243,210)
LESS: LOAN PAYABLE	(5,997,274)	(5,997,274)			
TOTAL EQUITY	105,359,694	113,897,761	36.00%	112,585,774	1,626,755
GRAND TOTAL	296,292,699	312,738,261	100.00%	312,738,261	314,768

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/ The present allocation was approved May 18, 1992 to be effective January 1, 1992.

3/ This column represents the amount over (under) invested for each category using the higher of Cost or Market based upon the Board's asset allocation policy.

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR APRIL 1992

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$3,980,960	\$11,097,984	(\$10,969,633)	\$128,351
MTG BACKED	\$4,806,701	\$357,237	(\$355,110)	\$2,127
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$8,787,661	\$11,455,221	(\$11,324,743)	\$130,478
EQUITY:				
AXE-HOUGHTON	\$2,667,354	\$963,839	(\$991,431)	(\$27,592)
DELAWARE	\$656,960	\$867,105	(\$779,092)	\$88,013
LEXINGTON	\$0	\$1,475,341	(\$1,589,918)	(\$114,577)
NEWBOLDS	\$1,372,620	\$698,405	(\$521,972)	\$176,433
REAL ESTATE EQUITY	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$4,696,934	\$4,004,689	(\$3,882,413)	\$122,276
GRAND TOTAL	\$13,484,595	\$15,459,910	(\$15,207,156)	\$252,754

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

July 27, 1992

THE REGULAR MEETING SCHEDULED FOR JULY 27, 1992 WAS CANCELED DUE
TO A LACK OF A QUORUM.

BLANK PAGE