

June 24, 1991

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
June 24, 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 June 24, 1991.

PRESENT: Crist, Frierson, Sperling, DeCamilla

ABSENT: Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD MAY 20, 1991
APPROVED

The Board received and reviewed the minutes of the regular meeting held May 20, 1991. Ms. Frierson moved the minutes be approved. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, Frierson, Sperling, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

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

Ms. Kanner also distributed and reviewed a special report regarding fixed income investment activity and strategy for May 1991.

June 24, 1991

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

AYES: Crist, Frierson, Sperling, DeCamilla

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

RECOVERY OF CITY SCERS INVESTMENT COST
APPROVED

The Board received and reviewed a report presented by the City Treasurer's Office advising the Board, that based on the legal opinion of the City Attorney, the City Treasurer's direct costs of managing and investing the system's fixed assets program can be charged to the assets of SCERS.

It was the City Treasurer's recommendation that the AIFM Board approve reimbursement of the \$44,449 direct City investment costs incurred as a result of direct management of SCERS funds for FY 1990/91 and the estimated costs for FY 1991/92 and FY 1992-93 of \$44,449 and \$45,449 respectively.

Mr. Crist moved to approve the reimbursement of \$44,449 actual cost for FY 1990/91 and approve the reimbursement for FY 1991/92 and FY 1992-93 subject to actual costs. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, Frierson, Sperling, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

CITY TREASURER'S UTILITY STOCK REPORT MARCH, 1991 - CONTINUED
ACCEPTED

The Board received the Treasurer's Utility Stock Fixed Income Alternative Portfolio results for the quarter ending March 31, 1991. Ms. Kanner reviewed the report with the Board.

June 24, 1991

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

AYES: Crist, Frierson, Sperling, DeCamilla

NOES: None

SEI MARCH 31, 1991 QUARTERLY PERFORMANCE REPORT
ACCEPTED

The Board received SEI's performance report for the quarter ending March 31, 1991. Mr. McLaughlin reviewed the report with the Board.

The Board had a lengthy and in-depth discussion regarding all the managers performances and investment strategies.

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

AYES: Crist, Frierson, Sperling, DeCamilla

NOES: None

Mr. Crist left at 2:45 p.m.

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the June, 1991 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 Senate Rules Committee is currently interpreting their lease to read that the landlord is responsible for paying the cost of providing utilities beyond normal working hours. The Board's position is that the tenant is responsible to pay the cost of using utilities beyond normal working hours.

June 24, 1991

The Board instructed Mr. Smith to inform existing tenants of the Board's position. Mr. Sperling moved to accept the real estate advisor's report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Sperling, DeCamilla

NOES: None

MORTGAGE LOAN PROPOSAL- BEL AIR MART CORPORATION
APPROVED

The Board received a first mortgage loan proposal submitted by Mr. Smith, Real Estate Advisor, in the amount of \$2,490,000, with an interest rate of 10.375%, on a Bel Air Supermarket located at the southeast corner of Sunrise Boulevard and Cirby Way in Roseville, California.

Mr. Smith recommended that the Board approve the proposal and also informed the Board that he thought he could get a higher interest rate of 10.50%.

The Board discussed the proposal and the Board instructed Mr. Smith to attempt to secure a 10.50% interest rate but if he was unsuccessful the Board felt the 10.375% was acceptable.

Mr. Sperling moved to approve the mortgage loan proposal. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Frierson, Sperling, DeCamilla

NOES: None

BATTERYMARCH APRIL AND MAY 1991 PERFORMANCE REPORTS
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Batterymarch's April and May 1991 performance reports.

June 24, 1991

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

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

DELAWARE INVESTMENT ADVISERS MAY 1991 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

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

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, 1991

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	2,019			2,019
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	1,112,432	1,465,087	142,338,640	144,916,160
REAL ESTATE MORTGAGE	3,817,128		8,200,251	12,017,379
UTILITY STOCKS	458,490	1,543,076	12,548,371	14,549,936
TOTAL FIXED	5,388,050	3,008,163	163,087,262	171,483,475
EQUITY:				
AXE-HOUGHTON	12,143	2,313,158	9,579,448	11,904,749
BATTERYMARCH		815,619	7,140,311	7,955,930
DELAWARE		1,906,033	27,466,947	29,372,980
LEXINGTON	817	39,614	12,117,905	12,158,337
NEWBOLDS	55,115	2,010,197	22,297,627	24,362,938
REAL ESTATE EQUITY	4,145,438		23,039,904	27,185,342
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	4,213,513	7,084,621	95,642,141	106,940,275
GRAND TOTAL	9,603,582	10,092,784	258,729,403	278,425,769

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.

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

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	2,019			2,019
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	1,112,432	1,465,087	144,896,736	147,474,255
REAL ESTATE MORTGAGE	3,817,128		8,537,342	12,354,470
UTILITY STOCKS	458,490	1,543,076	12,326,931	14,328,497
TOTAL FIXED	5,388,050	3,008,163	165,761,009	174,157,222
EQUITY:				
AYE-HOUGHTON	12,143	2,313,158	10,645,738	12,971,038
BATTERYMARCH		815,619	8,390,873	9,206,492
DELAWARE		1,906,033	30,329,775	32,235,808
LEXINGTON	817	39,614	14,706,500	14,746,931
NEWBOLDS	55,115	2,010,197	24,723,976	26,789,287
REAL ESTATE EQUITY	4,145,438		22,580,000	26,725,438
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	4,213,513	7,084,621	105,376,862	116,674,996
GRAND TOTAL	9,603,582	10,092,784	271,137,871	290,834,237

SCRS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 3/31/91 - 4/30/91

	BALANCE 3/31/91	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 4/30/91
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	170	(104,394)							(904,396)	1,010,639	2,019
FIXED:											
BONDS, 2ND TD'S, & MTG. BK. CRTS	144,820,661	25,092	73,948	1,004,566		2,532				(1,010,639)	144,916,160
REAL ESTATE MORTGAGES	11,886,369	55,073		75,937							12,017,379
UTILITY STOCKS	14,428,120	14,868	8,297		98,652	0					14,549,937
EQUITY:											
AXE-HOUGHTON	11,205,249	210	15,336		6,617	677,337					11,904,749
BATTERYMARCHE	9,629,315		5,114		22,067	(100,565)		(1,600,000)			7,955,931
DELAWARE	28,932,937		15,659		123,024	301,361					29,372,981
LEXINGTON	12,204,941	13	18,631		4,335	(69,584)					12,158,336
NEWBOLDS	24,332,316	916	60,569		9,425	(40,289)					24,362,938
REAL ESTATE EQUITY LOAN PAYABLE	27,007,146 (6,000,000)	58,195					169,375	(49,375)			27,185,341 (6,000,000)
GRAND TOTAL	278,447,224	49,974	197,553	1,080,503	264,120	770,793	169,375	(49,375)	(2,504,396)	0	278,425,771
YEAR TO DATE:	271,043,656	331,431	1,497,222	11,844,046	2,493,210	1,339,491	1,607,750	(493,750)	(11,237,285)	0	278,425,771

ATTACHMENT A-3

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

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	9,603,582	9,603,582	789,414	8.22%	8.22%
PAC HORIZONS MONEY MARKET FUND	10,092,784	10,092,784	631,808	6.26%	6.26%
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	142,338,640	144,896,736	13,201,358	9.27%	9.11%
REAL ESTATE MORTGAGE	8,200,251	8,537,342	805,508	9.82%	9.44%
UTILITY STOCKS	12,548,371	12,326,931	796,008	6.34%	6.46%
EQUITY:					
AXE-HOUGHTON	9,579,448	10,645,738	75,322	0.79%	0.71%
BATTERYMARCH	7,140,311	8,390,873	179,954	2.52%	2.14%
DELAWARE	27,466,947	30,329,775	1,334,072	4.86%	4.40%
LEXINGTON	12,117,905	14,706,500	291,461	2.41%	1.98%
NEWBOLDS	22,297,627	24,723,976	1,155,303	5.18%	4.67%
REAL ESTATE EQUITY	23,039,904	22,580,000	1,939,500 1/	8.42%	8.59%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
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GRAND TOTAL	278,425,769	290,834,237	21,199,709 2/	7.61%	7.29%
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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.

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF APRIL 30, 1991

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	2,019	2,019			2,019
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	144,916,160	147,474,255	53.00%	147,565,658	(91,403)
REAL ESTATE MORTGAGE	12,017,379	12,354,470	4.00%	11,137,031	1,217,440
UTILITY STOCKS	14,549,936	14,328,497	5.00%	13,921,288	628,648
TOTAL FIXED	171,483,475	174,157,222	62.00%	172,623,977	1,754,685
EQUITY:					
AXE-HOUGHTON	11,904,749	12,971,038	3.75%	10,440,966	2,530,072
BATTERYMARCH	7,955,930	9,206,492	3.00%	8,352,773	853,719
DELAWARE	29,372,980	32,235,808	10.75%	29,930,770	2,305,038
LEXINGTON	12,158,337	14,746,931	4.75%	13,225,224	1,521,707
NEWBOLDS	24,362,938	26,789,287	8.75%	24,362,255	2,427,033
REAL ESTATE EQUITY	27,185,342	26,725,438	7.00%	19,489,804	1,695,538
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	106,940,275	116,674,996	38.00%	105,801,792	11,333,107
GRAND TOTAL	278,425,769	290,834,237	100.00%	278,425,769	13,089,811

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 APRIL 1991

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$0	\$170,000	(\$168,300)	\$1,700
MTG BACKED	\$0	\$187,688	(\$186,856)	\$832
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$0	\$357,688	(\$355,156)	\$2,532
EQUITY:				
AXE-HOUGHTON	\$3,154,886	\$1,905,824	(\$1,228,487)	\$677,337
BATTERYMARCH	\$184,783	\$902,997	(\$1,003,562)	(\$100,565)
DELAWARE	\$3,334,320	\$1,886,757	(\$1,585,396)	\$301,361
LEXINGTON	\$2,343,032	\$944,041	(\$1,013,625)	(\$69,584)
NEWBOLDS	\$160,062	\$1,067,284	(\$1,107,573)	(\$40,289)
TOTAL EQUITY	\$9,177,082	\$6,706,904	(\$5,938,643)	\$768,261
GRAND TOTAL	\$9,177,082	\$7,064,592	(\$6,293,799)	\$770,793

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