

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
June 27, 1988

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in Conference Room 103, 801 - 9th Street, at 1:38 p.m. on June 27, 1988.

PRESENT: Frierson, Masuoka, Wolford, Sperling, DeCamilla

ABSENT: None

CONSENT CALENDAR

MINUTES OF REGULAR MEETING MAY 23, 1988
APPROVED

The Board received and reviewed the minutes of the regular meeting held May 23, 1988. Mr. Sperling moved the minutes be approved. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Sperling, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the April, 1988 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report with the Board and informed the Board the report was amended to reflect year to date totals on A-2 and estimated annual income on A-3.

Mr. Sperling informed the Board that the May 5, 1988 report regarding the ARCO arena transaction should be amended. In the first paragraph, first sentence the word "sell" should be changed to "hold".

Mr. Sperling reviewed a report submitted by Mr. Friery regarding the termination of the Price Club commercial paper transaction. From inception of this transaction the system earned approximately 11%.

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

AYES: Frierson, Masuoka, Wolford, Sperling, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the June, 1988 Real Estate Advisor's Report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith was not able to attend the meeting.

As there was nothing unusual in the report, Mr. Wolford moved to accept the real estate report. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Sperling, DeCamilla

NOES: None

SEI MARCH 31, 1988 QUARTERLY PERFORMANCE REPORT
ACCEPTED

The Board received SEI's performance reports for the quarter ending March 31, 1988. John McLaughlin, from SEI, reviewed the report with the Board. In the next performance report, there will be a comparison of the system's asset allocation and other factors to other local government agencies.

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

AYES: Frierson, Masuoka, Wolford, Sperling, DeCamilla

NOES: None

LEXINGTON CAPITAL MANAGEMENT APRIL 1988 AND MAY 1988 PERFORMANCE SUMMARY
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Lexington Capital Management's April 1988 and May 1988 performance summary.

BATTERYMARCH, MAY 1988 PERFORMANCE SUMMARY
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Batterymarch's May 1988 performance summary.

REPORTS OF SECRETARY

AUTOMATIC RENEWAL OF CONTRACTS
ACCEPTED AS INFORMATIONAL

Secretary Richard Snyder informed the Board that the following system contracts have or will automatically renew: Delaware Investment, June 1, 1988; Newbold's Asset, June 1, 1988; Batterymarch Financial Management, July 1, 1988; and SEI, July 1, 1988.

There being no further business, the meeting was adjourned at 2:28 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, 1988

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	4,034,822	0	0	0	4,034,822
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS.	4,420,930	1,010,815	0	151,201,248	156,632,993
REAL ESTATE MORTGAGE	1,764,538	0	0	5,840,632	7,605,170
UTILITY STOCKS	0	742,222	0	14,693,466	15,435,688
TOTAL FIXED	6,185,468	1,753,037	0	171,735,346	179,673,851
EQUITY:					
ALLIANCE	0	1	0	0	1
AXE-HOUGHTON		4,280,088		7,758,877	12,038,965
BATTERYMARCH	0	2,375,546	0	25,622,651	27,998,197
DELAWARE	0	1,285,819	0	26,478,390	27,764,209
LEXINGTON		7,179,606		4,820,394	12,000,000
NEWBOLD'S	4,026,667	2,205,692	0	21,583,233	27,815,592
GOLD & SILVER	44,280	0	0	2,988,400	3,032,680
REAL ESTATE EQUITY	1,904,532	0	0	21,699,479	23,604,011
LESS: LOAN PAYABLE	0	0	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	5,975,479	17,326,752	0	104,951,424	128,253,555
TOTAL	16,195,769	19,079,789	0	276,686,770	311,962,328

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.

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APPENDIX 1A

SCERS - STATEMENT OF ASSETS @ MARKET VALUE
AS OF APRIL 30, 1988

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	IPAC HOR			
EXTERNAL CONTRIBUTIONS	4,034,822	0	0	0	4,034,822
FIXED:					
BONDS, INT. CD'S, & MISC. DE. CERTS.		1,010,815	0	144,259,512	149,691,257
REAL ESTATE MORTGAGE	1,904,532	0	0	6,039,098	7,803,636
	0	142,200	0	12,865,800	13,608,022
TOTAL FIXED	6,185,468	1,153,015	0	163,164,410	171,102,915
EQUITY:					
ALLIANCE	0	1	0	0	1
AXE-HOUGHTON	0	4,280,088	0	7,650,000	11,930,103
BATTERYMARCH	0	2,375,546	0	26,918,473	29,294,019
DELAWARE	0	1,285,819	0	25,062,600	26,348,419
LEASINGTON	0	7,179,606	0	4,950,463	12,130,069
NEWBOLD'S	4,026,667	2,205,692	0	19,758,756	25,991,115
GOLD & SILVER	44,280	0	0	2,450,100	2,494,380
REAL ESTATE EQUITY	1,904,532	0	0	22,580,000	24,484,532
LESS: LOAN PAYABLE	0	0	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	5,975,479	17,326,752	0	103,410,407	126,712,638
TOTAL	16,195,769	19,079,789	0	266,574,817	301,850,375

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ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 3/31/88 TO 4/30/88

	BALANCE 3/31/88	INTEREST INCOME				GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 4/30/88
		POOL A	PAC HOR	INVESTMENT	DIV.						
EXTERNAL CONTRIBUTION	4,141,892							245,740	(952,810)	4,034,822	
FIXED:											
BONDS, 2ND TO'S, & MTG. BK. CERTS	155,898,317		6,098	725,026		3,552				156,632,993	
REAL ESTATE MORTGAGES	7,549,003			56,167						7,605,170	
UTILITY STOCKS	15,356,390		3,306		75,992	0				15,435,688	
EQUITY:											
ALLIANCE	23,395,308		11,413		32,264	208,206			(23,647,190)	1	
AXE-HOUGHTON	0					38,965			12,000,000	12,038,965	
BATTERYMARCH	27,475,054		1,315		80,522	441,306				27,998,197	
DELAWARE	27,536,890		7,934		100,997	118,388				27,764,209	
LEXINGTON	0								12,000,000	12,000,000	
NEHBOLD'S	27,700,269		12,543		46,310	56,470				27,815,592	
GOLD & SILVER	3,033,947			(1,267)		0				3,032,680	
REAL ESTATE EQUITY LOAN PAYABLE	23,441,261 (6,000,000)						212,125	(49,375)		23,604,011 (6,000,000)	
TOTAL	309,528,331	0	42,609	779,926	336,085	866,887	212,125	(49,375)	245,740	0	311,962,328
YEAR TO DATE	285,022,204	484,444	615,571	9,907,253	3,817,454	8,879,580	845,875	(345,625)	2,735,572	0	311,962,328

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF APRIL 30, 1988

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	16,195,769	16,195,769	1,296,646	8.01%	8.01%
PAC HORIZONS MONEY MARKET FUND	19,079,789	19,079,789	1,234,679	6.47%	6.47%
SCERS INVESTMENT POOLS	0	0	0	0.00%	0.00%
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	151,201,248	144,259,512	13,357,114	8.83%	9.26%
REAL ESTATE MORTGAGE	5,840,632	6,039,098	677,580	11.60%	11.22%
UTILITY STOCKS	14,693,466	12,865,800	929,024	6.32%	7.22%
EQUITY:					
ALLIANCE	0	0			
AXE-HOUGHTON	7,758,877	7,690,015	89,850	1.16%	1.17%
BATTERYMARCH	25,622,651	26,918,473	785,640	3.07%	2.92%
DELAWARE	26,478,390	25,062,600	1,354,182	5.11%	5.40%
LEXINGTON	4,820,394	4,950,463	96,776	2.01%	1.95%
NEWBOLD'S	21,583,233	19,758,756	902,406	4.18%	4.57%
GOLD & SILVER	2,988,400	2,450,100	0	0.00%	0.00%
REAL ESTATE EQUITY	21,699,479	22,580,000	1,466,500 1/	6.76%	6.49%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL	311,962,328	301,850,375	22,190,397 2/	7.11%	7.35%

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. Capital gains for fiscal year 1986/87 was \$13 million and for fiscal year 1987/88 to date was approximately \$9 million. Administrative expenses for fiscal year 1986/87 were \$80,000 for Banking and Trustee Fees, \$600,000 for Investment Manager Fees, and \$400,000 for Real Estate Maintenance and Repair Expenses. These additional income and expenses as well as the debt service expense described in footnote 1/ should be considered in determining the funds total performance.

					BASED UPON COST	BASED UPON MARKET
EXTERNAL CONTRIBUTIONS	4,034,822	4,034,822	0.00%	0	4,034,822	4,034,822
FIXED:						
BONDS, 2ND TD'S, & MTG. BK. CERTS.	156,632,993	149,691,257	50.50%	157,540,976	(907,983)	(7,849,719)
REAL ESTATE MORTGAGE	7,605,170	7,803,636	2.50%	7,799,058	(193,888)	4,578
UTILITY STOCKS	15,435,688	13,608,022	5.00%	15,598,116	(162,428)	(1,990,094)
TOTAL FIXED	179,673,851	171,102,915	58.00%	180,938,150	(1,264,299)	(9,835,235)
EQUITY:						
ALLIANCE	1	1			1	1
AXE-HOUGHTON	12,038,965	11,970,103	4.00%	12,478,493	(439,528)	(508,390)
BATTERYMARCH	27,998,197	29,294,019	9.00%	28,076,610	(78,413)	1,217,409
DELAWARE	27,764,209	26,348,419	9.00%	28,076,610	(312,401)	(1,728,191)
LEXINGTON	12,000,000	12,130,069	4.00%	12,478,493	(478,493)	(348,424)
NEWBOLD'S	27,815,592	25,991,115	9.00%	28,076,610	(261,018)	(2,085,495)
GOLD & SILVER	3,032,680	2,494,380	1.00%	3,119,623	(86,943)	(625,243)
REAL ESTATE EQUITY	23,604,011	24,484,532	6.00%	18,717,740	4,886,271	5,766,792
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			(6,000,000)	(6,000,000)
TOTAL EQUITY	128,253,655	126,712,638	42.00%	131,024,178	(2,770,523)	(4,311,540)
TOTAL	311,962,328	301,850,375	100.00%	311,962,328	0	(10,111,953)

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/ These two columns represent 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 as of this date. The last reallocation was as of 12/31/87 and became effective 2/29/88. Effective 1/25/88 the Board adopted a resolution which reduced Alliance's allocation from 10% to 8% and increased the Corporate Bond's allocation from 48.50% to 50.50%.

Effective March 31, 1988, the services of Alliance Capital Management were terminated, and effective April 1, 1988, the Board appointed Axe-Houghton Management, Inc. and Lexington Capital Management, Inc.

ATTACHMENT A-5

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR APRIL 1988

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$977,810	\$87,390	(\$87,030)	\$360
MTG BACKED	\$0	\$186,851	(\$184,536)	\$2,315
2ND TD'S	\$0	\$365	(\$365)	\$0
REAL ESTATE MORTGAGES:	\$0	\$16,854	(\$16,854)	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$977,810	\$291,460	(\$288,785)	\$2,675
EQUITY:				
ALLIANCE	\$3,173	\$12,699,860	(\$12,491,654)	\$208,206
AXE-HOUGHTON	\$11,185,015	\$3,465,103	(\$3,426,138)	\$38,965
BATTERYMARCH	\$2,381,227	\$3,308,943	(\$2,867,637)	\$441,306
DELAWARE	\$1,220,495	\$856,211	(\$737,823)	\$118,388
LEXINGTON	\$4,820,395	\$0	\$0	\$0
NEWBOLD'S	\$490,533	\$297,161	(\$240,692)	\$56,469
GOLD & SILVER	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$20,100,843	\$20,627,278	(\$19,763,944)	\$863,334
TOTAL	\$21,078,653	\$20,918,738	(\$20,052,729)	\$866,009

1] For detailed listings of activity, see Attachments 'B' through 'J'.