

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
July 24, 1989

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 1:40 p.m. on July 24, 1989.

PRESENT: Frierson, Masuoka, Wolford, Sperling, DeCamilla

ABSENT: None

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JUNE 26, 1989

APPROVED

The Board received and reviewed the minutes of the regular meeting held June 26, 1989. Mr. Sperling moved the minutes be approved. The motion was seconded by Ms. Frierson 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 May Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report with the Board.

Michelle Stenoski, Investment Officer, distributed and reviewed an addendum report on the status of the proceeds, contributions, and income from the sale of SCERS assets to accommodate the transfer of active safety members to PERS.

Ms. Frierson moved to accept the investment activity report. The motion was seconded by Mr. Wolford 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 July 1989 Real Estate Advisor's Report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith was unable 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 Mr. Sperling and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Sperling, DeCamilla

NOES: None

BATTERYMARCH, MAY 1989, PERFORMANCE

ACCEPTED AS INFORMATIONAL

The Board accepted as informational additional information on Batterymarch's May 1989 performance report.

AXE-HOUGHTON MANAGEMENT, INC., JUNE 1989 PERFORMANCE

ACCEPTED AS INFORMATIONAL

The Board accepted as informational Axe-Houghton Management's June 1989 performance summary.

REPORTS OF THE SECRETARY

Mr. Snyder gave a few farewell remarks as he will be retiring on August 26, 1989 and introduced Margaret Allen who will be taking his place as the Retirement System Manager and Secretary to the Board.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

As Mr. Richard Snyder, Secretary to the Board, will be retiring on August 26, 1989 and since this was his last meeting, the Board presented a plaque to Mr. Snyder in recognition of his outstanding service as Secretary to the Board for over seven years.

There being no further business the meeting was adjourned at 1:50 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF MAY 31, 1989

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	311,252			311,252
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	8,808,478	1,317,452	163,488,680	173,694,611
REAL ESTATE MORTGAGE	2,598,087		5,608,691	8,206,779
UTILITY STOCKS	1,518,247	1,011,131	14,550,395	17,079,773
TOTAL FIXED	13,004,813	2,328,584	183,647,767	198,981,164
EQUITY:				
AXE-HOUGHTON	2,048,748	3,524,128	8,153,418	13,726,293
BATTERYMARCH		1,942,069	27,783,833	29,725,902
DELAWARE		4,502,172	26,716,307	31,218,479
LEXINGTON	22,886	3,393,502	9,752,645	13,169,033
NEWBOLDS	3,311,921	4,820,447	22,371,452	30,503,820
GOLD & SILVER	319,716		3,020,675	3,340,391
REAL ESTATE EQUITY	3,531,906		22,654,928	26,186,834
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	9,235,177	18,182,318	114,453,258	141,870,752
TOTAL	22,551,242	20,510,901	298,101,025	341,163,168

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 MAY 31, 1989

	CASH		INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	311,252			311,252
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	8,888,478	1,317,452	159,419,630	169,625,561
REAL ESTATE MORTGAGE	2,598,087		5,855,083	8,453,170
UTILITY STOCKS	1,518,247	1,011,131	14,408,538	16,937,916
TOTAL FIXED	13,004,813	2,328,584	179,683,251	195,016,648
EQUITY:				
AXE-HOUGHTON	2,048,748	3,524,128	9,982,063	15,554,939
BATTERYMARCH		1,942,069	32,232,881	34,174,950
DELAWARE		4,502,172	29,980,038	34,482,210
LEXINGTON	22,886	3,393,502	13,034,000	16,450,388
NEWBOLDS	3,311,921	4,820,447	25,757,375	33,889,743
GOLD & SILVER	319,716		1,975,275	2,294,991
REAL ESTATE EQUITY	3,531,906		22,580,000	26,111,906
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	9,235,177	18,182,318	129,541,632	156,959,127
TOTAL	22,551,242	20,510,901	309,224,883	352,287,026

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 4/30/89 - 5/31/89

	BALANCE 4/30/89	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 5/31/89
		POOL A	PAC INC	INVESTMENT							
EXTERNAL CONTRIBUTION	(278,748)								590,000		311,252
FIXED:											
BONDS, 2ND TO'S, & HTG. BK. CERTS	172,532,994	0	7,000	1,051,039		3,409					173,594,511
REAL ESTATE MORTGAGES	0,152,319	0		54,460							0,206,779
UTILITY STOCKS	16,999,379	0	10,393		76,002	0					17,079,773
EQUITY:											
AXE-HUGHTON	13,261,826	0	13,941		0,725	441,601					13,726,293
BATTERYMARCH	29,455,373		12,508		57,693	200,249					29,725,902
DELAWARE	30,787,032		26,498		125,371	279,579					31,218,479
LEXINGTON	13,190,960	0	21,420		15,352	(58,659)					13,169,633
IND-GOLDS	30,158,260	0	28,435		102,902	218,223					30,503,620
GOLD & SILVER	3,338,873			2,318							3,340,351
REAL ESTATE EQUITY	26,097,834	0					138,375	(49,375)			26,166,834
LOAN PAYABLE	(6,000,000)										(6,000,000)
TOTAL	337,795,302	0	120,353	1,107,817	300,043	1,080,642	138,375	(49,375)	590,000	0	341,163,167
YEAR TO DATE	315,753,090	1,209,455	858,009	12,711,190	4,232,224	3,670,245	1,280,749	(543,125)	1,991,321	0	341,163,166

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF MAY 31, 1989

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	22,551,242	22,551,242	2,142,368	9.50%	9.50%
PAC HORIZONS MONEY MARKET FUND	20,510,901	20,510,901	1,913,667	9.33%	9.33%
SCERS INVESTMENT POOLS					
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	163,488,680	159,419,630	14,764,099	9.03%	9.26%
REAL ESTATE MORTGAGE	5,608,691	5,855,083	656,829	11.71%	11.22%
UTILITY STOCKS	14,550,395	14,408,538	938,712	6.45%	6.51%
EQUITY:					
AXE-HOUGHTON	8,153,418	9,982,063	81,910	1.00%	0.82%
BATTERY MARCH	27,783,833	32,232,881	860,113	3.10%	2.67%
DELAWARE	26,716,307	29,980,038	1,340,382	5.02%	4.47%
LEXINGTON	9,752,645	13,034,000	242,761	2.49%	1.86%
NEWBOLDS	22,371,452	25,757,375	947,665	4.24%	3.68%
GOLD & SILVER	3,020,675	1,975,275			
REAL ESTATE EQUITY	22,654,928	22,580,000	1,520,500 1/	6.71%	6.73%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL	341,163,168	352,287,026	25,409,006 2/	7.45%	7.21%

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 1987/8 was \$9 million. Administrative Expenses for this same period were \$90,000 for Banking and Trustee Fees, \$766,000 for Investment Manager Fees, \$444,000 for Interest Expense on Note Payable (Discovery Plaza), and \$793,000 for Real Estate Maintenance and Repair Expenses. Although we are unable to estimate Capital Gains for Fiscal Year 1988/9, 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 MAY 31, 1989

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
EXTERNAL CONTRIBUTIONS	311,252	311,252			
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	173,694,611	169,625,561	50.50%	172,287,400	1,407,211
REAL ESTATE MORTGAGE	8,206,779	8,453,170	2.50%	8,529,079	(75,909)
UTILITY STOCKS	17,079,773	16,937,916	5.00%	17,058,158	21,615
TOTAL FIXED	198,981,164	195,016,648	58.00%	197,874,637	1,352,918
EQUITY:					
AXE-HOUGHTON	13,726,293	15,554,939	4.00%	13,646,527	1,908,412
BATTERYMARCH	29,725,902	34,174,950	9.00%	30,704,685	3,470,265
DELAWARE	31,218,479	34,482,210	9.00%	30,704,685	3,777,525
LEXINGTON	13,169,033	16,450,388	4.00%	13,646,527	2,803,861
NEWBOLDS	30,503,020	33,889,743	9.00%	30,704,685	3,185,058
GOLD & SILVER	3,340,391	2,294,991	1.00%	3,411,632	(71,241)
REAL ESTATE EQUITY	26,186,834	26,111,906	6.00%	20,469,790	(282,956)
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	141,870,752	156,959,127	42.00%	143,288,531	14,790,924
TOTAL	341,163,168	352,287,026	100.00%	341,163,168	16,143,841

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 5/31/89, \$16,455,093 (\$16,143,841 + \$311,252) would be allocated to the managers according to the percentages authorized.

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 MAY 1989

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$3,808,641			\$0
MTG BACKED		\$209,992	(\$206,503)	\$3,489
2ND TD'S				\$0
REAL ESTATE MORTGAGES				\$0
UTILITY STOCKS	\$463,733	\$0	\$0	\$0
TOTAL FIXED	\$4,272,374	\$209,992	(\$206,503)	\$3,489
EQUITY:				
AXE-HOUGHTON	\$1,843,579	\$2,459,324	(\$2,017,523)	\$441,801
BATTERYMARCH	\$1,761,974	\$1,494,909	(\$1,294,661)	\$200,249
DELAWARE	\$1,218,405	\$1,855,005	(\$1,575,426)	\$279,579
LEXINGTON	\$362,230	\$906,824	(\$965,523)	(\$58,699)
NEWBOLDS	\$1,907,251	\$1,036,636	(\$822,414)	\$214,223
GOLD & SILVER				\$0
TOTAL EQUITY	\$7,093,438	\$7,752,698	(\$6,675,546)	\$1,077,153
TOTAL	\$11,365,812	\$7,962,691	(\$6,882,049)	\$1,080,642

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