

February 27, 1989

MINUTES  
REGULAR MEETING OF THE  
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM  
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD  
February 27, 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 1:43 p.m. on February 27, 1989.

PRESENT: Stamper, Wolford, Friery, DeCamilla

ABSENT: Frierson

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JANUARY 23, 1989

APPROVED:

The Board received and reviewed the minutes of the regular meeting held January 23, 1989. Mr. Friery moved the minutes be approved. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Wolford, Friery, DeCamilla

NOES: None

ABSTAINED: Stamper

INVESTMENTS - TREASURER'S ACTIVITY REPORT AND HARD ASSET PROGRAM, DECEMBER 31, 1988 QUARTERLY REPORT

ACCEPTED

The Board received the December, 1988 Treasurer's Investment Activity Report and Hard Asset Quarterly Report for December 31, 1988. Deborah Carter, Investment Officer reviewed both reports with the Board.

Mr. Wolford moved to accept the investment activity report and the hard asset quarterly report. The motion was seconded by Mr. Stamper and was carried by the following vote:

AYES: Stamper, Wolford, Friery, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORSCITY TREASURER'S UTILITY STOCK DECEMBER 31, 1988 QUARTERLY REPORT  
CONTINUED

Ms. Carter informed the Board because of a high priority project the utility stock report was not available but will be presented at the next regular meeting.

REAL ESTATE ADVISOR'S REPORT  
CONTINUED

W. Jim Smith of WJS & Associates was unable to attend the meeting. This item was continued to the next regular meeting.

LEXINGTON CAPITAL MANAGEMENT, INC., DECEMBER 31, 1988 QUARTERLY REPORT  
ACCEPTED

The Board received the December 31, 1988 quarterly report from Lexington Capital Management, Inc. Ralph D'Agostini reviewed the report with the Board.

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

AYES: Stamper, Wolford, Friery, DeCamilla

NOES: None

BATTERYMARCH, DECEMBER 31, 1988 QUARTERLY REPORT  
ACCEPTED

The Board received the December 31, 1988 quarterly report from Batterymarch. Richard Gula reviewed the report with the Board.

The Board was pleased with Batterymarch's performance. After discussion, Mr. Friery moved to accept the report. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Stamper, Wolford, Friery, DeCamilla

NOES: None

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DELAWARE INVESTMENT ADVISORS, DECEMBER 31, 1988 QUARTERLY REPORT  
ACCEPTED

The Board received the December 31, 1988 quarterly report from Delaware Investment Advisors. George Deming reviewed the report with the Board.

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

AYES: Stamper, Wolford, Friery, DeCamilla

NOES: None

AXE-HOUGHTON MANAGEMENT, DECEMBER 31, 1988 QUARTERLY REPORT  
ACCEPTED

The Board received the December 31, 1988 quarterly report from Axe-Houghton Management. Porter Sutro reviewed the report with the Board.

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

AYES: Stamper, Wolford, Friery, DeCamilla

NOES: None

NEWBOLD'S ASSET MANAGEMENT DECEMBER 31, 1988 QUARTERLY REPORT  
ACCEPTED

The Board received the December 31, 1988 quarterly report from Newbold's Asset Management. Harry K. Hiestand reviewed the report with the Board.

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

AYES: Stamper, Wolford, Friery, DeCamilla

NOES: None

SEI PERFORMANCE SUMMARY AND MARKET INDEXES, DECEMBER 1988  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational SEI's December 1988 Performance Summary and Market Indexes.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

RECOMMENDED ASSET REDISTRIBUTION

APPROVED

Mr. Friery reviewed with the Board the recommended asset redistribution. At this time, Mr. Friery recommended no change in the Board's current asset allocation of 42% for equity and 58% for fixed investment and recommends the redistribution of assets in compliance with resolution #84-007.

Mr. Wolford moved to approve the redistribution of assets in compliance with resolution #84-007. The motion was seconded by Mr. Stamper and was carried by the following vote:

AYES: Stamper, Wolford, Friery, DeCamilla

NOES: None

REPORTS OF SECRETARY

Richard E. Snyder, Secretary to the Board, informed the Board of the necessity to hold a special meeting. It was agreed by all Board members to hold a special meeting Friday, March 3, 1989, 2:00 p.m., at the City Council Chambers.

Mr. Snyder informed the Board CALAPRS will be having a General Assembly, at the Hyatt Regency, Sacramento, California, on April 2 and 3, 1989. All the Board members are invited to attend.

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 DECEMBER 31, 1988

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	6,777,470			6,777,470
FIXED:				
BONDS, 2ND TD'S. & MTG. BK. CERTS.	7,155,112	1,382,261	156,364,178	164,901,551
REAL ESTATE MORTGAGE	2,442,672		5,700,156	8,142,828
UTILITY STOCKS	1,541,617	305,435	14,229,923	16,076,975
TOTAL FIXED	11,139,401	1,687,696	176,294,258	189,121,355
EQUITY:				
AXE-HOUGHTON	2,770,096	438,711	8,441,409	11,650,216
BATTERYMARCH		947,638	28,006,344	28,953,983
DELAWARE		2,489,661	26,977,071	29,466,732
LEXINGTON	0	483,058	11,238,143	11,721,201
NEWBOLDS	3,748,420	569,493	24,873,912	29,191,825
GOLD & SILVER	12,651		3,020,675	3,033,326
REAL ESTATE EQUITY	1,690,432		22,463,315	24,153,746
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	8,221,598	4,928,562	119,020,869	132,171,029
TOTAL	26,138,469	6,616,257	295,315,127	328,069,853

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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## ATTACHMENT A-1A

SCERS - STATEMENT OF ASSETS @ MARKET VALUE  
AS OF DECEMBER 31, 1988

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	6,777,470			6,777,470
FIXED:				
BONDS, 2ND TD'S, & MIG. BK. CERTS.	7,155,112	1,382,261	148,177,535	156,714,908
REAL ESTATE MORTGAGE	2,442,672		6,125,068	8,567,740
UTILITY STOCKS	1,541,617	305,435	12,762,788	14,609,840
TOTAL FIXED	<u>11,139,401</u>	<u>1,687,696</u>	<u>167,065,391</u>	<u>179,892,488</u>
EQUITY:				
AXE-HOUGHTON	2,770,096	438,711	8,778,375	11,987,182
BATTERYMARCH		947,638	30,374,019	31,321,657
DELAWARE		2,489,661	27,167,116	29,656,777
LEXINGTON	0	483,058	11,985,375	12,468,433
NEWBOLDS	3,748,420	569,493	24,418,188	28,736,101
GOLD & SILVER	12,651		2,300,040	2,312,691
REAL ESTATE EQUITY	1,690,432		22,580,000	24,270,432
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	<u>8,221,598</u>	<u>4,928,562</u>	<u>121,603,113</u>	<u>134,753,273</u>
TOTAL	<u>26,138,469</u>	<u>6,616,257</u>	<u>288,668,504</u>	<u>321,423,231</u>

SCSIS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT  
FOR THE PERIOD 11/30/88 TO 12/31/88

ATTACHMENT A-2

	INTEREST INCOME				DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 12/31/88
	BALANCE 11/30/88	POOL A	PAC HGR	INVESTMENT							
EXTERNAL CONTRIBUTION	7,384,259	82,429							(689,218)		6,777,470
FIXED:											
BONDS, 2ND TO'S, & M.T.G. BK. CERTS	163,642,889	133,555	4,192	1,122,147		(1,242)					164,901,551
REAL ESTATE MORTGAGES	8,052,433	35,259		55,136							8,142,828
UTILITY STOCKS	15,965,279	34,860	2,216		74,620	0					16,076,975
EQUITY:											
AEE-HOUGHTON	11,633,517	20,096	3,321		12,898	(19,527)					11,650,215
BATTERSWORTH	28,709,893	4,926			124,728	114,436					28,953,983
CELAWAKE	29,394,562		21,319		136,917	(86,065)					29,466,732
LEXINGTON	11,731,426	16,970	21,654		20,945	(69,793)					11,721,202
VENEDUS	29,041,298	73,367	15,411		92,157	(30,409)					29,191,824
GOLD & SILVER	3,033,237			88			97,375.00	(49,375)			3,033,325
REAL ESTATE EQUITY LONG PAYABLE	24,077,429 (6,000,000)	28,318									24,153,747 (6,000,000)
TOTAL	326,666,232	424,854	73,039	1,177,371	452,174	(92,600)	97,375	(49,375)	(689,218)	0	328,069,853
YEAR TO DATE	315,753,098	759,671	465,887	6,606,226	2,087,041	197,255	629,250	(296,250)	1,067,875		328,069,853

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ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN  
AS OF DECEMBER 31, 1988

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	26,138,469	26,138,469	2,169,493	8.30%	8.30%
PAC HORIZONS MONEY MARKET FUND	6,616,257	6,616,257	545,841	8.25%	8.25%
SCERS INVESTMENT POOLS					
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	156,364,178	148,177,535	14,083,548	9.01%	9.50%
REAL ESTATE MORTGAGE	5,700,156	6,125,068	665,038	11.67%	10.86%
UTILITY STOCKS	14,229,923	12,762,788	916,304	6.44%	7.18%
EQUITY:					
AXE-HOUGHTON	8,441,409	8,778,375	119,385	1.41%	1.36%
BATTERYMARCH	28,006,344	30,374,019	873,399	3.12%	2.88%
DELAWARE	26,977,071	27,167,116	1,380,667	5.12%	5.08%
LEKINGTON	11,238,143	11,985,375	270,501	2.41%	2.26%
NEUBOLDS	24,873,912	24,418,188	1,114,253	4.48%	4.56%
GOLD & SILVER	3,020,675	2,300,040			
REAL ESTATE EQUITY	22,463,315	22,580,000	1,385,500 1/	6.17%	6.14%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL	<u>328,069,853</u>	<u>321,423,231</u>	<u>23,523,929 2/</u>	<u>7.17%</u>	<u>7.32%</u>

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.



## ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON  
COST/MARKET AS OF DECEMBER 31, 1988

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
EXTERNAL CONTRIBUTIONS	6,777,470	6,777,470			
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	164,901,551	156,714,908	50.50%	165,675,276	(773,725)
REAL ESTATE MORTGAGE	8,142,828	8,567,740	2.50%	8,201,746	365,994
UTILITY STOCKS	16,076,975	14,609,840	5.00%	16,403,493	(326,517)
TOTAL FIXED	189,121,355	179,892,488	58.00%	190,280,515	(734,248)
EQUITY:					
AXE-HOUGHTON	11,650,216	11,987,182	4.00%	13,122,794	(1,135,612)
BATTERY/MARCH	28,953,983	31,321,657	9.00%	29,526,287	1,795,371
DELAWARE	29,466,732	29,656,777	9.00%	29,526,287	130,490
LEXINGTON	11,721,201	12,468,433	4.00%	13,122,794	(654,361)
NEWBOLDS	29,191,825	28,736,101	9.00%	29,526,287	(334,462)
GOLD & SILVER	3,033,326	2,312,691	1.00%	3,280,699	(247,373)
REAL ESTATE EQUITY	24,153,746	24,270,432	6.00%	19,684,191	(1,413,760)
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	132,171,029	134,753,273	42.00%	137,789,338	(1,859,707)
TOTAL	328,069,853	321,423,231	100.00%	328,069,853	(2,593,955)

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 12/31/87 and became effective 2/29/88.

Should the Board reallocate as of 12/31/88, \$2,593,955 would be reallocated amongst the managers as listed above. In addition, of the remaining external contributions \$4,183,515 would be allocated according to the percentages authorized.

Effective April 1, 1988, the Board appointed Axe-Houghton Management, Inc. and Lexington Capital Management, Inc.

ATTACHMENT A-5

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY  
FOR DECEMBER 1988

1]

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
<b>FIXED:</b>				
BONDS				
MTG BACKED		\$257,545	(\$258,787)	(\$1,242)
2ND TD'S				\$0
REAL ESTATE MORTGAGES				\$0
UTILITY STOCKS	\$500,200	\$0	\$0	\$0
<b>TOTAL FIXED</b>	<b>\$500,200</b>	<b>\$257,545</b>	<b>(\$258,787)</b>	<b>(\$1,242)</b>
<b>EQUITY:</b>				
AXE-HOUGHTON	\$754,157	\$318,679	(\$338,206)	(\$19,527)
BATTERYMARCH	\$1,591,996	\$1,754,165	(\$1,639,729)	\$114,436
DELAWARE	\$1,353,480	\$997,262	(\$1,083,327)	(\$86,065)
LEXINGTON	\$5,808,623	\$884,121	(\$953,915)	(\$69,793)
NEWBOLDS	\$1,318,618	\$619,038	(\$649,447)	(\$30,409)
GOLD & SILVER				\$0
<b>TOTAL EQUITY</b>	<b>\$10,826,874</b>	<b>\$4,573,265</b>	<b>(\$4,664,623)</b>	<b>(\$91,358)</b>
<b>TOTAL</b>	<b>\$11,327,074</b>	<b>\$4,830,810</b>	<b>(\$4,923,410)</b>	<b>(\$92,600)</b>

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