

January 27, 1992

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
January 27, 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 January 27, 1992.

PRESENT: Crist, Frierson, Masuoka, Friery, DeCamilla

ABSENT: None

CONSENT CALENDAR

ELECTION OF CHAIRPERSON FOR CALENDAR YEAR 1992

Nominations for Chairperson of the Board for calendar year 1992 were opened. Mr. Crist nominated David DeCamilla. The nomination was seconded by Ms. Frierson. Mr. DeCamilla was re-elected Chairperson by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

ELECTION OF VICE-CHAIRPERSON FOR CALENDAR YEAR 1992

Chairman David DeCamilla opened the nominations for Vice-Chairperson of the Board for calendar year 1992. Ms. Frierson nominated Thomas P. Friery. The nomination was seconded by Mr. Crist. Mr. Friery was re-elected Vice-Chairman by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

January 27, 1992

MINUTES OF REGULAR MEETING HELD JANUARY 6, 1992

APPROVED

The Board received and reviewed the minutes of the regular meeting held January 6, 1992. Mr. Friery moved to approve the minutes. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the November 1991 Treasurer's Investment Activity Report. Deborah Kanner, Investment Officer, reviewed the investment report with the Board. As an informational item, Ms. Kanner distributed a chart showing SCERS cash balances from December, 1990 to November, 1991.

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

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORSFY 1991-92 SCERS DIRECT INVESTMENT CASH INCREASE

APPROVED

The Board received a report submitted by Thomas P. Friery, City Treasurer, requesting the Board to amend the 1991/92 SCERS direct investment costs by up to \$2,400 to cover any additional costs associated with the acquisition of the Bloomberg Financial System. The system offers many unique services and will provide better information as well as

January 27, 1992

increased performance for the wide array of SCERS investments.

Mr. Michael Medema, Assistant City Treasurer, reviewed the report with the Board. In July, 1991, the Board approved Resolution 91-004, which relates to the recovery of certain direct investment costs by the City Treasurer's office for managing SCERS funds. As set forth in Attachment A of the Resolution, \$44,449 was approved for reimbursement in FY 1991/92. The City Treasurer requests the Board to amend the 1991/92 budgeted reimbursement by up to \$2400.00.

Mr. Crist moved to approve the amendment to increase the 1991/92 reimbursement by up to \$2400.00 to cover the increased costs associated with the acquisition of the Bloomberg Financial System. The motion was seconded by Ms. Masuoka and carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the January 1992 Real Estate Advisor's report submitted by W. Jim Smith of WJS Associates.

The report informed the Board of the following:

1. As a result of the SMUD report on the Larchmont Square property Mr. Smith recommended proceeding with SMUD's recommendation to change the exterior lighting to more efficient fluorescent lamps and changing from standard magnetic ballasts to electronic ballasts. The estimated cost for this portion of work is \$4,416.00 with an estimated rebate from SMUD of \$1568.00.
2. Both the Indio and Modesto California Highway Patrol office sites have been inspected and are found totally acceptable. Both projects are about ready for the recording of the construction loans and should close before the end of the month.

January 27, 1992

3. Mr. Smith has initiated talks with the Travelers Insurance Company relative to paying off the loan on the Discovery Plaza Shopping Center. Mr. Smith will keep the Board posted on his efforts in this regard.

Mr. Crist moved to accept the report and approve the expenditure of \$4,416.00 regarding the Larchmont Square property. The motion was seconded by Ms. Masuoka and carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

COMMUNITY CENTER EXPANSION/DRAFT SUPPLEMENT EIR REPORT
ACCEPTED AS INFORMATIONAL

The Board received a copy of a letter submitted to the City Environmental Services Department signed jointly by Thomas P. Friery and Don Benninghoven, Executive Director, League of California Cities requesting that any references to the League's January 3, 1992 comment letter reflect the concurrence of the Sacramento City Employees' Retirement System in the final SEIR or other places.

At the January 6, 1992 Board meeting, the Board agreed to join with the League in submitting a joint comment letter to the City Environmental Services Department. Mr. Friery informed the Board that the Board's action was tardy as all comments had to be submitted by January 3, 1992; therefore, after speaking with Carol Branan, Environmental Service Manager, City of Sacramento, Ms. Branan recommended the Board and the League submit a letter requesting any references to the League's comment letter also reflect that SCERS concurs.

January 27, 1992

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

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

REPORTS OF THE SECRETARY

The Board received information regarding CALAPRS General Assembly Meeting scheduled for March 15-16, 1992 in San Diego.

The Board adjourned to closed session to discuss Lish v. SCERS and Mayberry v. SCERS lawsuits.

The Board reconvened to open session.

There being no further business the meeting was adjourned at 3:45 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF NOVEMBER 30, 1991.

| | CASH | | INVESTMENTS @ COST | AMOUNT 1/ AVAILABLE FOR INVESTMENT |
|------------------------------------|-----------|-----------|-----------------------|--|
| | POOL A | PAC HOR | | |
| OPERATING CASH | 68,211 | | | 68,211 |
| FIXED: | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS. | (237,947) | 1,247,649 | 153,112,945 | 154,122,647 |
| REAL ESTATE MORTGAGE | 1,137,719 | | 11,611,373 2/ | 12,749,092 |
| UTILITY STOCKS | 1,827,058 | 366,998 | 12,908,033 | 15,102,090 |
| TOTAL FIXED | 2,726,829 | 1,614,648 | 177,632,352 | 181,973,829 |
| EQUITY: | | | | |
| AXE-HOUGHTON | | 1,567,646 | 11,189,629 | 12,757,275 |
| BATTERYMARCH | | 347,485 | | 347,485 |
| DELAWARE | | 591,513 | 30,572,686 | 31,164,199 |
| LEXINGTON | | 1,660,601 | 11,831,993 | 13,492,594 |
| NEWHOLDS | | 860,384 | 24,823,115 | 25,683,499 |
| REAL ESTATE EQUITY | 411,753 | | 27,673,737 3/ | 28,085,490 |
| LESS: LOAN PAYABLE | | | (6,000,000) | (6,000,000) |
| TOTAL EQUITY | 411,753 | 5,027,628 | 100,091,160 | 105,530,541 |
| GRAND TOTAL | 3,206,793 | 6,642,276 | 277,723,512 | 287,572,581 |

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/ Included is \$1.0 million Commercial Paper due 12/18/91 to be used for any future Real Estate Mortgage Investments.

3/ Included is \$4.0 million Commercial Paper due 12/18/91 to be used for any future Real Estate Equity Investments.

ATTACHMENT A-1A

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

| | CASH | | INVESTMENTS @MARKET | TOTAL ASSETS @ MARKET |
|------------------------------------|-----------|-----------|------------------------|--------------------------|
| | POOL A | PAC HOR | | |
| OPERATING CASH | 68,211 | | | 68,211 |
| FIXED: | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS. | (237,947) | 1,247,649 | 159,964,421 | 160,974,123 |
| REAL ESTATE MORTGAGE | 1,137,719 | | 12,081,150 | 13,218,869 |
| UTILITY STOCKS | 1,827,058 | 366,998 | 13,502,481 | 15,696,537 |
| TOTAL FIXED | 2,726,829 | 1,614,648 | 185,548,052 | 189,889,529 |
| EQUITY: | | | | |
| AXE-HOUGHTON | | 1,567,646 | 12,169,938 | 13,737,584 |
| BATTERYMARCH | | 347,485 | | 347,485 |
| DELAWARE | | 591,513 | 32,515,613 | 33,107,126 |
| LEXINGTON | | 1,660,601 | 14,250,436 | 15,911,036 |
| NEWBOLDS | | 860,384 | 26,176,637 | 27,037,021 |
| REAL ESTATE EQUITY | 411,753 | | 27,230,000 | 27,641,753 |
| LESS: LOAN PAYABLE | | | (6,000,000) | (6,000,000) |
| TOTAL EQUITY | 411,753 | 5,027,628 | 106,342,624 | 111,782,004 |
| GRAND TOTAL | 3,206,793 | 6,642,276 | 291,890,676 | 301,739,744 |

ATTACHMENT A-3

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

| | COST | MARKET | ESTIMATED ANNUAL INCOME | EST. RATE AT COST | EST. RATE AT MARKET |
|------------------------------------|--------------------|--------------------|-------------------------------|----------------------|------------------------|
| CASH | | | | | |
| CITY POOL A | 3,206,793 | 3,206,793 | 220,339 | 6.87% | 6.87% |
| PAC HORIZONS MONEY MARKET FUND | 6,642,276 | 6,642,276 | 338,756 | 5.10% | 5.10% |
| FIXED: | | | | | |
| BONDS, 2ND TD'S & MTG. BK CERTS | 153,112,945 | 159,964,421 | 13,977,630 | 9.13% | 8.74% |
| REAL ESTATE MORTGAGE | 11,611,373 | 12,081,150 | 1,219,651 | 10.50% | 10.10% |
| UTILITY STOCKS | 12,908,033 | 13,502,481 | 800,348 | 6.20% | 5.93% |
| EQUITY: | | | | | |
| AXE-HOUGHTON | 11,189,629 | 12,169,938 | 13,260 | 0.12% | 0.11% |
| BATTERYMARCH | | | | | |
| DELAWARE | 30,572,686 | 32,515,613 | 1,289,626 | 4.22% | 3.97% |
| LEXINGTON | 11,831,993 | 14,250,436 | 279,996 | 2.37% | 1.96% |
| NEWBOLDS | 24,823,115 | 26,176,637 | 1,166,161 | 4.70% | 4.45% |
| REAL ESTATE EQUITY | 27,673,737 | 27,230,000 | 2,141,125 1/ | 7.74% | 7.86% |
| LOAN PAYABLE | (6,000,000) | (6,000,000) | | | |
| GRAND TOTAL | 287,572,581 | 301,739,744 | 21,446,892 2/ | 7.46% | 7.11% |

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.

ATTACHMENT A-4

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

| | 1/ COST | 1/ MARKET | % AUTHORIZED | DOLLARS AUTHORIZED | 2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET |
|-----------------------------------|--------------------|--------------------|----------------|-----------------------|--|
| OPERATING CASH | 68,211 | 68,211 | | | 68,211 |
| FIXED: | | | | | |
| BONDS, 2ND TD'S, & MTG BK. CERTS. | 154,122,647 | 160,974,123 | 56.00% | 161,040,645 | (66,522) |
| REAL ESTATE MORTGAGE | 12,749,092 | 13,218,869 | 4.00% | 11,502,903 | 1,715,966 |
| UTILITY STOCKS | 15,102,090 | 15,696,537 | 5.00% | 14,378,629 | 1,317,908 |
| TOTAL FIXED | 181,973,829 | 189,889,529 | 65.00% | 186,922,177 | 2,967,352 |
| EQUITY: | | | | | |
| AXE-HOUGHTON | 12,757,275 | 13,737,584 | 3.75% | 10,783,972 | 2,953,612 |
| BATTERYMARCH | 347,485 | 347,485 | | 0 | 347,485 |
| DELAWARE | 31,164,199 | 33,107,126 | 10.75% | 30,914,052 | 2,193,073 |
| LEXINGTON | 13,492,594 | 15,911,036 | 4.75% | 13,659,698 | 2,251,339 |
| NEWBOLDS | 25,683,499 | 27,037,021 | 8.75% | 25,162,601 | 1,874,420 |
| REAL ESTATE EQUITY | 28,085,490 | 27,641,753 | 7.00% | 20,130,081 | 1,955,409 |
| LESS: LOAN PAYABLE | (6,000,000) | (6,000,000) | | | |
| TOTAL EQUITY | 105,530,541 | 111,782,004 | 35.00% | 100,650,403 | 11,575,338 |
| GRAND TOTAL | 287,572,581 | 301,739,744 | 100.00% | 287,572,581 | 14,610,901 |

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 previous reallocation was as of 12/31/90 and became effective 2/25/91. The transfer of cash was completed in April 1991.

On 10/31/91 the Board terminated Batterymarch, and the 3.00% allocation was transferred to Fixed Bonds increasing that allocation to 56.00%.

ATTACHMENT A-5

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR NOVEMBER 1991

1)

| PORTFOLIO MANAGER | PURCHASES (COST) | (PROCEEDS) | SALES (COST) | GAIN/(LOSS) |
|-----------------------|---------------------|---------------------|-----------------------|------------------|
| FIXED: | | | | |
| BONDS | \$4,039,994 | \$201,111 | (\$197,500) | \$3,611 |
| MTG BACKED | \$4,987,513 | \$33,460 | (\$33,661) | (\$201) |
| 2ND TD'S | \$0 | \$0 | \$0 | \$0 |
| REAL ESTATE MORTGAGES | \$995,958 | \$1,500,000 | (\$1,500,000) | \$0 |
| UTILITY STOCKS | \$0 | \$0 | \$0 | \$0 |
| TOTAL FIXED | \$10,023,465 | \$1,734,571 | (\$1,731,161) | \$3,410 |
| EQUITY: | | | | |
| AXE-HOUGHTON | \$4,923,095 | \$4,019,078 | (\$3,650,972) | \$368,106 |
| BATTERYMARCH | \$0 | \$3,989 | (\$2,385) | \$1,604 |
| DELAWARE | \$2,061,255 | \$783,914 | (\$635,577) | \$148,337 |
| LEXINGTON | \$1,274,817 | \$0 | \$0 | \$0 |
| NEWBOLDS | \$518,301 | \$0 | \$0 | \$0 |
| REAL ESTATE EQUITY | \$11,976,767 | \$4,400,000 | (\$4,400,000) | \$0 |
| TOTAL EQUITY | \$20,754,235 | \$9,206,981 | (\$8,688,933) | \$518,047 |
| GRAND TOTAL | \$30,777,700 | \$10,941,552 | (\$10,420,094) | \$521,457 |

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