

September 24, 1990

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
September 24, 1990

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 September 24, 1990.

PRESENT: Frierson, Masuoka, Friery, DeCamilla

ABSENT: Crist

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD August 27, 1990
APPROVED

The Board received and reviewed the minutes of the regular meeting held August 27, 1990.

Mr. Friery moved the minutes be approved. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the July 1990 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report with the Board.

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

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

Amended October 29, 1990.
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REPORTS OF CONSULTANTS AND ADVISORSREAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the September 1990 Real Estate Advisor's report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith was unable to attend the meeting.

Mr. Friery reported that Mr. Smith met with Mr. Solon Wisham and the architects relative to City staff's recommendation to proceed with plans to construct the new addition to the Community Center. After discussion it was agreed that the system would have input into the final plans.

Mr. Smith reported that the borrowers on the Alhambra & O Street mortgage loan wanted to renegotiate the no prepayment clause during the term of the loan. Mr. Smith would not recommend making any loan unless some form of prepayment penalty is included in the loan terms.

Also, Mr. Smith reported the PM Advisors have chosen not to purchase the system's Enterprise property as they felt the property was overpriced in the current market. Mr. Smith recommended to proceed with the back-up offer at the same asking price of \$7.4 million but with the proviso that there be a maximum thirty days to complete due diligence before earnest money is deposited into escrow.

After discussion, Mr. Friery moved to accept the report, to accept Mr. Smith's recommendation on the Alhambra & O loan and to proceed with the back-up offer on the Enterprise property. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Friery DeCamilla

NOES: None

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SEI JUNE 30, 1990 QUARTERLY REPORT ON PERFORMANCE
ACCEPTED

The Board received SEI's performance report for the quarter ending June 30, 1990. Jim Blachman, from SEI, reviewed the report with the Board.

The Board discussed the different investment styles of the system's external managers and requested SEI keep the Board informed if any of the managers are inconsistent with their style.

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

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

BATTERYMARCH JULY 1990 PERFORMANCE REPORT
ACCEPTED AS INFORMATION

The Board accepted as informational Batterymarch's July 31, 1990 performance report.

LEXINGTON JULY 1990 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Lexington's July 31, 1990 performance report.

DELAWARE INVESTMENT ADVISERS AUGUST 1990 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Delaware Investment Advisers August 1990 performance report.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

PROPOSED IMPLEMENTATION OF POLICY CHANGE FOR FREQUENCY OF INVESTMENT MANAGERS PRESENTATIONS
APPROVED

At the August 27, 1990 meeting the AFIM Board recommended that the frequency of formal presentations by external managers and advisors be

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changed and requested staff to prepare a proposed policy.

Deborah Carter, Investment Officer, reviewed the proposed new policy which recommended semi-annual presentations be made by external equity managers and quarterly presentations by the real estate advisor. At the discretion of the Board a manager/advisor may be asked to appear more frequently. External managers and advisors will continue to meet the reporting requirements of their contracts.

Ms. Masuoka moved the new policy be approved and be implemented immediately. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

It was the consensus of the Board to change the date of the regular October meeting from October 22, 1990 to October 29, 1990 as several Board members will be attending a special conference on October 22, 1990.

There being no further business, the meeting was adjourned at 2:20 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF JULY 31, 1990

| | CASH | | INVESTMENTS @ COST | AMOUNT 1/ AVAILABLE FOR INVESTMENT |
|------------------------------------|-------------|-----------|-----------------------|--|
| | FUND A | PAC HOR | | |
| OPERATING CASH | (3,189,342) | | | (3,189,342) |
| FIXED: | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS. | 983,285 | 795,550 | 142,030,255 | 143,809,090 |
| REAL ESTATE MORTGAGE | 2,040,614 | | 8,267,622 | 11,108,236 |
| UTILITY STOCKS | 908,412 | 865,790 | 11,931,597 | 13,705,798 |
| TOTAL FIXED | 4,732,311 | 1,661,339 | 162,229,474 | 168,623,124 |
| EQUITY: | | | | |
| AME-HOUGHTON | 11,405 | 1,658,731 | 3,919,471 | 10,599,607 |
| BATTERYMARCH | | 520,214 | 9,416,861 | 9,937,075 |
| DELAWARE | | 3,242,582 | 24,940,795 | 28,183,376 |
| LEXINGTON | 764 | 1,224,331 | 11,739,266 | 12,964,360 |
| NEWBOLDS | 51,508 | 1,408,538 | 21,037,853 | 23,357,899 |
| REAL ESTATE EQUITY | 2,909,378 | | 23,039,904 | 25,949,281 |
| LESS: LOAN PAYABLE | | | (6,000,000) | (6,000,000) |
| TOTAL EQUITY | 2,970,054 | 8,064,396 | 93,954,149 | 104,991,539 |
| GRAND TOTAL | 4,516,023 | 9,725,735 | 256,183,623 | 270,425,381 |

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.

SOERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF JULY 31, 1990

| | CASH | | INVESTMENTS @ COST | AMOUNT 1/ AVAILABLE FOR INVESTMENT |
|------------------------------------|-------------|-----------|-----------------------|--|
| | POOL A | PAC HOR | | |
| OPERATING CASH | (3,189,342) | | | (3,189,342) |
| FIXED: | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS. | 983,285 | 795,550 | 142,030,255 | 143,809,090 |
| REAL ESTATE MORTGAGE | 2,840,614 | | 8,267,622 | 11,108,236 |
| UTILITY STOCKS | 908,412 | 865,790 | 11,931,597 | 13,705,798 |
| TOTAL FIXED | 4,732,311 | 1,661,339 | 162,229,474 | 168,623,124 |
| EQUITY: | | | | |
| AME-HOUGHTON | 11,405 | 1,668,731 | 8,919,471 | 10,599,607 |
| BATTERYMARCH | | 520,214 | 9,416,861 | 9,937,075 |
| DELAWARE | | 3,242,582 | 24,940,795 | 28,183,376 |
| LEXINGTON | 764 | 1,224,331 | 11,739,266 | 12,964,360 |
| NEWBOLDS | 51,508 | 1,408,538 | 21,037,853 | 23,357,899 |
| REAL ESTATE EQUITY | 2,909,378 | | 23,039,904 | 25,949,201 |
| LESS: LOAN PAYABLE | | | (6,000,000) | (6,000,000) |
| TOTAL EQUITY | 2,973,054 | 8,064,396 | 93,954,149 | 104,991,599 |
| GRAND TOTAL | 4,516,023 | 9,725,735 | 256,183,623 | 270,425,381 |

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.

ATTACHMENT A-2

COORS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 6/30/90 - 7/31/90

| | BALANCE 6/30/90 | INTEREST INCOME | | | DIV | GAIN (LOSS) ON SALES | NET RENTAL INCOME | INTEREST EXPENSE | NET EXTERNAL CONTRIB. | CONTRIB. TRANSFER | BALANCE 7/31/90 |
|---|---------------------------|-----------------|---------|------------|---------|-------------------------|-------------------------|---------------------|-----------------------------|----------------------|---------------------------|
| | | POOL A | PAC HGR | INVESTMENT | | | | | | | |
| OPERATING CASH | (1,540,064) | | | | | | | | (2,320,356) | 602,070 | (3,189,342) |
| FIXED: | | | | | | | | | | | |
| BONDS, BND TD'S, & MTG. CK. CURIS | 143,687,069 | 0 | 4,000 | 745,980 | | 52,591 | | | | (602,070) | 143,683,039 |
| REAL ESTATE MORTGAGES | 11,031,780 | 0 | | 75,457 | | | | | | | 11,100,237 |
| UTILITY STOCKS | 13,625,115 | 0 | 6,797 | | 73,087 | 0 | | | | | 13,705,799 |
| EQUITY: | | | | | | | | | | | |
| AXE-HOUGHTON | 10,434,381 | 0 | 13,691 | | 400 | 151,126 | | | | | 10,599,608 |
| BATTERYMARSH | 9,054,432 | | 2,707 | | 26,988 | 42,947 | | | | | 9,937,075 |
| DELAWARE | 27,999,692 | | 23,830 | | 103,368 | 55,000 | | | | | 28,103,377 |
| LEXINGTON | 12,799,668 | 0 | 11,702 | | 18,645 | 134,343 | | | | | 12,964,359 |
| NEWSCODS | 23,302,502 | 0 | 38,305 | | 17,012 | 0 | | | | | 23,357,899 |
| REAL ESTATE EQUITY LOAN PAYABLE (6,000,000) | 25,841,281 (6,000,000) | 0 | | | | | 157,375 | (49,375) | | | 25,949,281 (6,000,000) |
| GRAND TOTAL | 271,043,056 | 0 | 101,927 | 822,357 | 240,901 | 436,897 | 157,375 | (49,375) | (2,320,356) | 0 | 270,425,302 |
| YEAR TO DATE | 271,043,056 | 0 | 101,927 | 822,357 | 240,901 | 436,897 | 157,375 | (49,375) | (2,320,356) | 0 | 270,425,302 |

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF JULY 31, 1990

| | COST | MARKET | ESTIMATED ANNUAL INCOME | EST. RATE AT COST | EST. RATE AT MARKET |
|------------------------------------|---------------------------|---------------------------|-------------------------------|----------------------|------------------------|
| CASH: | | | | | |
| CITY POOL A | 4,516,023 | 4,516,023 | 395,152 | 8.75% | 8.75% |
| PAC HORIZONS MONEY MARKET FUND | 9,725,735 | 9,725,735 | 758,510 | 7.80% | 7.80% |
| FIXED: | | | | | |
| BONDS, 2ND TD'S & MTG. BK CENTS | 142,030,255 | 141,571,058 | 13,022,048 | 9.17% | 9.20% |
| REAL ESTATE MORTGAGE | 8,267,622 | 8,626,201 | 841,992 | 10.18% | 9.76% |
| UTILITY STOCKS | 11,931,597 | 11,506,419 | 746,562 | 6.26% | 6.49% |
| EQUITY: | | | | | |
| AXE-HOUGHTON | 8,919,471 | 10,210,559 | 24,613 | 0.28% | 0.24% |
| BATTERYMARCH | 9,416,861 | 10,189,250 | 252,321 | 2.68% | 2.48% |
| DELAWARE | 24,940,795 | 26,276,375 | 1,313,977 | 5.27% | 5.00% |
| LEXINGTON | 11,739,266 | 12,442,281 | 261,195 | 2.22% | 2.10% |
| NEWBOLDS | 21,897,853 | 24,349,419 | 1,112,658 | 5.08% | 4.57% |
| REAL ESTATE EQUITY LOAN PAYABLE | 23,039,904 (6,000,000) | 22,580,000 (6,000,000) | 1,920,500 1/ | 8.34% | 8.51% |
| GRAND TOTAL | 270,425,381 | 275,993,326 | 20,649,520 | 7.64% | 7.48% |

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 estimated Capital Gains for the prior fiscal year 1989/90 was \$8.0 million. Administrative Expenses for this same period were \$119,000 for Banking and Trustee Fees, \$756,000 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.

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF JULY 31, 1990

| | 1/ COST | 1/ MARKET | % AUTHORIZED | DOLLARS AUTHORIZED | 2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET |
|-----------------------------------|-------------|-------------|--------------|-----------------------|--|
| OPERATING CASH | (3,189,342) | (3,189,342) | | | (3,189,342) |
| FIXED: | | | | | |
| BONDS, 2ND TD'S, & MTG BK. CERTS. | 143,809,090 | 143,349,893 | 51.00% | 137,916,944 | 5,892,146 |
| REAL ESTATE MORTGAGE | 11,108,236 | 11,466,814 | 4.00% | 10,817,015 | 649,799 |
| UTILITY STOCKS | 13,705,738 | 13,280,620 | 5.00% | 13,521,269 | 184,529 |
| TOTAL FIXED | 168,623,124 | 168,097,327 | 60.00% | 162,255,228 | 6,726,474 |
| EQUITY: | | | | | |
| ASE-HOUGHTON | 10,599,607 | 11,890,694 | 4.00% | 10,817,015 | 1,073,679 |
| BATTERYMARCH | 9,937,075 | 10,709,472 | 4.00% | 10,817,015 | (107,543) |
| DELAWARE | 28,183,376 | 29,518,957 | 11.00% | 29,746,792 | (227,335) |
| LEXINGTON | 12,964,360 | 13,667,376 | 5.00% | 13,521,269 | 146,107 |
| NEWBOLDS | 23,357,899 | 25,809,465 | 9.00% | 24,338,284 | 1,471,181 |
| REAL ESTATE EQUITY | 25,949,231 | 25,489,378 | 7.00% | 18,929,777 | 1,019,505 |
| LESS: LOAN PAYABLE | (6,000,000) | (6,000,000) | | | |
| TOTAL EQUITY | 104,991,599 | 111,085,341 | 40.00% | 108,170,152 | 3,375,092 |
| GRAND TOTAL | 270,425,381 | 275,993,326 | 100.00% | 270,425,381 | 6,912,225 |

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 12/31/89 and became effective 2/28/90.

Should the Board reallocate as of July 31, 1990, \$6,912,225 would be allocated to the managers according to the percentages authorized.

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR JULY 1990

1)

| PORTFOLIO MANAGER | PURCHASES (COST) | (PROCEEDS) | SALES (COST) | GAIN/(LOSS) |
|-----------------------|---------------------|--------------------|----------------------|------------------|
| FIXED: | | | | |
| BONDS | \$452,095 | \$444,175 | (\$390,800) | \$53,375 |
| MTC BACKED | | \$151,505 | (\$152,289) | (\$784) |
| 2ND TD'S | \$0 | \$0 | \$0 | \$0 |
| REAL ESTATE MORTGAGES | \$0 | \$0 | \$0 | \$0 |
| UTILITY STOCKS | \$288,640 | \$0 | \$0 | \$0 |
| TOTAL FIXED | \$740,735 | \$595,680 | (\$543,089) | \$52,591 |
| EQUITY: | | | | |
| AXE-HOUGHTON | \$2,077,189 | \$755,670 | (\$604,534) | \$151,136 |
| BATTERYMARCH | \$56,851 | \$117,014 | (\$74,060) | \$42,947 |
| DELAWARE | \$1,129,640 | \$592,658 | (\$536,779) | \$55,880 |
| LEXINGTON | \$4,916,302 | \$4,415,562 | (\$4,281,219) | \$134,343 |
| NEWBOLDS | \$853,740 | \$0 | \$0 | \$0 |
| TOTAL EQUITY | \$9,033,803 | \$5,880,905 | (\$5,496,599) | \$384,306 |
| SUB -TOTAL | \$9,774,538 | \$6,476,585 | (\$6,039,688) | \$436,897 |
| GRAND TOTAL | \$9,774,538 | \$6,476,585 | (\$6,039,688) | \$436,897 |

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