

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.

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	21,097,853	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 FDS, & 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	<u>270,425,381</u>	<u>275,993,326</u>	<u>20,649,520</u>	<u>7.64%</u>	<u>7.48%</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. 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
LXINGTON	\$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".