

January 6, 1992

MINUTES  
REGULAR MEETING OF THE  
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM  
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD  
January 6, 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 6, 1992.

PRESENT: Crist, Frierson, Masuoka, Friery

ABSENT: DeCamilla

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD NOVEMBER 25, 1991

APPROVED

The Board received and reviewed the minutes of the regular meeting held November 25, 1991. Mr. Crist moved to approve the minutes. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery

NOES: None

INVESTMENTS -- TREASURER'S ACTIVITY REPORT

ACCEPTED

Mr. Friery introduced Tony Ives, Investment Officer, with the Treasurer's office.

Mr. DeCamilla arrived at 1:40 p.m.

The Board received the October 1991 Treasurer's Investment Activity Report. Deborah Kanner, Investment Officer, reviewed the investment report with the Board.

Ms. Kanner informed the Board that the Treasurer's office will be preparing an analysis of the system's cash flow and presenting recommendations at the February meeting.

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

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT

ACCEPTED

The Board received the November 1991 Real Estate Advisor's report submitted by W. Jim Smith of WJS Associates.

The report informed the Board that SMUD had completed their recommendation and estimates relative to improving the energy efficiency of the Larchmont Square property. After Mr. Smith receives all the necessary bids to complete the proposed changes he will make a recommendation to the Board.

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

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

COMMUNITY CENTER EXPANSION/DOWLING ASSOCIATES REPORT

ACCEPTED

The Board received a copy of the analysis by Dowling Associates of the Draft Supplemental Environmental Impact Report (DSEIR) on the Sacramento Convention Center Expansion project and written comments from W. Jim Smith, Real Estate Advisor.

It was the consensus of the Board that the report was very thorough and offered the System a comprehensive list of actions and policies relative to responding to the proposed expansion of the center.

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Also, Board members had an opportunity to review a draft comment letter the League of Cities was considering submitting to the City on the DSEIR. The League was interested in any comments the Board might have, including submitting a joint comment letter to the City.

After a lengthy discussion the Board felt that the League's comment letter was excellent and addressed all of the Board's concerns.

Mr. Crist moved to accept Dowling Associates' report and join with the League in submitting a joint comment letter to the City. The motion was seconded by Ms. Masuoka and carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

Mr. Friery will inform Mr. Don Benninghoven, League of Cities Executive Director, of the Board's action.

UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO RESULTS - SEPTEMBER 30, 1991 - CONTINUED  
ACCEPTED

This matter was continued from the November 1991 meeting.

The Board received the Treasurer's Utility Stock Fixed Income Alternative Portfolio results for the quarter ending September 30, 1991. Deborah Kanner, Investment Officer, reviewed the report with the Board.

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

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

SEI SEPTEMBER 30, 1991 QUARTERLY PERFORMANCE REPORT  
ACCEPTED

The Board receive SEI's performance report for the quarter ending September 30, 1991. Mr. Bruce Pflug reviewed the report with the Board.

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

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

DELAWARE INVESTMENT ADVISERS, NOVEMBER 1991 PERFORMANCE REPORT  
ACCEPTED AS INFORMATIONAL

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

NEWBOLD'S ASSET MANAGEMENT, NOVEMBER 1991 PERFORMANCE REPORT  
ACCEPTED AS INFORMATIONAL

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

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

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

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 OCTOBER 31, 1991

|                                    | CASH       |            | INVESTMENTS<br>@ COST | AMOUNT 1/<br>AVAILABLE FOR<br>INVESTMENT |
|------------------------------------|------------|------------|-----------------------|--|
|                                    | POOL A     | PAC HOR    |                       |  |
| OPERATING CASH                     | 297,226    |            |                       | 297,226                                  |
| FIXED:                             |            |            |                       |  |
| BONDS, 2ND TD'S, & MTG. BK. CERTS. | (244,478)  | 1,217,048  | 144,446,250           | 145,418,821                              |
| REAL ESTATE MORTGAGE               | 1,027,894  |            | 11,619,280 2/         | 12,647,174                               |
| UTILITY STOCKS                     | 1,827,058  | 304,261    | 12,908,033            | 15,039,352                               |
| TOTAL FIXED                        | 2,610,474  | 1,521,309  | 168,973,564           | 173,105,347                              |
| EQUITY:                            |            |            |                       |  |
| AXE-HOUGHTON                       |            | 2,463,533  | 9,917,506             | 12,381,039                               |
| BATTERYMARCH                       | 9,063,622  | 312,311    | 2,385                 | 9,378,318                                |
| DELAWARE                           |            | 1,807,335  | 29,147,007            | 30,954,343                               |
| LEXINGTON                          |            | 2,899,406  | 10,557,177            | 13,456,583                               |
| NEWBOLDS                           |            | 1,311,650  | 24,304,814            | 25,616,463                               |
| REAL ESTATE EQUITY                 | 444,269    |            | 27,674,304 3/         | 28,118,573                               |
| LESS: LOAN PAYABLE                 |            |            | (6,000,000)           | (6,000,000)                              |
| TOTAL EQUITY                       | 9,507,891  | 8,794,235  | 95,603,193            | 113,905,319                              |
| GRAND TOTAL                        | 12,415,591 | 10,315,545 | 264,576,757           | 287,307,892                              |

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 11/13/91 to be used for any future Real Estate Mortgage Investments.

3/ Included is \$4.0 million Commercial Paper due 11/5/91 to be used for any future Real Estate Equity Investments.

ATTACHMENT A-2

SCRS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT  
FOR THE PERIOD 9/30/91 - 10/31/91

|                                     | BALANCE<br>9/30/91        | INTEREST INCOME |         |            | DIV       | GAIN (LOSS)<br>ON SALES | NET<br>RENTAL<br>INCOME | INTEREST<br>EXPENSE | NET<br>EXTERNAL<br>CONTRIB. | CONTRIB.<br>TRANSFER | BALANCE<br>10/31/91       |
|-------------------------------------|---------------------------|-----------------|---------|------------|-----------|-------------------------|-------------------------|---------------------|-----------------------------|----------------------|---------------------------|
|                                     |                           | POOL A          | PAC BOR | INVESTMENT |           |                         |                         |                     |                             |                      |                           |
| OPERATING CASH                      | 300,984                   | 24,795          |         |            |           |                         |                         |                     | (1,195,586)                 | 1,167,033            | 297,226                   |
| FIXED:                              |                           |                 |         |            |           |                         |                         |                     |                             |                      |                           |
| BONDS, 2ND TO'S, &<br>MTC, BK. CRTS | 145,630,489               | 0               | 23,652  | 935,050    |           | (3,336)                 |                         |                     |                             | (1,167,033)          | 145,418,821               |
| REAL ESTATE MORTGAGES               | 12,553,961                | 0               |         | 93,214     |           |                         |                         |                     |                             |                      | 12,647,175                |
| UTILITY STOCKS                      | 14,934,489                | 0               | 843     |            | 104,020   | 0                       |                         |                     |                             |                      | 15,039,352                |
| EQUITY:                             |                           |                 |         |            |           |                         |                         |                     |                             |                      |                           |
| AIX-BOUGHTON                        | 12,024,849                | 0               | 7,917   |            | (42,654)  | 390,927                 |                         |                     |                             |                      | 12,381,039                |
| BATTERMARCH                         | 8,503,375                 |                 | 4,469   |            | 50,612    | 819,862                 |                         |                     |                             |                      | 9,378,319                 |
| DELAWARE                            | 30,563,890                |                 | 6,684   |            | 127,500   | 256,269                 |                         |                     |                             |                      | 30,954,343                |
| LEXINGTON                           | 13,402,847                | 0               | 38,066  |            | 15,670    | 0                       |                         |                     |                             |                      | 13,456,583                |
| HERBOLDS                            | 25,386,213                | 0               | 93,550  |            | 6,283     | 130,416                 |                         |                     |                             |                      | 25,616,462                |
| REAL ESTATE EQUITY<br>LOAN PAYABLE  | 27,779,941<br>(6,000,000) | 0               |         | 24,979     |           |                         | 363,026                 | (49,375)            |                             |                      | 28,118,572<br>(6,000,000) |
| GRAND TOTAL                         | 285,081,038               | 24,795          | 175,181 | 1,053,243  | 261,431   | 1,594,138               | 363,026                 | (49,375)            | (1,195,586)                 | 0                    | 287,307,891               |
| YEAR TO DATE:                       | 283,883,423               | 138,434         | 576,157 | 4,282,650  | 1,022,561 | 3,031,415               | 757,400                 | (197,500)           | (6,186,649)                 | 0                    | 287,307,891               |

## ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN  
AS OF OCTOBER 31, 1991

|                                    | COST        | MARKET      | ESTIMATED<br>ANNUAL<br>INCOME | EST. RATE<br>AT COST | EST. RATE<br>AT MARKET |
|------------------------------------|-------------|-------------|-------------------------------|----------------------|------------------------|
| CASH                               |             |             |                               |                      |                        |
| CITY POOL A                        | 12,415,591  | 12,415,591  | 1,028,011                     | 8.28%                | 8.28%                  |
| PAC HORIZONS MONEY MARKET FUND     | 10,315,545  | 10,315,545  | 567,355                       | 5.50%                | 5.50%                  |
| FIXED:                             |             |             |                               |                      |                        |
| BONDS, 2ND TD'S &<br>MTG. BK CERTS | 144,446,250 | 151,140,863 | 13,073,169                    | 9.05%                | 8.65%                  |
| REAL ESTATE MORTGAGE               | 11,619,280  | 12,090,839  | 1,225,176                     | 10.54%               | 10.13%                 |
| UTILITY STOCKS                     | 12,908,033  | 13,414,438  | 800,348                       | 6.20%                | 5.97%                  |
| EQUITY:                            |             |             |                               |                      |                        |
| AXE-HOUGHTON                       | 9,917,506   | 11,714,813  | 17,685                        | 0.18%                | 0.15%                  |
| BATTERYMARCH                       | 2,385       | 4,186       | 0                             | 0.00%                | 0.00%                  |
| DELAWARE                           | 29,147,007  | 33,019,650  | 1,279,614                     | 4.39%                | 3.88%                  |
| LEXINGTON                          | 10,557,177  | 13,278,784  | 246,712                       | 2.34%                | 1.86%                  |
| NEWBOLDS                           | 24,304,814  | 27,006,323  | 1,146,745                     | 4.72%                | 4.25%                  |
| REAL ESTATE EQUITY                 | 27,674,304  | 27,230,000  | 2,250,875 1/                  | 8.13%                | 8.27%                  |
| LOAN PAYABLE                       | (6,000,000) | (6,000,000) |                               |                      |                        |
| GRAND TOTAL                        | 287,307,892 | 305,631,031 | 21,635,690 2/                 | 7.53%                | 7.08%                  |

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 OCTOBER 31, 1991

|                                   | 1/ COST     | 1/ MARKET   | % AUTHORIZED | DOLLARS<br>AUTHORIZED | 2/ OVER (UNDER)<br>INVESTED, BASED<br>UPON COST/MARKET |
|-----------------------------------|-------------|-------------|--------------|-----------------------|--|
| OPERATING CASH                    | 297,226     | 297,226     |              |                       | 297,226  |
| FIXED:                            |             |             |              |                       |  |
| BONDS, 2ND TD'S. & MTG BK. CERTS. | 145,418,821 | 152,113,433 | 53.00%       | 152,273,183           | (159,750)  |
| REAL ESTATE MORTGAGE              | 12,647,174  | 13,118,733  | 4.00%        | 11,492,316            | 1,626,417  |
| UTILITY STOCKS                    | 15,039,352  | 15,545,757  | 5.00%        | 14,365,395            | 1,180,362  |
| TOTAL FIXED                       | 173,105,347 | 180,777,923 | 62.00%       | 178,130,893           | 2,647,030  |
| EQUITY:                           |             |             |              |                       |  |
| AXE-HOUGHTON                      | 12,381,039  | 14,178,345  | 3.75%        | 10,774,046            | 3,404,299  |
| BATTERYMARCH                      | 9,378,318   | 9,380,120   | 3.00%        | 8,619,237             | 760,883  |
| DELAWARE                          | 30,954,343  | 34,826,985  | 10.75%       | 30,885,598            | 3,941,387  |
| LEXINGTON                         | 13,456,583  | 16,178,190  | 4.75%        | 13,647,125            | 2,531,065  |
| NEWBOLDS                          | 25,616,463  | 28,317,973  | 8.75%        | 25,139,441            | 3,178,532  |
| REAL ESTATE EQUITY                | 28,118,573  | 27,674,269  | 7.00%        | 20,111,552            | 2,007,021  |
| LESS: LOAN PAYABLE                | (6,000,000) | (6,000,000) |              |                       |  |
| TOTAL EQUITY                      | 113,905,319 | 124,555,882 | 38.00%       | 109,176,999           | 15,823,187   |
| GRAND TOTAL                       | 287,307,892 | 305,631,031 | 100.00%      | 287,307,892           | 18,767,442   |

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



ATTACHMENT A-5

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY  
FOR OCTOBER 1991

1]

| PORTFOLIO<br>MANAGER  | PURCHASES<br>(COST) | (PROCEEDS)          | SALES<br>(COST)       | GAIN/(LOSS)        |
|-----------------------|---------------------|---------------------|-----------------------|--------------------|
| <b>FIXED:</b>         |                     |                     |                       |                    |
| BONDS                 | \$0                 | \$38,760            | (\$40,350)            | (\$1,590)          |
| MTG BACKED            | \$0                 | \$189,625           | (\$191,371)           | (\$1,746)          |
| 2ND TD'S              | \$0                 | \$0                 | \$0                   | \$0                |
| REAL ESTATE MORTGAGES | \$7,991,620         | \$1,500,000         | (\$1,500,000)         | \$0                |
| UTILITY STOCKS        | \$0                 | \$0                 | \$0                   | \$0                |
| <b>TOTAL FIXED</b>    | <b>\$7,991,620</b>  | <b>\$1,728,385</b>  | <b>(\$1,731,721)</b>  | <b>(\$3,336)</b>   |
| <b>EQUITY:</b>        |                     |                     |                       |                    |
| AXE-HOUGHTON          | \$3,091,379         | \$4,135,353         | (\$3,744,426)         | \$390,927          |
| BATTERYMARCH          | \$2,256             | \$8,284,911         | (\$7,465,048)         | \$819,862          |
| DELAWARE              | \$2,837,700         | \$2,820,316         | (\$2,564,047)         | \$256,269          |
| LEXINGTON             | \$5,717,554         | \$0                 | \$0                   | \$0                |
| NEWBOLDS              | \$790,498           | \$602,882           | (\$472,466)           | \$130,416          |
| REAL ESTATE EQUITY    | \$16,882,660        | \$4,400,000         | (\$4,400,000)         | \$0                |
| <b>TOTAL EQUITY</b>   | <b>\$29,322,046</b> | <b>\$20,243,461</b> | <b>(\$18,645,987)</b> | <b>\$1,597,474</b> |
| <b>GRAND TOTAL</b>    | <b>\$37,313,666</b> | <b>\$21,971,846</b> | <b>(\$20,377,708)</b> | <b>\$1,594,138</b> |

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