

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 @ COST	AMOUNT 1/ AVAILABLE FOR 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

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

	BALANCE 9/30/91	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 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, & 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
NEHBOLDS	25,386,213	0	93,550		6,283	130,416					25,616,462
REAL ESTATE EQUITY LOAN PAYABLE	27,779,941 (6,000,000)	0		24,979			363,026	(49,375)			28,118,572 (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 ANNUAL INCOME	EST. RATE AT COST	EST. RATE 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 & 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 AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED 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 MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (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".