

July 28, 1992

MINUTES  
SPECIAL MEETING OF THE  
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM  
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD  
July 28, 1992

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in special session in Conference Room 101, 921 Tenth Street, at 3:00 p.m. on July 28, 1992.

PRESENT: Crist, Sperling, DeCamilla

ABSENT: Frierson, Masuoka

CONSENT CALENDAR

RESOLUTION AUTHORIZING CONSENT TO ASSIGN AXE-HOUGHTON INVESTMENT ADVISORY AGREEMENT TO AXE CORE INVESTORS, INC.

ADOPTED

The Board received and reviewed correspondence from Axe-Houghton and a report and resolution from Thomas P. Friery, City Treasurer, regarding authorizing and signing a consent document to assign Axe-Houghton Investment Advisory Agreement to Axe Core Investors, Inc. Axe-Houghton's parent company, USF&G Financial Services, has agreed to a buy-out by a group of Axe-Houghton's senior executives, to be known as Axe Core Investors, Inc.

After a brief discussion Mr. Crist moved to adopt the resolution authorizing consent to assign Axe-Houghton Investment Advisory Agreement to Axe Core Investors, Inc. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, Sperling, DeCamilla

NOES: None

July 28, 1992

There being no further business the meeting was adjourned at 3:05 p.m. to meet again at the call of the chair.

August 24, 1992

MINUTES  
REGULAR MEETING OF THE  
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM  
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD  
August 24, 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 August 24, 1992.

PRESENT: Frierson, Masuoka, Friery

ABSENT: Crist, DeCamilla

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JUNE 22, 1992 - CONTINUED  
APPROVED

The Board received and reviewed the minutes of the regular meeting held June 22, 1992. Ms. Masuoka moved to approve the minutes. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Friery

NOES: None

MINUTES OF SPECIAL MEETING HELD JULY 28, 1992  
APPROVED

The Board received and reviewed the minutes of the special meeting held July 28, 1992. Ms. Masuoka moved to approve the minutes. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Friery

NOES: None

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INVESTMENTS - TREASURER'S ACTIVITY REPORT  
ACCEPTED

The Board received the May, 1992 and June, 1992 Treasurer's Investment Activity Reports. Ms. Deborah Kanner, Investment Officer, reviewed both investment reports with the Board.

During discussion of the investment reports, Ms. Masuoka asked if external investment managers are paid the same fee whether they are in cash or fully invested. Mr. Friery responded yes and explained that the Board felt that a manager should not be penalized if the manager deemed it necessary to be out of the market and in cash. After further discussion, Ms. Masuoka requested that the Treasurer's staff address this issue during the asset diversification allocation process in January, 1993 and outline the positives and negatives of this issue.

Ms. Masuoka moved to accept the May, 1992 and June, 1992 investment activity reports. The motion was seconded by Ms. Frierson and carried by the following vote:

AYES: Frierson, Masuoka, Friery

NOES: None

REPORTS OF CONSULTANTS AND ADVISORSFY 1991/92 & 1992/93 SCERS DIRECT INVESTMENT COSTS - CONTINUED  
APPROVED

The Board received a report from the Treasurer's office reflecting the actual expenditures for FY 1991/92 and the amended budget for FY 1992/93 for the SCERS Direct Investment Costs. Ms. Kanner, Investment Officer, reviewed the report with the Board and recommended the Board approve the actual SCERS direct investment costs for FY 1991/92 and approve the amended budget for FY 1992/93.

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Ms. Masuoka moved to approve the actual expenditures for FY 1991/92 and amend the FY 1992/93 budget as presented. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Friery

NOES: None

UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO JUNE 30, 1992  
CONTINUED

This item was continued to the regular meeting to be held in September 28, 1992.

REAL ESTATE ADVISOR'S REPORT JULY, 1992 AND AUGUST, 1992  
ACCEPTED

The Board received the July, 1992 and August, 1992 Real Estate Advisor's reports, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the reports with the Board.

Mr. Smith informed the Board that he is continuing to speak with Bel-Air Market on expanding the parking lot at the Discovery Plaza. Mr. Smith is currently getting costs of the renovation and Bel-Air is willing to participate financially in the renovation.

Mr. Smith informed the Board that the asbestos survey on 1414 K is still not final. Mr. Smith will keep the Board informed on this issue.

Mr. Smith informed the Board that our insurance carrier has notified him that there is insufficient water pressure to operate the fire sprinkler system at the Enterprise Building. The reason for this is that the City of West Sacramento has cut the water pressure in the Industrial Park. The system's insurance company has agreed, at this time, not to force the installation of new fire pumps. Mr. Smith spoke with the Fire

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Inspector for the City of West Sacramento and was informed that all buildings in the Industrial Park are facing either a sprinkler renovation or installation of a fire pump. Mr. Smith will keep the Board informed on this issue.

Regarding the Larchmont Square property, Mr. Smith recommended the Board approve \$3,000.00 for the mechanical drawings for the design and installation of the roof mounted HVAC retrofit.

Ms. Frierson moved to accept the reports and authorize the \$3,000.00 expenditure for the mechanical drawings for the HVAC retrofit at the Larchmont Square property. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Frierson, Masuoka, Friery

NOES: None

HISTORIC PRESERVATION STRATEGY - 1414 K STREET PROPERTY - CONTINUED  
ACCEPTED AS INFORMATIONAL

The Board received a report from W. Jim Smith, of WJS & Associates and Mr. John Fairbrook of the Baker & McKenzie law firm regarding removing 1414 K Street from the Historical Preservation list. Mr. Smith reviewed the reports with the Board.

At the May, 1992, meeting, the Board requested Mr. Smith to initiate the process to remove the 1414 K Street building from the preservation list. Mr. Smith informed the Board that it was his opinion that having the property listed on the preservation list presented no problems.

After discussion the Board accepted the reports as informational.

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LEXINGTON CAPITAL MANAGEMENT, INC., JUNE 30, 1992 QUARTERLY REPORT  
PRESENTATION  
ACCEPTED

The Board received the June 30, 1992 quarterly report from Lexington Capital Management, Inc. Jack Waymire reviewed the report with the Board.

Mr. Waymire was informed that the Board is disappointed with Lexington's performance and that the Board felt that Lexington was not meeting the objectives of the investment style for which they were hired. Mr. Friery stated that the Board hired Lexington to be a value oriented style manager; however, after reviewing and analyzing their performance it was difficult to ascertain their specific style of management.

Mr. Waymire stated that Lexington's quantitative style will fluctuate between the value and growth style, that Lexington's style does not fit into either category and since there are very few quantitative style managers it makes it difficult to see consistency in measuring their performance.

Mr. Friery stated he would like to see Lexington's style better defined.

Mr. Waymire will send a supplemental report showing how Lexington's characteristics have changed over time.

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

AYES: Frierson, Masuoka, Friery

NOES: None

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AXE HOUGHTON ASSOCIATES, JUNE 30, 1992 QUARTERLY REPORT PRESENTATION  
ACCEPTED

The Board received the June 30, 1992 quarterly report from Axe-Houghton Associates. Mr. Seth Lynn, President, Mr. Porter Sutro, Vice-President and Ms. Robin Kerr, Vice-President, reviewed the report with the Board.

Mr. Lynn briefly discussed the recent buy out by a group of Axe-Houghton's senior executives.

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

AYES: Frierson, Masuoka, Friery

NOES: None

DELAWARE INVESTMENT ADVISERS, JUNE 30, 1992 QUARTERLY REPORT  
ACCEPTED

The Board received and reviewed the June 30, 1992 quarterly report from Delaware Investment Advisers.

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

AYES: Frierson, Masuoka, Friery

NOES: None

DELAWARE INVESTMENT ADVISERS, JULY, 1992 PERFORMANCE REPORT  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Delaware Investment Advisers' July, 1992 performance report.

NEWBOLD'S ASSET, JUNE 30, 1992 QUARTERLY REPORT  
ACCEPTED

The Board received and reviewed the June 30, 1992 quarterly report from Newbold's Asset.



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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: Frierson, Masuoka, Friery

NOES: None

CALIFORNIA PENSION PROTECTION ACT OF 1992 (CPPA)  
ACCEPTED AS INFORMATIONAL

The Board received a report from Leslie Lopez, Counsel to the Board, regarding the California Pension Protection Act of 1992 (CPPA) initiative measure and its effect on the system. Ms. Lopez reviewed the report with the Board.

Ms. Lopez informed the Board that CPPA is an initiative measure, qualified for the November 1992 ballot, to amend Article 16, Section 17 of the state constitution. The initiative is directed toward protecting the retirement funds of, among other persons, "local employees" and to prevent any "political subdivision" of the state from tampering with public pension funds. After analyzing the measure, if CPPA is enacted, the constitutional amendments set forth in the CPPA will not apply to SCERS. While the AIFM Board is already charged with fiduciary obligations similar to those set forth in the CPPA, the AIFM Board may use the CPPA as guidance in administering SCERS.

The Board accepted the report as informational.

GENERAL COMMUNICATIONS

COMMUNICATION FROM SACRAMENTO AREA FIRE FIGHTERS LOCAL 522

The Board received a letter from the Sacramento Area Fire Fighters, Local 522, regarding pension fund investments in Time Warner, Inc., a company which distributes music considered to encourage violence against public safety officers.

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Mr. Friery informed the Board that Richard Mayberry, President of Local 522, contacted him to inform him that this issue was no longer relevant as the matter has been settled.

Ms. Masuoka requested that the the record clearly state that it is the Board's standing policy not to take a position in social issues.

There being no further business the meeting was adjourned at 2:30 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT  
AS OF MAY 31, 1992

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	1,337,435			1,337,435
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	2,372,350	2,114,887	155,615,432	160,102,669
REAL ESTATE MORTGAGE	128,209	819,629	14,535,724	15,483,562
UTILITY STOCKS	282,930	455,794	13,740,955	14,479,678
	2,783,489	3,390,310	183,892,111	190,065,910
EQUITY:				
AXE-HOUGHTON		1,048,003	11,027,217	12,075,220
DELAWARE		4,281	32,764,183	32,768,464
LEXINGTON		2,514,596	10,867,049	13,381,645
NEWBOLDS		2,894,787	23,815,362	26,710,149
REAL ESTATE EQUITY		2,988,111	24,447,735	27,435,845
LESS: LOAN PAYABLE			(5,994,526) 2/	(5,994,526)
	TOTAL EQUITY	9,449,777	96,927,019	106,376,797
GRAND TOTAL	4,120,924	12,840,088	280,819,130	297,780,141

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/ Balance is an outstanding loan on Discovery Plaza. Loan payments commenced 4/1/92.

SCERS - STATEMENT OF ASSETS @ MARKET VALUE  
AS OF MAY 31, 1992

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	1,337,435			1,337,435
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	2,372,350	2,114,887	164,013,617	168,500,855
REAL ESTATE MORTGAGE	128,209	819,629	14,997,085	15,944,923
UTILITY STOCKS	282,930	455,794	15,042,131	15,780,855
TOTAL FIXED	2,783,489	3,390,310	194,052,834	200,226,633
EQUITY:				
AXE-HOUGHTON		1,048,003	10,765,038	11,813,040
DELAWARE		4,281	36,312,063	36,316,344
LEXINGTON		2,514,596	12,178,185	14,692,781
NEWBOLDS		2,894,787	26,585,586	29,480,373
REAL ESTATE EQUITY		2,988,111	24,637,831	27,625,942
LESS: LOAN PAYABLE			(5,994,526)	(5,994,526)
TOTAL EQUITY		9,449,777	104,484,177	113,933,954
GRAND TOTAL	4,120,924	12,840,088	298,537,011	315,498,022

ATTACHMENT A-2

SCRS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT  
FOR THE PERIOD 04/30/92 - 05/31/92

	BALANCE 4/30/82	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST/ PRINCIPAL PAYMENTS	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 5/31/92
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	882,832								(777,601)	1,232,204	1,337,435
FIXED:											
BONDS, 2ND TD'S, & MTC. BK. CERTS	163,385,984	4,377	5,853	1,033,100		(2,913)				(4,323,732)	160,102,669
REAL ESTATE MORTGAGES	12,250,699			86,373						3,146,492	15,483,564
UTILITY STOCKS	14,413,490		1,173		65,015						14,479,677
EQUITY:											
AXE-HOUGHTON	12,214,013		2,713		1,215	(142,722)					12,075,210
DELAWARE	32,037,073		1,131		79,303	650,959					32,768,465
LEXINGTON	13,127,146		3,427		12,392	238,681					13,381,645
NEWBOLDS	26,523,089		64,716		8,147	114,196					26,710,148
REAL ESTATE EQUITY LOAN PAYABLE	27,455,646 (5,997,274)		9,890	(19,727)			94,353	(49,353) 2,748		(54,964)	27,435,845 (5,994,526)
GRAND TOTAL	296,292,698	4,377	88,901	1,099,746	166,071	858,200	94,353	(46,604)	(777,601)	0	297,780,141
YEAR TO DATE:	283,883,423	354,392	1,559,841	12,805,095	2,645,953	10,734,300	1,573,628	(537,628)	(15,238,863)		297,780,141

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN  
AS OF MAY 31, 1992

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
<b>CASH</b>					
CITY POOL A	4,120,924	4,120,924	278,204	6.75%	6.75%
PAC HORIZONS MONEY MARKET FUND	12,840,088	12,840,088	494,343	3.85%	3.85%
<b>FIXED:</b>					
BONDS, 2ND TD'S & MTG. BK CERTS	155,615,432	164,013,617	13,925,161	8.95%	8.49%
REAL ESTATE MORTGAGE	14,535,724	14,997,085	1,195,720	8.23%	7.97%
UTILITY STOCKS	13,740,955	15,042,131	925,558	6.74%	6.15%
<b>EQUITY:</b>					
AXE-HOUGHTON	11,027,217	10,765,038	40,920	0.37%	0.38%
DELAWARE	32,764,183	36,312,063	1,225,252	3.74%	3.37%
LEXINGTON	10,867,049	12,178,185	253,962	2.34%	2.09%
NEWBOLDS	23,815,362	26,585,586	1,153,096	4.84%	4.34%
REAL ESTATE EQUITY	24,447,735	24,637,831	1,750,500 1/	7.16%	7.10%
LOAN PAYABLE	(5,994,526)	(5,994,526)			
<b>GRAND TOTAL</b>	<b>297,780,141</b>	<b>315,498,022</b>	<b>21,242,716 2/</b>	<b>7.13%</b>	<b>6.73%</b>

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. Paydown for this loan started April 1992, with the annual interest expense to be approximately \$591,000.

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.

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON COST/MARKET AS OF MAY 31, 1992

	1/ COST	1/ MARKET	2/ % AUTHORIZED	DOLLARS AUTHORIZED	3/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	1,337,435	1,337,435			1,337,435
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	160,102,669	168,500,855	54.00%	170,368,932	(1,868,077)
REAL ESTATE MORTGAGE	15,483,562	15,944,923	5.00%	15,774,901	170,022
UTILITY STOCKS	14,479,678	15,780,855	5.00%	15,774,901	5,954
TOTAL FIXED	190,065,910	200,226,633	64.00%	201,918,734	(1,692,101)
EQUITY:					
AXE-HOUGHTON	12,075,220	11,813,040	4.00%	12,619,921	(544,701)
DELAWARE	32,768,464	36,316,344	11.00%	34,704,782	1,611,561
LEXINGTON	13,381,645	14,692,781	5.00%	15,774,901	(1,082,120)
NEWBOLDS	26,710,149	29,480,373	9.00%	28,394,822	1,085,551
REAL ESTATE EQUITY	27,435,845	27,625,942	7.00%	22,084,862	(453,446)
LESS: LOAN PAYABLE	(5,994,526)	(5,994,526)			
TOTAL EQUITY	106,376,797	113,933,954	36.00%	113,579,288	616,846
GRAND TOTAL	297,780,141	315,498,022	100.00%	315,498,022	262,180

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/ The present allocation was approved May 18, 1992 to be effective January 1, 1992.

3/ This column represents the amount over (under) invested for each category using the higher of Cost or Market based upon the Board's asset allocation policy.

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY  
FOR MAY 1992

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
<b>FIXED:</b>				
BONDS	(\$3,106,753)	\$4,040,960	(\$4,040,697)	\$263
MTG BACKED	\$0	\$272,948	(\$276,124)	(\$3,176)
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
<b>TOTAL FIXED</b>	<b>(\$3,106,753)</b>	<b>\$4,313,908</b>	<b>(\$4,316,821)</b>	<b>(\$2,913)</b>
<b>EQUITY:</b>				
AXE-HOUGHTON	\$666,466	\$1,356,707	(\$1,499,430)	(\$142,722)
DELAWARE	\$3,971,565	\$3,383,525	(\$2,732,566)	\$650,959
LEXINGTON	\$0	\$947,077	(\$708,396)	\$238,681
NEWBOLDS	\$130,054	\$591,165	(\$476,969)	\$114,196
REAL ESTATE EQUITY	\$0	\$0	\$0	\$0
<b>TOTAL EQUITY</b>	<b>\$4,768,085</b>	<b>\$6,278,475</b>	<b>(\$5,417,361)</b>	<b>\$861,114</b>
<b>GRAND TOTAL</b>	<b>\$1,661,332</b>	<b>\$10,592,383</b>	<b>(\$9,734,182)</b>	<b>\$858,201</b>

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



## ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT  
AS OF JUNE 30, 1992

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	3,198,062			3,198,062
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	2,242,897	3,529,333	154,392,220	160,164,450
REAL ESTATE MORTGAGE	77,598	4,828,823	10,545,135	15,451,556
UTILITY STOCKS	288,054	934,028	13,338,715	14,560,796
TOTAL FIXED	2,608,549	9,292,184	178,276,070	190,176,803
EQUITY:				
AXE-HOUGHTON		1,280,842	10,341,853	11,622,695
DELAWARE		827,926	32,253,354	33,081,280
LEXINGTON		4,293,395	8,883,230	13,176,625
NEWBOLDS		2,976,552	23,905,187	26,881,739
REAL ESTATE EQUITY	0	3,011,373	24,447,735	27,459,108
LESS: LOAN PAYABLE			(5,991,755) 2/	(5,991,755)
TOTAL EQUITY	0	12,390,089	93,839,604	106,229,693
GRAND TOTAL	5,806,611	21,682,272	272,115,674	299,604,558

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/ Balance is an outstanding loan on Discovery Plaza. Loan payments commenced 4/1/92.

SCERS - STATEMENT OF ASSETS @ MARKET VALUE  
AS OF JUNE 30, 1992

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	3,198,062			3,198,062
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	2,242,897	3,529,333	163,757,968	169,530,198
REAL ESTATE MORTGAGE	77,598	4,828,823	11,217,269	16,123,691
UTILITY STOCKS	288,054	934,028	14,873,825	16,095,906
TOTAL FIXED	2,608,549	9,292,184	189,849,062	201,749,795
EQUITY:				
AXE-HOUGHTON		1,280,842	10,040,175	11,321,017
DELAWARE		827,926	34,604,638	35,432,563
LEXINGTON		4,293,395	9,821,195	14,114,590
NEWBOLDS		2,976,552	26,419,403	29,395,955
REAL ESTATE EQUITY	0	3,011,373	24,637,831	27,649,204
LESS: LOAN PAYABLE			(5,991,755)	(5,991,755)
TOTAL EQUITY	0	12,390,089	99,531,486	111,921,575
GRAND TOTAL	5,806,611	21,682,272	289,380,549	316,869,432

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT  
FOR THE PERIOD 05/31/92 - 06/30/92

	BALANCE 5/31/92	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST/ PRINCIPAL PAYMENTS	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 6/30/92
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	1,337,435	28,728							(149,723)	1,981,622	3,198,062
FIXED:											
BONDS, 2ND TD'S, & MTG. BK. CERTS	160,102,669	59,415	(19,303)	1,622,056		47,620				(1,648,007)	160,164,450
REAL ESTATE MORTGAGES	15,483,564	1,019		170,436						(203,461)	15,451,558
UTILITY STOCKS	14,479,677	5,124	1,441		43,280	31,273					14,560,795
EQUITY:											
AYE-HOUGHTON	12,075,218		2,150		2,400	(457,074)					11,622,694
DELAWARE	32,768,465		2,203		218,153	92,460					33,081,281
LEXINGTON	13,381,645		6,394		23,415	(234,828)					13,176,625
NEWBOLDS	26,710,148		163,829		8,951	(1,189)					26,881,739
REAL ESTATE EQUITY LOAN PAYABLE	27,435,845 (5,994,526)	3,790	29,627	0			169,330 (49,330) 2,771			(130,154)	27,459,108 (5,991,755)
GRAND TOTAL	297,780,140	98,076	186,340	1,792,493	296,199	(521,739)	169,330 (46,559)	(149,723)	0		299,604,556
YEAR TO DATE:	283,883,423	452,468	1,746,181	14,597,587	2,942,151	10,212,561	1,742,958 (584,187)	(15,388,586)	0		299,604,556

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN  
AS OF JUNE 30, 1992

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
<b>CASH</b>					
CITY POOL A	5,806,611	5,806,611	407,566	7.02%	7.02%
PAC HORIZONS MONEY MARKET FUND	21,682,272	21,682,272	810,917	3.74%	3.74%
<b>FIXED:</b>					
BONDS, 2ND TD'S & MTG. BK CERTS	154,392,220	163,757,968	13,821,741	8.95%	8.44%
REAL ESTATE MORTGAGE	10,545,135	11,217,269	982,286	9.32%	8.76%
UTILITY STOCKS	13,338,715	14,873,825	852,358	6.39%	5.73%
<b>EQUITY:</b>					
AXE-HOUGHTON	10,341,853	10,040,175	47,080	0.46%	0.47%
DELAWARE	32,253,354	34,604,638	1,228,772	3.81%	3.55%
LEXINGTON	8,883,230	9,821,195	211,756	2.38%	2.16%
NEWBOLDS	23,905,187	26,419,403	1,160,953	4.86%	4.39%
REAL ESTATE EQUITY	24,447,735	24,637,831	1,742,959 1/	7.13%	7.07%
LOAN PAYABLE	(5,991,755)	(5,991,755)			
	-----	-----	-----	-----	-----
<b>GRAND TOTAL</b>	<b>299,604,558</b>	<b>316,869,432</b>	<b>21,266,388 2/</b>	<b>7.10%</b>	<b>6.71%</b>
	=====	=====	=====	=====	=====

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. Paydown for this loan started April 1992, with the annual interest expense to be approximately \$591,000.

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 [redacted] ent Manager Fees, \$592,500 for Interest Expense on Note [redacted] (Discovery Plaza), and \$1,025,000 for Real Estate Maintenance and Repair Expenses. All income and expense items are con [redacted] in [redacted] the funds total performance.

## ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON  
COST/MARKET AS OF JUNE 30, 1992

	1/ COST	1/ MARKET	2/ % AUTHORIZED	DOLLARS AUTHORIZED	3/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	3,198,062	3,198,062			3,198,062
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	160,164,450	169,530,198	54.00%	171,109,493	(1,579,295)
REAL ESTATE MORTGAGE	15,451,556	16,123,691	5.00%	15,843,472	280,219
UTILITY STOCKS	14,560,796	16,095,906	5.00%	15,843,472	252,435
TOTAL FIXED	190,176,803	201,749,795	64.00%	202,796,436	(1,046,641)
EQUITY:					
AXE-HOUGHTON	11,622,695	11,321,017	4.00%	12,674,777	(1,052,082)
DELAWARE	33,081,280	35,432,563	11.00%	34,855,638	576,926
LEXINGTON	13,176,625	14,114,590	5.00%	15,843,472	(1,728,882)
NEWBOLDS	26,881,739	29,395,955	9.00%	28,518,249	877,706
REAL ESTATE EQUITY	27,459,108	27,649,204	7.00%	22,180,860	(523,411)
LESS: LOAN PAYABLE	(5,991,755)	(5,991,755)			
TOTAL EQUITY	106,229,693	111,921,575	36.00%	114,072,995	(1,849,742)
GRAND TOTAL	299,604,558	316,869,432	100.00%	316,869,432	301,678

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/ The present allocation was approved May 18, 1992 to be effective January 1, 1992.

3/ This column represents the amount over (under) invested for each category using the higher of Cost or Market based upon the Board's asset allocation policy.

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY  
FOR JUNE 1992

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
<b>FIXED:</b>				
BONDS	\$0	\$1,047,399	(\$996,869)	\$50,530
MTG BACKED	\$0	\$222,972	(\$225,882)	(\$2,910)
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$383,300	\$816,813	(\$785,540)	\$31,273
<b>TOTAL FIXED</b>	<b>\$383,300</b>	<b>\$2,087,184</b>	<b>(\$2,008,291)</b>	<b>\$78,893</b>
<b>EQUITY:</b>				
AXE-HOUGHTON	\$1,536,074	\$1,764,363	(\$2,221,438)	(\$457,074)
DELAWARE	\$1,328,705	\$1,931,994	(\$1,839,534)	\$92,460
LEXINGTON	\$1,152,907	\$2,901,897	(\$3,136,725)	(\$234,828)
NEWBOLDS	\$593,793	\$502,779	(\$503,968)	(\$1,189)
REAL ESTATE EQUITY	\$0	\$0	\$0	\$0
<b>TOTAL EQUITY</b>	<b>\$4,611,479</b>	<b>\$7,101,033</b>	<b>(\$7,701,665)</b>	<b>(\$600,632)</b>
<b>GRAND TOTAL</b>	<b>\$4,994,779</b>	<b>\$9,188,217</b>	<b>(\$9,709,956)</b>	<b>(\$521,739)</b>