

July 23, 1990

MINUTES  
REGULAR MEETING OF THE  
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM  
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD  
July 23, 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 July 23, 1990.

PRESENT: Masuoka, Friery, DeCamilla

ABSENT: Crist, Frierson

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JULY 23, 1990  
APPROVED

The Board received and reviewed the minutes of the regular meeting held July 23, 1990.

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

AYES: Masuoka, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT  
ACCEPTED

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

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

AYES: Masuoka, Friery, DeCamilla

NOES: None

July 23, 1990

REPORTS OF CONSULTANTS AND ADVISORSREAL ESTATE ADVISOR'S REPORT  
ACCEPTED

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

The report indicated Mr. Smith is continuing to work on the Alhambra & O loan, as well as the sale of the Enterprise Buildings. Mr. Smith will keep the Board apprised of the progress on these two projects.

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

AYES: Masuoka, Friery DeCamilla

NOES: None

NOTICE OF PUBLIC HEARING BY THE SACRAMENTO CITY ARCHITECTURAL REVIEW BOARD  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational a hearing notice received from the City of Sacramento Architectural Review Board regarding the construction of an office building at 1401 L Street.

NEWBOLD'S ASSIGNMENT OF INVESTMENT ADVISORY AGREEMENT  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Newbold's Asset Management's assignment of the investment advisory agreement. Newbold's Asset Management's firm will be joining United Asset Management Corporation.

LEXINGTON APRIL AND MAY 1990 PERFORMANCE REPORT  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Lexington's April and May 1990 performance reports.

July 23, 1990

AXE-HOUGHTON MANAGEMENT, INC. JUNE 1990 PERFORMANCE REPORT  
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Axe-Houghton Management's June 1990 performance report.

REPORTS OF THE SECRETARY

CALAPRS SPRING CONFERENCE  
ACCEPTED AS INFORMATIONAL

Since Board members were unable to attend the CALAPRS Spring Conference, Margaret Allen, Secretary to the Board, distributed informational material from the conference.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

The Board discussed changing the frequency of the investment managers presentations. Chairman DeCamilla requested this issue be placed on next month's agenda.

There being no further business, the meeting was adjourned at 1:50 p.m. to meet again at the call of the chair.

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

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	(3,118,091)			(3,118,091)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	52,190	775,085	142,410,968	143,238,244
REAL ESTATE MORTGAGE	2,580,030		8,280,529	10,860,558
UTILITY STOCKS	931,891	1,026,338	11,642,957	13,601,185
TOTAL FIXED	3,564,111	1,801,423	162,334,454	167,699,987
EQUITY:				
AXE-HOUGHTON	9,793	1,474,068	8,862,049	10,345,910
BATTERYMARCH		365,568	9,446,224	9,811,792
DELAWARE		4,030,583	23,832,679	27,863,262
LEXINGTON	(423)	2,197,306	10,559,624	12,756,506
NEWBOLDS	50,667	1,884,373	21,114,274	23,049,314
GOLD & SILVER	23,381		0	23,381
REAL ESTATE EQUITY	2,778,694		23,039,904	25,818,598
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	2,862,111	9,951,898	90,854,753	103,668,763
SUB-TOTAL	3,308,131	11,753,321	253,189,207	268,250,659
SCERS SAFEKEEPING II 2/	0	0	0	0
GRAND TOTAL	3,308,131	11,753,321	253,189,207	268,250,659

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/ In compliance with action taken by the AIFM Board approving the plan to transfer the Safety Members assets, all the investments were liquidated as of June 30, 1989. During the month of July 1989, the amount representing these assets was transferred to a separate account at Security Pacific National Bank and invested in short term securities. During the month of January 1990, \$103,339,314.34 was transferred to PERS.

SCERS - STATEMENT OF ASSETS @ MARKET VALUE  
AS OF MAY 31, 1990

	CASH		INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	(3,118,091)			(3,118,091)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	52,190	775,085	139,724,634	140,551,909
REAL ESTATE MORTGAGE	2,580,030		8,712,644	11,292,674
UTILITY STOCKS	931,891	1,026,338	11,290,663	13,248,891
TOTAL FIXED	<u>3,564,111</u>	<u>1,801,423</u>	<u>159,727,941</u>	<u>165,093,474</u>
EQUITY:				
AXE-HOUGHTON	9,793	1,474,068	10,296,604	11,780,365
BATTERYMARCH		365,568	10,373,467	10,739,035
DELAWARE		4,030,503	25,998,332	30,028,915
LEXINGTON	(423)	2,197,306	11,305,256	13,502,139
NEWBOLDS	50,667	1,884,373	23,242,278	25,177,318
GOLD & SILVER	23,381		0	23,381
REAL ESTATE EQUITY	2,778,694		22,580,000	25,358,694
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	<u>2,862,111</u>	<u>9,951,898</u>	<u>97,795,837</u>	<u>110,609,846</u>
SUB-TOTAL	3,308,131	11,753,321	257,523,778	272,585,230
SCERS SAFEKEEPING II	0	0	0	0
GRAND TOTAL	<u>3,308,131</u>	<u>11,753,321</u>	<u>257,523,778</u>	<u>272,585,230</u>

ATTACHMENT A-2

CCORS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT  
FOR THE PERIOD 4/30/90 - 5/31/90

	BALANCE 4/30/90	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 5/31/90
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	(1,312,334)								(2,452,028)	646,271	(3,118,091)
FIXED:											
BONDS, 2ND TD'S, & MTG. BK. CERTS	143,197,735	0	6,071	600,103		540				(646,271)	143,238,243
REAL ESTATE MORTGAGES	10,600,063	0		52,497							10,600,560
UTILITY STOCKS	13,524,155	0	12,966		64,003	0					13,601,165
EQUITY:											
AXE-HOUGHTON	10,366,055	0	11,531		1,643	(33,317)					10,345,911
BATTERYMARCH	9,903,997		2,008		26,922	(121,135)					9,811,732
DELAWARE	27,729,441		27,403		106,418	0					27,863,262
LEXINGTON	12,705,223	0	22,973		26,308	0					12,756,505
HENCKLOG	22,365,457	0	87,892		4,426	591,536					23,049,314
GOLD & SILVER	23,362	0		0		0					23,362
REAL ESTATE EQUITY	25,670,597	0					197,375	(49,375)			25,818,597
LOAN PAYABLE	(6,000,000)										(6,000,000)
SUB-TOTAL	268,981,812	0	170,864	732,661	231,720	437,631	197,375	(49,375)	(2,452,028)	0	268,250,660
CCORS SAFECKEEPING II	(3,391)		0	0	0				3,391		0
GRAND TOTAL	268,978,421	0	170,864	732,661	231,720	437,631	197,375	(49,375)	(2,448,637)	0	268,250,660
YEAR TO DATE:											
PERMANENT ASSETS	349,384,263	586,539	1,513,881	10,464,992	2,691,926	8,059,971	1,600,696	(543,125)	10,500,591	(116,217,074)	268,250,660
CCORS SAFECKEEPING II			211,432	3,971,457	900,693	27,267			(121,335,923)	116,217,074	0
TOTAL YEAR TO DATE	349,384,263	586,539	1,725,313	14,436,449	3,600,619	8,007,230	1,600,696	(543,125)	(110,027,332)	0	268,250,660

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

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
<b>CASH</b>					
CITY POOL A	3,308,131	3,308,131	286,153	8.65%	8.65%
PAC-HORIZONS-MONEY-MARKET-FUND	11,753,321	11,753,321	927,337	7.89%	7.89%
<b>FIXED:</b>					
BONDS, 2ND TD'S & MTG. BK CERTS	142,410,968	139,724,634	13,095,261	9.20%	9.37%
REAL ESTATE MORTGAGE	8,280,529	8,712,644	926,725	11.19%	10.64%
UTILITY STOCKS	11,642,957	11,290,663	688,922	5.92%	6.10%
<b>EQUITY:</b>					
AXE-HOUGHTON	8,862,049	10,296,504	24,210	0.27%	0.24%
BATTERYMARCH	9,446,224	10,373,467	260,409	2.76%	2.51%
DELAWARE	23,832,679	25,998,332	1,200,779	5.04%	4.62%
LEXINGTON	10,559,624	11,305,256	310,969	2.94%	2.75%
NEWBOLDS	21,114,274	23,242,278	1,006,343	4.77%	4.33%
GOLD & SILVER	0	0			
REAL ESTATE EQUITY	23,039,904	22,580,000	1,903,500 1/	8.26%	8.43%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
SUB-TOTAL	268,250,659	272,585,230	20,630,608 2/	7.69%	7.57%
SCERS SAFEKEEPING II	0	0	0	0.00%	0.00%
GRAND TOTAL	268,250,659	272,585,230	20,630,608	7.69%	7.57%

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. Capital Gains for the prior fiscal year 1988/89 was \$8.6 million. Administrative Expenses for this same period were \$92,000 for Banking and Trustee Fees, \$665,000 for Investment Manager Fees, \$592,500 for Interest Expense on Note Payable (Discovery Plaza) \$1,060,000 for Real Estate Maintenance and Repair Expenses. Although we are unable to estimate Capital Gains for Fiscal Year 1988/89, we anticipate that the other expenses should remain fairly constant. These additional income and expense items should be considered in determining the fund's total performance.

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

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	(3,118,091)	(3,118,091)			(3,118,091)
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	143,238,244	140,551,909	51.00%	136,807,836	6,430,408
REAL ESTATE MORTGAGE	10,860,558	11,292,674	4.00%	10,730,026	562,648
UTILITY STOCKS	13,601,185	13,248,891	5.00%	13,412,533	188,652
TOTAL FIXED	167,699,987	165,093,474	60.00%	160,950,395	7,181,707
EQUITY:					
AXE-HOUGHTON	10,345,910	11,780,365	4.00%	10,730,026	1,050,339
BATTERYMARCH	9,811,792	10,739,035	4.00%	10,730,026	9,009
DELAWARE	27,863,262	30,028,915	11.00%	29,507,572	521,343
LEXINGTON	12,756,506	13,502,139	5.00%	13,412,533	89,606
NEWBOLDS	23,049,314	25,177,318	9.00%	24,142,559	1,034,759
GOLD & SILVER	23,381	23,381	0.00%	0	23,381
REAL ESTATE EQUITY	25,818,598	25,358,694	7.00%	18,777,546	1,041,051
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	103,668,763	110,609,846	40.00%	107,300,263	3,769,487
SUB-TOTAL	268,250,659	272,585,230	100.00%	268,250,659	7,833,103
SCERS SAFEKEEPING II	0	0	100.00%	0	0
GRAND TOTAL	268,250,659	272,585,230	100.00%	268,250,659	7,833,103

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 May 31, 1990, \$7,833,103 would be allocated to the managers according to the percentages authorized.

ATTACHMENT A-5

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY  
FOR MAY 1990

1]

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
<b>FIXED:</b>				
BONDS	\$4,973,300	\$5,000	(\$4,950)	\$50
MTG BACKED	\$5,851,491	\$95,520	(\$95,024)	\$496
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$1,073,632	\$0	\$0	\$0
TOTAL FIXED	\$11,898,423	\$100,520	(\$99,974)	\$546
<b>EQUITY:</b>				
AXE-HOUGHION	\$2,545,467	\$644,938	(\$678,255)	(\$33,317)
BATTERYMARCH	\$141,713	\$166,801	(\$287,936)	(\$121,135)
DELAWARE	\$0	\$0	\$0	\$0
LEXINGTON	\$2,063,573	\$0	\$0	\$0
NEWBOLDS	\$407,320	\$1,524,785	(\$933,247)	\$591,538
GOLD & SILVER	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$5,158,073	\$2,336,524	(\$1,899,438)	\$437,086
SUB -TOTAL	\$17,056,495	\$2,437,044	(\$1,999,412)	\$437,632
SCERS SAFEKEEPING II	\$0	\$0	\$0	\$0
GRAND TOTAL	\$17,056,495	\$2,437,044	(\$1,999,412)	\$437,632

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