

June 28, 1993

Ms. Kanner distributed, for the Board's information, a chart comparing the book and market value of the fund from July, 1992 to present.

Ms. Kanner briefly discussed a potential problem in operating cash as a result of a decrease in interest income and the special severance program the City offered which encouraged many system members to retire early. Ms. Kanner informed the Board that staff will present a report to the Board with recommendations on resolving the operating cash situation.

Mr. Crist moved to accept the April, 1993 Treasurer's Investment Activity Report. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Crist, Masuoka, Medema, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORTS JUNE 1993
ACCEPTED

The Board received and reviewed the June, 1993 Real Estate Advisor's report submitted by Jim Smith, of WJS & Associates.

Mr. Tony Ives, Investment Officer, stated that Mr. Smith wanted the Board to be aware that he was unable to renegotiate the loan extension on the D. B. Fite/Bradshaw Business Park Property; therefore, the loan balance of \$2.2 million will be paid to the system on July 1, 1993.

Mr. Crist requested that Mr. Smith include with his monthly report a summary of all real estate holdings in the portfolio.

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

AYES: Crist, Masuoka, Medema, DeCamilla

NOES: None

June 28, 1993

Mr. Crist moved to accept the Large Cap Growth, March 31, 1993 quarterly report. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Crist, Masuoka, Medema, DeCamilla

NOES: None

UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO REPORT, MARCH 31, 1993,
QUARTERLY REPORT
ACCEPTED

The Board received the March 31, 1993 Quarterly Report on the Utility Stock Fixed Income Alternative Portfolio. Ms. Kanner, Investment Officer, reviewed the report with the Board.

After discussion, Mr. Crist moved to accept the utility stock fixed income report. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Crist, Masuoka, Medema, DeCamilla

NOES: None

SEI MARCH 31, 1993 QUARTERLY REPORT ON PERFORMANCE
ACCEPTED

The Board received SEI's March 31, 1993, Quarterly Report on Performance. Ms. Karen Smith, from SEI, reviewed the report with the Board.

Ms. Smith discussed Newbold's performance and informed the Board that SEI has been closely monitoring Newbold's performance and at the next quarterly meeting SEI will advise the Board of the results of their study.

The Board had a lengthy discussion regarding the bond fund performance relative to a transfer of \$3.5 million from the cash reserve

June 28, 1993

Since Mr. Friery was absent from today's meeting, Ms. Masuoka requested that this item be continued to the July meeting. It was the consensus of the Board not to continue the item.

The Board discussed in length the proposed fee increase. Some members felt that this was a substantial increase given the fact that Axe-Houghton's total revenue will be increasing as a result of the recent asset reallocation, increasing the size of the portfolio they will be managing and perhaps the fee increase should be phased in. Other members felt the fee increase was reasonable in comparison with other specialty investment managers and based on the satisfactory performance of Axe-Houghton.

As a compromise, Mr. Crist moved to direct the City Treasurer to counter the Axe-Houghton proposal by proposing that the rates be phased in over a two year period. Effective July 1, 1993, the fees would be increased by one-half of the proposed increase and effective July 1, 1994 the full fee would be implemented. Effective July 1, 1993 the fee for the first \$10 million would be 0.45%, next \$10 million would be 0.40% and thereafter 0.35%. Effective July 1, 1994 the fee for the first \$10 million would be 0.55%, next \$10 million would be 0.50% and thereafter 0.45%. The motion died for a lack of a second.

Mr. Medema moved to adopted the proposed fee increase as presented and recommended by staff. The motion died for a lack of a second.

Ms. Masuoka stated if Mr. Crist would restate his motion she would second the motion. Mr. Crist restated his motion. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Crist, Masuoka, DeCamilla

NOES: Medema

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF APRIL 30, 1993

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	1,484,316			1,484,316
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	6,045,217	3,267,267	160,355,798	169,668,281
REAL ESTATE MORTGAGE	263,526	228,823	14,462,985	14,955,335
UTILITY STOCKS	16,289,124	321,942	803,120	17,414,186
TOTAL FIXED	22,597,867	3,818,032	175,621,903	202,037,802
EQUITY:				
AXE-HOUGHTON		147,489	26,920,367	27,067,856
DELAWARE		1,021,785	24,664,816	25,686,602
LARGE CAPITAL/GROWTH	387,491	7,356	16,194,223	16,589,069
NEWBOLDS		2,314,716	17,428,999	19,743,716
REAL ESTATE EQUITY	1,448	177,514	26,485,668	26,664,630
LESS: LOAN PAYABLE			(5,962,759)2/	(5,962,759)
TOTAL EQUITY	388,939	3,668,861	105,731,313	109,789,113
GRAND TOTAL	24,471,122	7,486,893	281,353,216	313,311,232

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.

ATTACHMENT A-2

SCRS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 3/31/93 - 4/30/93

	BALANCE 3/31/93	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST/ PRINCIPAL PAYMENTS	NET INTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 4/30/93
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	260,366	0							(208,690)	1,432,640	1,404,316
FIXED:											
BONDS, 2ND TD'S, & MFG. BK. CERTS	161,930,604	0	3,359	1,226,725		829,334				5,670,250	169,668,208
REAL ESTATE MORTGAGES	15,460,103	0	1,859	127,655						(634,200)	14,955,337
UTILITY STOCKS	17,328,746	0	3,217		82,221	0				0	17,414,104
EQUITY:											
AIX-HOUGHTON	23,395,380		1,458		4,710	(33,708)				3,700,000	27,067,855
DELAWARE	35,481,515		13,659		96,003	795,427				(10,700,000)	25,686,604
LARGE CAPITAL/GROWTH	7,301,974	(10,601)	44		7,312	10,342				9,200,000	16,589,070
HENWOLDS	28,404,640		22,736		52,305	(216,054)				(8,600,000)	19,743,715
REAL ESTATE EQUITY LOAN PAYABLE	26,676,295 (5,945,766)	0	453	0			113,593 3,000	(49,093)		(76,617)	26,664,630 (5,962,750)
GRAND TOTAL	310,433,873	(10,601)	46,705	1,354,380	242,630	1,305,341	113,593	(46,006)	(208,690)	(0)	313,311,234
YEAR TO DATE:	299,604,557	456,078	1,266,630	12,570,055	2,051,949	11,501,000	1,424,512	(463,010)	(15,100,617)	0	313,311,234

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF APRIL 30, 1993

	1/ COST	1/ MARKET	% AUTHORIZED 3/	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	1,484,316	1,484,316			1,484,316
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	169,668,281	182,593,022	57.00%	191,285,108	(8,692,086)
REAL ESTATE MORTGAGE	14,955,335	15,562,840	4.00%	13,423,516	2,139,323
UTILITY STOCKS	17,414,186	17,377,066	5.00%	16,779,395	634,791
TOTAL FIXED	202,037,802	215,532,927	66.00%	221,488,019	(5,917,972)
EQUITY:					
AXE-HOUGHTON	27,067,856	31,111,927	9.00%	30,202,912	909,015
DELAWARE	25,686,602	29,925,423	8.50%	28,524,972	1,400,451
LARGE CAPITAL/GROWTH	16,589,069	15,399,909	5.00%	16,779,395	(190,326)
NEWBOLDS	19,743,716	21,871,439	6.50%	21,813,214	58,225
REAL ESTATE EQUITY	26,664,630	26,224,727	5.00%	16,779,395	3,922,475
LESS: LOAN PAYABLE	(5,962,759)	(5,962,759)			
TOTAL EQUITY	109,789,113	118,570,665	34.00%	114,099,889	6,099,840
GRAND TOTAL	313,311,232	335,587,908	100.00%	335,587,908	1,666,184

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 using the higher of Cost or Market based upon the Board's asset allocation policy.

3/ Effective November 30, 1992 the AI&FM Board terminated Lexington Capital Management, reallocated certain assets and established a Large Capital/Growth Equity program. The present percentages are effective March 31, 1993.

ATTACHMENT A-5

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR APRIL 1993

1]

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$10,072,639	\$8,141,161	(\$7,306,236)	\$834,926
MTG BACKED 2ND TD'S		\$309,945	(\$315,536)	(\$5,591)
REAL ESTATE MORTGAGES UTILITY STOCKS				
TOTAL FIXED	\$10,072,639	\$8,451,106	(\$7,621,772)	\$829,335
EQUITY:				
AXE-HOUGHTON	\$5,310,263	\$1,692,749	(\$1,726,457)	(\$33,708)
DELAWARE	\$1,162,561	\$3,005,172	(\$2,209,745)	\$795,427
LARGE CAPITAL/GROWTH	\$10,115,093	\$579,994	(\$569,652)	\$10,342
NEWBOLDS	\$223,294	\$1,264,882	(\$1,480,936)	(\$216,054)
REAL ESTATE EQUITY				
TOTAL EQUITY	\$16,811,211	\$6,542,797	(\$5,986,790)	\$556,007
GRAND TOTAL	\$26,883,850	\$14,993,904	(\$13,608,562)	\$1,385,342

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

ATTACHMENT B

S C E R S F I X E D A C T I V I T Y

4/1/93 - 4/30/93

SECURITY DESCRIPTION	COUPON	YIELD	MAT DATE	RATING	BROKER	CASH/PROCEEDS	PAR VALUE
PURCHASES							
US TREASURY NOTE	4.6250%	4.2910%	25-Feb-96	AAA	D WITTER	\$5,072,638.98	\$5,000,000.00
HYDRO QUEBEC MTN	6.8500%	6.8500%	01-Apr-05	AA2/AA	SALOMON	\$5,000,000.00	\$5,000,000.00
						<u>\$10,072,638.98</u>	<u>\$10,000,000.00</u>
SALES, CALLS MATURITIES							
CALL - A T & T	8.6250%		01-Apr-26			\$2,115,800.00	\$2,000,000.00
CALL - BELL TEL CO PA	8.7500%		01-Apr-26			\$4,280,000.00	\$4,000,000.00
CALL - DOW CHEMICAL	8.6250%		15-Feb-08			\$949,827.30	\$921,000.00
PART CALL - GENERAL MOTORS	8.6250%		01-Apr-05			\$46,000.00	\$46,000.00
PART CALL - KRAFT INC.	8.3750%		15-Apr-93			\$15,000.00	\$15,000.00
CALL - PACIFIC TELEPHONE	9.5000%		15-Jun-11			\$104,160.00	\$100,000.00
CALL - PHILLIPS PETROLEUM	7.6250%		15-Mar-01			\$201,710.00	\$200,000.00
CALL - PHILLIPS PETROLEUM	8.8750%		15-Nov-00			\$202,664.00	\$200,000.00
CALL - TENN GAS PIPELINE	8.8750%		15-Apr-03			\$26,000.00	\$26,000.00
CALL - TEXACO	5.7500%		15-Jul-97			\$200,000.00	\$200,000.00
						<u>\$8,141,161.30</u>	<u>\$7,708,000.00</u>

July 26, 1993

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
July 26, 1993

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 July 26, 1993.

PRESENT: Crist, Masuoka, Friery, DeCamilla

ABSENT: Frierson

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JUNE 28, 1993
APPROVED

The Board received and reviewed the minutes of the regular meeting held June 28, 1993. Mr. Crist moved to approve the minutes. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the May, 1993 Treasurer's Investment Activity Report. Ms. Deborah Kanner, Investment Officer, reviewed the investment report with the Board.

Again, Ms. Kanner briefly discussed a potential problem in operating cash. Staff will be reporting back to the Board with recommendations.

Mr. Friery briefly discussed the performance of the Large Capital Growth fund.

July 26, 1993

Ms. Masuoka moved to accept the April 1993 Treasurer's Investment Activity Report. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

Mr. Friery announced the departure of Tony Ives, Investment Officer. Mr. Ives will be joining the investment staff at PERS.

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORTS JULY 1993
ACCEPTED

The Board received the July, 1993 Real Estate Advisor's report submitted by Jim Smith, of WJS & Associates.

Mr. Smith reviewed the report with the Board. Per the Board's request Mr. Smith is now including a mortgage portfolio update with each report.

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

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

RESOLUTION AMENDING AXE-HOUGHTON ASSOCIATES, INC. FEES
ADOPTED

The Board received a proposed resolution formalizing the negotiation of fees between Axe-Houghton Associates, Inc. and the Board.

Mr. Crist moved to adopt the proposed resolution. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

July 26, 1993

fiscal relief proposal. In general the proposal allowed public agencies with an employer rate increase for fiscal year 1993/94 choose to retain the lower 1992/93 rate. Also, during 1993/94 the coalition, new actuarial consultant and PERS staff will address intermediate and long-term funding issues, such as rate stabilization.

Even though the employer rate to SCERS continues to decline, Ms. Masuoka requested that the system's actuary, in the next actuarial report, discuss rate stabilization as well as the necessity of having a mid-year valuation.

There being no further business the meeting was adjourned at 2:10 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF MAY 31, 1993

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
OPERATING CASH	1,106,753			1,106,753
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	6,263,715	1,224,480	162,486,392	169,974,588
REAL ESTATE MORTGAGE	271,900	228,823	14,445,388	14,946,112
UTILITY STOCKS	15,008,474	322,674	2,083,770	17,414,919
TOTAL FIXED	21,544,089	1,775,978	179,015,551	202,335,618
EQUITY:				
AXE-HOUGHTON		1,658,348	26,317,924	27,976,272
DELAWARE		321,916	25,358,533	25,680,449
LARGE CAPITAL/GROWTH	842,889	9,835	15,787,609	16,640,334
NEWBOLDS		1,877,234	17,944,975	19,822,209
REAL ESTATE EQUITY	(36,100)	177,514	26,518,540	26,659,955
LESS: LOAN PAYABLE			(5,959,727) 2/	(5,959,727)
TOTAL EQUITY	806,789	4,044,848	105,967,854	110,819,491
GRAND TOTAL	23,457,631	5,820,826	284,983,404	314,261,862

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.

ATTACHMENT A-5

1]

**SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR MAY 1993**

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$28,434,130	\$26,073,964	(\$25,703,001)	\$370,963
MTG BACKED 2ND TD'S		\$291,174	(\$293,147)	(\$1,973)
REAL ESTATE MORTGAGES				
UTILITY STOCKS	\$1,280,650			
TOTAL FIXED	\$29,714,780	\$26,365,139	(\$25,996,148)	\$368,991
EQUITY:				
AXE-HOUGHTON	\$3,866,561	\$5,372,021	(\$4,469,004)	\$903,017
DELAWARE	\$2,117,357	\$1,371,656	(\$1,423,641)	(\$51,984)
LARGE CAPITAL/GROWTH	\$1,386,965	\$1,824,406	(\$1,793,578)	\$30,828
NEWBOLDS	\$793,158	\$311,922	(\$277,182)	\$34,740
REAL ESTATE EQUITY				
TOTAL EQUITY	\$8,164,040	\$8,880,006	(\$7,963,405)	\$916,601
GRAND TOTAL	\$37,878,820	\$35,245,144	(\$33,959,553)	\$1,285,592

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