

April 22, 1991

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
April 22, 1991

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 April 22, 1991.

PRESENT: Crist, Frierson, Masuoka, Sperling, DeCamilla

ABSENT: None

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD MARCH 25, 1991
APPROVED AS AMENDED

The Board received and reviewed the minutes of the regular meeting held March 25, 1991. Ms. Masuoka moved to approve the minutes as amended by Mr. Crist relating to the performance of Batterymarch. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

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

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

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

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REPORTS OF CONSULTANTS AND ADVISORSREAL ESTATE ADVISOR'S REPORT
CONTINUED

The April, 1991 Real Estate Advisor's Report will be presented at the May 1991 meeting.

DELAWARE INVESTMENT ADVISERS, FEBRUARY, 1991 PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Delaware Investment Advisers February 1991 performance report.

BATTERYMARCH, FEBRUARY, 1991 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Batterymarch's February, 1991 performance report.

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

The Board accepted as informational Lexington Capital Management's February 1991 performance report.

CORRESPONDENCE FROM LEXINGTON CAPITAL MANAGEMENT, INC.
ACCEPTED AS INFORMATIONAL

The Board accepted as informational correspondence from Lexington Capital Management, Inc. notifying the Board that Mr. Ralph D'Agostini will be leaving Lexington Capital and Mr. Jack Weimer, President of Lexington, will now be the Board's main contact person.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPONFISCAL YEAR 1991-1992 INTEREST RATE CREDIT TO MEMBERS' ACCOUNTS
ADOPTED

Betty Masuoka, Director of Finance and Thomas P. Friery, City Treasurer, submitted a report for the adoption of a 9.50% interest rate to be credited to members' accounts.

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Ms. Frierson moved to adopt the resolution establishing 9.50% as the interest rate credit to members' accounts for FY 91-92. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Sperling, DeCamilla

NOES: None

REPORTS OF SECRETARY

PENSIONERS' COST OF LIVING INCREASE

ACCEPTED AS INFORMATIONAL

Secretary Margaret Allen submitted a memorandum informing the Board that system retirees and beneficiaries will be receiving a 3% cost of living increase effective July 1, 1991. The Board accepted the memorandum as informational.

1991 CALAPRS MEMBERSHIP ROSTER

Each Board member received the 1991 CALAPRS Membership Roster.

GENERAL COMMUNICATIONS

RESPONSE TO MAYOR AND CITY COUNCIL REGARDING THE COMMUNITY CENTER

EXPANSION

ACCEPTED AS INFORMATIONAL

At the direction of the Board, the Chair forwarded a letter to the Mayor and City Council again expressing the Board's concerns on the location of the loading docks and the affects on the system's investment property at 1414 K Street.

ARTICLE REGARDING EXPANSION OF THE COMMUNITY CENTER

ACCEPTED AS INFORMATIONAL

The Board accepted as informational an article from the March 1991 issue of Capitol Area Advocate regarding the expansion of the community center.

There being no further business, the meeting was adjourned at 2:00 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF FEBRUARY 28, 1991

	CASH		INVESTMENTS	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	----- POOL A	PAC HOR	@ COST	
OPERATING CASH	(1,081,902)			(1,081,902)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	104,986	1,746,637	142,922,138	144,773,761
REAL ESTATE MORTGAGE	3,475,165		8,215,720	11,690,885
UTILITY STOCKS	420,427	387,743	13,406,695	14,214,864
TOTAL FIXED	4,000,578	2,134,380	164,544,552	170,679,510
EQUITY:				
AXE-HOUGHTON	8,861	1,654,642	9,478,628	11,142,131
BATTERYMARCH		843,449	8,667,461	9,510,909
DELAWARE		1,864,657	25,575,674	27,440,331
LEXINGTON	775	412,248	11,305,798	11,718,821
NEWBOLDS	52,264	2,088,113	23,096,233	25,236,611
REAL ESTATE EQUITY	3,674,787		23,039,904	26,714,690
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	3,736,686	6,863,110	95,163,697	105,763,493
GRAND TOTAL	6,655,362	8,997,490	259,708,249	275,361,101

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.

ATTACHMENT A-1A

SCERS - STATEMENT OF ASSETS @ MARKET VALUE
AS OF FEBRUARY 28, 1991

	CASH		INVESTMENTS @MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR		
OPERATING CASH	(1,081,902)			(1,081,902)
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS.	104,986	1,746,637	144,647,801	146,499,425
REAL ESTATE MORTGAGE	3,475,165		8,588,337	12,063,502
UTILITY STOCKS	420,427	387,743	13,176,788	13,984,957
TOTAL FIXED	4,000,578	2,134,380	166,412,926	172,547,883
EQUITY:				
AXE-HOUGHTON	8,861	1,654,642	11,976,500	13,640,003
BATTERYMARCH		843,449	9,955,900	10,799,348
DELAWARE		1,864,657	28,454,158	30,318,815
LEXINGTON	775	412,248	13,506,206	13,919,229
NEWBOLDS	52,264	2,088,113	25,795,530	27,935,908
REAL ESTATE EQUITY	3,674,787		22,580,000	26,254,787
LESS: LOAN PAYABLE			(6,000,000)	(6,000,000)
TOTAL EQUITY	3,736,686	6,863,110	106,268,294	116,868,090
GRAND TOTAL	6,655,362	8,997,490	272,681,220	288,334,072

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 1/31/91 - 2/28/91

	BALANCE 1/31/91	INTEREST INCOME			DIV	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 2/28/91
		POOL A	PAC HOR	INVESTMENT							
OPERATING CASH	(1,354,074)	0							(1,132,547)	1,404,719	(1,081,902)
FIXED:											
BONDS, 2ND TD'S, & NYC. BK. CRTS	144,665,645	0	5,961	1,398,898		107,976				(1,404,719)	144,773,761
REAL ESTATE MORTGAGES	11,614,716	0		76,168							11,690,884
UTILITY STOCKS	14,130,076	0	1,520		73,607	9,662					14,214,865
EQUITY:											
AYR-HOUGHTON	10,239,198	0	2,347		0	900,587					11,142,131
BATTERYMARCH	9,515,274		6,427		29,602	(40,393)					9,510,910
DELAWARE	26,704,074		19,881		84,299	632,078					27,440,332
LEXINGTON	11,639,249	0	8,104		19,241	52,227					11,718,821
HERBOLDS	25,087,251	0	127,442		21,917	0					25,236,610
REAL ESTATE EQUITY LOAN PAYABLE	26,562,690 (6,000,000)	0					201,375	(49,375)			26,714,690 (6,000,000)
GRAND TOTAL	272,804,099	0	171,682	1,475,067	228,665	1,662,136	201,375	(49,375)	(1,132,547)	0	275,361,102
YEAR TO DATE:	271,043,656	61,616	1,151,281	9,500,087	1,940,347	(947,464)	1,222,000	(395,000)	(8,215,421)	0	275,361,102

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF FEBRUARY 28, 1991

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	6,655,362	6,655,362	593,525	8.92%	8.92%
PAC HORIZONS MONEY MARKET FUND	8,997,490	8,997,490	599,233	6.66%	6.66%
FIXED:					
BONDS, 2ND TD'S & MTG. BK CERTS	142,922,138	144,647,801	13,186,359	9.23%	9.12%
REAL ESTATE MORTGAGE	8,215,720	8,588,337	799,742	9.73%	9.31%
UTILITY STOCKS	13,406,695	13,176,788	836,018	6.24%	6.34%
EQUITY:					
AXE-HOUGHTON	9,478,628	11,976,500	56,893	0.60%	0.48%
BATTERYMARCH	8,667,461	9,955,900	230,663	2.66%	2.32%
DELAWARE	25,575,674	28,454,158	1,268,867	4.96%	4.46%
LEXINGTON	11,305,798	13,506,206	265,503	2.35%	1.97%
NEWBOLDS	23,096,233	25,795,530	1,229,977	5.33%	4.77%
REAL ESTATE EQUITY	23,039,904	22,580,000	1,908,500 1/	8.28%	8.45%
LOAN PAYABLE	(6,000,000)	(6,000,000)			
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GRAND TOTAL	275,361,101	288,334,072	20,975,280 2/	7.62%	7.27%
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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 1989/90 was \$8.5 million. Administrative Expenses for this same period were \$119,000 for Banking and Trustee Fees, \$748,000 for Investment Manager Fees, \$592,500 for Interest Expense on Note Payable (Discovery Plaza), and \$1,008,000 for Real Estate Maintenance and Repair Expenses. Although we are unable to estimate Capital Gains for Fiscal Year 1990/91, we anticipate that the other expenses should remain fairly constant. These additional income and expense items should be considered in determining the funds total performance.

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF FEBRUARY 28, 1991

	1/ COST	1/ MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED, BASED UPON COST/MARKET
OPERATING CASH	(1,081,902)	(1,081,902)			(1,081,902)
FIXED:					
BONDS, 2ND TD'S, & MTG BK. CERTS.	144,773,761	146,499,425	53.00%	145,941,384	558,041
REAL ESTATE MORTGAGE	11,690,885	12,063,502	4.00%	11,014,444	1,049,058
UTILITY STOCKS	14,214,864	13,984,957	5.00%	13,768,055	446,809
TOTAL FIXED	170,679,510	172,547,883	62.00%	170,723,883	2,053,908
EQUITY:					
AXE-BOUGHTON	11,142,131	13,640,003	3.75%	10,326,041	3,313,962
BATTERYMARCH	9,510,909	10,799,348	3.00%	8,260,833	2,538,515
DELAWARE	27,440,331	30,318,815	10.75%	29,601,318	717,497
LEXINGTON	11,718,821	13,919,229	4.75%	13,079,652	839,577
NEWBOLDS	25,236,611	27,935,908	8.75%	24,094,096	3,841,811
REAL ESTATE EQUITY	26,714,690	26,254,787	7.00%	19,275,277	1,439,413
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)			
TOTAL EQUITY	105,763,493	116,868,090	38.00%	104,637,218	12,690,775
GRAND TOTAL	275,361,101	288,334,072	100.00%	275,361,101	13,662,782

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 February 28, 1991, \$13,662,782 would be allocated to the managers according to the percentages authorized.

At the February 25, 1991 AI&FM Board meeting, the reallocation was passed using 12/31/90 values. The transfer of cash is to be completed in March 1991.

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR FEBRUARY 1991

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$0	\$2,289,500	(\$2,180,526)	\$108,974
MTG BACKED	\$0	\$190,408	(\$191,406)	(\$998)
2ND TD'S	\$0	\$0	\$0	\$0
REAL ESTATE MORTGAGES	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$0	\$40,314	(\$30,652)	\$9,662
TOTAL FIXED	\$0	\$2,520,222	(\$2,402,584)	\$117,638
EQUITY:				
AXE-HOUGHTON	\$3,557,329	\$3,887,280	(\$2,986,694)	\$900,587
BATTERYMARCH	\$681,358	\$373,787	(\$414,180)	(\$40,393)
DELAWARE	\$6,069,213	\$4,288,769	(\$3,656,692)	\$632,077
LEXINGTON	\$1,510,700	\$530,592	(\$478,365)	\$52,227
NEWBOLDS	\$1,539,616	\$0	\$0	\$0
TOTAL EQUITY	\$13,358,216	\$9,080,428	(\$7,535,930)	\$1,544,498
GRAND TOTAL	\$13,358,216	\$11,600,650	(\$9,938,514)	\$1,662,136

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