



**"RE-BUILDING THE CITY'S WATER SYSTEMS FOR THE 21<sup>ST</sup> CENTURY"**

# **Sewerage & Water Board of NEW ORLEANS**

MITCHELL J. LANDRIEU, *President*  
WM. RAYMOND MANNING, *President Pro-Tem*

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February 5, 2014

TO THE HONORABLE PRESIDENT AND MEMBERS OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS

Mesdames and Gentlemen:

The PENSION COMMITTEE of the Sewerage and Water Board of New Orleans ("Board") met on Wednesday, February 5, 2014 at 10:30 a.m. in the Board Room at 625 St. Joseph Street.

## **ATTENDANCE**

**PRESENT:** Mr. Wm. Raymond Manning (Chairman), Mr. Harold Heller, Jr., Mr. Marvin R. Russell, Jr., Mr. Gerald Tilton, Charles F. Webb and Mr. John H. Wilson III

**ABSENT:** None

Also in attendance were Director's Office, Legal, Finance, and Personnel Department staff; Octave Francis and Duncan Blake-Finley of FFC Capital Management; John Weiler of Weiler & Rees; Janice Leaumont of Capital One; Theo Sanders of LAMP; Patrick Danehy and Alexander McLean of NewSouth Capital Management; Michael Conefry of Conefry & Co.; Geneva Coleman of the Hawthorne Agency, Inc.

The Committee meeting was called to order at approximately 10:33 a.m. to discuss and act upon the following matters:

## **APPROVAL OF PREVIOUS REPORTS (ACTION)**

The Pension Committee received the Pension Committee Report of December 2013 for review and action. Mr. Russell motioned to approve the report and Mr. Webb seconded the motion. The motion passed.

## **JANUARY 1, 2014 COST OF LIVING ADJUSTMENT FOR BOARD PENSIONERS (ACTION)**

The Pension Committee was presented with R-026-2014, which will allow a 1.455% Cost of Living Adjustment (COLA) increase to Board pensioners who reached age 65 on or before December 31, 2013. This increase is effective January 1, 2014 and is calculated on the first ten-thousand dollars (\$10,000) of pensioners' original Retirement Allowance. The total increase to the Pension Fund to implement this increase in benefits is \$50,533.68.

Mr. Russell motioned to recommend approval of R-026-2014 as presented and Mr. Wilson seconded. The motion passed. This agenda item and recommendation will be forwarded to the Board of Directors.

### **VOLUNTARY RETIREMENTS (INFORMATION)**

There were four (4) voluntary retirement applications submitted to the Pension Committee for review:

**Davis, Larry J.**

Service: 34.38 years; Retirement Date: 02/13/14; Group: 6500 (DROP)

**Forest, Dwight A.**

Service: 31.86 years; Retirement Date: 02/01/14; Group: 3226 (DROP)

**Hubard, Shirley P.**

Service: 26.625 years; Retirement Date: 02/01/14; Group: 2400 (DROP)

**Turner, Velma H.**

Service: 08.69 years; Retirement Date: 02/28/14; Group: 0533

### **NEWSOUTH CAPITAL MANAGEMENT (SMALL/MID CAP EQUITY MANAGER)**

Patrick Danehy and Alexander McLean of NewSouth Capital Partners presented to the committee an update on the Board's Small/Mid Cap Equity Investment Portfolio. The portfolio performance statement submitted prior to the meeting indicates that the portfolio increased in value from \$31,533,279.00 to \$31,656,811.00 for the period ending December 31, 2013. This resulted in a one-month return rate of 3.51% (Gross) and 3.28 (Net) compared to the Russell 2500 Index return rate of 2.54% for the same period. (\$950,000 was withdrawn from this account)

### **FFC MONTHLY REPORT (INFORMATION) (VERBAL)**

Octave Francis of FFC Capital Management presented to the committee the Sewerage and Water Board of New Orleans Employees' Retirement System 4<sup>th</sup> Quarter Performance Report for 2013. Mr. Francis noted that an Asset Liability Study is recommended after the completion of the 2014 Actuarial Valuation. Mr. Manning notified committee members that they should prepare to discuss the proposed Asset Liability Study at the next scheduled Pension Committee Meeting.

### **REVIEW OF FINANCIAL STATEMENTS (INFORMATION)**

Prior to its meeting, the Pension Committee was provided with the following Financial Statements:

### **PYRAMIS GLOBAL ADVISORS (US FIXED INCOME CORE PLUS MANAGER)**

The portfolio performance statement submitted by the Board's U.S. Fixed Core Plus Investment Manager indicates that the portfolio decreased in value from \$56,410,637.00 to \$56,189,976.00 for the period ending December 31, 2013. This resulted in a one-month return rate of -0.39% (Gross) and -0.41% (Net) compared to the BC US Aggregate return rate of -0.57% for the same period.

### **PRISMA CAPITAL PARTNERS (HEDGE FUND ABSOLUTE RETURN MANAGER)**

The portfolio performance statement submitted by the Board's Hedge Fund Absolute Return Investment Manager indicates that the portfolio increased in value from \$20,218,500.00 to \$20,511,647.00 for the period ending December 31, 2013. This resulted in a one-month return rate of 1.52% (Gross) and 1.45% (Net) compared to the Dow Jones Credit Suisse HFI return rate of 1.19% for the same period.

### **EQUITAS CAPITAL ADVISORS (HEDGE FUND)**

The portfolio performance statement submitted by the Board's Hedge Fund Absolute Return Investment Manager indicates that the portfolio increased in value from \$52,890.00 to \$54,490.00 for the period ending December 31, 2013. This resulted in a one-month return rate of 3.1% (Gross) and 3.0% (Net) compared to the Dollar-Weighted return rate of 3.0%; Credit Suisse Hedge Fund Index return rate of 1.2%; the Credit Suisse Blue Chip Index return rate of 0.5% and the Evergreen Main Account return rate of 0.7% for the same period.

### **WESTERN ASSET MANAGEMENT (GLOBAL FIXED INCOME TIPS)**

The portfolio performance statement submitted prior to the meeting indicates that the portfolio decreased in value from \$16,882,810.00 to \$16,714,241.00 for the period ending December 31, 2013. This resulted in a one-month return rate of -1.00% (Gross) and -1.03% (Net) compared to the Barclay's Capital World Government IL All Mat Index return rate of -0.99% and the Citigroup World Govt Bond Index, USD Unhedged Index return rate of -0.93% for the same period.

### **BARROW, HANLEY, MEWHINNEY & STRAUSS (LARGE CAP VALUE MANAGER)**

The portfolio performance statement submitted by the Board's Large Cap Value Investment Manager indicates that the portfolio increased in value from \$24,292,601.00 to \$24,692,790.00 for the period ending December 31, 2013. This resulted in a one-month return rate of 1.65% (Gross) and 1.60% (Net) compared to the Russell 1000 Value Index return rate of 2.53% for the same period.

### **CHICAGO EQUITY PARTNERS (LARGE CAP ENHANCED CORE MANAGER)**

The portfolio performance statement submitted by the Board's Enhanced Index Core Investment Manager indicates that the portfolio increased in value from \$28,119,145.88 to \$28,723,125.19 for the period ending December 31, 2013. This resulted in a one-month return rate of 2.14% (Gross) and 2.11% (Net) compared to the Russell 1000 Index return rate of 2.69% for the same period.

### **EARNEST PARTNERS (INTERNATIONAL MANAGER)**

The portfolio performance statement submitted by the Board's International Investment Manager indicates that the portfolio increased in value from \$17,542,394.00 to \$17,605,307.00 for the period ending December 31, 2013. This resulted in a one-month return rate of 1.22% compared to the MSCI ACWI ex US Index return rate of 0.88% for the same period.

### **iSHARES (NAREIT)**

There was no portfolio performance statement submitted for the period ending December 31, 2013.

### **POWERSHARES DB COMMODITY INDEX (DOMESTIC COMMODITIES)**

There was no portfolio performance statement submitted for the period ending December 31, 2013.

### **VANGUARD INDEX (DOMESTIC REIT)**

There was no portfolio performance statement submitted for the period ending December 31, 2013.

### **ZAZOVE (RESIDUAL ASSET)**

There was no portfolio performance statement submitted for the period ending December 31, 2013.

**FIDELITY INST PRIME MMKT CL (CASH)**

There was no portfolio performance statement submitted for the period ending December 31, 2013.

**SECURITIES LENDING REPORT (INFORMATION)**

The Securities Lending Report submitted by BMO Securities Lending indicates that the year-to-date revenue from securities lending is \$154,668.00 as of December 2013.

**QUARTERLY PENSION FINANCIAL ACTIVITIES & PENSION DISBURSEMENTS STATEMENT FOR THE PERIOD ENDING DECEMBER 31, 2013**

The Pension Committee received the Quarterly Pension Financial Activities and Pension Disbursements Statement for the period ending December 31, 2013.

**LAMP/DROP STATEMENTS (INFORMATION)**

The DROP report submitted by Louisiana Asset Management Pool (LAMP) indicates that the DROP account had an ending balance of \$13,552,496.56 for the period ending January 2014.

**2014 COMMITTEE/BOARD MEETING SCHEDULE (INFORMATION)**

The updated Committee and Board Meeting Schedule was submitted to the Pension Committee for review.

**OTHER MATTERS (INFORMATION)**

There were no additional items discussed at this meeting.

**REFERENCE MATERIAL (INFORMATION)**

The following documents were provided to Pension Committee Members for use during the meeting:

- By-Laws of the Sewerage & Water Board of N.O.
- Rules & Regulations of the Employees' Retirement System of the Sewerage & Water Board of N.O.
- Sewerage & Water Board of N.O. Employees' Retirement System Investment Policy Statement
- Sewerage and Water Board of N.O. Strategic Plan 2011-2020
- Tracking Tool for Comments to City Council
- Bond Rating

**ADJOURNMENT**

Mr. Webb motioned to adjourn the meeting and Mr. Wilson seconded. The motion passed. The meeting adjourned at approximately 11:45 a.m.

Very Truly Yours,

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Wm. Raymond Manning  
Chairman