



**"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*

625 ST. JOSEPH STREET  
NEW ORLEANS, LA 70165 • 504-529-2837 OR 52W-ATER  
[www.swbnola.org](http://www.swbnola.org)

April 2, 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, April 2, 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 and Mr. John H. Wilson III

**ABSENT:** Mr. Charles F. Webb

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; Kirby Smith of Barrow Hanley.

The Committee meeting was called to order at approximately 10:30 a.m. to discuss and act upon the following matters:

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

The Pension Committee received the Pension Committee Report of February 2014 for review and action. Mr. Russell motioned to approve the report and Mr. Heller seconded the motion. The motion passed.

## **RECOMMENDATION ON INVESTMENT STRATEGY ANALYSIS (ACTION)**

At the Pension Committee meeting of February 5, 2014 Octave Francis of FFC Capital Management recommended that the S&WB perform an Asset Liability Study after the completion of the 2014 Actuarial Valuation. The committee received a memo authored by Robert Miller, Interim Executive Director, notifying the committee of staff's recommendation to delay the Asset Liability Study until after a Pension Investment Advisory Consultant has been selected. No action was taken on this item.

### **REQUEST FOR PROPOSAL FOR PENSION INVESTMENT ADVISORY SERVICES (ACTION)**

The committee received a memo authored by Robert Miller notifying them that the Board of Directors has directed staff to begin the proposal process for the Pension Investment Advisory Services Contract. In the memo, Mr. Miller asked of the Pension Committee guidance in forming the committee that will oversee the selection process and information relating to the inclusion of the commission recapture program in the proposal. The proposed committee consists of three (3) Employee Members and two (2) Senior Staff Members. Mr. Manning suggested the addition of at least one (1) Board of Directors Member. Committee members voiced their opinion of reaching a quorum with the addition of a Board of Directors Member. Brian Ferrara of the Legal Department stated that the committee will serve as a selection committee and not as an ad-hoc committee thereby eliminating the quorum restriction. No action was taken on this item.

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

There were no retirement applications submitted to the Pension Committee for review.

### **ANNUAL DISABILITY RETIREMENT STATUS REVIEW REPORT (INFORMATION)**

The committee received the 2013 Disability Retirement Status Review Report summarizing the status of disability pensioners. The report states that the Personnel Department, through a mailed request, reviewed the disability status of twenty-nine (29) disability retirees who were under the age of sixty (60) in 2013. As a result of the non-responsive action taken, one (1) disability pension benefit was temporarily suspended on February 28, 2013. The report also listed three (3) disability retirees who died in 2013. Sonji Skipper of the Personnel Department notified the committee that, since the report was issued, the disability retiree of the suspended benefit has complied with the request for information and the disability pension benefit has been reinstated.

### **EMPLOYEES' RETIREMENT SYSTEM ACTUARIAL VALUATION REPORT AS OF JANUARY 1, 2014 (INFORMATION)**

The committee received the January 1, 2014 Employees' Retirement System Actuarial Valuation Report for review. Mike Conefry, the Board's Actuary, will present this item at a future meeting.

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

Kirby Smith of Barrow, Hanley, Mewhinney & Strauss presented to the committee an update on the Board's Large Cap Value Investment Portfolio. The portfolio performance statement submitted prior to the meeting indicates that the portfolio increased in value from \$23,854,965.00 to \$24,988,165.00 for the period ending February 28, 2014. This resulted in a one-month return rate of 4.75% (Gross) and 4.70% (Net) compared to the Russell 1000 Value Index return rate of 4.32% for the same period.

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

Octave Francis of FFC Capital Management presented to the committee the Executive Summary Performance Table and Market Index Performance Report for the period ending February 28, 2014.

### **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 increased in value from \$57,023,982.00 to \$57,508,160.00 for the period ending

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

February 28, 2014. This resulted in a one-month return rate of 0.85% (Gross) and 0.83% (Net) compared to the BC US Aggregate return rate of 0.53% for the same period. (\$6,281.00 was credited to this account)

**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 \$20,456,422.00 to \$20,807,903.00 for the period ending February 28, 2014. This resulted in a one-month return rate of 1.80% (Gross) and 1.72% (Net) compared to the Dow Jones Credit Suisse HFI return rate of 1.72% 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 decreased in value from \$37,211.00 to \$37,143.00 for the period ending February 28, 2014. This resulted in a one-month return rate of -0.1% (Gross) and -0.2% (Net) compared to the Dollar-Weighted return rate of -0.2%; Credit Suisse Hedge Fund Index return rate of 1.72%; the Credit Suisse Blue Chip Index return rate of 1.67% and the Evergreen Main Account return rate of 1.66% 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 \$17,524,078.00 to \$17,159,828.00 for the period ending February 28, 2014. This resulted in a one-month return rate of 1.30% (Gross) and 1.27% (Net) compared to the Barclay's Capital World Government IL AII Mat Index return rate of 1.34% and the Citigroup World Govt Bond Index, USD Unhedged Index return rate of 1.43% 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 \$27,842,356.02 to \$29,168,202.34 for the period ending February 28, 2014. This resulted in a one-month return rate of 4.76% (Gross) and 4.72% (Net) compared to the Russell 1000 Index return rate of 4.74% for the same period. (\$0.28 was debited from this account; \$75,472.57 was credited to this account)

**EARNEST PARTNERS (INTERNATIONAL MANAGER)**

The portfolio performance statement submitted by the Board's International Investment Manager indicates that the portfolio increased in value from \$16,674,257.00 to \$17,617,399.00 for the period ending February 28, 2014. This resulted in a one-month return rate of 5.66% compared to the MSCI ACWI ex US Index return rate of 5.14% for the same period.

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

The portfolio performance statement submitted by the Board's Small/Mid Cap Equity Investment Manager indicates that the portfolio increased in value from \$30,237,579.00 to \$30,890,726.00 for the period ending February 28, 2014. This resulted in a one-month return rate of 5.50% (Gross) and 5.50 (Net) compared to the Russell 2500 Index return rate of 5.07% for the same period. (\$950,000 was withdrawn from this account)

**iSHARES (NAREIT)**

There was no portfolio performance statement submitted for the period ending February 28, 2014.

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

There was no portfolio performance statement submitted for the period ending February 28, 2014.

**VANGUARD INDEX (DOMESTIC REIT)**

There was no portfolio performance statement submitted for the period ending February 28, 2014.

**ZAZOVE (RESIDUAL ASSET)**

There was no portfolio performance statement submitted for the period ending February 28, 2014.

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

There was no portfolio performance statement submitted for the period ending February 28, 2014.

**SECURITIES LENDING REPORT (INFORMATION)**

The Securities Lending Report submitted by BMO Securities Lending indicates that the year-to-date revenue from securities lending is \$22,562.00 as of February 2014.

**LAMP/DROP STATEMENTS (INFORMATION)**

The DROP report submitted by Louisiana Asset Management Pool (LAMP) indicates that the DROP account had an ending balance of \$12,258,568.09 for the period ending March 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. Russell motioned to adjourn the meeting and Mr. Tilton seconded. The motion passed. The meeting adjourned at approximately 11:41 a.m.

Very Truly Yours,

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Wm. Raymond Manning  
Chairman