



"RE-BUILDING THE CITY'S WATER SYSTEMS FOR THE 21ST CENTURY"

Sewerage & Water Board OF NEW ORLEANS

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

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May 7, 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, May 7, 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. Charles F. Webb

ABSENT: Mr. John H. Wilson III

Also in attendance were Director's Office, Legal, Finance, Budget and Personnel Department staff; Octave Francis and Duncan Blake-Finley of FFC Capital Management; John Weiler of Weiler & Rees; Janice Leaumont of Capital One; Patmon Malcom & Jessie Magee of Earnest Partners.

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 April 2, 2014 for review and action. Mr. Webb motioned to approve the report and Mr. Russell seconded the motion. The motion passed.

VOLUNTARY RETIREMENTS (INFORMATION)

There were three (3) voluntary retirement applications submitted to the Pension Committee for review:

Brue, Sr., Lawrence M.

Service: 33.75 years; Retirement Date: 05/01/14; Group: 3226 (DROP)

Clements, George

Service: 16.19 years; Retirement Date: 05/01/14; Group: 4064

Gray, Thomas L.

Service: 23.09 years; Retirement Date: 05/01/14; Group: 6006 (DROP)

EARNEST PARTNERS-INTERNATIONAL MANAGER (VERBAL)

Patmon Malcom and Jessie Magee of Earnest Partners presented to the committee an update on the Board's International Investment Portfolio. The portfolio performance statement submitted prior to the meeting indicates that the portfolio decreased in value from \$17,617,399.00 to \$17,532,758.00 for the period ending March 31, 2014. This resulted in a one-month return rate of -0.48% compared to the MSCI ACWI ex US Index return rate of 0.26% for the same period.

EMPLOYEES' RETIREMENT SYSTEM ACTUARIAL VALUATION REPORT AS OF JANUARY 1, 2014 (VERBAL)

The Board's Actuary, Mike Conefry, presented the January 1, 2014 Employees' Retirement System Actuarial Valuation Report.

FFC QUARTERLY REPORT (VERBAL)

Octave Francis of FFC Capital Management presented to the committee the Sewerage and Water Board of New Orleans Employees' Retirement System 1ST Quarter Performance Report for 2014.

PENSION INVESTMENT ADVISORY SERVICES-STATUS UPDATE ON RFP(INFORMATION)

At a previous meeting the committee was notified that the Board of Directors directed staff to begin the proposal process for the Pension Investment Advisory Services Contract. The committee received an update on the status. The Request for Proposal (RFP) has been finalized and will be advertised on three (3) separate dates, beginning on May 12, 2014, with each advertisement lasting thirty (30) days in duration. The selection committee will submit a recommendation for the July 2014 meeting.

REVIEW OF FINANCIAL STATEMENTS (INFORMATION)

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

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 decreased in value from \$30,890,726.00 to \$30,582,925.00 for the period ending March 31, 2014. This resulted in a one-month return rate of -0.99% (Gross) and -1.00 (Net) compared to the Russell 2500 Index return rate of -0.36% for the same period.

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 \$57,508,160.00 to \$57,457,708.00 for the period ending March 31, 2014. This resulted in a one-month return rate of -0.09% (Gross) and -0.11% (Net) compared to the BC US Aggregate return rate of -0.17% for the same period. (\$6,787.00 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 decreased in value from \$20,829,148.00 to \$20,639,271.00 for the period ending March 31, 2014. This resulted in a one-month return rate of -0.96% (Gross) and -0.91% (Net) compared to the Dow Jones Credit Suisse HFI return rate of -0.48% 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 \$29,168,202.34 to \$29,581,089.78 for the period ending March 31, 2014. This resulted in a one-month return rate of 1.41% (Gross) and 1.38% (Net) compared to the Russell 1000 Index return rate of 0.63% for the same period. (\$0.17 was debited from this account; \$46,651.21 was credited to this account)

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 \$37,163.00 to \$37,047.00 for the period ending March 31, 2014. This resulted in a one-month return rate of -0.2% (Gross) and -0.3% (Net) compared to the Dollar-Weighted return rate of -0.3%; Credit Suisse Hedge Fund Index return rate of -0.5%; the Credit Suisse Blue Chip Index return rate of -0.9% and the Evergreen Main Account return rate of -0.9% for the same period.

WESTERN ASSET MANAGEMENT-GLOBAL FIXED INCOME TIPS

The portfolio performance statement submitted by the Board's Global Fixed Income TIPS Manager indicates that the portfolio decreased in value from \$17,219,947.00 to \$17,159,828.00 for the period ending March 31, 2014. This resulted in a one-month return rate of 0.35% (Gross) and 0.32% (Net) compared to the Barclay's Capital World Government IL AII Mat Index return rate of 0.20% and the Citigroup World Govt Bond Index, USD Unhedged Index return rate of -0.09% for the same period.

BARROW, HANLEY, MEWHINNEY & STRAUSS-LARGE CAP VALUE MANAGER

The portfolio statement submitted by the Board's Large Cap Value Investment Manager indicated that the portfolio increased in value from \$24,988,165.00 to \$25,597,276.00 for the period ending March 31, 2014. This resulted in a one-month return rate of 2.44% (Gross) and 2.39% (Net) compared to the Russell 1000 Value Index return rate of 2.39% for the same period.

ISHARES-NAREIT

There was no portfolio performance statement submitted for the period ending March 31, 2014.

POWERSHARES DB COMMODITY INDEX-DOMESTIC COMMODITIES

There was no portfolio performance statement submitted for the period ending March 31, 2014.

VANGUARD INDEX-DOMESTIC REIT

There was no portfolio performance statement submitted for the period ending March 31, 2014.

ZAHOVE-RESIDUAL ASSET

There was no portfolio performance statement submitted for the period ending March 31, 2014.

FIDELITY INST PRIME MMKT CL-CASH

There was no portfolio performance statement submitted for the period ending March 31, 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 \$34,138.00 as of March 2014.

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

The Pension Committee received the Quarterly Pension Financial Activities and Pension Disbursements Statement for the period ending March 31, 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 \$12,804,712.36 for the period ending April 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)

- Robert Miller recommended to the committee that an action plan be set forth to meet the goals of strengthening the pension plan and increasing the funded ratio. Mr. Miller recommended that the employee representatives host employee “listening sessions”. Also, Management was tasked with researching the matter and, at a later meeting, submitting a recommendation of available options that will help achieve the goals.
- Octave Francis of FFC Capital Management presented to the committee the Executive Summary Performance Table and Market Index Performance Report for the period ending March 31, 2014.

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. Tilton motioned to adjourn the meeting and Mr. Russell seconded. The motion passed. The meeting adjourned at approximately 12:15 p.m.

Very Truly Yours,

Wm. Raymond Manning
Chairman