



"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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July 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, July 2, 2014 at 10:30 a.m. in the Board Room at 625 St. Joseph Street.

ATTENDANCE

PRESENT: Mr. Wm. Raymond Manning (Chairman)*, Mr. Alan Arnold, Ms. Robin Barnes, Mr. Marion Bracy, Mr. Harold Heller, Jr., Mr. Joseph Peychaud, Mr. Marvin R. Russell, Jr., Mr. Gerald Tilton and Mr. John H. Wilson III

*Mr. Manning departed the meeting at approximately 11:31 a.m. Mr. Wilson motioned to appoint Mr. Bracy as temporary chair for the duration of the meeting. Mr. Heller seconded the motion. The motion passed.

ABSENT: None

Also in attendance were Director's Office, Legal, Finance, Budget and Personnel Department staff; Stephen Daste of FFC Capital Management; John Weiler of Weiler & Rees; Janice Leaumont of Capital One.

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 June 4, 2014 for review and action. Mr. Wilson motioned to approve the report and Mr. Russell seconded the motion. The motion passed.

DEATH BENEFIT

There was one (1) death benefit application submitted to the Pension Committee for review:

Nickolaus, Shelly A. (Spouse of deceased disability retiree Edward L. Nickolaus, Sr.)
Retirement Date: 03/28/14

CHICAGO EQUITY PARTNERS -LARGE CAP ENHANCED CORE MANAGER (PRESENTATION)

James A. DeZellar, Managing Director, and Michael L. Nairne, Director, of Chicago Equity Partners, presented to the committee an update of the Board's Enhanced Index Core Investment Portfolio. The portfolio performance statement submitted prior to the meeting indicates that the portfolio increased in value from \$29,595,819.86 to \$30,304,432.36 for the period ending May 31, 2014. This resulted in a one-month return rate of 2.39% (Gross) and 2.36% (Net) compared to the Russell 1000 Index return rate of 2.39% for the same period. (\$0.56 was debited from this account; \$78,276.54 was credited to this account)

FFC MONTHLY REPORT (PRESENTATION)

Stephen Daste of FFC Capital Management presented to the committee the Executive Summary Performance Table and Market Index Performance Report for the period ending May 31, 2014.

PENSION PLAN RULE CHANGES – EMPLOYEE LISTENING SESSIONS (PRESENTATION)

At a previous meeting Mr. Miller recommended that the employee members host listening sessions to notify employees that an action plan is being developed to meet the goals of strengthening the pension plan and increasing the funded ratio. The employee members hosted six (6) listening sessions at the four (4) main S&WB facilities. The employee members provided feedback to the committee from the listening sessions.

PENSION COMMITTEE ELECTION – EXPIRING EMPLOYEE MEMBER SEAT

The committee received a memo from the Personnel Department notifying them that the current term of Employee Member John H. Wilson III is set to expire on August 31, 2014. An election has been scheduled to fill the new full-term that will begin on September 1, 2014. The memo also included a schedule of events relating to the election.

REVIEW OF FINANCIAL STATEMENTS

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 \$29,520,221.00 to \$28,886,738.00 for the period ending May 31, 2014. This resulted in a one-month return rate of 1.10% (Gross) and 0.87 (Net) compared to the Russell 2500 Index return rate of 1.17% for the same period. (\$950,000.00 was debited from this account)

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 \$57,993,254.00 to \$58,709,205.00 for the period ending May 31, 2014. This resulted in a one-month return rate of 1.23% (Gross) and 1.22% (Net) compared to the BC US Aggregate return rate of 1.14% for the same period. (\$6,410.00 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 \$20,468,172.00 to \$20,702,429.00 for the period ending May 31, 2014. This resulted in a one-month return rate of 1.20% (Gross) and 1.14% (Net) compared to the Dow Jones Credit Suisse HFI return rate of 1.13% for the same period.

EARNST PARTNERS-INTERNATIONAL MANAGER

The portfolio performance statement submitted by the Board's International Investment Manager indicates that the portfolio decreased in value from \$17,702,040.00 to \$16,940,990.00 for the period ending May 31, 2014. This resulted in a one-month return rate of 1.10% (Net) compared to the MSCI ACWI ex US Index return rate of 1.32% 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 \$37,034.00 to \$36,966.00 for the period ending May 31, 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 1.1% and the Evergreen Main Account return rate of 0.8% 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 increased in value from \$17,492,251.00 to \$17,698,541.00 for the period ending May 31, 2014. This resulted in a one-month return rate of 1.18% (Gross) and 1.15% (Net) compared to the Barclay's Capital World Government IL All Mat Index return rate of 1.22% and the Citigroup World Govt Bond Index, USD Unhedged Index return rate of 0.36% 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 value remained unchanged at \$24,597,276.00 for the period ending May 31, 2014. This resulted in a one-month return rate of 1.96% (Gross) and 1.88% (Net) compared to the Russell 1000 Value Index return rate of 1.46% for the same period. (\$36,501.00 was debited from this account)

ISHARES-NAREIT

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

POWERSHARES DB COMMODITY INDEX-DOMESTIC COMMODITIES

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

VANGUARD INDEX-DOMESTIC REIT

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

ZAZOVE-RESIDUAL ASSET

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

FIDELITY INST PRIME MMKT CL-CASH

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

SECURITIES LENDING REPORT

The Securities Lending Report submitted by BMO Securities Lending indicates that the year-to-date revenue from securities lending is \$59,475.00 as of May 2014.

LAMP/DROP STATEMENTS

The DROP report submitted by Louisiana Asset Management Pool (LAMP) indicates that the DROP account had an ending balance of \$13,246,034.11 for the period ending June 2014.

2014 COMMITTEE/BOARD MEETING SCHEDULE

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

OTHER MATTERS

- 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 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 was scheduled to submit a recommendation for the July 2014 meeting. Mr. Miller informed the committee that the recommendation from the selection committee will be presented at the August 2014 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. Wilson motioned to adjourn the meeting and Mr. Russell seconded. The motion passed. The meeting adjourned at approximately 12:05 p.m.

Very Truly Yours,

Wm. Raymond Manning
Chairman