



**"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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August 6, 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, August 6, 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

**ABSENT:** None

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

The Committee meeting was called to order at approximately 10:32 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. Tilton seconded the motion. The motion passed.

## **RESULTS OF EMPLOYEE REPRESENTATIVE ELECTION**

The Pension Committee received a memo from the Personnel Department notifying them that, through the Pension Committee election process, Mr. Wilson received the only nomination and will retain his seat on the Pension Committee through August 31, 2018.

At a previous meeting, the committee was notified that the current term of Employee Member John H. Wilson III will expire on August 31, 2014. An election was scheduled to fill the new full-term that will begin on September 1, 2014. The nomination process began on June 20, 2014 and was open for employee participation.

### **VOLUNTARY RETIREMENT(S)**

There was one (1) voluntary retirement application submitted to the Pension Committee for review:

**Howard, Clarence M.**

Service: 30.12 years; Retirement Date: 08/01/14; Group: 6010 (DROP)

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

Ryan Barksdale and Eric Pickens of Vanguard presented to the committee an update on the Board's Domestic REIT Portfolio. There was no portfolio performance statement submitted for the period ending June 30, 2014.

### **FFC QUARTERLY REPORT (PRESENTATION)**

Octave Francis of FFC Capital Management presented to the committee the Sewerage and Water Board of New Orleans Employees' Retirement System 2<sup>nd</sup> Quarter Performance Report for 2014.

### **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 increased in value from \$28,886,738.00 to \$30,543,169.00 for the period ending June 30, 2014. This resulted in a one-month return rate of 5.74% (Gross) and 5.73 (Net) compared to the Russell 2500 Index return rate of 4.78% 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 increased in value from \$58,709,205.00 to \$58,827,101.00 for the period ending June 30, 2014. This resulted in a one-month return rate of 0.20% (Gross) and 0.18% (Net) compared to the BC US Aggregate return rate of 0.05% for the same period. (\$7,139.00 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 \$20,706,389.00 to \$20,872,459.00 for the period ending June 30, 2014. This resulted in a one-month return rate of 0.84% (Gross) and 0.80% (Net) compared to the Dow Jones Credit Suisse HFI return rate of 0.96% for the same period.

### **EARNEST 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 June 30, 2014. This resulted in a one-month return rate of 1.10% (Net) compared to the MSCI ACWI ex US Index return rate of 1.94% for the same period. (\$950,000.00 was credited to this account; \$950,000.00 was debited from 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 increased in value from \$36,986.00 to \$36,989.00 for the period ending June 30, 2014. This resulted in a one-month return rate of 0.1% (Gross) and 0.0% (Net) compared to the Dollar-Weighted return rate of 0.0%; Credit Suisse Hedge Fund Index return rate of 1.0% and the Evergreen Main Account return rate of 0.5% 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 \$17,877,719.00 to \$17,698,541.00 for the period ending June 30, 2014. This resulted in a one-month return rate of 1.01% (Gross) and 0.98% (Net) compared to the Barclay's Capital World Government IL AII Mat Index return rate of 0.75% and the Citigroup World Govt Bond Index, USD Unhedged Index return rate of 0.80% 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 \$24,594,286.00 to \$26,535,024.00 for the period ending June 30, 2014. This resulted in a one-month return rate of 1.85% (Gross) and 1.81% (Net) compared to the Russell 1000 Value Index return rate of 2.61% for the same period.

### **CHICAGO EQUITY PARTNERS -LARGE CAP ENHANCED CORE MANAGER**

The portfolio performance statement submitted by the Board's Large Cap Enhanced Core Investment Manager indicates that the portfolio increased in value from \$30,304,432.36 to \$30,959,946.54 for the period ending June 30, 2014. This resulted in a one-month return rate of 2.16% (Gross) and 2.13% (Net) compared to the Russell 1000 Index return rate of 2.27% for the same period. (\$0.24 was debited from this account; \$45,028.39 was credited to this account)

### **ISHARES-NAREIT**

There was no portfolio performance statement submitted for the period ending June 30, 2014.

### **POWERSHARES DB COMMODITY INDEX-DOMESTIC COMMODITIES**

There was no portfolio performance statement submitted for the period ending June 30, 2014.

### **ZAZOVE-RESIDUAL ASSET**

There was no portfolio performance statement submitted for the period ending June 30, 2014.

### **FIDELITY INST PRIME MMKT CL-CASH**

There was no portfolio performance statement submitted for the period ending June 30, 2014.

## **STATUS UPDATE-RECOMMENDED SELECTION OF PENSION INVESTMENT CONSULTANT**

The committee received a listing of seven (7) finalists selected for the Pension Investment Advisory Services Contract and the criteria used in the evaluation of the proposals. Mr. Miller informed the committee that the evaluation process of the seven (7) firms selected as finalists is not complete. The recommendation from the selection committee will be presented at the September 2014 Pension Committee meeting.

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) was advertised on three (3) separate dates, beginning in May 2014. A selection committee was formed to evaluate the proposals received and to submit a recommendation to the committee.

## **RECOMMENDED CHANGES TO PENSION RULES (PRESENTATION)**

The Pension Committee received a memo from Robert Miller detailing the proposed changes to the Employees' Retirement System of the Sewerage & Water Board of New Orleans (Pension Rules) that will help strengthen the pension plan and retain existing employee who wish to return to work after DROP. The memo proposes three specific changes: 1.) Increase the employee contribution rate from 5% to 6% effective January 1, 2015 (Article V, Section 5.2); 2.) Increase the number of months used to determine average compensation for retirement calculation purposes from 36 months to 48 months (Article II); 3.) Amend the membership requirement of rehired DROP participants to allow them to receive a retirement allowance if they are rehired after participating in the DROP program (Article VII, Section 7.10). Committee members also received a Bureau of Governmental Research report titled "Understanding Pensions".

After the presentation, committee members and John Weiler, the Board's Pension Advisor, discussed the proposed changes and voiced comments and concerns. Mr. Manning requested that staff provide the committee with the actuarial figures that will reflect the effect the proposed changes will have on the funded ratio and committee members requested actuarial data that reflects the impact of changing the amortization period. Committee members requested that the language of the proposal be changed to reflect the discussion held during the meeting and that the Board's Actuary be invited to the next Pension Committee meeting to address questions and concerns regarding the actuarial impact of the proposed changes. Staff was encouraged to keep communication with employees open and collaborative.

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.

## **SECURITIES LENDING REPORT**

The Securities Lending Report submitted by BMO Securities Lending indicates that the year-to-date revenue from securities lending is \$71,639.00 as of June 2014.

## **LAMP/DROP STATEMENTS**

There was no DROP report submitted for the period ending July 2014.

## **QUARTERLY PENSION FINANCIAL ACTIVITIES & PENSION DISBURSEMENTS STATEMENT FOR THE PERIOD ENDING JUNE 30, 2014 (INFORMATION)**

The Pension Committee received the Quarterly Pension Financial Activities and Pension Disbursements Statement for the period ending June 30, 2014.

## **2014 COMMITTEE/BOARD MEETING SCHEDULE**

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

## **OTHER MATTERS**

- Octave Francis of FFC Capital Management presented the Executive Summary Performance Table and Market Index Performance Report for the period ending June 30, 2014.

## **REFERENCE MATERIAL**

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**

The meeting adjourned at approximately 12:42 p.m.

Very Truly Yours,

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Wm. Raymond Manning  
Chairman