



"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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September 3, 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, September 3, 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, Mrs. Robin Barnes, Mr. Joseph Peychaud, Mr. Gerald Tilton and Mr. John H. Wilson III

ABSENT: Mr. Marion Bracy, Mr. Harold Heller, Jr., Mr. Marvin R. Russell, Jr.

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

The committee meeting was called to order at approximately 10:35 a.m. to discuss and act upon the following matters:

APPROVAL OF PREVIOUS REPORTS (ACTION)

The Pension Committee received the Pension Committee Report of August 6, 2014 for review and action. Mr. Wilson motioned to approve the report and Mr. Tilton seconded the motion. The motion passed.

RECOMMENDED CHANGES TO PENSION PLAN RULES (ACTION)

The Pension Committee received a memo from Robert Miller, dated September 3, 2014, detailing 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 employees who wish to return to work after DROP. The memo recommends the adoption of two proposed amendments: 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). The memo recommends the deferment of a previously proposed amendment to change 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).

RECOMMENDED CHANGES TO PENSION PLAN RULES (ACTION) (CONTINUED)

After a detailed discussion it was decided that further research is necessary and information from the Board's Actuary will be requested before the committee makes a recommendation on the proposed amendments. Mr. Grant asked for deferment of the two proposed amendments to the pension rules to allow for further discussion and research. Mr. Manning suggested that staff schedule special Pension Committee Meetings to be held to discuss the proposed amendments. Also, Mr. Manning requested that staff research the practice of similar retirement systems and provide the information to committee members.

Note: 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.

RECOMMENDATION FOR THE INVESTMENT CONSULTANT FOR THE PENSION TRUST FUND (ACTION)

The Pension Committee received a summary report from Robert Miller, dated September 3, 2014, regarding the Pension Investment Advisory Services Request for Proposal (RFP) evaluation process. The selection committee recommends the acceptance of FFC Capital Management proposal for an initial 3-year period at a rate of \$397,500.00. Mr. Arnold questioned the composition of the selection committee and its evaluation process. Mr. Arnold also voiced concern regarding the contract fee proposed by FFC Capital Management.

Mr. Tilton motioned to approve the recommendation as presented and Mr. Wilson seconded. (Four (4) committee members voted to approve the recommendation and Mr. Arnold voted against the recommendation). The motion passed.

Note: 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. 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.

PYRAMIS GLOBAL ADVISORS-US FIXED INCOME CORE PLUS MANAGER (PRESENTATIONS)

Gerard Branka, SVP, Business Development, and Earl McKenna, Investment Director, presented to the committee an update on the Board's U.S. Fixed Income Core Plus Investment Portfolio. The portfolio performance statement submitted prior to the meeting indicates that the portfolio decreased in value from \$58,827,101.00 to \$58,654,607.00 for the period ending July 31, 2014. This resulted in a one-month return rate of -0.29% (Gross) and -0.31% (Net) compared to the BC US Aggregate return rate of -0.25% for the same period. (\$6,980.00 was credited to this account)

FFC MONTHLY REPORT (PRESENTATION)

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

EXECUTIVE SESSION

Mr. Wilson motioned to move the meeting into executive session to discuss the matter of “HOWARD v LIQUIDITY SERVICES, INC. et al No. 14-CV-01183 United States District Court, District of Columbia” and Mrs. Barnes seconded. The motion passed. Executive session began at 12:15 p.m. Mr. Tilton motioned to move the meeting out of executive session and into regular session. Executive Session ended at 12:26 p.m.

VOLUNTARY RETIREMENT(S)

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

Guidry, Lyndon

Retirement Date: 09/01/14; Group: 0815 (DROP)

Miller, Pamela (Spouse of deceased employee Thomas C. Miller)

Retirement Date: 08/10/14

REVIEW OF FINANCIAL STATEMENTS

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

ISHARES-NAREIT

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

VANGUARD INDEX-DOMESTIC REIT

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

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 \$30,543,169.00 to \$30,071,648.00 for the period ending July 31, 2014. This resulted in a one-month return rate of -1.54% (Gross and Net) compared to the Russell 2500 Index return rate of -4.92% 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 decreased in value from \$20,885,004.00 to \$20,734,094.00 for the period ending July 31, 2014. This resulted in a one-month return rate of -0.72% (Gross and Net) compared to the Dow Jones Credit Suisse HFI return rate of -0.31% 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 \$17,532,758.00 to \$17,307,282.00 for the period ending July 31, 2014. This resulted in a one-month return rate of 2.16% (Net) compared to the MSCI ACWI ex US Index return rate of 1.68% 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 \$36,993.00 to \$36,925.00 for the period ending July 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 -0.3% 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 by the Board's Global Fixed Income TIPS Manager indicates that the portfolio decreased in value from \$17,827,031.00 to \$17,877,719.00 for the period ending July 31, 2014. This resulted in a one-month return rate of -0.28% (Gross) and -0.32% (Net) compared to the Barclay's Capital World Government IL AII Mat Index return rate of -0.42% and the Citigroup World Govt Bond Index, USD Unhedged Index return rate of -0.94% 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 \$26,535,024.00 to \$26,112,607.00 for the period ending July 31, 2014. This resulted in a one-month return rate of -1.45% (Gross) and -1.50% (Net) compared to the Russell 1000 Value Index return rate of -1.70% for the same period. (\$37,918.00 was debited from this account)

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 decreased in value from \$30,959,946.54 to \$30,616,328.64 for the period ending July 31, 2014. This resulted in a one-month return rate of -1.10% (Gross) and -1.13% (Net) compared to the Russell 1000 Index return rate of -1.61% for the same period. (\$37,836.22 was credited to this account)

POWERSHARES DB COMMODITY INDEX-DOMESTIC COMMODITIES

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

ZAZOVE-RESIDUAL ASSET

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

FIDELITY INST PRIME MMKT CL-CASH

There was no portfolio performance statement submitted for the period ending June 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 \$87,620.00 as of July 2014.

LAMP/DROP STATEMENTS

The DROP report submitted by Louisiana Asset Management Pool (LAMP) indicates that the DROP account had an ending balance of \$13,109,337.85 for the period ending July 2014.

2014 COMMITTEE/BOARD MEETING SCHEDULE

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

OTHER MATTERS

There were no additional items discussed at this meeting.

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

Mr. Wilson motioned to adjourn the meeting and Mrs. Barnes seconded. The meeting adjourned at approximately 12:28 p.m.

Very Truly Yours,

Wm. Raymond Manning
Chairman