



"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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October 1, 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, October 1, 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. Harold Heller, Jr., Mr. Joseph Peychaud, Mr. Gerald Tilton and Mr. John H. Wilson III

ABSENT: Mr. Marion Bracy, 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; Erin Benoit of Weiler & Rees; Janice Leaumont of Capital One; Michael Conefry of Conefry & Company.

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 September 3, 2014 for review and action. Mr. Wilson motioned to approve the report and Mrs. Barnes seconded the motion. The motion passed.

WESTERN ASSET MANAGEMENT-GLOBAL FIXED INCOME TIPS (PRESENTATION)

Erin McCullaugh and James So presented to the committee an update on the Board's Global Fixed Income TIPS Investment Portfolio. The portfolio performance statement submitted prior to the meeting indicates that the portfolio increased in value from \$17,827,031.00 to \$18,059,255.00 for the period ending August 31, 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 1.35% and the Citigroup World Govt Bond Index, USD Unhedged Index return rate of 0.46% for the same period.

ACTUARIAL AND LEGAL REVIEW REGARDING RECOMMENDED CHANGES TO PENSION PLAN RULES (PRESENTATION)

Michael Conefry, the Board's Actuary, and Erin Benoit, representing John Weiler, the Board's Legal Counsel, presented a response to the committee's request for information regarding the proposed amendments to the Rules and Regulations of the Employees' Retirement System of the S&WB. Mr. Conefry presented historical actuarial data and offered a discussion on the quantitative impact the proposed changes would have on the retirement system. Ms. Benoit addressed the committee's concern on legal challenges that may arise as a result of the approval of the proposed amendments.

Mr. Miller notified the committee that the proposed changes would only affect the group of employees who are not eligible for retirement as of the effective date of the proposed amendment. Employees who are eligible for retirement as of the effective date of the proposed amendment will be exempt from the proposed changes. Mr. Miller stated that a resolution with the proposed amendments will be presented as an action item at the November 2014 Pension Committee meeting.

Note: During previous meetings 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. The committee received a recommendation from staff to adopt two proposed amendments (Increase the employee contribution rate from 5% to 6% effective January 1, 2015; and increase the number of months used to determine average compensation for retirement calculation purposes from 36 months to 48 months; a third proposal that would 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 was deferred to allow for further research).

PENSION CONSULTANT FEE ARRANGEMENT (PRESENTATION)

Mr. Miller requested deferment of this agenda item to allow for further research.

Note: During previous meetings 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. The selection committee recommended acceptance of the FFC Capital Management proposal for an initial 3-year period at a rate of \$397,500.00. The committee approved the recommendation.

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 August 31, 2014.

VOLUNTARY RETIREMENT(S)

There were four (4) voluntary retirement applications submitted to the Pension Committee for review:

Cobbins, Elbert

Retirement Date: 10/31/14; Group: 6002 (DROP)

Guidry, Sheila

Retirement Date: 10/01/14; Group: 0534 (DROP)

VOLUNTARY RETIREMENT(S) (CONTIUNED)

Mingo, Jr., Willie M.

Retirement Date: 10/31/14; Group: 0700 (DROP)

Owens, Michael

Retirement Date: 10/30/14; Group: 6500 (DROP)

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 August 31, 2014.

VANGUARD INDEX-DOMESTIC REIT

There was no portfolio performance statement submitted for the period ending August 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 increased in value from \$30,071,648.00 to \$31,289,597.00 for the period ending August 31, 2014. This resulted in a one-month return rate of 4.07% (Gross and Net) compared to the Russell 2500 Index return rate of 4.94% 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 increased in value from \$20,737,231.00 to \$20,864,945.00 for the period ending August 31, 2014. This resulted in a one-month return rate of 0.62% (Gross and Net) compared to the Dow Jones Credit Suisse HFI return rate of 0.88% 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 \$17,307,282.00 to \$17,158,476.00 for the period ending August 31, 2014. This resulted in a one-month return rate of -0.86% (Net) compared to the MSCI ACWI ex US Index return rate of -0.99% 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 \$32,597.00 to \$32,537.00 for the period ending August 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 0.9% and the Evergreen Main Account return rate of 0.8% for the same period.

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

The portfolio performance statement submitted by the Board's U.S. Fixed Core Plus Investment Manager indicates that the portfolio increased in value from \$58,654,607.00 to \$59,297,971.00 for the period ending August 31, 2014. This resulted in a one-month return rate of 1.10% (Gross) and 1.08% (Net) compared to the BC US Aggregate return rate of 1.10% for the same period. (\$7,193.00 was credited to this account)

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 \$26,112,607.00 to \$26,977,063.00 for the period ending August 31, 2014. This resulted in a one-month return rate of 1.31% (Gross) and 1.26% (Net) compared to the Russell 1000 Value Index return rate of 1.68% 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 decreased in value from \$30,616,629.44 to \$30,040,146.27 for the period ending August 31, 2014. This resulted in a one-month return rate of 4.56% (Gross) and 4.53% (Net) compared to the Russell 1000 Index return rate of 4.13% for the same period. (\$1,900,001.18 was debited from this account; \$71,549.01 was credited to this account)

POWERSHARES DB COMMODITY INDEX-DOMESTIC COMMODITIES

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

ZAZOVE-RESIDUAL ASSET

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

FIDELITY INST PRIME MMKT CL-CASH

There was no portfolio performance statement submitted for the period ending August 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 \$103,121.00 as of August 2014.

LAMP/DROP STATEMENTS

The DROP report submitted by Louisiana Asset Management Pool (LAMP) indicates that the DROP account had an ending balance of \$13,309,655.92 for the period ending August 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 12:30 p.m.

Very Truly Yours,

Wm. Raymond Manning
Chairman