



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

EMPLOYEES' RETIREMENT SYSTEM OF THE Sewerage & Water Board OF NEW ORLEANS

MITCHELL J. LANDRIEU, President

**625 ST. JOSEPH STREET
NEW ORLEANS, LA 70165 • 504-529-2837 OR 52W-ATER
www.swbno.org**

December 18, 2017

The Pension Committee met on Monday, December 18, 2017 in the Board Room, 625 St. Joseph Street, New Orleans, LA. The meeting convened at 3:00 P.M.

Present:

Director Joseph Peychaud, Chairman
Director Ralph Johnson
Ms. Chante' Powell
Mr. Christopher Bergeron
Mr. Marvin Russell

Also in attendance: Mr. Octave Francis III and Ms. Melanie Parent of FFC Capital Management; Mr. Mike Conefry of Conefry & Company; Ms. Janice Leaumont of Capital One; and the following Sewerage & Water Board staff - Ms. Sharon Judkins, Deputy Director – Administration; Ms. Veronica Washington, Employee Relations; Ms. Sonji Skipper, Personnel Administration; Mr. Dexter Joseph, Director of Budget and Planning; Mr. Willie Mingo, Director of Procurement; Mr. Steve Woolridge, Finance-Treasury; Mr. James Thompson, Office of Special Counsel; and Dr. Tim Viezer, Chief Investment Officer.

ACTION ITEMS:

1. Cost of Living Allowance (R-177-2017)

Mr. Ralph Johnson moved to recommend that the Board of Trustees affirm resolution R-177-2017. Mr. Marvin Russell seconded the motion. The motion carried.

The Resolution listed above will be moved to the Board of Trustees for approval.

2. Hire Callan LLC as Asset-Liability Study Consultant (R-162-2017)

Mr. Marvin Russell moved to recommend that the Board of Trustees hire Callan LLC to serve as the asset-liability consultant as described in resolution R-162-2017. Mr. Chris Bergeron seconded the motion. The motion carried.

The Resolutions listed above will be moved to the Board of Trustees for approval.

PRESENTATION ITEMS:

Chairman Joseph Peychaud began the meeting by asking Chris Bergeron to read the Employees' Retirement System mission statement into the record: "to prudently manage an actuarially sound pension fund solely in the interest of participants and beneficiaries in a cost-effective manner."

Ms. Sharon Judkins brought before the committee a ministerial action – the affirmation of calculating and implementing a cost of living adjustment (COLA) for qualifying retirees. Ms. Judkins answered Mr. Ralph

Johnson's request for the authorizing language for the COLA by referring to Article VI.6.1(d)(1) of the Rules and Regulations of the Employees' Retirement System of the Sewerage & Water Board of New Orleans. Ms. Judkins stated that the COLA would be 1.934% for a qualifying retiree's the first \$10,000 (ten thousand dollars) of their annual pension. Mr. Marvin Russell added perspective by noting that a qualifying retiree would thus receive \$193.40 for the year. Ms. Judkins added that there were 478 qualifying retirees and the cost of the adjustment was approximately \$77,000. Mr. Dexter Joseph clarified that this cost was not part of the Sewerage & Water Board O&M budget but rather paid out of the assets of the pension fund. Mr. Russell noted that he was a qualifying retiree and asked Mr. James Thompson from the Office of Special Counsel as to whether he should abstain from the vote. Mr. Thompson noted that this was an action that is performed according to the Rules and Regulations without the exercising of individual judgment, and therefore Mr. Russell could vote.

Before turning to the second action item, Dr. Tim Viezer acknowledged and thanked Chris Macaluso, who works for Ms. Melinda Nelson in Information Systems for his initiative and good work and her support in volunteering to build a page for the Employees' Retirement System pension fund on the Sewerage & Water Board intranet. The pension fund page is live and helps the Board of Trustees uphold their obligation in the CFA Code of Conduct for Members of a Pension Scheme Governing Body to "communicate with participants, beneficiaries, and supervisory authorities in a timely, accurate, and transparent manner."

Dr. Viezer noted that: the search for an asset-liability consultant followed the Sewerage & Water Board's Professional Services Procurement Policy, the search was advertised nationally, four responses to the Request for Proposal were received, and that the Proposal Section Committee scored and ranked the responses. As a result, Callan LLC received the highest score. Dr. Viezer thanked Mr. Jesse Evans, Mr. Mohammed Owusu, Ms. Tamika Hyde, and Mr. James Thompson for their service on the Proposal Section Committee. Chairman Peychaud noted that his review of the submitted material suggested that the process followed the Procurement Policy "to the letter" and that Callan was also the lowest bid. Chairman Peychaud also noted that the resolution empowered the Chief Investment Officer to execute the contract subject to all appropriate reviews.

Dr. Viezer then turned to the upcoming general consultant search. FFC Capital Management's contract will expire in March 2018 after nearly eight years. The contract is going to be rebid. Dr. Viezer solicited input from the Pension Committee on (1) the consultant deliverables, especially the consultant's role in the selection of investment managers and (2) the process for selecting the consultant. He outlined the rationale for a role for the general investment consultant in investment manager searches. Mr. Octave Francis of FFC Capital Management described how the Pension Committee used his firm in past investment manager searches and how his firm screened and conducted due diligence on investment managers. Dr. Viezer outlined an initial suggestion that a professional services procurement policy for selecting investment consultants and investment managers be drafted for approval by the Committee and the Board of Trustees and overseen by the Director of Procurement, Mr. Willie Mingo. Chairman Peychaud asked Mr. Thompson if he had an answer to the Committee's question as to whether the Board of Trustees could adopt separate policies. Mr. Thompson affirmed that the Trustees could adopt separate policies. Mr. Johnson asked about the timing of the search. Dr. Viezer answered that the search would be completed in June or July 2018 and that FFC had agreed to serve on a month-to-month contract.

Dr. Viezer reviewed the fund's compliance with the policy target asset allocation. He noted that all but two categories were within the allowable ranges. The U.S. Large Cap Core and U.S. Large Cap Value allocations were both slightly over the maximum range. In conformance with the Investment Policy Statement, a rebalancing of the fund was completed and coincided with the provision of cash to make pension payments. He did note that as he had not received delegated authority to sign trade executions, about \$10 million remained uninvested during November. He estimated that the opportunity cost for the month was about \$280,000 or 13 bps of lost performance at the total fund level. Mr. Francis noted that this had been an issue in the past and that trades were left unexecuted for months. Dr. Viezer noted that the delegation of authority was part of the work on the "governance matrix."

Chairman Peychaud told the Committee that he had working group assignments. Several assignments would be made when the Pension Committee vacancies were filled. However, Chairman Peychaud wanted to continue to work on pension communication and asked Mr. John Wilson to work with Dr. Viezer to set up "mass meetings" for employees and asked Mr. Russell to draft a letter to retirees for approval by the Committee and Board of Trustees. Chairman Peychaud asked both members to report back in January 2018.

INFORMATION ITEMS:

Information item(s) 5 through 9 were received.

ADJOURNMENT:

There being no further business to come before the Pension Committee, the meeting adjourned at approximately 4:15 P.M.

Respectfully submitted,

Joseph Peychaud, Vice Chair