

SEWERAGE & WATER BOARD OF NEW ORLEANS

**PENSION COMMITTEE MEETING
WEDNESDAY, APRIL 11, 2018
8:30AM**

**625 ST. JOSEPH STREET
2ND FLOOR BOARD ROOM**

Joseph Peychaud, Chair • Christopher Bergeron • Eileen Gleason
Ralph Johnson • Chante' Powell • Marvin Russell
Poco Sloss • Lewis Stirling • John Wilson

FINAL AGENDA

ACTION ITEMS

1. Resolution Assigning Contract to FFC Investment Advisors of Raymond James

EXECUTIVE SESSION*

2. No Executive Session

PRESENTATION ITEMS

3. Chief Investment Officer's Presentation
4. Callan LLC Asset-Liability Study Kick-Off

INFORMATION ITEMS

5. 2018-03-26 Announcement of New Affiliation: FFC Investment Advisors of Raymond James.
6. 2018-04-04 Drafters Procurement Policy.
7. 2014-10-15 S&WB Professional Services Procurement Policy (Memo #95)

*Note: The Committee reserves the right to enter into Executive Session pursuant to Louisiana statute
(LA. R.S. 42.6; 42:6.1)

**RECOMMENDATION TO ASSIGN MONTH-TO-MONTH INVESTMENT CONSULTING TO
FFC INVESTMENT ADVISORS OF RAYMOND JAMES**

WHEREAS, the contract with FFC Capital Management expired on March 3, 2018;

WHEREAS, it is the Pension Committee's intention to competitively rebid investment consulting service without prejudice to FFC Capital Management; and

WHEREAS, investment consulting services are needed for the period from the expiration of the contract with FFC Capital Management through the successful conclusion of a search for investment consulting services; and

WHEREAS, it was also the Chief Investment Officer's recommendation and the Pension Committee's intention to continue the contract with FFC Capital Management on a month-to-month basis through successful conclusion of a search for investment consulting services; and

WHEREAS, Octave Francis has announced a new affiliation with Raymond James & Associates and will continue to offer institutional consulting as FFC Investment Advisors of Raymond James; and

WHEREAS, the Pension Committee recommends that the Board of Trustees assign the pension investment consultant contract to FFC investment Advisors of Raymond James, on a month-to-month basis.

NOW, THEREFORE, BE IT RESOLVED by Board of Trustees of the Employees' Retirement System of Sewerage and Water Board of New Orleans that the Chief Investment Officer be authorized to negotiate and enter into a month-to-month agreement with FFC investment Advisors of Raymond James, with the assistance of the Office of Special Counsel and that the Chief Investment Officer be authorized to certify this resolution.

I, Timothy W. Viezer, Chief Investment Officer,
for the Employees' Retirement System of the
Sewerage and Water Board of New Orleans,
do hereby

certify that the above and foregoing is a true and
correct copy of a Resolution adopted at the Meeting of the
Board of Trustees of the Employees' Retirement System
of Sewerage and Water Board of New Orleans, duly called and held,
according to law, on **April 18, 2018**.

_____, Chief Investment Officer
**FOR EMPLOYEES' RETIREMENT SYSTEM OF
THE SEWERAGE AND WATER BOARD OF NEW ORLEANS**

Sewerage & Water Board of New Orleans



***Chief Investment Officer's Presentation to the
Pension Committee***

April 11, 2018

April Meeting Agenda

- Investment Consultant Search
 - Update from FFC Investment Advisors of Raymond James
 - Discussion Draft of ERS Procurement Policy
- Asset-Liability Study Kick-Off – Callan LLC



ERS Mission Statement

- *Prudently manage an actuarially sound pension fund*
- *solely in the interest of participants and beneficiaries*
- *in a cost-effective manner.*



FFC Investment Advisors of Raymond James

ASSIGNMENT OF MONTH-TO-MONTH CONSULTING



Discussion

INVESTMENT CONSULTANT SEARCH



Discussion of Draft ERS Procurement Policy:

High-Level Summary

- The proposed procurement process will depend on the desired type of service.
 - ☐ Investment Managers
 - Pension Committee selects from candidates proposed by General Investment Consultant.
 - ☐ Other Service Providers (Excluding Investment Managers)
 - Pension Committee selects from candidates proposed by the Proposal Selection Committee based on RFQ/RFP process.



Discussion of Draft ERS Procurement Policy: Code of Conduct Guidance

- Trustees *can* rely upon third-party service providers.
- Trustees *must* consider whether the position of the pension scheme is enhanced by any investment or action.
- Trustees *must* place the interests of ERS participants and beneficiaries **first** before **all** other considerations.
- “Trustees ***may*** consider the position of other stakeholders when carrying out their duties to the fund. If appropriate under applicable law, it is acceptable for a trustee to consider the impact that the investment of scheme assets may have – for example, creating jobs or stimulating industry in a local area – ***so long as the interests of the participants and beneficiaries remain paramount.***” (emphasis added)



Discussion of Draft ERS Procurement Policy:

Handling EDBP

- Investment Managers
 - ☐ Investment management is a highly, competitive, zero-sum business. These mandates are not sub-contracted.
 - ☐ RFP for General Investment Consultant will include evaluation of how they include minority business enterprises, women's business enterprises, disadvantaged enterprises, and/or small disadvantaged businesses.
 - ☐ CIO and Trustees will direct interested managers to the General Consultant for inclusion in their database.
 - ☐ Permanent and periodic directions to send data the General Consultant.
 - ☐ CIO and General Consultant will hold public meeting to explain the search process and answer questions in advance of any major restructuring of managers.
 - ☐ General Consultant is required to adhere to its standard vetting process and is not required to afford any special consideration outside of its standard vetting process with regard to candidates responding to S&WB Purchasing announcements.
- Other Service Providers (Excluding Investment Managers)
 - ☐ Criterion regarding (Orleans location or EDBP) limited to 5% to 10% of total.



Discussion of Draft ERS Procurement Policy:

Benefits of Proposal

- Adheres to the CFA Code of Conduct.
- Efficiently uses each entity's time and expertise:
 - ☐ Board of Trustees sets policy, delegates authority, ensures compliance with policy, and holds accountable.
 - ☐ Pension Committee is empowered; better informed decisions, no waste of time; and better balance of members – true stakeholders.
 - ☐ General Consultant should have the experience and resources whose breadth and depth can cover investment manager universes.
 - ☐ CIO facilitates, verifies, and executes.
 - ☐ Executive Director only handles emergencies.
- Follows industry practice.
- Documents in writing (a) similar procedures used in the past by the Pension Committee and (b) current S&WB procedures that are not yet written.
- Mandates pension scheme interest paramount; EDBP consideration is explicitly and actively considered but a goal of allocating contracts is contrary to fiduciary duty.



Presentation by Callan LLC

ASSET-LIABILITY STUDY KICK-OFF



May Meeting Agenda

- Presentation of Actuarial Valuation -
- Discussion of Draft Funding Policy.
- Discussion of amending Investment Objectives.
- Formally adopt ERS Procurement Policy.



Appendix A

CFA Institute's Code of Conduct for Members of a Pension Scheme Governing Body

1. Act in good faith and in the best interest of the scheme participants and beneficiaries.
2. Act with prudence and reasonable care.
3. Act with skill, competence, and diligence.
4. Maintain independence and objectivity by, among other actions, avoiding conflicts of interest, refraining from self-dealing, and refusing any gift that could reasonably be expected to affect their loyalty.
5. Abide by all applicable laws, rules, and regulations, including the terms of the scheme documents.
6. Deal fairly, objectively, and impartially with all participants and beneficiaries.
7. Take actions that are consistent with the established mission of the scheme and the policies that support that mission.
8. Review on a regular basis the efficiency and effectiveness of the scheme's success in meeting its goals, including assessing the performance and actions of scheme service providers, such as investment managers, consultants, and actuaries.
9. Maintain confidentiality of scheme, participant, and beneficiary information.
10. Communicate with participants, beneficiaries, and supervisory authorities in a timely, accurate, and transparent manner.



Appendix B

Committee & Board Decisions

I. FOUNDATIONAL DECISIONS (October 2017 – December 2017)

A. Clarify governance focus

- ✓ Amend the current IPS to reflect 2015 decisions.
- ✓ Adopt an ERS Mission Statement
- ✓ Adopt the CFA Code of Conduct for Members of a Pension Governing Body
- ✓ Adopt a resolution to strongly encourage BOT to adhere to LA RS 11:185 Trustee Education requirements starting September 2018.

B. Decisions needed to complete Asset-Liability Study By June 2018

5. Amend and prioritize investment objectives

- ✓ Hire Asset-Liability Consultant

C. Decisions needed to issue RFP for General Investment Consultant

7. Adopt Investment Philosophy

- 8. Agree upon an investment manager search process (based upon philosophy & policies)

- 9. Agree upon investment consultant duties and governance matrix



Appendix B

Committee & Board Decisions

II. MAJOR DECISIONS (May 2018 – September 2018)*

D. Preparation

10. Governance Matrix:

- a. Who decides (and how) benefits?
- b. Who decides (and how) employer contributions?
- c. Who decides (and how) employee contributions?
- d. Who decides (and how) investment policy?

11. Hire General Investment Consultant

12. Adopt Statement of Risk Capacity and Risk Appetite

E. The BIG THREE Decision-Making

13. Benefit Policy

14. Contribution Policy

- a. Employee
- b. Employer

15. Investment Policy – Asset Allocation



Appendix B

Committee & Board Decisions

III. FORMALIZE CUMULATIVE DECISIONS (September 2018 – December 2018)*

F. Update Documents

16. Amend Investment Policy Statement

17. Amend Bylaws

18. Amend Rules and Regulations

IV. IMPLEMENT ASSET ALLOCATION (September 2018 – March 2019)*

G. Portfolio Construction

H. Investment Managers

*Dates are tentative and subject to revision.



Appendix C

PRMIA Principles of Good Governance*

- Key Competencies
- Resources and Processes
- Ongoing Education and Development
- Compensation Architecture
- Independence of Key Parties
- Risk Appetite
- External Validation
- Clear Accountability
- Disclosure and Transparency
- Trust, honesty and fairness of key people



*Professional Risk Managers' International Association, 2009

Appendix D

Investment Philosophy

- The goal of investing is to earn enough to meet your objectives.
- Understand what you can control (in descending order: costs, liquidity, risk, and returns).
 - While you cannot control returns, you can decide to buy low and sell high.
- We have met the enemy, and he is us.
- There are limits to prediction:
 - The future is unknowable, so diversify.
 - Market timing is generally unrewarding.
 - Markets don't just mean revert, they overshoot.
- There are trade-offs in investing:
 - More risk must be assumed to gain higher expected returns.
 - Excess returns and market efficiency are inversely related and often cyclical.
 - Too much capital is the enemy of good returns.
- Performance cannot be guaranteed, but there are some predictions:
 - Philosophy, processes, and organizational resources drive excess returns. Culture and alignment of interest can enhance or detract.
 - IR is a function of skills, breadth, and freedom.



Sewerage & Water Board of New Orleans



Re-Building the City's Water Systems for the 21st Century

April 11, 2018



Sewerage & Water Board of New Orleans

**Asset Allocation and Liability
Study: Kick-off**

Weston Lewis, CFA, CAIA
Atlanta Plan Sponsor Consulting

Cody Chapman, CFA, CAIA
Atlanta Plan Sponsor Consulting

Karen Harris, CFA, ASA
Capital Markets Research Group

Outline

- What is an Asset Allocation study?
 - Long-term strategic plan for the investments of the Fund
 - Why is it important to review the asset allocation of the Fund?
 - What is the process?
- 2018 Capital Market Projections
 - Capital market projections are key inputs to the asset allocation study — set reasonable return and risk projections for the appropriate time horizon
 - What are our projections and how did we develop them?
 - *Equity*
 - *Fixed Income*
 - *Alternative Investments*
- Detailed 2018 Projections for S&WBNO's current asset allocation
- Next steps

What is an Asset-Liability Study?

- A technique to evaluate assets and liabilities so that an adequate return may be targeted.
 - From a fiduciary perspective, prudent to review the long-term strategy every 3-5 years.
- Helps fiduciaries understand the nature of the Pension Plan they oversee.
 - Incorporates actuarial assumptions and actuarial valuation process.
 - Examines the current and projected financial condition of the Plan.
 - *Funding requirements, funded status, contributions, etc.*
 - Explores the major risk factors facing the Plan.
 - *Market risk, inflation risk, interest rate risk, currency risk, demographic risk, etc.*
 - Sets investment goals and/or objectives to fully fund the obligations over the long-term.
 - Defines the tolerance for risk, including the need to take risk in order to achieve the objective.
- Determines the optimal investment (asset allocation) strategy relative to the liabilities.
 - The expected return on assets should be sufficient to support the desired level of funding of the liabilities.
 - *For example, discount rate of 7.00% is the plan's targeted return*
 - Actuarial assumptions are set over a long time horizon (working life of a participant, typically 20 years +), whereas capital market expectations are formed with a 10-year time horizon.

Interaction of Three Key Policies

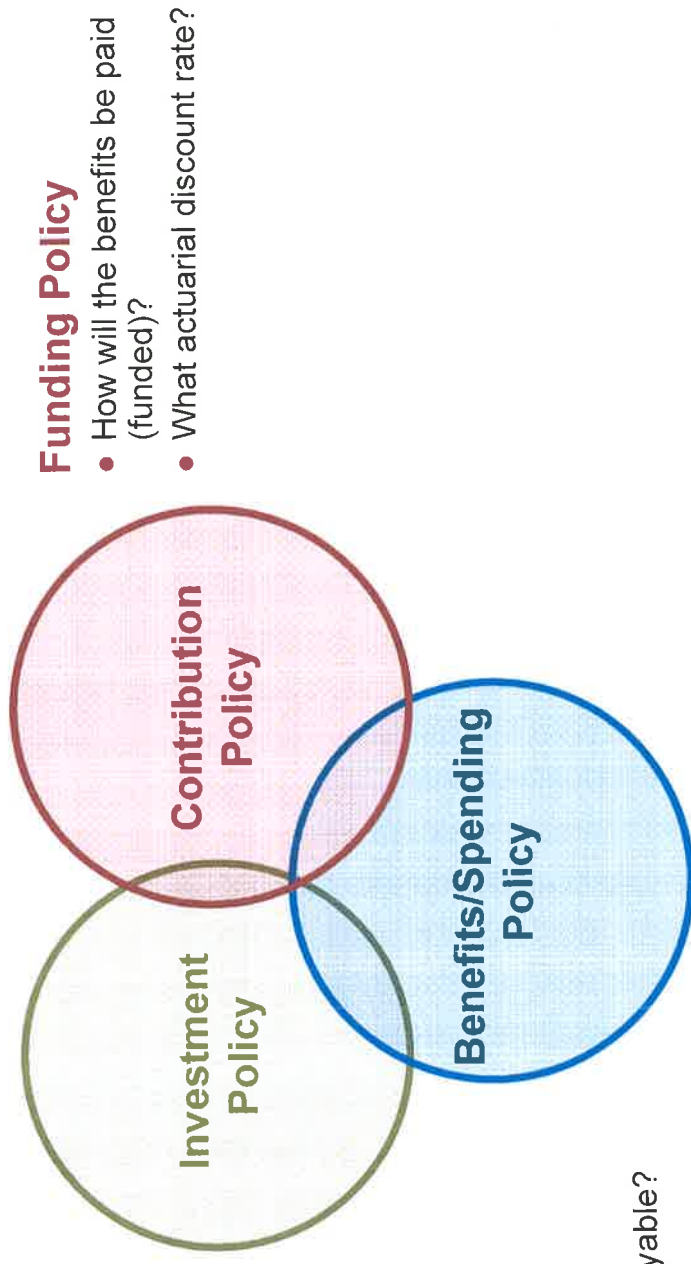
Asset-Liability study incorporates the three strategic policies that govern any pool of assets, whether it be a pension fund, endowment, or foundation.

Investment Policy

- How will the assets supporting the benefits be invested?
- What risk and return objectives?
- How to manage cash flows?

Benefits Policy

- What type/kind of benefits?
- What level of benefit?
- When and to whom are they payable?



Funding Policy

- How will the benefits be paid (funded)?
- What actuarial discount rate?

Goal of the Asset-Liability Study

- The goal of an asset-liability study is to establish a long-term strategic asset allocation target.
- Pension plan equation of balance:

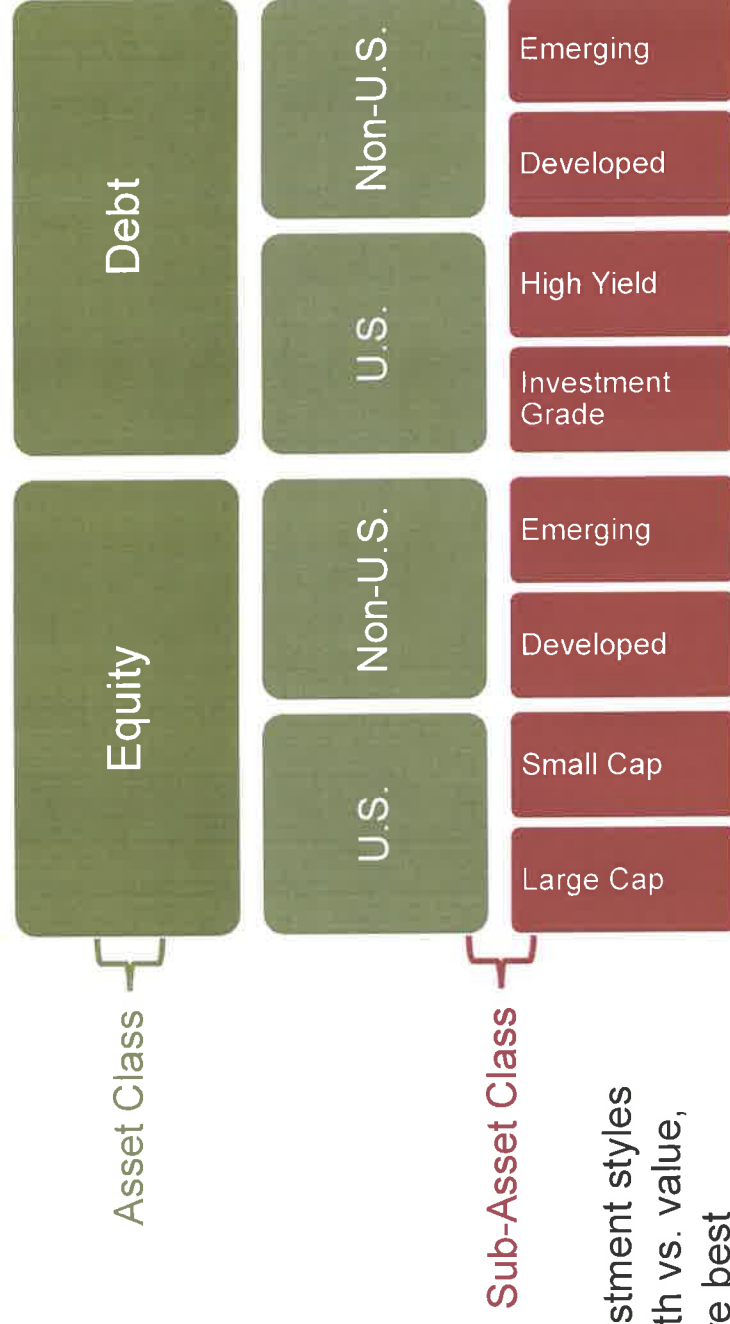
$$\text{Benefits} + \text{Expenses} = \text{Investment Returns} + \text{Contributions}$$

- The primary goal of the Fund is to ensure sufficient liquidity to pay the benefits and expenses when due.
 - How do liquidity needs impact the investment decisions? For example, size of the equity allocation or commitment to illiquid asset classes.
- The secondary investment goal is to balance the competing objectives of:
 - Minimize costs over the long run (long-term goal)
 - *How much return generation is necessary to meet actuarial return targets?*
 - *How much return generation is necessary to lower contributions and/or improve funded status?*
 - Minimize funded status volatility (short-term goal)
 - *How much risk reduction to reduce contribution/funded status volatility?*
- The strategic asset allocation target should be an optimal balance between sustainable funded status volatility and minimization of contributions over the long run.
- The strategic asset allocation will vary by the unique circumstances of the Plan Sponsor
 - No “one-size-fits-all” solution exists.

The Focus is on Broad Asset Classes

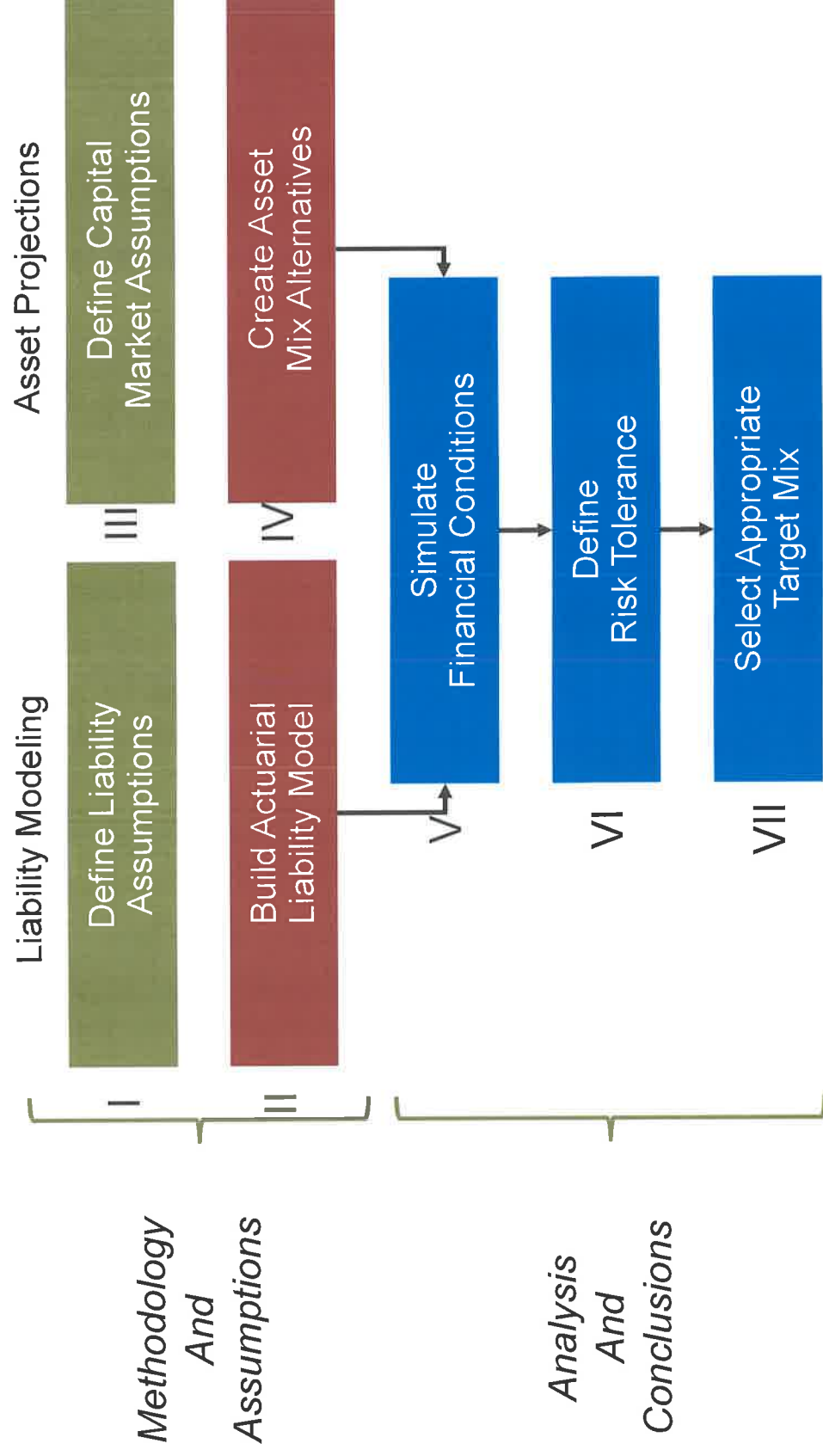
- Primary asset classes and important sub-asset classes include:

- U.S. Stocks
- U.S. Bonds
- Non-U.S. Stocks
- Non-U.S. Bonds
- Alternative Investments
 - Real Estate
 - Private equity
 - Absolute return
- Cash



- Breakdowns between investment styles within asset classes (growth vs. value, large cap vs. small cap) are best addressed in a **manager structure analysis**.

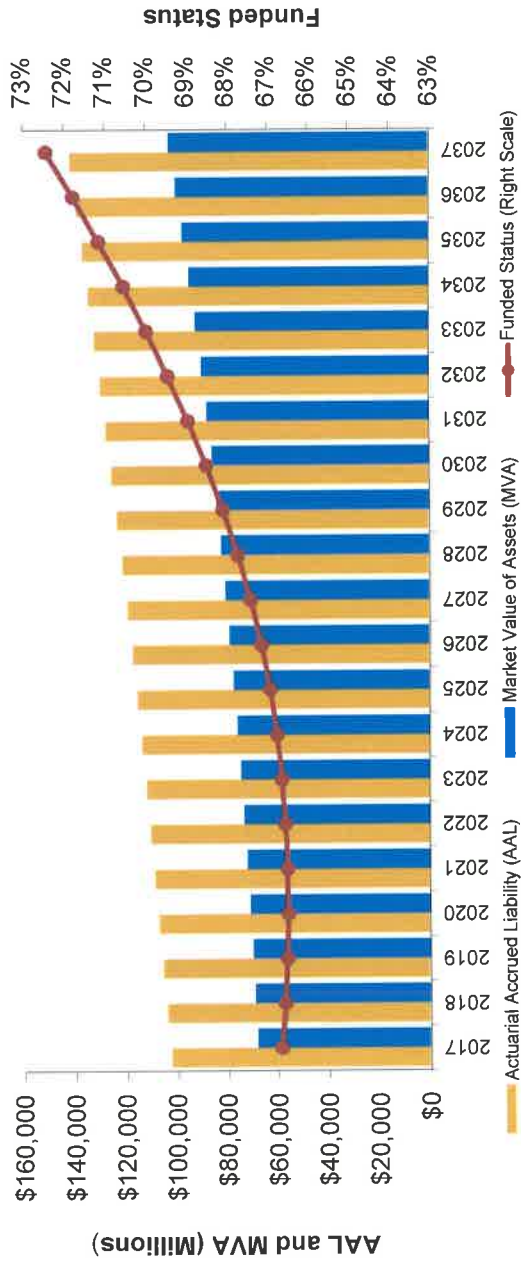
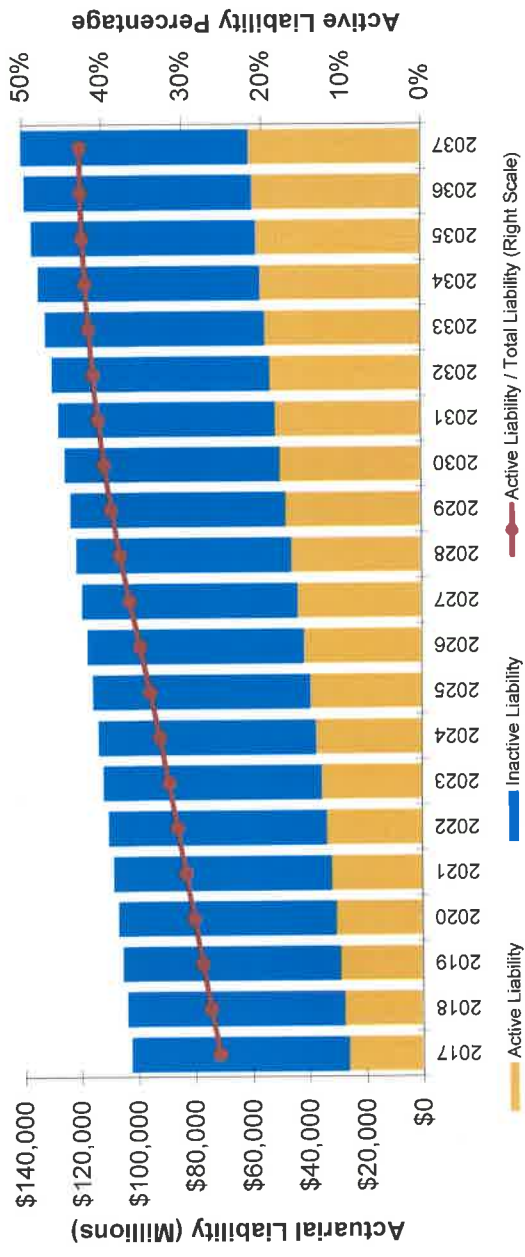
Callan's Asset Allocation and Liability Process



Building the Actuarial Liability Model

Proval Valuation System

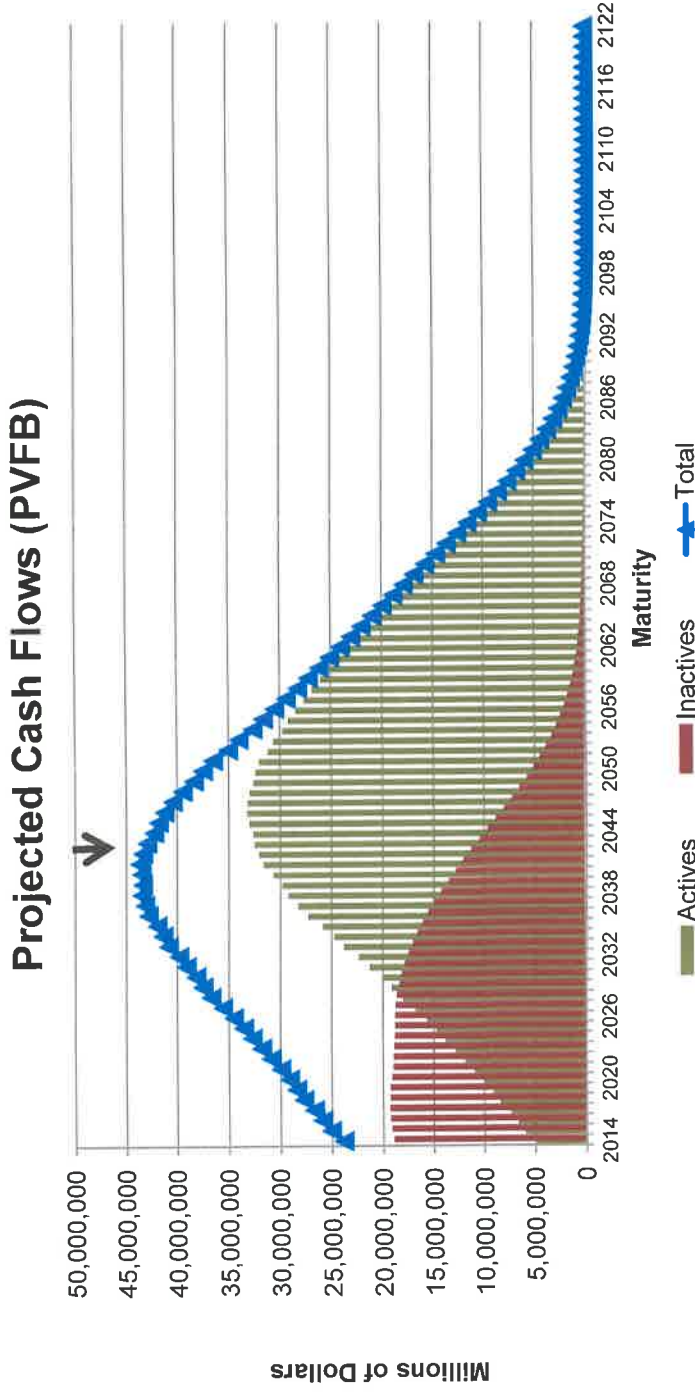
- Work with your actuary to build a valuation model:
 - Projects actuarial liabilities and costs into the future.
 - Funding basis to model contribution risk.
 - Accounting basis (GASB) to model balance sheet impact.
- Start with most recent participant data and valuation results.
- Projections can allow for new hires, workforce growth/decline, plan amendments, new benefit designs or other scenarios requested by the sponsor.
- Charts demonstrate a **deterministic forecast** – one scenario whereby actuarial assumptions will be met.
 - Development of actuarial liability to access maturity and liquidity needs.
 - Development of the funded status, which requires a stated funding policy (e.g. normal cost + 20 year open amortization).



Sample Illustration

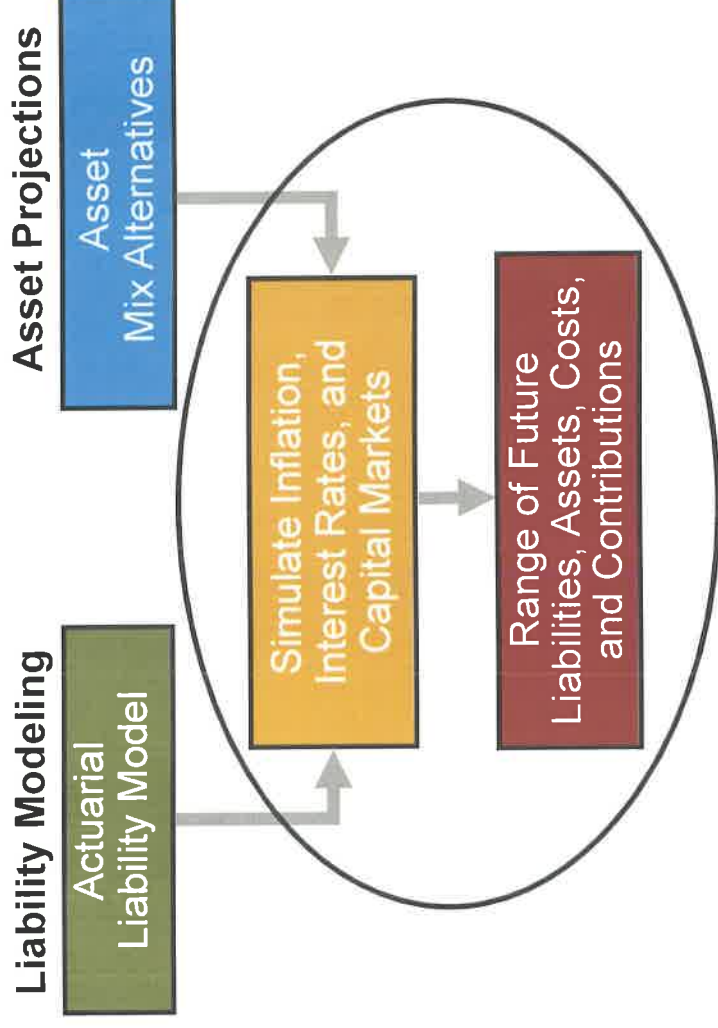
Building the Actuarial Valuation Model

Liquidity Needs and Illiquid Investments



- The liability is a discounted measure of the plan's projected cash flows (which are the expected benefit payments).
- Those cash flows that lie beyond 20-30 years support longer-term, less liquid investments.
 - Example above indicates that the Plan could commit a fairly large allocation to private markets.
- Net cash flows (benefit payments – contributions) as a % market value of assets is another measure that we can use to define the Plan's liquidity needs.

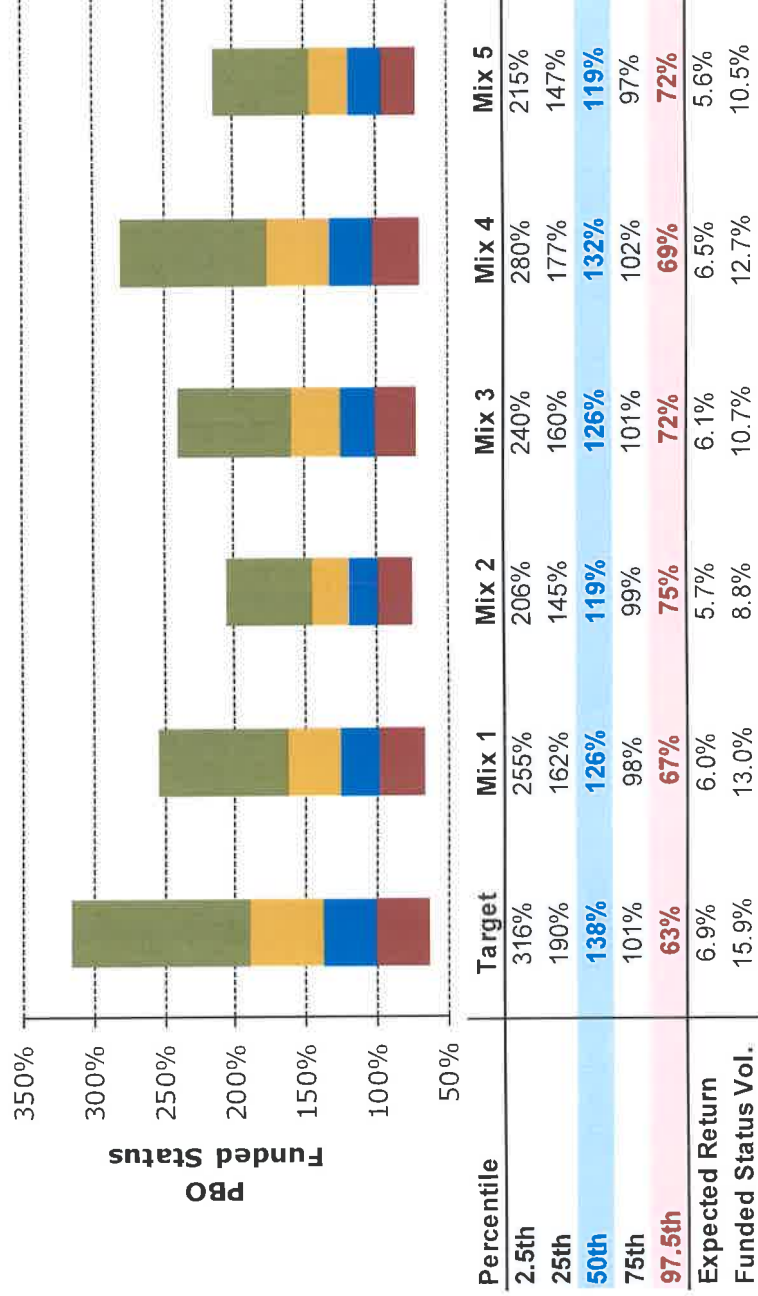
Simulate Financial Condition



- Simulation analysis will be used to assess risk tolerance.
- **What is simulation analysis (also called *stochastic forecasting*)?** The modeling of risk and volatility associated with the capital markets.
- Simulate three key variables: inflation rate, interest rate, and asset class returns.
- Develop a range of outcomes and the likelihood of their occurrence (probability distribution).

Simulate Financial Condition

GASB Funded Status at the end of 10 Years



Simulation results are ranked from highest to lowest to illustrate the range of results (capital market uncertainty).

The 50th percentile represents the expected case (50% chance of occurrence)

The 97.5th percentile represents the worse-case scenarios – a two standard deviation event

Actuarial Funded Status = Market Value of Assets / Net Pension Obligation

Define Risk Tolerance

Scenario Analysis

- Scenario analysis means examining specific downside scenarios included in the stochastic range.
 - Each scenario has a path of interest rates and equity returns (shown year by year, and cumulative over 5 years).
 - Tech Bubble had 3 years of negative equity years in succession.
 - Credit Crunch had a large drawdown, -40% return, in any one year.
- Scenario analysis supplements the risk and reward tradeoffs inherent in mean-variance analysis.

	High Quality Corporate Yields				Global Equity Returns				
	Year 1	Year 2	Year 3	Year 5	Year 1	Year 2	Year 3	Year 5	Cumulative
Tech Bubble	2.8%	3.7%	3.8%	3.4%	(16.5%)	(19.5%)	(11.0%)	18.9%	(7.8%)
Credit Crunch 1	3.9%	3.0%	3.1%	1.9%	(39.3%)	26.1%	(5.4%)	16.6%	2.0%
Credit Crunch 2	3.5%	4.8%	3.3%	3.9%	15.2%	(40.3%)	32.3%	6.7%	0.7%
Credit Crunch 3	2.4%	2.6%	4.2%	3.9%	11.7%	(3.1%)	(39.1%)	(17.9%)	(5.2%)

Cumulative % Target Paid over 10 Years (2018-2027)

	Current	Mix 1	Mix 2a	Mix 2b	Mix 3	Mix 4a	Mix 4b	M5
Tech Bubble	82%	82%	88%	86%	93%	99%	98%	99%
Credit Crunch 1	99%	99%	99%	99%	99%	99%	99%	99%
Credit Crunch 2	95%	98%	94%	91%	93%	95%	94%	100%
Credit Crunch 3	100%	100%	100%	100%	100%	100%	100%	100%

2018 Capital Market Projections—Return and Risk

Summary of Callan's 10 Year Capital Market Projections (2018 – 2027)

Source: Callan Associates

Asset Class	Index	PROJECTED RETURN			PROJECTED RISK	
		1-Year Arithmetic	10-Year Geometric*	Real	Standard Deviation	Projected Yield
Equities						
Broad Domestic Equity	Russell 3000	8.30%	6.85%	4.60%	18.25%	2.00%
Large Cap	S&P 500	8.05%	6.75%	4.50%	17.40%	2.10%
Small/Mid Cap	Russell 2500	9.30%	7.00%	4.75%	22.60%	1.55%
Global ex-US Equity	MSCI ACWI ex USA	8.95%	7.00%	4.75%	21.00%	3.10%
International Equity	MSCI World ex USA	8.45%	6.75%	4.50%	19.70%	3.25%
Emerging Markets Equity	MSCI Emerging Markets	10.50%	7.00%	4.75%	27.45%	2.65%
Fixed Income						
Short Duration	Bloomberg Barclays 1-3 Yr G/C	2.60%	2.60%	0.35%	2.10%	2.85%
Domestic Fixed	Bloomberg Barclays Aggregate	3.05%	3.00%	0.75%	3.75%	3.50%
Long Duration	Bloomberg Barclays Long G/C	3.50%	3.00%	0.75%	10.95%	4.45%
TIPS	Bloomberg Barclays TIPS	3.10%	3.00%	0.75%	5.25%	3.35%
High Yield	Bloomberg Barclays High Yield	5.20%	4.75%	2.50%	10.35%	7.75%
Non-US Fixed	Bloomberg Barclays Gbl Agg xUSD	1.80%	1.40%	-0.85%	9.20%	2.50%
Emerging Market Debt	EMBI Global Diversified	4.85%	4.50%	2.25%	9.60%	5.75%
Other						
Real Estate	Callan Real Estate Database	6.90%	5.75%	3.50%	16.35%	4.75%
Private Equity	TR Post Venture Capital	12.45%	7.35%	5.10%	32.90%	0.00%
Hedge Funds	Callan Hedge FoF Database	5.35%	5.05%	2.80%	9.15%	2.25%
Commodities	Bloomberg Commodity	4.25%	2.65%	0.40%	18.30%	2.25%
Cash Equivalents	90-Day T-Bill	2.25%	2.25%	0.00%	0.90%	2.25%
Inflation	CPI-U		2.25%		1.50%	

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

- **Unhedged (\$US dollar) returns are net of fees:**
 - Passive implementation assumed for public markets.
 - Active implementation assumed for alternatives and private market investments.

2018 Capital Market Projections—Correlation Coefficient Matrix

Key to Constructing Efficient Portfolios

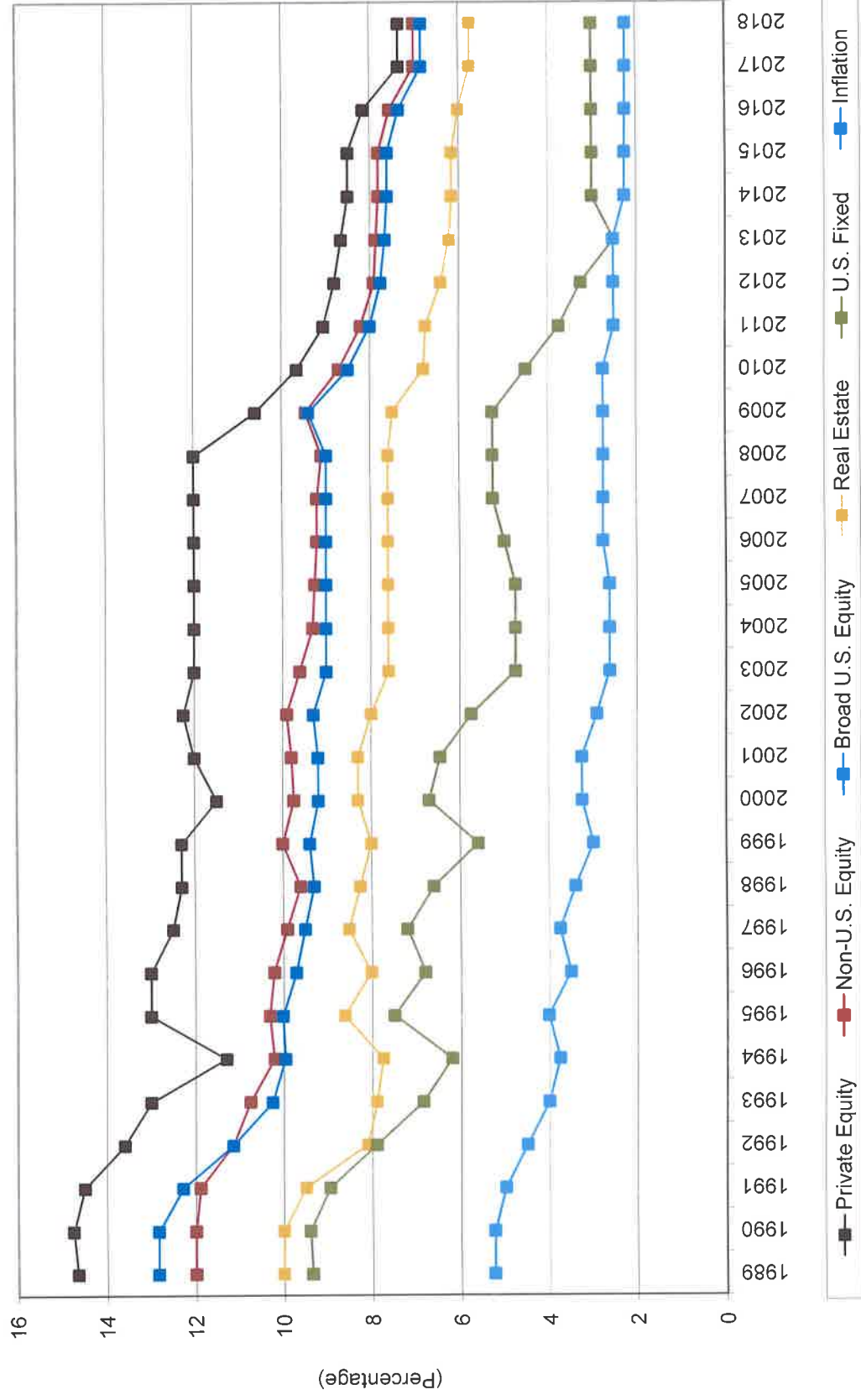
- Relationships between asset classes is as important as standard deviation.
- To determine portfolio mixes, Callan employs mean-variance optimization.
- Return, standard deviation and correlation determine the composition of efficient asset mixes.

Correlation Matrix		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	Broad Domestic Equity	1.00																		
2	Large Cap	1.00	1.00																	
3	Small/Mid Cap	0.97	0.94	1.00																
4	Global ex-US Equity	0.87	0.87	0.84	1.00															
5	International Equity	0.84	0.84	0.80	0.99	1.00														
6	Emerging Markets Equity	0.87	0.86	0.85	0.94	0.87	1.00													
7	Short Duration	-0.25	-0.24	-0.27	-0.27	-0.25	1.00													
8	Domestic Fixed	-0.11	-0.10	-0.14	-0.13	-0.11	-0.16	1.00												
9	Long Duration	0.11	0.11	0.10	0.08	0.09	0.04	0.74	0.93	1.00										
10	TIPS	-0.05	-0.05	-0.08	-0.05	-0.03	-0.09	0.53	0.60	0.53	1.00									
11	High Yield	0.64	0.64	0.61	0.63	0.61	0.62	-0.14	0.02	0.19	0.06	1.00								
12	Non-US Fixed	0.01	0.05	-0.10	0.01	0.06	-0.09	0.48	0.51	0.54	0.34	0.12	1.00							
13	EMD	0.57	0.57	0.56	0.58	0.55	0.58	-0.04	0.10	0.14	0.18	0.60	0.01	1.00						
14	Real Estate	0.73	0.73	0.71	0.68	0.66	0.65	-0.17	-0.03	0.17	0.00	0.56	-0.05	0.44	1.00					
15	Private Equity	0.95	0.95	0.92	0.93	0.90	0.91	-0.26	-0.20	0.00	-0.11	0.64	-0.06	0.57	0.72	1.00				
16	Hedge Funds	0.80	0.80	0.77	0.76	0.73	0.76	-0.13	0.08	0.29	0.08	0.57	-0.08	0.54	0.61	0.78	1.00			
17	Commodities	0.15	0.15	0.15	0.16	0.16	0.16	-0.22	-0.10	-0.04	0.12	0.10	0.05	0.19	0.20	0.18	0.21	1.00		
18	Cash Equivalents	-0.04	-0.03	-0.08	-0.04	-0.01	-0.10	0.30	0.10	-0.04	0.07	-0.11	-0.09	-0.07	-0.06	0.00	-0.07	0.07	1.00	
19	Inflation	-0.01	-0.02	0.02	0.01	0.00	0.03	-0.20	-0.28	-0.29	0.18	0.07	-0.15	0.00	0.10	0.06	0.20	0.40	0.00	1.00

Source: Callan Associates

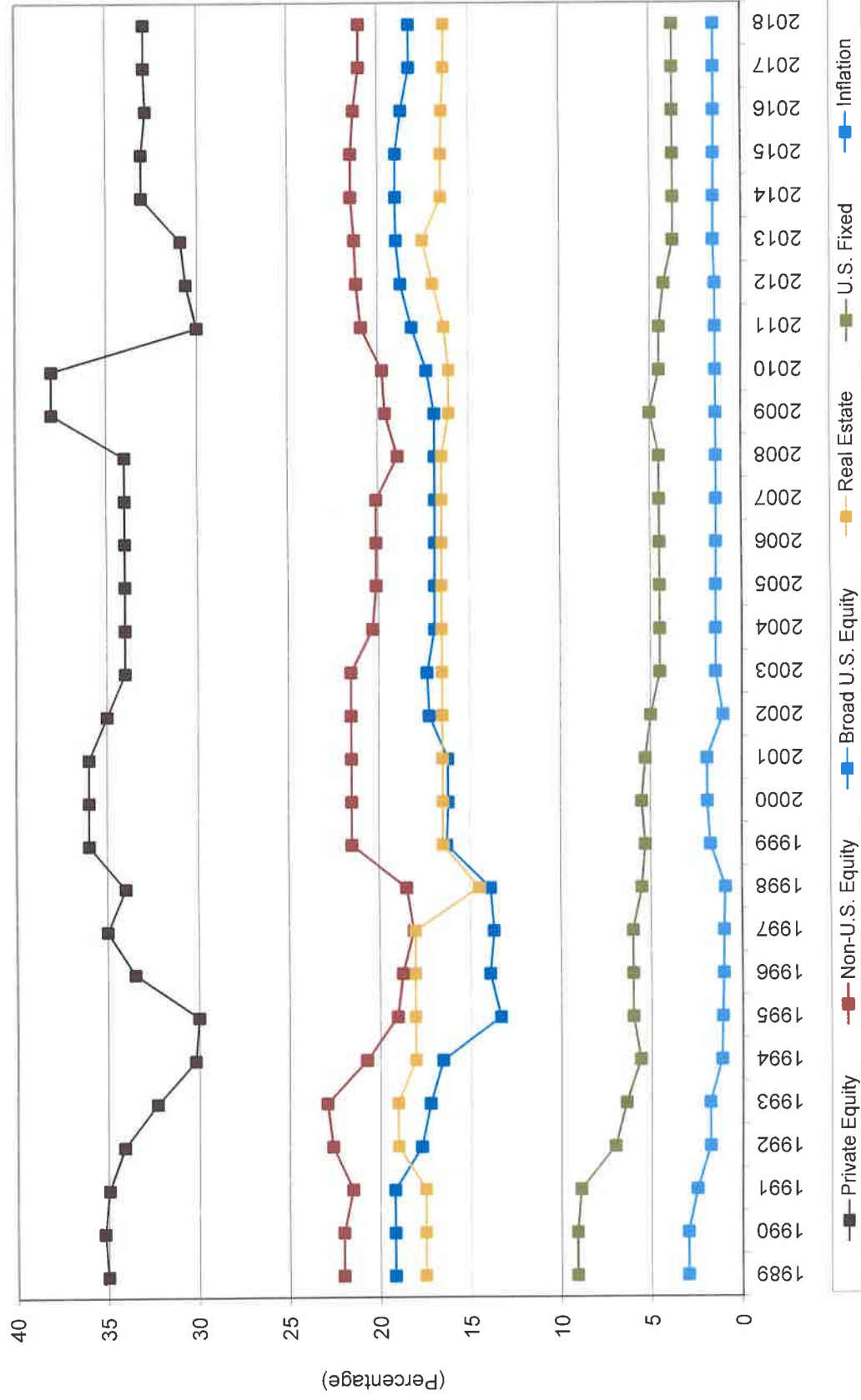
Return Projections

1989 - 2018



Risk Projections

1989 - 2018



2018 Capital Market Projections – Efficient Mixes

Subdued Returns Even for Risk Portfolios

Asset Class	S&WB NO	Minimum	Maximum	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
Broad US Equity	40.25%	0%	100%	25%	27%	30%	32%	35%
Global ex US Equity	9.00%	0%	100%	19%	20%	22%	24%	26%
Domestic Fixed	37.00%	0%	100%	40%	35%	30%	25%	20%
Real Estate	3.25%	0%	100%	8%	9%	9%	10%	11%
Hedge Funds	8.75%	0%	100%	9%	9%	9%	9%	9%
Cash Equivalents	1.75%	0%	100%	0%	0%	0%	0%	0%
Total	100%			100%	100%	100%	100%	100%
Total Growth	61.25%			60%	65%	70%	75%	80%

Asset-Only

10 Yr Expected Return	5.64%	5.62%	5.80%	5.98%	6.14%	6.30%
Standard Deviation	10.05%	9.78%	10.64%	11.51%	12.38%	13.27%
Projected Sharpe Ratio	0.329	0.336	0.326	0.316	0.307	0.298

- S&WBNO's current target mix has a 10 year expected return of 5.6%.
 - Mix 1 has a similar return target and represents an asset mix from the efficient frontier.
- Mixes 1-5 represent a range of asset mixes that could be considered for the A/L study.
 - What new asset classes to consider?

Peer Group Comparisons

What are Others Doing?

Callan Public Fund DB Plan Sponsor Database
Market Assets between \$100M and \$1B
Actual Allocation as of December 31, 2017, Count =75



- The graph above shows the actual asset allocation for a peer group of public funds of similar asset size.

Next Steps

- Callan will begin the process of building the actuarial liability projection model once the actuary completes their work:
 - January 1, 2018 participant data and
 - January 1, 2018 valuation reports (funding and GASB disclosures)
- Callan is seeking guidance from the Trustees on the following liability model inputs:
 - Workforce changes, if any?
 - *When a plan participant terminates, retires or dies, they are assumed to be replaced by a new hire.*
 - *Through new hires, is the active workforce status quo, growing or declining?*
 - Any proposed benefit design changes?
 - Any changes to the actuarial assumptions?
 - *Should we assume the discount rate will stay at 7%?*
 - *Should we assume any changes to the decrement assumptions? For example, adopting new actuarial mortality tables with future mortality improvement scale?*
- New asset classes to explore with the Trustees?
- Anticipate the liability projection model will be ready in 3-4 weeks once we receive the information from the plan actuary. Stochastic modeling will then be performed. Results of the study to be presented at July meeting.

Disclaimers

This report is for informational purposes only and should not be construed as legal or tax advice on any matter. Any decision you make on the basis of this content is your sole responsibility. You should consult with legal and tax advisers before applying any of this information to your particular situation.

This report may consist of statements of opinion, which are made as of the date they are expressed and are not statements of fact.

Reference to or inclusion in this report of any product, service or entity should not be construed as a recommendation, approval, affiliation or endorsement of such product, service or entity by Callan.

Past performance is no guarantee of future results.

The statements made herein may include forward-looking statements regarding future results. The forward-looking statements herein: (i) are best estimations consistent with the information available as of the date hereof and (ii) involve known and unknown risks and uncertainties such that actual results may differ materially from these statements. There is no obligation to update or alter any forward-looking statement, whether as a result of new information, future events or otherwise. Undue reliance should not be placed on forward-looking statements.



FFC INVESTMENT ADVISORS

of

RAYMOND JAMES®

March 26, 2018

Sewerage and Water Board of New Orleans
625 St. Joseph Street, Room 237
New Orleans, LA 70165
c/o Tim Viezer, PhD, CFA, CAIA
Chief Investment Officer

Dear Mr. Viezer:

After careful consideration, I am resolute and enthusiastic to announce that together with key members of my FFC Capital team, I have joined Raymond James & Associates, Inc. as a Managing Director in its Louisiana Complex.

We've decided to accept this powerful opportunity with Raymond James because we trust their complement of uncompromising service, advanced technology and comprehensive range of investment alternatives will enable us to address more of your investment and financing needs and will significantly enhance the level and more importantly, the quality of service we can provide you. As our long-time and valued client, we ask you to continue to afford our team the privilege of working with your portfolio, and invite you to join us in this new affiliation.

Raymond James & Associates is a member of the New York Stock Exchange and the Securities Investor Protection Corporation. It is a wholly owned subsidiary of Raymond James Financial, Inc. (NYSE-RJF), a well-capitalized firm whose subsidiaries employ more than 7,100 Financial Advisors in 2,900 offices throughout the United States, Canada and internationally. Raymond James has approximately \$617 billion in total client assets and provides investors trade executions on all major exchanges.

Going forward doing business as **FFC Investment Advisors of Raymond James**, our group will continue to offer a broad array of investment programs and wide-ranging financial services now including, but not limited to: investment banking, cash and asset management; institutional consulting; retirement plans; custody & prime brokerage; and trust services.

We are quite confident that you will gain measurable benefits from our new affiliation with Raymond James & Associates.

You should expect me to personally reach out to you to discuss the required next steps for the possible continuation of your advisory relationship(s) with our team. If in the meantime, you have questions, please call us at 504-299-2990 or email me at octave.francis@raymondjames.com.

With kind regards,

Respectfully,

Octave J. Francis III, CIMA®
Managing Director
Senior Vice President, Investments



EMPLOYEES' RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD

DRAFT Professional Services Procurement Policy

PURPOSE

This purpose of this procurement policy is to provide a prudent and transparent process for procuring competent external professional services for the Employees' Retirement System ("ERS") of the Sewerage & Water Board of New Orleans ("S&WB").

BACKGROUND

The Board of Trustees ("BoT") of the ERS has adopted the CFA Code of Conduct for Members of a Pension Scheme Governing Body ("Code of Conduct"). This Code of Conduct requires trustees to take actions that are consistent with the mission of the ERS, which is "to prudently manage an actuarially sound pension solely in the interest of participants and beneficiaries in a cost-effective manner." Louisiana RS 11:3821 and the Code of Conduct together require trustees to act with prudence and reasonable care. Pension schemes typically hire experts to advise, direct, and implement trustee decisions. It is prudent and cost-effective to delegate certain responsibilities to external parties (e.g., investment managers, consultants, custodians, actuaries, etc.). Trustees can rely on these third-party service providers provided that the trustees have made reasonable and diligent efforts to:

- Determine that the service providers act with appropriate skill, competence, and diligence.
- Determine that third-party experts are independent and free of conflicts of interest and have proper incentives to act in the best interest of the fund participants.
- Ensure that the third-party experts' decisions have a reasonable and adequate basis and that the decision process is adequately documented.

Trustees must consider whether the position of the pension scheme is enhanced by any investment or action. They must place the interests of ERS participants and beneficiaries first before all other considerations. The Code of Conduct provides this guidance:

*"Trustees may consider the position of other stakeholders when carrying out their duties to the fund. If appropriate under applicable law, it is acceptable for a trustee to consider the impact that the investment of scheme assets may have – for example, creating jobs or stimulating industry in a local area – **so long as the interests of the participants and beneficiaries remain paramount.**" [Emphasis added]*

One such consideration is the Sewerage & Water Board of New Orleans' Economically Disadvantaged Business Program ("EDBP"). This Procurement Policy will follow industry practices to ensure that EDBP firms have the opportunity to compete for business serving ERS while holding the best interests of the pension scheme as dominant when making professional services procurement decisions.



EMPLOYEES' RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD DRAFT Professional Services Procurement Policy

RESPONSIBILITIES

Board of Trustees: Approves and ensures compliance with the ERS Professional Services Procurement Policy.

Pension Committee: Selects and terminates external investment managers, custodians and external auditors (if different from that used by the S&WB), actuaries, external legal counsel, and other ancillary investment services and authorizes contract negotiations by Pension Committee resolution.

Chief Investment Officer ("CIO"): (1) may initiate the procurement process and draft Request for Proposals ("RFP"), (2) participates and leads the Proposal Selection Committee, (3) may conduct verifying on-site due diligence, (4) provides recommendations to the Pension Committee about hiring and firing third-party investment service providers, and (5) executes contracts with those providers selected by the Pension Committee.

General Investment Consultant ("Consultant"): Provides the Pension Committee with the best investment manager candidates from which the Pension Committee will choose. The Consultant's recommendation will be based upon what it believes in its professional judgment to be the best fit for the ERS portfolio structure and if an active manager, most likely to outperform its market in the future based upon drivers such as investment philosophy/strategy, process, resources and factors such as organization culture and alignment of interest. The Consultant may recommend investment managers for termination.

Proposal Selection Committee: Evaluates RFPs received for investment-related professional services excluding investment managers and provides its top-ranked candidates from which the Pension Committee will choose. These service providers include Consultant, investment operations consultant, custodian, actuary, external auditor, external legal counsel, securities lending, etc. The Proposal Selection Committee should be composed of three individuals with pension, investment, and/or financial knowledge and experience. The Proposal Selection Committee will be composed of: (1) the CIO, (2) the Chief Financial Officer ("CFO") or his/her designee, and (3) an attorney from the S&WB Office of Special Counsel. If any of these positions are vacant, the Executive Director of ERS may appoint a professional from within or outside of S&WB with the consent of the Pension Committee.

S&WB Purchasing Department: advertises and posts RFPs for non-investment manager services, collects and distributes responses to the Proposal Selection Committee. The S&WB Purchasing Department will maintain historical files on all contracts (investment managers and other third-party investment-related service providers). The contract files



EMPLOYEES' RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD DRAFT Professional Services Procurement Policy

will contain all original documents submitted to the Proposal Selection Committee and Pension Committee.

S&WB Office of Special Counsel: Along with the CIO or CFO, prepares the contract with the service provider selected by the Pension Committee.

S&WB Internal Audit: Assists the BoT by reviewing on a periodic or as-needed basis, compliance with the ERS Professional Services Procurement Policy.

ERS Executive Director: May authorize, with written concurrence of the Special Counsel, emergency procurements for pension/investment-related professional services excluding investment managers which deviate from the procedures detailed herein when there exists a threat to the orderly functioning of the ERS, provided that any emergency procurement must be made with as much competition as is practicable under the circumstances and in compliance with applicable law. A written determination of the basis for the circumstances and for selection of the particular service provider must be included in the contract file. The ERS Executive Director must provide written notice to the BoT within seven (7) calendar days of granting the exception, explaining why the exception was granted.

If any of these positions on the Proposal Selection Committee are vacant, the ERS Executive Director may appoint a professional from within or outside of S&WB with the consent of the Pension Committee. Moreover, if the CIO position is vacant, the ERS Executive Director may retain a firm with specialized expertise in conducting investment consultant searches to advise or assist in analyzing the RFQ/RFP responses. Should the ERS Executive Director engage a non-S&WB-employee individual or firm to advise or assist in the construction, administration, and analysis of the RFQ/RFP, that individual or firm will be required to submit a letter affirming that no conflict of interest exists and full compliance with the disclosure requirements.

PROCUREMENT PROCESS

The procurement process will depend upon the desired type of service. The procurement process differs in that the Pension Committee will receive recommendations from: (a) the Consultant for investment manager candidates and (b) the Proposal Selection Committee for all other pension/investment-related service providers. Regardless of the type of service, all selection decisions (excluding emergencies) will be made by the Pension Committee, contracted by the S&WB Office of Special Counsel, and advertised by the S&WB Purchasing Department, which will also maintain historical files on all contracts.



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Sourcing Candidates

Investment Managers

When the need for a third-party investment manager (including transition managers) has been determined, the S&WB Purchasing Department will announce the need in the Official Journal of the City of New Orleans and at least one other appropriate publication (e.g., "Pensions & Investments," "FundFire," "Trusted Insight," etc.). The announcement will state the needed mandate and direct interested parties to the Consultant. The Consultant will advise interested parties what information is required for their database. The Consultant's directions will be posted at all times (i.e., whether a search is being conducted or not) on S&WB's website.

The Consultant will use their investment manager research process to vet investment managers and to propose candidates to the Pension Committee based upon the Consultant's judgment of the best fit in the portfolio and greatest confidence in the investment manager's capabilities to fulfill the given mandate. The Consultant is expected to adhere to its investment manager research process described to the Pension Committee when the Consultant was hired.¹ The Consultant is required to adhere to its standard vetting process and is not required to afford any special consideration outside of its standard vetting process with regard to candidates responding to S&WB Purchasing Department's announcements.

As it would be in investment managers' interest to be included in the Consultant's database as soon as possible, their data requirements shall be posted on S&WB's website as soon as possible after the Consultant is hired. The CIO and trustees will also direct all investment managers he/she meets to the Consultant. Moreover, in advance of any planned major restructuring of the pension portfolio, the CIO and consultant will conduct an advertised public meeting to advise interested investments how to be considered by the Consultant.

The Consultant will discuss with the CIO candidates for consideration by the Pension Committee, but only candidates approved by the Consultant's internal process will be presented to the Pension Committee. The CIO may conduct on-site due diligence on the candidates recommended by the Consultant to verify and better understand the Consultant's recommendation.

¹ When hiring the General Investment Consultant, the RFP should consider the Consultant's research process as it related to Minority Business Enterprises, Women's Business Enterprises, Disadvantaged Business Enterprises, and Small Disadvantaged Businesses.



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Other Service Providers (Non-Investment Managers)

When the need for third-party pension/investment-related professional services excluding investment managers has been determined, the S&WB Purchasing Department will announce the need in the Official Journal of the City of New Orleans and at least one other appropriate publication (e.g., "Pensions & Investments," "FundFire," "Trusted Insight," etc.).

The CIO will begin preparation of either (1) Request for Qualifications ("RFQ") or (2) Request for Proposals. The RFQ/RFP must include, but are not limited to the following:

1. Purpose, Background, and Scope of Project
2. Description of Work to be Performed and Objectives to be Met
3. Deadline for Proposals
4. Identity of Contact Person
5. Timetable for Selection
6. Qualification of Personnel
7. Fees and Costs²
8. Relevant ERS Policies
9. Criteria for Evaluation and the Relative Weight Attached to Each

The criterion used and their respective weightings will be established in the RFQs and RFPs by the CIO. The CIO may include criterion such as EDBP certification and location of firm in Orleans Parish (if appropriate), but their weights are limited to 5% to 10% in aggregate of the (100%) total.

Once the RFQ or RFP has been issued, a pre-proposal conference *may* be held for all parties interested in submitting proposals. Potential proposers will receive copies of all questions posed at the conference along with their answers. Any questions not raised at the pre-proposal conference from prospective proposers must be submitted to the S&WB Purchasing Department and answered by the CIO in writing and provided through the S&WB Purchasing Department. All documentation from the pre-proposal conference, along with additional questions posed to ERS will be preserved in the contract folders; originals will be sent to the S&WB Purchasing Department.

Once RFQs/RFPs have been issued, the CIO, Proposal Selection Committee, Pension Committee, and other BoT members should not discuss the solicitation with prospective proposers except at Proposal Selection Committee meetings or Pension Committee meetings, respectively. If any of the above are contacted, they should refer the proposer to the appropriate staff member of the S&WB Purchasing Department.

² Fees and costs shall not be requested on any respondents on RFQ/RFP issued for the selection of providers of design services (La R.S. 38:2318.1).



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The Proposal Selection Committee will evaluate responses to the RFQ/RFP using the ranking criteria and their respective weightings established in the RFQ/RFP. The Proposal Selection Committee will meet with the S&WB Procurement Director in a recorded public meeting to report their scoring. Responsive parties may be invited for oral interviews before the Proposal Selection Committee.

The CIO will determine whether on-site due diligence would be appropriate. The purpose of the on-site due diligence is to confirm the information provided in the RFQ/RFP of the top two or three highest-ranked candidates. The Proposal Selection Committee will determine whether the CIO ought to conduct due diligence on the top two (2) or the top three candidates (3). The CIO will report his/her findings in writing to the Proposal Selection Committee. Based upon the CIO's written report, the Proposal Selection Committee will decide whether to disqualify a candidate. If a candidate is disqualified, the Proposal Selection Committee will then determine whether a recommendation should be given to the Pension Committee with the remaining candidates, or whether the CIO should conduct due-diligence on the next highest-ranked candidate, or to reissue the RFQ/RFP. The CIO will report the Proposal Selection Committee's decision to the Pension Committee.

If only one RFP response is received, the CIO will determine whether to proceed with a single candidate or reissue the RFQ/RFP. If the CIO decides to proceed with a single candidate, the Proposal Selection Committee will then evaluate the sole RFQ/RFP response to determine whether that the candidate adequately meets the stated requirements. If the Proposal Selection Committee agrees with the decision to proceed, a recommendation will be made to the Pension Committee along with evidence by the S&WB Purchasing Department that a good faith effort was made to obtain proposals from other firms including documentation that public advertisement including notice to interested parties was made. The Pension Committee will then be given the recommendation and response to determine by vote whether to proceed with an interview or reissue the RFQ/RFP. If the Proposal Selection Committee disagrees by a majority vote, the RFQ/RFP will be reissued. If a second attempt to secure additional responses to the RFQ/RFP is unsuccessful, the Pension Committee will decide the appropriate course of action with advice from the CIO.

All Proposal Selection Committee notes ranking the candidate RFQs/RFPs, oral interviews, and CIO on-site due diligence will be filed by the CIO in the project's file.

Selecting Candidates

Generally at least two (2) candidates for any mandate (investment managers or pension/investment-related professional services excluding investment managers) will be presented to the Pension Committee for oral presentations at a regularly scheduled Pension Committee meeting. For each of their respective areas of responsibility, the



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Consultant or Proposal Selection Committee will determine whether only one (1) or more than two candidates will be presented from which the Pension Committee will select.

The Consultant will also provide reports on each candidate and a recommendation on hiring investment managers. The CIO may also deliver a separate recommendation but only on the investment manager candidates presented by the Consultant.

The CIO will present the Proposal Selection Committee's ranking and on-site due diligence report as well as the finalists' RFQ/RFP responses for pension/investment-related professional services excluding investment managers.

The Pension Committee will select a candidate by vote and resolution and recommend the commencement of contract negotiations. The CIO will execute the S&WB Office of Special Counsel-approved contract and file a copy with the S&WB Purchasing Department.

DISCLOSURE REQUIREMENTS

Each RFQ/RFP shall require the submission by each respondent of a cover letter that includes the following:

- Identify any possible relationships that might impair their ability to perform if awarded the contract, including any familial or business relationships that the firm, the proposed sub-consultants, and their principals have with members of the ERS, S&WB, or any of its employees.
- Respondents are directed to review the Louisiana Code of Ethics (Louisiana Revised Statutes Title 42:1101-1125) as a non-exclusive reference for information regarding ethics and conflicts of interest.
- Affirmation that there is not a conflict of interest.
- Although the use of subcontractors is rare in the mandates used by ERS, respondents shall also be required to identify all proposed subcontracts to be utilized in connection with the project. The successful respondent shall notify the Board of any change in subcontractors and obtain prior approval of the use of any new subcontractors before they can begin work on the project.

Each member of the Proposal Selection Committee shall submit a signed statement prior to review of the proposals and the ERS Executive Director shall include a signed statement prior to any emergency procurement that deviates from this Procurement Policy (as described above) that includes the following:




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"I hereby certify that I have no personal interest, economic or otherwise, in the proposed contract with the ERS for which I am evaluating bids on the RFQ and/or RFP as member of the Proposal Selection Committee. Further, I certify that I have no relationship with any of the proposers or bidders, be it economic or otherwise that would affect my ability to be fair and impartial in the review/selection process."

Members of the Pension Committee will be read the above statement and asked verbally whether they need to recuse themselves from a decision.

The Consultant will annually provide a disclosure on conflicts of interest.

 <p>Sewerage and Water Board of New Orleans 625 St. Joseph Street Cedric S. Grant, Executive Director</p>	Policy Memorandum No: 95
	Revised October 15, 2014
	PROFESSIONAL SERVICES PROCUREMENT POLICY
TO: All Sewerage and Water Board Employees	

I. INTRODUCTION

Professional Services must be competitively selected in accordance with this Policy. The qualifying factors for Professional Service contracts are as follows:

- Contracts for a personal service of a professional character, i.e., attorney, doctor, engineer, etc.
- Requirements of a technical skill or experience of a high degree in a recognized discipline.
- Service which requires advanced study or training in a specialized field.

Professional Service contracts under the sum of \$15,000 may be issued at the discretion of the department head. Professional Service contracts in excess of \$15,000 shall be entered into using the following selection procedures.

Professional Service contracts will be entered into when a need has been determined based on the lack of specific knowledge or available staff time to complete work or on the determination to transfer the risk of the work to another employer. Every reasonable effort will be made to use S&WB personnel. These contracts must be routed to Civil Service for final approval. Professional Service contracts will not be entered into if there are insufficient funds available, as determined by the Executive Director, General Superintendent or Deputy Director, to cover the cost of the contract.

While the goal of disadvantaged business participation in these contracts is 35%, it is recognized that not all contracts lend themselves to this level. Therefore, all professional service contracts whose value exceeds \$15,000 must be submitted to the Staff Contract Review committee for determination of the recommended percentage of disadvantaged business enterprise participation.

Unless contracted using emergency procedures, all Professional Service contracts above \$15,000 must receive Board approval; selection of the firm and authority to negotiate and enter into a contract must be given by the Board in a Board resolution.

The following identifies the personnel/departments involved in the contracting process and their responsibilities:

A. PURCHASING DEPARTMENT: The solicitation process for all professional and service contracts will be maintained in this department. Historical files on these contracts will be maintained here. The contract files will contain all original documents assembled by the Contract Administrator during the solicitation and selection process, as well as those original documents produced by the Purchasing Department. The Purchasing Department may also periodically survey potential contractors who did not submit proposals or qualifications. Information received in these surveys, when performed, will be used to identify any problems indicated which these contractors feel limit their interest in participation.

B. CONTRACT ADMINISTRATOR: This person is recommended by the department head requesting the contract and is approved by the Executive Director, Deputy Director, General Superintendent, or Deputy General Superintendent. The appointed Contract Administrator should obtain the necessary training in development of requests for qualifications and requests for proposals as well as the evaluation of proposals.

The Contract Administrator directs the preparation of RFQ's and RFP's; checks references supplied by proposal respondents; and is responsible for assembling the procurement documents including all ranking data, reference checks, and interview notes assembled during the selection process. All original documents must be turned over to the Purchasing Department by the Contract Administrator; the Contract Administrator may retain copies of all original documents in departmental files.

C. PROPOSAL SELECTION COMMITTEE: The purpose of the Proposal Selection Committee is to conduct an independent and objective evaluation of proposals. This committee-evaluates and ranks the responses to the RFQ's and RFP's and prepares a ranking of the respondents. The committee is composed of the following five employees: 1) General Superintendent or designee; 2) Deputy Director or designee; 3) Department Head requesting the service or designee; 4) Employee who will manage and monitor the contract and 5) An expert (employee or non-employee) in the field as determined by the Executive Director. For complex procurements, the Selection Committee may retain firms with specialized expertise to advise or assist in analyzing the RFQ/RFP responses. Should the Selection Committee engage a non-employee individual or firm to advise or assist in the analysis of the RFQ/RFP, that individual or firm will be required to submit a letter

affirming that no conflict of interest exists and full compliance with the disclosure requirements.

All meetings of the Selection Committee shall be open to the public and in compliance with Louisiana Open Meetings law.

D. PROFESSIONAL RFQ/RFP CONSULTANT: This contractor may be hired upon Board approval to prepare, or help prepare Requests for Qualifications and Proposals where additional expertise beyond that available from S&WB personnel is necessary to prepare these requests.

E. S&WB COMMITTEE: Approves or disapproves the selection made by the Selection Committee and presents its recommendation to the Board of Directors.

F. BOARD OF DIRECTORS: Approves or disapproves the recommendation of the Committee and authorizes contract negotiations and preparations by Board resolution.

G. LEGAL DEPARTMENT: Personnel in the Legal Department, along with the Contract Administrator and appropriate staff, prepare the contract with the selected firm.

H. ROUTING DEPARTMENTS: Following a timeline set by the Contract Administrator, personnel in the departments listed below review the contract to ascertain that it complies with all policies, regulations, and requirements under their jurisdiction:

ORIGINATING DEPARTMENT
ECONOMICALLY DISADVANTAGED BUSINESS PROGRAM
INTERNAL AUDIT
RISK MANAGEMENT
LEGAL DEPARTMENT
GENERAL SUPERINTENDENT OR DEPUTY DIRECTOR
EXECUTIVE DIRECTOR
CIVIL SERVICE

Approval of the contract is indicated by the department's signature on the contract approval sheet; recommended changes are submitted to the Contract Administrator by memorandum.

I. CIVIL SERVICE: Civil Service reviews and approves all Professional and Personal Services contracts in accordance with Rule III, Section 6.2 of the Rules of the Civil Service Commission, City of New Orleans.

J. S&WB PRESIDENT/S&WB PRESIDENT PRO-TEMPORE OR AS OTHERWISE AUTHORIZED BY THE BOARD: Signs the contract.

II. REQUEST FOR QUALIFICATIONS/REQUEST FOR PROPOSALS SELECTION PROCEDURES

When the need for a professional contract has been determined, the Contract Administrator will begin the preparation of either (1) Request for Qualifications or (2) Request for Proposals. These documents will be prepared either by (a) an in-house committee composed exclusively of S&WB personnel, (b) a consultant firm hired specifically for their expertise and technical knowledge of the project, or (c) a committee composed of in-house and consultant personnel. Requests for Qualifications and/or Requests for Proposals will be advertised in the Official Journal of the City of New Orleans and other appropriate publications, as well as, electronic media.

Request for Qualifications and Request for Proposals must include, but are not limited to the following:

1. Purpose, Background, and Scope of Project
2. Description of Work to be Performed and Objectives to be met
3. Deadline for Proposals
4. Identity of the Contact Persons
5. Timetable for Selection
6. Qualification of Personnel
7. Sewerage and Water Board Policies and Procedures
8. Economically Disadvantaged Business Participation Requirement
9. Criteria for Evaluation and the Relative Weight Attached to Each

Weightings for each criterion will be established in the Request for Proposals and Request for Qualifications. Except as determined by the Executive Director upon recommendation of staff, the following criterion are standard and should be included in every Request for Proposals and Request for Qualifications:

1. Specialized Experience and Technical Competence
2. Performance History, including cost control, work quality and ability to Meet schedules and deadlines
3. Location of firm in Orleans Parish
4. Company size and Capability of Completing the Work in a timely fashion
5. Economically Disadvantaged Business Participation Requirement

Other weighting criterion which may be included in the Request for Proposals and Request for Qualifications may include but are not limited to:

1. Fees and Costs for Proposed Service
2. Anticipated schedule and Provisions for Ensuring Adherence to Project Schedule

Once Requests for Proposals have been issued, a pre-proposal conference may be held for all parties interested in submitting proposals. Potential proposers will receive copies of all questions posed at the conference along with their answers. Any questions not raised at the pre-proposal conference from prospective proposers must be submitted to the Purchasing Department and answered by the Purchasing Department in writing. All documentation from the pre-proposal conference, along with additional questions posed to the committee will be preserved in the contract folders; originals will be sent to the Purchasing Department.

If only one response from the Request for Proposals is received, evidence must be presented to the Board that the service provider possesses proprietary processes or that good faith effort was demonstrated to obtain proposals from other firms. The Purchasing Manager must document to the Board that public advertisement, including notice to potential or interested consultants, was made and providing further documentation that additional solicitation is expected to be fruitless. The Board may give its approval not to continue advertising for proposals based on the evidence.

If a second attempt to secure additional responses to the RFP's is unsuccessful, the Purchasing Manager may convey information to the Board regarding the single responsive party.

Once Requests for Qualifications/Proposals have been issued, the Selection Committee members and Board members may not discuss the solicitation with prospective proposers except at Selection Committee meetings or Board meetings, respectively. If the Selection Committee members or Board members are contacted, they should refer the proposer to the appropriate staff member of the Purchasing Department.

Responses to the Request for Proposals will be evaluated by the Selection Committee. Ranking criteria and its weighting will be established in the Request for Proposal. The responsive parties will be ranked using the above described suggested criteria.

Fees and costs shall not be requested of any respondents on RFQ/RFP issued for the selection of providers of design services (La. R.S. 38:2318.1).

Responsive parties may be invited for oral interviews before the Selection Committee. All committee notes ranking the companies' RFQ's, RFP's, and oral presentations will be filed by the Purchasing Manager in the project's file. The recommended proposal will be presented to the appropriate Board Committee with a request to enter into a contract with that respondent. The Committee will then approve or disapprove of the Selection Committee's recommendation and present its recommendation to the full Board for its approval.

The Board of Directors shall either approve the contract with the selected respondent or terminate the procurement process for these services. Upon

receiving Board approval, staff may conclude any remaining contract negotiations with the selected respondent.

The Executive Director or General Superintendent may authorize emergency procurements which deviate from the procedures detailed herein when there exists a threat to public health, welfare, or safety under emergency conditions, provided that any emergency procurement must be made with as much competition as is practicable under the circumstances and in compliance with applicable law. A written determination of the basis for the circumstances and for selection of the particular contractor must be included in the contract file.

The Executive Director or General Superintendent, with the written concurrence of the Special Counsel, may make additional written exceptions to the procedures promulgated herein as required to meet emergency situations or as otherwise may be in the Board's best interests. The Executive Director or the General Superintendent must provide written notice to the Board Members within seven (7) days of granting the exception, explaining why the exception was granted.

The Purchasing Manager may authorize solicitation, without the need for formal advertising, the names of at least three firms from a list of pre-qualified firms who have been vetted through a selection process, kept and maintained by the City of New Orleans, its Departments, Boards and Commissions, Unattached Boards and Commissions, or other related entities, and present the same to a Proposal Selection Committee for evaluation and recommendation.

III. CONTRACT MONITORING AND REPORTING

The Contract Administrator shall file a written standardized evaluation report upon the completion of a contract and file same with Purchasing Department Manager.

IV. DISCLOSURE REQUIREMENTS

Each RFQ/RFP shall require the submission by each respondent of a cover letter that includes the following:

- Identify any possible relationships that might impair their ability to perform if awarded the contract, including any familial or business relationships that the firm, the proposed subconsultants, and their principals have with members of the Sewerage and Water Board of New Orleans or any of its employees.
- Respondents are directed to review the Louisiana Code of Ethics (Louisiana Revised Statutes Title 42:1101-1125) as a non-exclusive reference for information regarding ethics and conflicts of interest.
- Affirmation that there is not a conflict of interest
- Respondents shall also be required to identify all proposed subcontracts to be utilized in connection with the project. The successful respondent shall notify the Board of any change in



subcontractors and obtain prior approval of the use of any new subcontractors before they can begin work on the project.

Each member of the Proposal Selection Committee shall submit a signed statement prior to review of the proposals that include the following:

I hereby certify that I have no personal interest, economic or otherwise, in the proposed contract with the Sewerage and Water Board of New Orleans for which I am evaluating bids on the Request for Qualifications and/or Request for Proposals as a member of the Review Panel and/or Selection Committee. Further, I certify that I have no relationship with any of the proposers or bidders, be it economic or otherwise that would affect my ability to be fair and impartial in the review/selection process.

V. PENALTIES FOR NON-COMPLIANCE

Contractors' failure to comply with the Rules and Regulations of the Sewerage and Water Board of New Orleans, laws of the State of Louisiana or City of New Orleans, including, but not limited to, disclosure requirements, financial reporting, EDB Participation requirements, may result in monetary damages or termination of the contract.

Legal Approval		Date: 10/20/14
Executive Director Approval		Date: 10/20/14

Revision No.	Issue Date	Reason for Revision
	10/15/14	Revision

POLICY UPDATE: Sewerage and Water Board of New Orleans reserves the right to review and update its policies and procedures, as deemed necessary, at any time.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
POLICY CERTIFICATION

Pursuant to City Of New Orleans Executive Order MJL 10-05, on competitive selection procedure for procurement and award of professional service contracts, the following is hereby certified.

- (1) Sewerage and Water Board of New Orleans Policy Memorandum No. 95, Professional Services Procurement Policy, (Revised October 15, 2014) provides procedures that are consistent with the purposes and intent of the City Charter.
- (2) The Sewerage and Water Board of New Orleans may use the procedures outlined in this Professional Services Procurement Policy as an alternative competitive procedure, and Executive Order MJL 10-05 shall not apply to the Board.

The above is hereby certified by the City Attorney, in her capacity as a representative of the Mayor of the City of New Orleans.

Date: _____
Sharonda Williams, City Attorney
Representing the Mayor of the City of New Orleans