

**Regular Meeting
Board of Trustees
of the Employees' Retirement System
of the City of New Orleans
Purchasing Conference Room
1300 Perdido Street, Room 4W05
July 18, 2012
9:05 a.m.**

Trustees Present:

Dr. Edgar L. Chase, III, Chairman
Ms. Lisa M. Hudson, Vice Chairperson
Mr. Norman S. Foster, Treasurer/CFO
Ms. Courtney B. Bagneris
Mr. Robert Gebrian

Others Present:

Jesse Evans, Jr., Director of Employees' Retirement System
Janet H. Easterling, Adm. Support Supervisor, Employees' Retirement System
Kimberly Smith, City Attorney's Office
Harby Kreeger, Morgan Stanley Smith Barney
Michael Kreeger, Morgan Stanley Smith Barney
Jane Armstrong, Phelps Dunbar
David Harris, Nyhart
Randall Stanley, Nyhart
Miles Babin, City Attorney's Office
Kevin Hagan, Mayor's Office
Lynne Schackai
Joseph McLane, Delaware Investments
Roger Early, Delaware Investment
Mailon Kimpson, Motley Rice
Badge Humphries, Motley Rice
Chris Moriarty, Motley Rice
Mary Kay Zamora, Chief Procurement Officer

The chairman requested a roll call of present members and called the meeting to order at 9:05 am.

RFP for Investment Consultant Mr. Evans informed the Board that two of the five firms did not meet the minimum requirements for the RFP for Investment Consultants; however, calls were made to the two firms requesting additional information in order to meet the minimum qualifications. He said the minimum qualification was "the firm must have provided investment consulting services for a minimum of three years to at least three public employee retirement systems with at least one public employee retirement system with assets in excess of \$100 million." Mr. Evans said that one of the firms is the incumbent consultants; however, they may be able to provide information, in order to meet the minimum qualification.

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Ms. Zamora said that there are a couple of options; 1) wait to see whether both firms provide the requested information, in order to meet the minimum qualifications, 2) interview the firms who meet the RFP qualifications, 3) evaluate the firms based on their interview, 4) If the board does not like any other the firms interviewed, then, the RFP can be thrown out, 5) Board starts over. The Board decided to wait for the additional requested information from the two firms who did not meet the minimum qualification before moving forward with the RFP for investment consultants.

Mr. Foster arrived to the meeting.

PRESENTATIONS

Five Year Actuarial Study by Nyhart Mr. Stanley gave a brief overview of the firm. Mr. Harris made a presentation on the Five Year Actuarial for the period of 2006-2010. Mr. Harris recommended the following changes:

- 1) A new retirement assumption table be employed that narrows the gap between expected and actual retirements, because of the pattern of actuarial losses due to the expectation of greater levels of retirement among members.
- 2) Adjust assumption to better align expected turnover with historical experience.
- 3) Employ a unisex table related to the incidence of disability in similar amounts for males and females.
- 4) The current mortality assumptions for healthy lives should be updated to the RP-2000 combined healthy mortality table (sex-distinct), because the current assumption 1971 GAM is producing actuarial losses as members are living to older ages than anticipated by the current tables.
- 5) The current mortality assumptions for disability lives should be updated to the RP-2000 Disabled Mortality Table (sex-distinct) due to the occurrence of death among the disabled population being greater than what is anticipated using the 1971 GAM (a table for healthy lives).

Mr. Conefry said that he will address the recommendations made regarding the five year actuarial study.

Annual Actuarial Valuation Mr. Conefry handed out and summarized a two-page key facts sheets for the December 31, 2011 Annual Actuarial Valuation and notes on historical investment performance returns as follows:

- There are 2,289 active members with an active payroll of \$93.6 million which excluded DROP members.
- Annual inactive payroll for benefit payment of \$36.8 million for 2,123 retirees and beneficiaries, including 150 DROP members with annual benefit payments

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of \$4.4 million.

- Actual Market Value of Assets is \$317,609,637.
- Actuarial Value of Assets (7 year smoothing) is \$379,526,159
- Employer Annual Required Contribution is 20.108%.
- The funding ratio is 74.8%.
- Actual dollar-weighted rates of return; 7.6322% for the period of 1989 to 2011, 2.2439% for the period of 1989 to 1999 and 3.3131% for the period of 2000 to 2011.

A motion was made by Mr. Gebrian and seconded by Ms. Bagneris to accept the Annual Actuarial Valuation. The motion passed unanimously.

2012 DROP Interest Rate Mr. Conefry presented a letter dated July 18, 2012 indicating the 2012 DROP Interest Rate of 0.8954% effective for the period of September 1, 2012 through August 31, 2013. A motion was made by Mr. Gebrian and seconded by Ms. Bagneris to approve the DROP interest rate of 0.8954% for the period of September 1, 2012 through August 31, 2013. The motion passed unanimously.

Employer Contribution Rate for 2013 Mr. Conefry presented the recommended employer annual contribution rate of 20.108% for the year 2013. A motion was made by Mr. Gebrian and seconded by Dr. Chase to adopt the recommended employer contribution rate of 20.108% for the year 2013. The motion passed unanimously.

OLD BUSINESS

Rewrites of Chapter 114 – IRS Favorable Determination Letter Ms. Armstrong informed the Board that the IRS favorable determination letter was received after the June board meeting. She drafted administrative procedures related to tax compliance regarding the IRS favorable determination letter that needs to be signed by Dr. Chase. Mr. Evans pointed out that language needs to be changed regarding vesting for the administrative procedures. Ms. Armstrong stated that she will correct the administrative procedure regarding tax compliance for the next Board meeting. She informed the Board that the rewrites of Chapter 114 need to be approved by the City Council. Ms. Armstrong handed out a reconciliation table of the rewrites of Chapter 114.

City Council Motion to Employ Special Counsel no change.

NEW BUSINESS

The Board agreed to schedule its next regular meeting for Wednesday, August 15th at 9:00 am pending meeting place.

MONTHLY REPORTS

Minutes of Meeting for April 23rd and May 16th was presented to the Board. A motion was made by Mr. Gebrian and seconded by Ms. Bagneris to adopt the minutes for April 23rd and May 16th. The motion passed unanimously.

Retirements for the month of July 2012 were presented to the Board. A motion was made by Ms. Hudson and seconded by Ms. Bagneris to ratify the retirements for the month of July 2012. The motion passed unanimously.

Report of deceased retirees for the month of July 2012 was presented to the Board. The Board received the report of deceased retirees for the month of July 2012.

Status Report on Transfers as of June 2012 was presented to the Board. The Board received the Status Report on Transfers as of June 2012.

Employer Contribution Report for the month of June 2012 was presented to the Board. The Board received the Employer Contribution Report for the month of June 2012.

COMMITTEE REPORT

Budget Committee Mr. Evans suggested that Dr. Chase appoint the new Board member to Budget Committee since Ms. Schackai is no longer on the Board. Dr. Chase appointed Mr. Gebrian to the budget committee. Mr. Gebrian accepted the appointment to the budget committee.

2011 Audit Mr. Evans informed the Board that the 2011 audit is complete and he will forward the audit report to the Board. He said that Luther Speight will present the 2011 audit at the August meeting.

Trustees Conference Review & Approval Mr. Evans informed the Board of the upcoming 2012 LAPERS Annual Seminar. A motion was made by Ms. Hudson and seconded by Dr. Chase to approve all five Board members attending the 2012 LAPERS Annual Seminar, September 16-18, 2012. The motion passed unanimously.

INVESTMENT COMMITTEE

Delaware Investment Joseph McLane gave an overview of the firm. He said that Delaware Investment was founded in 1929 and has \$171.6 billion under management. Roger Ealy summarized the returns performance since inception. Mr. Ealy discussed the fixed income sectors performance year-to-date. He made a presentation on the portfolio as of June 30, 2012.

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Mr. Foster left the meeting

Morgan Stanley Smith Barney Michael Kreeger discussed the monthly managers' worksheet dated for July 17, 2012. Harby Kreeger briefly talked about the performance of managers. He discussed the bench market returns for June 30, 2012.

Harby Kreeger asked whether funds are needed for payroll. Mr. Evans said that the funds from Societe Generale should be in Wednesday and make August payroll but funds are needed for September payroll. Michael Kreeger suggested that the Board make a motion to allow Mr. Evans to sweep available cash from the IIG, Silver Creek, EIF US Power II, Paladin Capital and Fort Washington, dormant accounts and take \$1 million from Southeastern for payroll. A motion was made by Ms. Hudson and seconded by Dr. Chase to authorized Mr. Evans to sweep cash from Silver Creek, IIG, EIF US Power II, Paladin Capital and Fort Washington and take \$1 million from Southeastern for payroll. The motion passed with four in favor.

Contract Compliance Committee – Status of Contract for Custodian Bank Ms. Smith gave an update on status of the contract for JPMorgan. A motion was made by Dr. Chase and seconded by Ms. Bagneris to move forward with the contract term negotiated with JPMorgan. The motion passed with four in favor.

Headline Risk Committee Ms. Schackai expressed her concerns with the RFP process for investment consultant.

Member Relations Dr. Chase appointed Mr. Gebrian and Ms. Bagneris to the Member Relation Committee.

Staffing Committee Mr. Evans informed the Board that the Retirement Office only has five full-time employees and one part-time employee; however, Pre-Katrina it had fourteen employees and the workloads have reached Pre-Katrina levels. He informed the Board that there are two student workers that will be leaving next month.

EXECUTIVE SESSION

A motion was made by Mr. Gebrian and seconded by Dr. Chase to go into executive session. The motion passed unanimously.

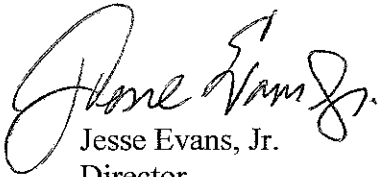
The meeting resumed.

Mr. Foster returned to the meeting.

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A motion was made by Dr. Chase and seconded by Ms. Bagneris to authorize the City Attorney to negotiate in the Board's best interest the payment that may or may not be owed to the attorney that representative Mr. Davis. The motion failed with two in favor and three abstained.

There being no further business, a motion was made by Ms. Bagneris and seconded by Ms. Hudson to adjourn. The motion passed.

A handwritten signature in black ink, appearing to read "Jesse Evans, Jr.", written in a cursive style.

Jesse Evans, Jr.
Director
JE/jhe