

**Regular Meeting
Board of Trustees
Of the Employees' Retirement System
Of the City of New Orleans
Purchasing Conference Room
1300 Perdido Street, 4W05
August 15, 2018
9:30am**

Trustees Present:

Dr. Edgar L. Chase, III, Chairman
Ms. Lisa M. Hudson, Vice Chairperson
Mr. Norman L. White, Treasurer/CFO
Ms. Courtney B. Bagneris, Active Representative
Ms. Marina M. Kahn, Retiree Representative

Others Present:

Jesse Evans, Jr., Director of Employees' Retirement System
Janet H. Easterling, Administrative Support Supervisor
Ian Jones, AndCo Consultant
Bernard Robertson, RWA
Kimberly Smith, City Attorney's Office
Alex Glaser, Phelps Dunbar
Luther Speight & Company, LLC
Mike Conefry & Company, LLC
Jason Burge, Fishman Haygood
Kerry Murphy, Lasky Murphy
Theo Sanders, LAMP
Ed Shanklin
Kurt Gerwitz
Roland Prestenback

The chairman called the meeting to order at 9:30 am.

Annual Actuarial Valuation Mr. Conefry summarized the key facts from the December 31, 2017 annual actuarial valuation as follows:

The annual active payroll is approximately \$120.8 million for 2,716 active member (excluding DROP).

The average annual salary is \$44,480.

The median annual salary is \$38,233.

The average age 44.14.

The average service time 7.50 years.

The average future working lifetime is 14.92 years.

The annual inactive payroll (benefit payment) is approximately \$43.9 million for 2,102 retirees and beneficiaries including 158 DROP members with annual benefit payment of \$4.9 million.

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DROP account balances amount to \$18.2 million.

The average inactive life expectancy is 14.63 years.

The actual market value of assets December 31, 2017 is \$391,827,316.

The actuarial value of assets (7 year smoothing) December 31, 2017 is \$288,233,310.

The total contribution rate is 29.190% of active payroll, or \$35.3 million, less the employee contribution rate of 6.00% of active payroll or \$7.3 million and employer contribution of 23.190% of active payroll or \$28.00 million.

Funding ratio -- actuarial value of assets divided by "Projected Benefit Obligation" is $\$388,233,310/\$571,379,247 = 68.0\%$.

Mr. White arrived to the meeting.

He discussed the notes on historical investment performance, the actual "dollar-weight" rates of return. Compound average rate of returns from 1/1/1989 through 12/31/17: 7.7064%. Compound average rate of returns from 1/1/1989 through 12/31/1999: 11.1429%. Compound average rate of returns from 1/1/2000 through 12/31/2017: 4.7733%.

Ms. Kahn arrived to the meeting.

He talked about the actual market value versus hypothetical market value based on assumed actuarial investment return of 7.50% and actual fund cash flow.

The Board members thanked Mr. Conefry for his services as the Board's actuary over the years.

Mr. Evans informed the Board that a vote is needed to certify the annual actuarial report. A motion was made by Ms. Hudson and seconded by Ms. Bagneris to certify the annual actuarial report. The motion passed unanimously (Ms. Hudson, Ms. Bagneris, Ms. Kahn, Mr. White and Dr. Chase).

Independent Auditor's Report for the year ending December 31, 2017 Mr. Speight made a presentation on the Independent Auditor's Report for the Employees' Retirement System as of December 31, 2017. He discussed the financial highlights as follows:

The Plan's net position restricted for pension benefits for the current year totaled \$393 million as compared to prior year of \$354 million which represented a \$39 million increase.

Net appreciation in fair value reflected a balance of \$47.7 million which represents an increase of \$23.8 million compared to the previous year net appreciation in fair value of \$23.9 million.

Total investments increased from a 2016 level of \$353 million to the reported level of \$389 million for the year 2017.

Total contributions to the Plan were recorded at \$35.5 million for 2017 which reflected a slight decrease from the previous years.

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Mr. Speight said that the report includes subsequent events of pending litigation that has not been settled and the Five Year Actuarial Study that was issued on April 8, 2018. No decisions have been made regarding the recommendations in the study as of the date of the audit report. He said that the Louisiana Legislative Auditor enacted new requirements for all government agencies and non-profits called Agreed Upon Procedures (AUPs) that requires the auditor takes a look into the details of control and transaction levels of the plans. Mr. Speight made a presentation on applying agreed upon procedures for the retirement office.

A motion was made by Dr. Chase and seconded by Ms. Kahn to accept the independent auditor's report for the year ending December 31, 2017. The motion passed unanimously.

Mr. Evans inform the Board that a motion is needed to approve the 2019 employer contribution rate of 23.190% and the employee contribution rate of 6% for the total contribution rate of \$29.190%. A motion was made by Ms. Hudson and seconded by Ms. Bagneris to approve the 2019 employer contribution rate of 23.190% and the employee contribution rate of 6%. The motion passed unanimously.

NEW BUSINESS

Date for next regular meeting The Board scheduled an Investment Committee meeting for September 10, 2018 at 9:00am the location to be determined. The Board's next regular meeting is tentatively scheduled for September 20, 2018 at 9:30am the location to be determined.

COMMITTEE REPORTS

Investment Committee – AndCo Consultant

Performance Report for June 30, 2018 Mr. Jones handed out and discussed the 2018 market environment index returns, dated for August 10, 2018. Dr. Chase suggested inviting Southeastern to the October Board meeting. The Board agreed. He made a brief presentation on the investment performance report dated, June 30, 2018. Mr. Jones said that the year-to-date beginning market value was approximately \$378 million, net contributions -\$6.2 million with gains of \$3.1 million and the ending market value of \$375 million. He said that the year-to-date returns for the fund was 1 percent, as of June 30, 2018.

Funding Liquidity Mr. Jones recommended that the Board take funds from Cornerstone, if funds are needed within the next 60 days. A motion was made by Ms. Hudson and seconded by Ms. Bagneris to authorized Mr. Evans to take funds that are needed for benefit payments and other investment operating expenses from Cornerstone for the next 60 days. The motion passed unanimously (Ms. Hudson, Ms. Bagneris, Ms. Kahn Mr. White and Dr. Chase).

Budget Committee - Trustees Conference Review & Approval Mr. Evans informed the Board that in the package is information on the 6th Annual Southeast Institutional Forum held in Atlanta, Georgia October 23, 2018. He said that one of the Board's litigation firms will be presenting at this forum and it is free to attend.

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Member Relations Committee – Policy Rehired Employees Mr. Evans informed the Board that he had a meeting with a Sewerage & Water Board representative regarding the reciprocal agreement between the two systems. He said that the Board will have to revisit the agreement with Sewerage & Water Board and maybe create a new one.

Contract Compliance Committee Mr. Evans informed the Board that Segal is still reviewing the contract. He said that Segal wants to refer to NOMERS as a multi-employer plan instead of single employer plan. Mr. Glaser said that he will assist Mr. Evans regarding this issue.

Headline Risk Committee nothing to report.

Governance Committee – Diversity and Local Manager Policy nothing to report.

Staffing Committee Mr. Evans informed the Board that he had a meeting with Mr. White regarding staffing and the 2019 budget and there has been no any push back so far on the staffing additions.

MONTHLY REPORTS

Minutes of Regular Meeting for July 19, 2018 was presented to the Board. A motion was made by Ms. Hudson and seconded by Ms. Bagneris to approve the minutes of the Regular Meeting for July 19, 2018. The motion passed unanimously.

Retirements for the month of August 2018 was presented to the Board. A motion was made by Ms. Hudson and seconded by Ms. Bagneris to ratify the retirements for the month of August 2018. The motion passed unanimously.

Report of deceased retirees for the month of August 2018 was presented to the Board. The Board received the report of deceased retirees for the month of August 2018.

Status Report on Transfers for the month of August 2018 were presented to the Board. The Board received the status report on transfers for the month of August 2018.

Employer Contribution Reports for the month of June 2018 were presented to the Board. The Board received the Employer Contribution Report for the month of June 2018.

EXECUTIVE SESSION

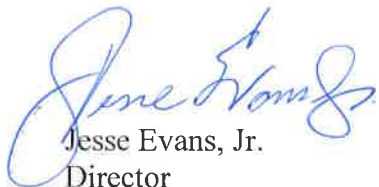
A motion was made by Ms. Bagneris and seconded by Dr. Chase to go into executive session. The motion passed unanimously).

The meeting resumed.

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Fishman Haygood - Update no action taken.

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



Jesse Evans, Jr.
Director

JE/jhe

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