

**REGULAR MEETING
BOARD OF TRUSTEES
CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
CITY HALL, FOURTH FLOOR PURCHASING CONFERENCE ROOM
AUGUST 17, 2022**



Trustees Present:

Ms. Courtney B. Bagneris, Active Employees' Representative
Ms. Amy B. Trepagnier, Trustee
Mr. Kim T. DeLarge, Sr., Trustee

Trustees Absent:

Ms. Marina M. Kahn, Retired Employees' Representative
Mr. Norman L. White, Treasurer/CFO

Others Present:

Jesse Evans, Jr., Director, Employees' Retirement System
Ian Jones, AndCo Consulting
Kimberly Smith, City Attorney's Office
Michael Williams, Phelps Dunbar
Kitty Swenson, Wasatch
Malichi Waterman, Segal Consulting
Robert Brown, Retiree

Mr. Evans called the meeting to order at 9:34 am after roll call.

MONTHLY REPORTS

Meeting Minutes - Regular Meeting - July 20, 2022

A motion was made by Ms. Bagneris and seconded by Mr. DeLarge to approve the July 20, 2022 regular meeting minutes. The motion passed with all in favor (Ms. Bagneris, Ms. Trepagnier, and Mr. DeLarge).

Board to Ratify Retirement Allowances

A motion was made by Ms. Bagneris and seconded by Mr. DeLarge to approve the retirement allowances for the month of August. The motion passed with all in favor (Ms. Bagneris, Ms. Trepagnier, and Mr. DeLarge).

Refund Report - Marked received
Transfer Report - Marked received
Contribution Report - Marked received
Deceased Member Report - Marked received

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Date for the next regular meeting - The board's next regular meeting is scheduled for Wednesday, September 21st at 9:30am in-person.

Actuary Presentation - Annual Actuarial Valuation Report

Mr. Waterman discussed the full valuation results as of January 1, 2022. He noted as he did in the preliminary report the increase in the actuarial value of assets from \$439.1M to \$452.4M and an increase in market value of assets from \$460M to \$510M. Compared to the assumed rate of return of 7.25%, the market value of assets return was 15.77% and the actuarial value rate of return was 8.12%.

Mr. Waterman noted that the board approved Segal's recommendation to transition to a 5-year straight line amortization of each year's market investment gain or loss and the implementation of a 20% corridor.

The presentation continued followed by a brief discussion.

Mr. Evans paused to ask for any public comments. There were no public comments.

COMMITTEE REPORTS

Review Wasatch Emerging Markets Small Cap Collective Investment Trust

Ms. Swenson presented on behalf of Wasatch. She provided a detailed review of the Wasatch Emerging Markets Small Cap Collective Investment Trust. She touched on the recent performance challenges related to the strategies growth bias.

Review year to date market environment and June 30, 2022 performance report

Mr. Jones reviewed the market update as of August 16th. He noted the difficult results year to date for equities and fixed income but also touched on the positive results in July and August. He mentioned that the retirement plan had a negative return of 15.19% through June 30 and noted that after experiencing such a negative return, a positive return of 17.91% was needed to get back to breakeven, however, he also noted that the year-to-date negative performance is made even more difficult as a result of the retirement plan's negative cash flow.

Mr. Evans paused to ask for any public comments. There were no public comments.

Review asset allocation targets and options to fund the KKR Diversified Core Infrastructure Fund (\$36M commitment)

Mr. Jones noted that the \$12 million capital commitment to the JP Morgan Global Transport Income Fund was funded on July 8th with proportional liquidity from the retirement system's equity index mutual funds.

With respect to the pending commitment of \$36 million to the KKR Diversified Core Infrastructure Fund, Mr. Jones noted that the new allocation targets should be adopted and then liquidations should then be made when KKR calls capital and not made solely from the equity index mutual funds. This method improves investment policy compliance. At the September meeting, AndCo will again present asset allocation target adjustment options and specific details on potential manager liquidations that could be made to fund the KKR commitment.

Mr. Jones presented an interim asset allocation adjustment as outlined below:

Decrease core plus fixed income from 15% to 12%
Establish new global infrastructure allocation at 3%

The presentation was followed by a detailed discussion on identifying funding sources for the current mandate as well as all future investment manager hires.

A motion was made by Ms. Bagneris and seconded by Mr. DeLarge to approve the interim asset allocation adjustment recommended by AndCo. The motion passed with all in favor (Ms. Bagneris, Ms. Trepagnier, and Mr. DeLarge).

Mr. Jones and Mr. Evans advised that the summary of private investment managers would be covered at the September meeting.

Mr. Evans paused to ask for any public comments. There were no public comments.

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Budget Committee

Mr. Evans advised the board of the upcoming International Foundation of Employee Benefit Plans annual conference on October 23 - 26th in Las Vegas, NV. A motion was made by Ms. Trepagnier and seconded by Mr. DeLarge to allow Ms. Bagneris and Ms. Kahn to attend the conference. The motion passed with all in favor (Ms. Bagneris, Ms. Trepagnier, and Mr. DeLarge). Mr. Evans advised the board of the upcoming Louisiana Association of Public Employee Retirement Plans (LAPERS) annual conference on September 18 - 20th in New Orleans. A motion was made by Mr. DeLarge and seconded by Ms. Trepagnier to register the entire board for the local conference. The motion passed with all in favor (Ms. Bagneris, Ms. Trepagnier, and Mr. DeLarge).

Member Relations Committee

Mr. Brown addressed the board related to cost-of-living adjustments (COLAs) (increases in the monthly retirement benefit and/or one-time payments to retirees). He indicated that he spoke to members of the city council related to the lack of COLAs provided to retirees. Mr. Evans advised that the last time the board granted an increase in the monthly retirement benefit was in 2008, when the board granted a 2% COLA, and the last time a one-time COLA was granted was in 2015, when the board granted one-time payments ranging from \$50 - \$580, based upon years in retirement.

Mr. Evans indicated that the city council passed an ordinance in 2017 requiring the retirement plan be 95% funded before any COLAs could be granted. As of the last actuarial valuation, the plan had an actuarial funded rate of 59% and a market value funded rate of 65%. Mr. Evans advised that the board's COLA policy allows for some flexibility to grant some COLAs, but the passage of the city council ordinance in 2017 removed that flexibility.

Mr. Brown asked if the board could speak to members of the city council related to this matter. Mr. DeLarge asked that we look at what other retirement plans have done historically as it relates to COLAs. Mr. Evans advised that he would gather COLA information from other plans and circulate the information to the board.

Ms. Bagneris indicated that she would like to be a part of any individual visits with councilmembers related to the COLA discussion.

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Contract Compliance Committee

Mr. Evans advised that the board retained Segal as the actuary. As such, a contract would be forthcoming.

Headline Risk Committee

Mr. Evans advised that the potential COLA and pay raises for employees could generate some headline risk, as the plan has not granted a COLA to retirees in quite some time.

Governance Committee

Nothing new to report.

Staffing Committee

Nothing new to report.

There being no further business, a motion was made by Ms. Bagneris and seconded by Ms. Trepagnier to adjourn. The motion passed with all in favor (Ms. Bagneris, Ms. Trepagnier, and Mr. DeLarge).

The meeting ended at 11:26 am

Jesse Evans, Jr.
Director