

**Regular Meeting  
Board of Trustees  
Of the Employees' Retirement System  
Of the City of New Orleans  
Purchasing Conference Room  
1300 Perdido Street, 4W05  
September 20, 2017  
9:33am**

**Trustees Present:**

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

**Others Present:**

Jesse Evans, Jr., Director of Employees' Retirement System  
Janet H. Easterling, Administrative Support Supervisor  
Tony Kay, AndCo Consultant  
Bernard Robertson, RWA  
Alex Glaser, Phelps Dunbar  
Kimberly Smith, City Attorney's Office  
Jason Burge, Fishman Haygood  
Katie Lasky, Lasky Murphy, LLC  
Jonathan Jenkins, JPMorgan  
Jim Barton, Southeastern Asset Mgmt.

The chairman called the meeting to order at 9:33 am.

Mr. Evans requested to add two items to the agenda, 1) a letter from N.O. Industrial Development Board requesting that a staff member be able to join the plan under old business. A motion was made by Ms. Hudson and second by Ms. Bagneris to add the item under old business. The motion passed with four in favor (Ms. Hudson, Ms. Bagneris, Ms. Gariepy and Dr. Chase). Mr. Evans said that the second item to add to the agenda is changes to the investment assumption to new business. A motion was made by Ms. Hudson and second by Ms. Bagneris to add the item to new business. The motion passed with four in favor (Ms. Hudson, Ms. Bagneris, Ms. Gariepy and Dr. Chase).

**NEW BUSINESS**

**Date for next regular meeting** The Board's next regular meeting is tentatively scheduled for October 18, 2017 at 9:30am with the location to be determined.

**Draft RFP for Actuary** Mr. Evans said that in the package is a draft RFP for actuarial consulting services. He informed the Board that a RFP for these services has not been done for two decades. The Board discussed criteria of the draft RFP. Ms. Bagneris inquired whether the Disadvantaged Business Enterprise (DBE) program will work with the actuary services. Ms. Gariepy said that the Board can ask for a waiver of DBE related to the RFP. Mr. Evans informed that Board that a wavier was requested for the tax attorney. The Board agreed to request a waiver for DBE regarding the RFP for the actuarial consulting services and if approved move the 10% to specialized experience and technical competence.

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**N.O. Industrial Development Board – Membership Request for Sharon Martin** Mr. Evans distributed a letter dated August 15, 2017 from the N.O. Industrial Development Board requesting membership for Sharon Martin to join the plan and prior letters and the City Attorney's office regarding this request from 2016. Ms. Evans informed the Board that he will respond in the same manner as the 2016 request, which was denied based on the legal opinion from the City Attorney's Office.

Ms. Kahn arrived to the meeting.

**Changes to the actuarial assumption** Mr. Evans distributed the Actuarial Analysis dated September 20, 2017 from Mr. Conefry regarding the changes in actuarial assumption on investment returns. He informed the Board that the current actuarial assumption rate in 7.50% for the plan. Mr. Evans discussed the various changes;

- 1) Decrease the Assumed Investment Return to 7.20% from 7.50% would increase the total annual funding contribution rate from 23.252% to 24.998%: 1.746% of payroll, or \$2,016,623 at the January 1, 2017 level. The funded ratio would decrease by 1.7% points from 68.2% to 66.5%

Mr. Evans said that employees pay 6% and any additional money would be covered by the City. He said that other retirement plans changed the actuarial assumption rate incrementally over a ten-year period. Mr. Evans said that Dr. Chase requested information on the actuarial assumption rate of 7.20%, and he asked for information on 7.00% and 7.25%.

- 2) Decrease the Assumed Investment Return to 7.00% from 7.50% would increase the total annual funding contribution from 23.252% to 26.204%: 2.952% of payroll, or \$3,408,752 at the January 1, 2017 level. The funded ratio would decrease by 2.8% points from 68.2% to 65.4%
- 3) Decrease the Assumed Investment Return from 7.50% to 7.25% would increase the total annual funding contribution from 23.252% to 24.702%: 1.450% of payroll, or \$1,674,698 at the January 1, 2017 level. The funded ratio would decrease by 1.4% points from 68.2% to 66.8%

Mr. Evans said that the Board was aware that decreasing the actuarial assumption rate would increase the employer contribution rate. Discussion deferred until after the trustee reports.

## **COMMITTEE REPORTS**

### **Investment Committee – AndCo Consultant**

**Performance Report for July 31, 2017** Mr. Kay discussed the equities and fixed income index returns, as of July 31, 2017. He talked about the asset allocation versus the target allocation. Mr. Kay informed the Board that no rebalancing is needed at time to the asset allocation. He said that the month beginning market value was approximately \$362 million, net contributions -\$1.9 million, total gains of \$5.8 million and ending market value was approximately \$366 million. Mr. Kay said that the year-to-date beginning market value was approximately \$345 million with gains of \$30 million. He said that the year-to-date returns for the fund is 9.2%. Mr. Evans said that the total NOMERS Fund plus LAMP account is \$375 million. Mr. Kay made a presentation on the managers' performance, as of July 31, 2017.

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**Presentation – Southeastern Asset Mgmt.** Mr. Barton made a presentation on the portfolio as of June 30<sup>th</sup>. He discussed why they hold a larger amount of cash in the portfolio. Dr. Chase inquired about the restrictions as it relates to Southeastern's investing. Mr. Barton said that according to the Investment Policy Statement Southeastern is allowed to invest up to 30% in non-US stocks. He said that in the US environment investing is challenging and they are finding investment opportunities in non-US stocks. Mr. Barton said that Southeastern is a global investment manager. He said that the Board's policy allows them to invest in America Deposit Receipts (ADR) but not in non-sponsored ADR. Mr. Barton briefly discussed the performance of three non-US stocks, CK Hutchison, Fairfax Financial and Lafarge Holcim which are in mutual fund and other investment client's portfolio. Ms. Gariepy said that she would like to talk with the legal regarding this type of investment because of the government fund retirement system and restrictions. Mr. Evans said that there are equal or greater risks in the private equity portfolio in the fund which has \$25 million. He is in favor of the investment with the three non-US stocks discussed by Mr. Barton, because they are already established. Mr. Kay said that AndCo will continue to monitor the investments with Southeastern. Ms. Hudson asked whether the Investment Policy Statement has to be revised to allow for ADR investments. Mr. Evans said yes. Mr. Glaser inquired about the IRS reporting obligations. Dr. Chase requested that Mr. Evans research the IRS reporting obligation regarding non-US stock. Mr. Barton informed the Board that there has not been any IRS issue related to non-US stock with the other clients. Mr. Evans talked about other countries doing tax withholding on non-US stocks. Mr. Barton said that he will look into whether any tax withholding on non-US stocks. Mr. Kay asked about a fee reduction due to the large amount of cash hold in the portfolio. Mr. Barton said that a fee reduction is only given related to non-billing on cash for a new portfolio. Dr. Chase said that the Board will wait to hear from the Ms. Gariepy on the legal aspects of government investing in non-US stocks.

**Budget Committee - Trustees Conference Review & Approval** Ms. Hudson informed the Board about topics discussed at the 2017 LAPERS seminar; such as, the history of bonds, technology, economy and behavioral finance. Mr. Evans talked about self-driving vehicle by 2025 and Australia have self-driving trucks. He talked about a meeting with Directors of the State of Louisiana retirement systems discussing a bill related to investment restrictions with Israel. Mr. Evans informed the Board regarding a request from a Councilmember on our investments supporting Israel. Dr. Chase submitted a hand out on the highlights from 2017 NCPERS conference. Ms. Kahn talked about the discussion of pension plans versus 401(k) plans at 2017 NCPERS and opposition groups of pension plans. Ms. Bagneris talked about the changes that were made to pension plans from a define benefit to a define contribution plan, which is costing the taxpayers more from the 2017 NCPERS. Dr. Chase said that define benefit plans continue to be under the gun. He talked about the cities skipping the contributions and the cities proposing plan changes. Ms. Kahn said that at the NCPERS conference talked about big tax breaks in Louisiana for corporations.

**Member Relations Committee** Ms. Bagneris informed the Board of a meeting with Mr. Evans, Councilmember Williams, Director of the Business Council, Coleman Ridley and Andy Wisner regarding the Board's proposed plan changes. She said that Councilmember Williams is in favor of Board's proposed plan changes. Ms. Bagneris informed the Board that Mr. Coleman wants to hold off on any plan changes until after the election. Mr. Evans said that Councilmember Williams was not in favor of holding off on plan changes until after the election. He said that Councilmember Williams wants to move forward with the Board's plan changes.

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Mr. Evans informed the Board of the scheduled meeting with Councilmember Brossett on September 26<sup>th</sup> regarding the Board's proposed plan changes. He asked Mr. Conefry to do an analysis of the actuarial soundness and funding progress of the plan which is in the package. Mr. Evans informed the Board that copies of the Mr. Conefry's analysis of the actuarial soundness and funding progress of the plan was hand delivered to each Councilmember and the Council Fiscal office.

**Contract Compliance Committee** nothing to report.

**Headline Risk Committee** Dr. Chase informed the Board of the topic discussed at the NCPERS conference regarding pension obligation bonds.

**Governance Committee** Ms. Gariepy informed the Board that Mr. Evans is assembling a list of all the Board's policies.

**Staffing Committee** nothing to report.

Mr. Evans informed the Board that there is no more backlog on retirements.

**MONTHLY REPORTS**

**Minutes of Regular Meeting for August 16, 2017** were presented to the Board. A motion was made by Ms. Gariepy and seconded by Ms. Bagneris to approve the minutes of the Regular Meeting for August 16, 2017. The motion passed unanimously (Ms. Gariepy, Ms. Bagneris, Ms. Hudson, Ms. Kahn and Dr. Chase).

**Retirements for the month of September 2017** were presented to the Board. A motion was made by Dr. Chase and seconded by Ms. Hudson to ratify the retirements for the month of September 2017. The motion passed unanimously (Ms. Gariepy, Ms. Bagneris, Ms. Hudson, Ms. Kahn and Dr. Chase).

**Report of deceased retirees for the month of September 2017** was presented to the Board. The Board received the report of deceased retirees for the month of September 2017.

**Status Report on Transfers for the month of August 2017** was presented to the Board. The Board received the status report on transfers for the month of August 2017.

**Employer Contribution Report for the month of July 2017** were presented to the Board. The Board received the Employer Contribution Report for the month of July 2017.

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**EXECUTIVE SESSION**

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

The meeting resumed.

**Fishman Haygood** A motion was made by Ms. Hudson and seconded by Ms. Bagneris to replace Jerome Davis' name as plaintiff with the Retirement Board in the litigation against the City of New Orleans. The motion passed unanimously (Ms. Garipey, Ms. Bagneris, Ms. Hudson, Ms. Kahn and Dr. Chase).

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



Jesse Evans, Jr.  
Director

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