

**Regular Meeting  
Board of Trustees  
of the Employees' Retirement System  
of the City of New Orleans  
Purchasing Conference Room  
1300 Perdido Street, Room 4W05  
March 21, 2012  
9:03 a.m.**

**Trustees Present:**

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

**Others Present:**

Jesse Evans, Jr., Director  
Janet H. Easterling, Administrative Support Supervisor  
Brenda Breaux, City Attorney's Office  
Kimberly Smith, City Attorney's Office  
Jane Armstrong, Phelps Dunbar  
Harby Kreeger, Morgan Stanley Smith Barney  
Michael Kreeger, Morgan Stanley Smith Barney  
Michael Conefry, Conefry & Company  
Amy Schneeberger, JPMorgan  
Darien Nunez, Omni Research  
Ed Shanklin, Equitas  
Austin Zumbrecherl, Equitas  
David Livingston  
Brian J. Kelly, Millennium International  
Gary Kilberg, KLS Diversified Asset Mgmt.  
Mackie Lee, HBK Capital Management

The chairman recognized a quorum and called the meeting to order at 9:03 am.

**Investment Committee**

Mr. Kreeger briefly talked about the Board exploring Multi-Strategy Funds as part of the investment portfolio. Michael Kreeger informed the Board of the updated PSN reports which includes HBK, KLS, Millennium and HFRI Fund of Funds Composite Index.

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**Conference Calls**

**Millennium International** Mr. Kelly gave an overview of the background of the firm. He said that the firm has produced an annual return ranging from + 7.24% to + 36.00%, except 2008, when it was down 3.07%. They have \$14.45 billion in assets under management. Mr. Kelly summarized the four core global investment strategies; relative value fundamental equity, stat arb/quant strategies, fixed income and merger arb/event driven. He said that the firm has 950 employees operating out of 12 offices and headquartered in New York. Mr. Kelly said that there are 120 trading teams. He discussed the firm's risk structure as it relates to investments.

**KLS Diversified Asset Mgmt.** Mr. Kilberg said that KLS's core is a diversified fixed income hedge fund with three broad line strategies; rates, credit and mortgage strategies. He said that they are active in 15-25 sub-strategies and 320 line items. Mr. Kilberg said that the firm was started in August of 2008. He talked about the seamless allocation and timely re-allocation of risk capital. Mr. Kilberg said that the annualized standard deviation of monthly returns since inception is 3.29% and sharp ratio is 3.03. He said that the firm has \$1.35 billion in assets under management.

**HBK Capital Mgmt.** Ms. Lee said that HBK is a global multi-strategy fund that started in 1991. She said that there are eleven partners in the firm with approximately \$6.6 billion in assets under management. Ms. Lee said that HBK is based in Dallas with satellite offices in New York, London and Charlottesville. She said that the firm has 175 employees including 45 investment professionals. She discussed the investment approach of attractive risk/return profile, strategy diversification and portfolio construction. Ms. Lee said that the firm has had one down year over the last twenty years. She stated that HBK's return for 2011 was 7.64% and since inception delivered a compound annual return of 11.75%. Ms. Lee made a presentation on the different types of strategies in the portfolio. She discussed the risk management related to the market risk, liquidity risk and counterparty risk of investments.

Mr. Foster stepped out.

The Board discussed the three presentations as to which manager to hire. Mr. Kreeger said that the Board needs to select the share class of the multi-strategy to invest in. A motion was made by Ms. Schackai and seconded by Dr. Chase to hire Millennium International. The motion passed with four in favor (Ms. Schackai, Dr. Chase, Ms. Bagneris and Ms. Hudson).

Mr. Foster returned to the meeting.

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The Board discussed the amount to invest with Millennium International. A motion was made by Ms. Schackai and seconded by Ms. Bagneris to invest \$ 5 million with Millennium International and the money to fund this investment be identified later in this meeting or the next meeting. The motion passed unanimously.

Michael Kreeger said that the quarterly \$3.2 is needed for payroll. He suggested terminating ING Collective Leveraged Loan for \$1.3 million and Hancock Bank because of struggling investment performance over periods of time for \$5.8 million. The Board agreed not to terminate Hancock Bank. A motion was made by Dr. Chase and seconded Ms. Schackai to close out ING Collective Leverage Loan for \$1.3 million and take \$2.6 from Hancock Bank to cover payrolls and place in LAMP. The motion passed unanimously.

Mr. Kreeger said that the Board needs to select the share class with Millennium International. A motion was made Ms. Schackai and seconded by Dr. Chase the Board to select the quarterly share class with Millennium International. The motion passed with four in favor Ms. Schackai, Dr. Chase, Ms. Bagneris, Ms. Hudson and Mr. Foster abstained.

Michael Kreeger handed out information on Global Water Strategy from Kleinwort Benson Investor. He proposed that the Board add a new equity category to the Investment Policy Statement and decide later how much to fund this new investment. Michael Kreeger will draft changes to the Investment Policy Statement regarding this item.

Ms. Hudson left the meeting.

**OLD BUSINESS**

**Rewrites of Chapter 114** Ms. Armstrong informed the Board that she contacted the IRS Representative last week regarding this item but has not received a call back; however, she is expecting something in writing and will email it.

**Board Election – Retiree Election** Mr. Evans informed the Board that the Director of Finance will pay for the cost of this election.

**Draft of the City Council Motion to Employ Special Counsel** Mr. Evans informed the Board that a draft copy of the motion in the Board package. The Board discussed the cap for this item. Ms. Bagneris said that an amount is placed in the contract not in the ordinance. The Board agreed. Mr. Evans asked Ms. Breaux to provide for sample language of this issue. A motion was made by Dr. Chase and seconded by Ms. Bagneris that the cap will be placed in the contract not to exceed \$450 an hour and language will be worked out with Ms. Breaux. The motion passed with three in favor (Dr. Chase, Ms. Bagneris and Ms. Schackai) and one opposed (Mr. Foster).

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**NEW BUSINESS**

The Board agreed to schedule its next regular meeting for Wednesday, April 18<sup>th</sup> at 9:00 am pending meeting place.

The Board agreed to schedule an Investment committee meeting for Monday, April 23<sup>rd</sup> at 1:00 pm to be held at Morgan Stanley Smith Barney, 1100 Poydras Street, Suite 3250.

**MONTHLY REPORTS**

Minutes of Meeting for February 15, 2012 were presented to the Board. A motion was made by Ms. Schackai and seconded by Ms. Bagneris to approve the minutes for February 15, 2012. The motion passed with four in favor.

Retirements for the months of February & March 2012 were presented to the Board. A motion was made by Dr. Chase and seconded by Ms. Bagneris to approve the retirements for the months of February & March 2012. The motion passed unanimously.

Reports of deceased retirees for the months of February & March 2012 were presented to the Board. A motion was made by Ms. Bagneris and seconded by Mr. Foster to approve the deceased retirees for the months of February & March 2012.

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

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

**COMMITTEE REPORT**

Budget Committee Ms. Schneeberger from JPMorgan provided updated information on the scope of services for custodian bank, fee summary and fees summary regarding securities lending. A motion was made by Ms. Schackai and seconded by Mr. Foster to contract with JPMorgan the revised scope of services including custody, accounting, performance measurement, performance characteristics and benefit payment services for the next three years contract period with the provision that the Board will review performance measurement and characteristic after one year and the total plan expenses of \$254,983. The motion passed with four in favor (Ms. Schackai, Mr. Foster, Ms. Bagneris and Dr. Chase). A motion was made by Ms. Schackai and seconded by Dr. Chase to add four additional accounts to the securities lending with JPMorgan. The motion passed with four in favor (Ms. Schackai, Mr. Foster, Ms. Bagneris and Dr. Chase).

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**Contract Compliance Committee – Status of the Five Year Actuarial Study** Mr. Evans informed the Board that all requested information has been forwarded.

**Headline Risk Committee** Ms. Bagneris informed the Board that the Headline Risk Committee reviewed the additional pension reform items from Councilmember Head and agreed to forward to Mr. Conefry for actuarial evaluation. Mr. Evans said that Councilmember Head wanted the actuary to score the additional pension reform items as it relates to the retirement plan. Mr. Conefry said that he would summarize the information regarding on the additional pension reform items and provide to the Board

**Member Relations** nothing to report.

**Staffing Committee** nothing to report.

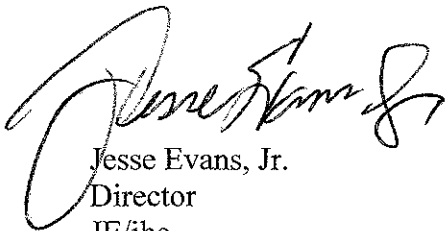
**EXECUTIVE SESSION**

A motion was made by Dr. Chase and seconded by Ms. Schackai to go into executive session to discuss any on-going litigation and ordinary disability. The motion passed with four in favor.

The meeting resumed.

A motion was made by Ms. Schackai and Dr. Chase to disapprove the Ordinary Disability for **Paulette Jones** based on gainful employment with Sewerage and Water Board for several months. The motion passed with four in favor.

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



Jesse Evans, Jr.  
Director  
JE/jhe