

**Regular Meeting
Board of Trustees
Of the Employees' Retirement System
Of the City of New Orleans
Purchasing Conference Room
1300 Perdido Street, 4W05
August 21, 2019
9:40 am**

Trustees Present:

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

Absent Trustee:

Mr. Norman L. White, Treasurer/CFO

Others Present:

Jesse Evans, Jr., Director of Employees' Retirement System
Janet H. Easterling, Administrative Support Supervisor IV
Ian Jones, AndCo Consultant
Bernard Robertson, Robertson Wealth Advisor
Kimberly Smith, City Attorney's Office
Alex Glaser, Phelps Dunbar
Jeffery Williams, Segal Consulting
Bryan Clubb, Segal Consulting
Luther Speight, Speight & Company, LLC
Jeremy Fleenor, Speight & Company, LLC
Jerel Butler, Millennial Financial Solutions

The chairman called the meeting to order at 9:40 am.

PRESENTATIONS

Independent Auditor's Report for the year ending December 31, 2018 Mr. Speight made a presentation on the Independent Auditor's Report for the Employees' Retirement System as of December 31, 2018. He informed the Board that the total pension liability of the plan was \$658 million, as of December 31, 2018. Mr. Speight discussed the financial highlights.

Ms. Kahn arrived to the meeting.

Mr. Speight informed the Board of one audit finding in this year report:

Finding 18-01: Plan accounting procedures do not provide for reconciliation of the general ledger to the investment trust statements for certain transaction types.

Regular Meeting
Board of Trustees
August 21, 2019
Page 2

Criteria: Governmental accounting best practices require that financial statements be supported by general ledgers that include detail transactions and subsidiary ledgers to support financial statement preparation and an adequate audit trail.

Condition: The Plan's accounting system relies heavily on the investment custodian and their related trust statement for detail transaction postings. The trustee four (4) transactions types: Investment transactions, retiree benefit payments, vendor payments and cash transfers.

Effect: The Plan's general ledger does not include sufficient transaction detail related to certain transaction types. Management review and monitoring controls over transactions processing vendor payments and cash transfers are adversely affected.

Recommendation: We recommend that the plan enhance its general ledger accounting procedures to include detailed transaction postings for vendor payments and case transfers.

Mr. Speight discussed the status of prior year finding related to the plan's due diligence procedures for alternative investments. He said that this was not a repeat finding and an audit of the procedures was done and found no exception related to those procedures. This finding involved getting audit reports from all managers that handled alternative investment for the plan. Mr. Speight said that the Independent Accountant's report on the Agreed-Upon Procedures (AUPs) was incorporated in the auditor's report for the last couple of years which was enacted by the Louisiana Legislative Auditor requiring auditors to review the details of control and transaction levels of the plans. A motion was made by Dr. Chase and seconded by Ms. Bagneris to receive the independent auditor's report for the year ending December 31, 2018. The motion passed with four (4) in favor (Dr. Chase, Ms. Bagneris, Ms. Hudson and Ms. Kahn).

Actuarial Plan Analysis – Segal Consulting Mr. Williams made a presentation on cost impact of the proposed assumption changes and potential plan changes based on January 1, 2019. Mr. Williams gave background information on why plans' conduct an experience study of the actuarial assumptions and methods. He said that the current mortality table used by NOMERS is the PR2000; however, Nyhart suggested using RP-2014. He informed the Board that the Society of Actuaries published updated mortality tables that are specific to the public sector.

Mr. Williams reviewed several recommendations from the study including their recommendation to lower the assumed rate of return from 7.5% to 7.25% or 7.00%. He said that a 7.00% or 7.25% change in the investment rate of return would decrease the funding ratio. He discussed the impact of potential cost saving related to changes of the investment rate of return to 7.25% and multiplier of 2.25% and 2.50% reflects a reduced contribution rate. Mr. Evans suggested that the Board continued reviewing information provided by the Actuary.

**Regular Meeting
Board of Trustees
August 21, 2019
Page 3**

NEW BUSINESS

2020 Contribution Rates Mr. Evans said that at the last meeting the Board accepted the annual actuarial valuation and that the contribution rates for 2020 need to be approved. He said that the recommended contribution rates for 2020 is in the Board package. Mr. Evans informed the Board that the 2020 contribution rates have been communicated to the departments. A motion was made Dr. Chase and seconded by Ms. Hudson to approve the 2020 recommended contribution rates provide by the actuary in the January 1, 2019 annual actuarial valuation. The motion passed with four in favor (Dr. Chase, Ms. Hudson, Ms. Bagneris and Ms. Kahn).

Date for next regular meeting The Board's next regular meeting is tentatively scheduled for September 18, 2019 at 9:30am the location to be determined.

Mr. Evans requested that the Board tentatively schedule a date for the Parliamentary Procedure Training. He said that the available dates are from September 19th – September 27th at 1:00pm. The Board agreed to tentatively schedule the Parliamentary Procedure Training for September 27, 2019 at 1:00pm the location to be determined.

Ms. Bagneris requested that the Board move to Staffing Committee because Ms. Hudson have to leave the meeting. The Board agreed.

Staffing Committee Ms. Bagneris said that at a previous Board meeting the Board voted to increase Mr. Evans salary by 5%, but the other bureau chiefs salaries were increased by 8 to 8.75%. She is requesting that the Board adjust Mr. Evans' salary equivalent of his counterparts in the Department of Finance. A motion was made by Dr. Chase and seconded by Ms. Hudson to approved Mr. Evans' salary adjustment to a comparable level of the other bureau chiefs in the department of Finance, according to the classified pay plan. The motion passed with four in favor (Dr. Chase, Ms. Hudson, Ms. Kahn and Ms. Bagneris).

COMMITTEE REPORTS

Investment Committee – AndCo Consultant

Southeastern Peer Analysis Mr. Jones said that at the last meeting the Board discussed Southeastern's long term history with the plan and how their performance looked compared to their peers. He talked about Southeastern's annualized performance since inception. Mr. Jones said that Southeastern performance for one year was -8.38% and ranked in the 99 percentile versus the Russell 3000 Value index performance of 7.34% and ranked in the 37 percentile. He said that Southeastern consistently ranked at the bottom percentile versus their peers. Mr. Jones said that Southeastern performance for the calendar year of 2018 was -14.96% versus the

**Regular Meeting
Board of Trustees
August 21, 2019
Page 4**

Russell 3000 Value Index -8.58%; 2016 they were down -16.02% versus Russell 3000 -4.13% and 2008 they were down -48.74% versus Russell 3000 -36.25%. He recommended that the Board terminate Southeastern due to poor performance over the years. A motion was made by Dr. Chase and seconded by Ms. Bagneris to terminate Southeastern due to poor performance effective today. The motion passed with three in favor (Dr. Chase, Ms. Bagneris and Ms. Hudson) and one opposed (Ms. Kahn). Mr. Evans asked where to put the funds. Mr. Jones said that funds from Southeastern could be placed in an index fund. A motion was made by Ms. Bagneris and seconded by Ms. Hudson to place the funds from Southeastern in the S&P500 index. The motion passed with four in favor (Ms. Bagneris, Ms. Hudson, Ms. Kahn and Dr. Chase).

Funding Liquidity Mr. Jones recommended that funds be taken from S&P500 Index, if funds are needed. The Board agreed.

Budget Committee - Trustees Conference Review & Approval Mr. Evans said that there was no formal vote to register the Board to attend the LAPERS seminar for September 15-17, 2019 held at the Roosevelt New Orleans. A motion was made by Dr. Chase and seconded by Ms. Bagneris to approve all board members to attend the LAPERS seminar for September 15-17, 2019 held at the Roosevelt New Orleans. The motion passed with four in favor (Dr. Chase, Ms. Bagneris, Ms. Hudson and Ms. Kahn).

Ms. Hudson left the meeting.

Member Relations Committee- Reciprocity Agreement with Sewerage & Water Board Ms. Bagneris informed the Board that she has not met with the Sewerage & Water Board. Mr. Evans said that written information was circulated to the City Attorney's office and outside tax counsel. He said that there were a couple of employees who transferred from Sewerage & Water Board under the assumption, they would be grandfathered in pension plan. He said that the current writing of the ordinance does not allow for those employees to be grandfathered in pension plan. Mr. Evans asked whether Mr. Glaser or Ms. Smith had any comments regarding the draft on those Sewerage and Water Board employees who transferred to the City. Mr. Glaser said that they signed off on the draft and it could be vote on at the next meeting.

Contract Compliance Committee nothing to report.

Headline Risk Committee nothing to report.

Governance Committee Parliamentary procedure training tentatively scheduled by the Board.

MONTHLY REPORTS

Minutes of Regular Meetings for June 19 & July 17, 2019 was presented to the Board. A motion was made by Dr. Chase and seconded by Ms. Bagneris to approve the regular meetings minutes for June 19, & July 17, 2019. The motion passed with three in favor (Dr. Chase, Ms. Bagneris and Ms. Kahn).

**Regular Meeting
Board of Trustees
August 21, 2019
Page 5**

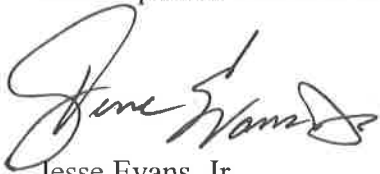
Retirements for the month of August 2019 was presented to the Board. A motion was made by Dr. Chase and seconded by Ms. Bagneris to ratify the retirements for the month of August 2019. The motion passed with three in favor (Dr. Chase, Ms. Bagneris and Ms. Kahn).

Report of deceased retirees for the month of August 2019 were presented to the Board. The Board received the reports of deceased retirees for the month of August 2019.

Employer Contributions Report for the month of June 2019 were presented to the Board. The Board received the Employer Contributions Report for the month of June 2019.

Mr. Evans informed the Board that one of the litigation firm is having a conference and the Board is invited.

There being no further business, a motion was made by Dr. Chase and seconded by Ms. Hudson to adjourn. The motion passed with four in favor (Ms. Hudson, Dr. Chase, Ms. Bagneris and Ms. Kahn).



Jesse Evans, Jr.
Director
JE/jhe