

NEW ORLEANS FIRE FIGHTER'S PENSION AND RELIEF FUND (Investment Board Meeting)

Martin Gaal
Board President

Tommy F. Meagher, III
Secretary-Treasurer

SUBJECT:

Board of Trustees Investment Board Meeting
Fire Fighter's Pension & Relief Fund

TIME, DATE AND PLACE:

9:00 am May 14, 2014
3520 DeGaulle Drive
Suite 3001
New Orleans, Louisiana 70114

Board President Martin Gaal called the meeting to order. The following members of the Board of Trustees were present: Gaal, Meagher, Lavene, McConnell, Marchese, Foster, and Jacobs.

Absent: None

Seven (7) members present and no members absent. With a quorum being present, the Board President declared the meeting duly convened to conduct business at 9:10 a.m.

Also present

Paul Mitchell
Jesse Evans, NOMERS
Jon Brett, Bogdahn Group
Kenny Prevost, Firefighter
Richard Connor, Firefighter
John Petruska, Firefighter
Richard Hampton, Retired Firefighter
Derrick Francis, Mayor's office

COMMUNICATIONS:

Mr. Meagher noted that Mr. Mitchell has presented information on an Investor Conference in Nashville for June 17, 2014. He would like approval from the Board for Mr. Mitchell to attend.

MOTION: Moved by Gaal and seconded by Marchese to approve attendance to an Investor Conference in Nashville, TN on June 17, 2014.

Motion passed.

NO OBJECTIONS

REVIEW & ACCEPT MINUTES:

Members were provided copies of the minutes by Mr. Meagher for review and approval.

MOTION: Moved by Lavene and seconded by Jacobs to approve of the April 2014 Investment Board minutes.

Motion passed.

NO OBJECTIONS

OLD BUSINESS:

Natchez: Mr. Mitchell noted that the Natchez sale is moving forward with closing scheduled in the coming weeks. Documents are being finalized and negotiations are nearly complete.

Fire Flix: Norman Foster inquired about the status of the buyout proposal. Mr. Meagher noted that Mr. Tufaro committed to discuss a buyout proposal in 60 to 90 days which would be during July.

REGULAR BUSINESS:

Fund performance - period ended April 30, 2014

Total Equities

Up 2.15 % vs. 0.74% for S&P for current month

Up 4.03% vs. 2.56% for S&P quarter to date

Up 15.44% vs. 20.44% for S&P one year

Total Fixed Income

Up 0.11% vs. .84% for Barclay's Aggregate current month

Up 0.11% vs. .84% for Barclay's Aggregate quarter to date

Up -0.79% vs. 2.70% for Barclay's Aggregate trailing 1 year

Jon Brett led the discussion on the performance of the Fund and provided commentary on the performance of various sectors and money managers in particular. Information of particular interest is noted below. Jon noted that performance on the Fund is up 50 bps driven by its allocation to the equity markets, primarily the performance of Orleans Capital Management and the performance of the Clifton S&P index driven account.

St. Raymond and Westwego properties: Jon noted that appraisers have been hired to provide a value for both properties.

American Pension Consultants: Mr. Mitchell informed the Board that Mr. Triche indicated that the insured on the John Hancock policy was 99 years old. Triche felt it was important to have the Board consider that point before cancelling the policy. Discussion followed on the economics of continuing the policy premium payments for this policy and all others in this portfolio. The Board felt that the decision to cancel the policy was valid. No further action was necessary. Norman Foster fielded questions on management fees for this investment and our relationship with Mr. Triche, representative of the fund.

Clinton Magnolia Fund: Documents to move forward with the liquidation have been finalized, reviewed by Tarza and forwarded to the Clinton group for signature. We expect \$8,500,000 in cash at redemption and a side pocket with six investments which will be sold about six months later valued at approximately \$3,500,000. We are awaiting receipt of the signed documents. Board members were reminded that proceeds of this asset were pledged against the FNBC loan.

Orleans Capital Management: Jon Brett led a discussion on the feasibility of having Orleans Capital convert a portion of its portfolio to a Vanguard U.S. equity stock market index fund and Vanguard International ETF. Discussion followed on the appropriate % of the portfolio to be converted and the cost of conversion. Brett noted that fees to manage the account would fall as the costs of holding the index funds is low compared to active management fees at Orleans Capital. Discussion followed on the total outstanding debt and our process for paying down that debt. Board members noted that our loans carry an interest rate of 6.75% percent per year. Our investments in Orleans Capital over the past year have not generated returns exceeding our interest charges over the three year period. One year and three year performance is 18.53% and 1.07% respectively, for the periods ended April 30, 2104. Members noted that consideration should be given to liquidating the entire account and paying down the debt. Such may be the case in the near future as this asset is pledged against the Falcon head Golf course, which is up for sale.

MOTION: Moved by Foster and seconded by Jacobs to have 75% of the Orleans Capital portfolio invested in Vanguard indexes. 75% of the allocation to the index would go to a Vanguard U. S. equity index fund and the remaining 25% will be allocated to the Vanguard International ETF fund.

Motion passed.

NO OBJECTIONS

Corner Pocket and Sadie Creek: Jon noted that the Fund has received a written offer to purchase both properties. Documents are being drafted to complete this sale. Leadership Circle is the potential buyer making the offer with the hopes of closing in 80 days. Jon discussed the specifics of the offer which assumes the note on Corner Pocket and pays \$3.2 million for the Sadie Creek property. Our ownership in Sadie Creek is 65%.

MOTION: Moved by Jacobs and seconded by Marchese to allow the Secretary Treasurer to complete negotiations and the paperwork necessary to complete the sale of the Land Baron properties under the terms provided in the agreements.

Motion passed.

NO OBJECTIONS

HB 27: This bill sponsored by the Fund when passed will provide the Fund with a favorable Tax determination letter from the IRS. The bill continues to move through the State Legislature with discussions on the Senate side on May 21, 2014.

Falcon head: Mr. Mitchell noted that the Falcon head golf course is disputing its effluent water charges with the West Travis County Public Utility Authority(WTCPUA). Board members were briefed on the history of the water contract and the fact that the course has an agreement dating since inception of ownership to have effluent water dispersed on the course. The current agreement allows the WTCPUA to bill for up to 80,000,000 gallons of water **requested** by the course and requires the course to accept up to 600,000 gallons per day of effluent water. The course should be credited for effluent water delivered over requested needs. Water rates are determined by the WTCPUA and have risen 25% for 2013. The course did not make any payments to the WTCPUA during 2013. Negotiations continue on the correctness of past due amounts and water rates.

Other matters: Mr. Meagher noted that recent court rulings have confirmed that the City must make ARC payments to the Fund. The obligation to pay \$17,000,000 will be final pending a U.S. Supreme Court decision expected next week. Mr. Meagher requested that Jon Brett consider developing investment options for the pending payment.

There being no further business, the meeting adjourned at 10:25 a.m. The next Investment Board Meeting of the Board of Trustees will be on June 11, 2014.

APPROVED:



DATE:

