

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

Martin Gaal
Board President

Thomas 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 June 10, 2015
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, Marchese, Lavene, McConnell, Muse and Foster.

Norman Foster introduced the newly appointed Board member Derrick Muse. Mr. Muse greeted all persons in attendance, was presented with a new member orientation booklet, and was provided an introduction by Board members and staff and consultants.

All members present. With a quorum being present, the Board President declared the meeting duly convened to conduct business at 9:03 a.m. The Secretary Treasurer opened the meeting with the Pledge of Allegiance and a moment of silence for fallen firefighters.

Also present,

Paul Mitchell
Jon Breth, Bogdahn Group
Kenny Prevost, Retired Firefighter
Louis Robein, Board attorney
Robert Tarcza, Board attorney

COMMUNICATIONS:

None

REVIEW & ACCEPT MINUTES:

May minutes were made available for review and approval.

MOTION: Moved by Gaal and seconded by Lavene to approve the May investment minutes.

Motion passed.

NO OBJECTIONS

OLD BUSINESS:

Investment policy:

Meagher sought approval of the updated investment policy. The document was provided to the members about two months ago for review. The revised policy has been updated. It contains target allocation polies, which were a holdover of the old policy. Performance guidelines and asset allocation guidelines were updated, including prohibited investments, which is new to this document. Breth noted that direct investments will no longer be allowed under the new investment policy. The policy provides that the Fund will move to exit its current direct investments in an orderly fashion. No new direct investments will be made in accordance with the new policy.

Foster provided a few suggestions for improvement/adjustment. Foster suggested that private and direct loans would also be prohibited other than those outstanding at this time. Breth noted that the Fund, under the current policy, would be able to participate in lending Funds, but no single direct loans. Members noted agreement with the change. Foster also suggested amendments to the section on the prudent man rule, section B on page 2. The changes were agreed to. Foster pointed out other revisions in the definitions section, particularly trustee definition, expected term definitions and other minor editing issues later in the document. On page 7, Foster suggested adjustments to the performance evaluation section. Discussion continued on potential adjustments to wording on performance measurement, liquidity, overlay programs, and investment guidelines, among others. Board members reached agreement on the changes discussed. Foster also requested that index funds be considered in all investment manager searches. The proposed wording change regarding indexing was agreed to and will be included in the policy in the appropriate area. Discussion noted that the document is a living document and subject to changes in the future.

MOTION: Moved by Meagher and seconded by Lavene to adopt the investment policy subject to the changes discussed.

Motion passed.

NO OBJECTIONS

Robert Tarcza offered the following:

St. Raymond: The property was sold this month, sale proceeds were just short of \$600,000, our appraised value. Tarcza noted that the property was part of an assisted living development. The one and one half-acre parcel of land could not be developed due to height restrictions and was sold for appraised value. The buyer is Oschner Foundation.

Falconhead: Due diligence on the property continues through June 15, 2015 with an additional 15 days for closing after the end of due diligence, which would put closing on June 30, 2015. Issues with obtaining consent of the lessor should be completed by week's end.

Tarcza also expects to get a settlement agreement on the water dispute. Tarcza noted that the \$787,000 claim by the WTCPUA is disputed by the golf course due to excessive rate and volume discrepancies. The compromise agreement reduces the future water rate and mandatory water usage amounts. The compromise agreement also reduces the outstanding billing to \$500,000. Tarcza noted that the new buyer is satisfied with the compromise agreement. Water bills for 2015 will not be paid until closing. Proceeds from closing will be impacted by the settlement of the water agreement, commissions, and land lease payments outstanding. Tarcza noted that FNBC has a mortgage on the property and would have a right to all the proceeds from the sale.

Discussion followed on the FNBC loan agreement and the collateral requirements on the loan agreements. FNBC has a first mortgage and is entitled to proceeds from the sale.

Board members were informed that certain investments were pledged against the property. We expect that the entire note on the property will be eliminated with this sale, which will result in release of the pledged assets in our portfolio. There could be approximated \$5 million in excess security pledged against this loan. The excess pledge amount will be net of loan balance outstanding.

Members were informed that the HCH investment of 13 acres has approximately a \$3,000,000 loan obligation which is secured by the property. The property is also subject to sale to the buyers of the golf course. The fund owns 50% of the investment.

MOTION: Moved by Meagher and seconded by Gaal to allow Mr. Tarcza to negotiate a settlement with the WTCPUA and to allow the execution of the agreement once finalized by the appropriate Board members.

Motion passed.

NO OBJECTIONS

Breth discussed potential liquidation of both Vanguard positions once the sale is completed. This liquidation should pay off the entire debt associated with the Falconhead investment. A potential for excess collateral exists which could offer an opportunity for a new long term mutual fund investment.

REGULAR BUSINESS:

Fund performance - period ended May 31, 2015

Jon Breth led the discussion on the performance of the Fund and provided commentary on the performance of the portfolio. Total Fund net of liabilities was up 5.3%, with year to date performance up 6.4%. Equities were down due to energy selloff for the period. Orleans was down

accordingly. Broad market performance was up. Fixed income was positive for the month due to income payment on Natchez Hotel and Parks of Plaquemine. Alternatives were up 4.9% as a result of Kreate Fund payment. Real estate 5.5% was up due to sale of Cocowalk.

Gaal inquired about potential capital improvements needed at Kreate. Jon noted no major improvements were needed but he expected that once the lease is renewed the building would be better positioned for sale. The building is wholly owned by the Fund and rated class C.

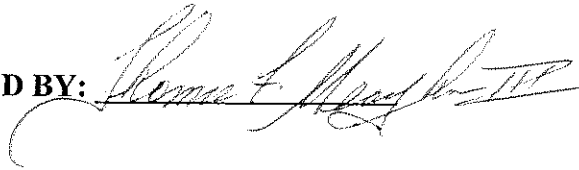
Clinton: Breth noted that he is awaiting response on the holdings analysis. A cash payment to the Fund from asset sales is due in July.

Discussion followed with a discussion on a long term investment plan for future cash receipts. He presented a moderate and conservative portfolio. He suggested active management bond funds and passive management on equity funds for the initial investments. Breth believes active management equity and real estate could be added as the portfolio grew. He discussed the advantages and disadvantages of active management in bond portfolios. Breth presented four bond funds, both competitive on the performance and fee stand point. Past performance on the managers was reviewed. Conservative and moderate portfolios were presented. Historical returns approximated 8%.

McConnell inquired about the return variances on different pages of the flash report. Jon noted that start dates and investment dates could be the cause the performance calculations variances. One return displays return since inception and the other disclosed return once invested. He thinks the numbers should be consistent and will review the reasons for the variance with staff.

Motion by Marchese and seconded by Lavene to adjourn the meeting at 10:45 am.

APPROVED BY:



DATE:

8/28/15