

# **NEW ORLEANS FIRE FIGHTER'S PENSION AND RELIEF FUND**

**(Investment Board Meeting)**

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**William M. Carrouche`  
Board President**

**Richard J. Hampton, Jr.  
Secretary-Treasurer**

**SUBJECT:**

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

**TIME, DATE AND PLACE:**

**9:00 p.m., July 19, 2013  
Loew's Hotel, St. Tammany Room  
300 Poydras Street  
New Orleans, Louisiana 70130**

Board Secretary-Treasurer Richard Hampton called the meeting to order. The following members of the Board of Trustees were present: Richard Hampton, William Carrouche`, Dean DiSalvo, Keith Noya, Terry Hampton, Nicholas Felton, Darryl Klumpp and Norman Foster.

Absent: Tim McConnell

Eight (8) members present and one (1) member absent one (1) vacancy (Board member McConnell appointed to Superintendent of Fire). With a quorum being present, the Secretary-Treasurer declared the meeting duly convened to conduct business at 9:00 am.

Also present

- Joe Meals, CSG Consulting
- Paul Mitchell
- Derrick Francis
- Jesse Evans
- Eneida Younis, OIG
- David Watkins, Firefighter
- John Breth, Bogdahn Group
- Ashton Ryan, FNBC
- David Anderson, FNBC
- Jeff Arnold, FNBC

**COMMUNICATIONS**

None

**REVIEW & ACCEPT MINUTES**

**MOTION:** Moved by Noya and seconded by Felton to approve the June 2013 Investment Board minutes.

**Motion passed.**

**NO OBJECTIONS**

**OLD BUSINESS:**

**Fletcher:** R. Hampton informed the Board that he is prepared to provide an update on the Fletcher matter.

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**MOTION:** Moved by T. Hampton and seconded by W. Carrouche to go into executive session to discuss the Fletcher litigation.

**Motion passed.**

**NO OBJECTIONS**

**MOTION:** Moved by W. Carrouche and seconded by T. Hampton to end the executive session to discuss the Fletcher litigation.

**Motion passed.**

**NO OBJECTIONS**

**Fire Hotel IV:** The Board has received an update on the proposal to purchase the Board's position in the Natchez Hotel. Bob Tarza, Board attorney, Joe Meals, our investment consultant, and Richard Hampton have been in discussions with the third party and reviewed the offer. Terms remain the same with about \$2.5 million to the Fund and a \$1.5 million note for five years at 8%. The Fund retains a 15% interest in the 48% owner of the hotel which Reuther expects to purchase for cash for \$400,000. Closing is expected to take place July 30, 2013 under terms discussed. Approximately \$230,000 held by the courts will be distributed to the Fund once the sale closes.

**Fire Hotel III(Aventura):** Management is continuing to make payments on the \$3,000,000 loan. Discussions continue with a buyer who will pay off the note plus accrued interest and purchase our equity position in an all cash transaction at about \$3,600,000. New buyers received bank approval of their loan. Fund closing on the sale should occur by month end. \$20,000 in interest payments were made this month. Sale will result in a 9.5% time weighted return.

**Clifton:** Investments are in cash. Board members discussed the possibility of investing a portion of future cash deposits in the equity markets. Mr. R. Hampton noted that the Fund can expect about \$6,500,000 from the sale of FNBC stock, \$2,500,000 from the sale of Fire Hotel and \$3,600,000 from the sale of the Aventura by the end of July 2013. An additional \$2.3 million has already been transferred to the Clifton account from Greenspring Crossover Fund. Mr. Hampton noted that the Pension Fund would need about \$4,000,000 in cash to meet its needs for the next four months. The remainder could be invested in the Clifton S&P index. This index is very liquid and available on short notice. An investment of 4 months would give the fund time to recover from monthly swings in the index. Discussion followed.

### **REGULAR BUSINESS:**

Fund performance - period ended June 30, 2013

#### **Total Fund (includes equities, fixed income, and alternatives)**

Up	.4% vs.	-1.4%	60%/40% mix for current month
Up	2.5% vs.	-7.4%	60%/40% mix year to date
Up	1.2% vs.	12.0%	60%/40% mix trailing one year

#### **Total Equities**

Up	-0.9% vs.	-1.3%	for S&P for current month
Up	6.5% vs.	13.8%	for S&P year to date
Up	13.6% vs.	20.6%	for S&P trailing one year

#### **Total Fixed Income**

Up	0.3% vs.	- 1.6%	for Barclay's Aggregate current month
Up	2.6% vs.	-1.8%	for Barclay's Aggregate year to date
Down	-2.0% vs.	- 0.1 %	for Barclay's Aggregate trailing 1 year

Joe Meals of CSG lead the discussion on the performance of the Fund and provided commentary on the performance of various sectors and money managers in particular. Some of his comments are summarized herein. Mr. Meals provided market comments including impact of rising interest rates, S&P ratings improvement, U.S. Treasury securities purchase program and earnings outlook.

**Whalehaven:** Redemptions are expected during the second half of the year.

**First National Band of Commerce (FNBC):** Discussion on share sales.

**NOTE:** William Carrouche left room at 11:15 a.m. during discussion on share sales.

Shares are trading between \$24.75 and \$27.96 per share. The sale of 260,000 shares has not been completed. Shares are expected to be available for trading on Monday July 22, 2013.

**Motion:** Moved by Terry Hampton and second by Dean DiSalvo to direct Sandler O'Neill to sell 260,000 shares at \$25.50 or greater for large blocks over 50,000 shares and any other sales at market price.

**Motion passed.**

**NO OBJECTIONS**

**NOTE:** William Carrouche reentered room at 11:30 a.m. after motion was passed.

**Fireflix:** Management reports that sale contracts are being finalized. Payments appear delayed to third quarter. Joey Tufaro made a personal presentation outlining the sales process of the movie projects. Board members expressed their displeasure with the timing of repayment. Mr. Tufaro indicated that he will not seek a reduction in interest rates and noted that our payments are first in line. Management also committed to giving additional equity interest in movies to Fund.

**Greensprings Crossover:** Exact Target, a major holding in the portfolio, was acquired at \$33.00 per share. The manager will sell the entire position.

**Fire Wiz (Maritime):** Our note continues to accrue interest at 18%. The property has been appraised which could result in a \$2 million write-up. Our equity position is 30%.

**Fire game:** No additional news on casino proposal.

**Land Baron:** Right of way transaction finalized. Buyer is willing to begin closing efforts. Senior lender has declined a sale offer. Fund representatives with begin negotiations/discussions with lender to take over property as land not expected to sell at amounts above the value of the note. Fund will sell remaining portion of property separately.

**SAIL:** Management continues to work with companies in the portfolio to produce a distribution via private purchase or IPO. Sail representatives were available this week for a presentation to the Fund.

**St. Raymond:** No acceptable proposal on property to note.

**Fire Wall (Westwego):** Current appraisals resulted in a write up of land values, which were accepted by the auditors. Managers of the property indicated that the property's total value is 40% higher. Management will seek an appraisal.

**NEW BUSINESS:**

**MOTION:** Moved by Carrouche and second by Terry Hampton to amend agenda to allow discussion on IRS Determination Letter.

**Motion Passed.**

**NO OBJECTIONS.**

**IRS Determination Letter:** Our Fund is one of over 80 Public Pension Plans that are being reviewed for Determination Letters for Plan Qualification. Major issue is on their DROP plans and the interest rate paid on DROP accounts. IRS wants plans to have a fixed interest rate for Defined Benefit Qualification. An interest rate based on a 5, 7, or 10 year average would be acceptable.

**MOTION:** Moved by Carrouche and second by DiSalvo to have Counsel notify IRS that the Board will submit a bill in next legislative session to change DROP interest rate to a 5 year average with the administrative fee to be determined by the Board.

**Motion Passed.**

**NO OBJECTIONS.**

**Fiduciary Insurance Policy:**

**Motion:** Moved by Noya and second by Terry Hampton to renew the Fund's Fiduciary Insurance Policy.

**Motion Passed.**

**NO OBJECTIONS.**

**Trustee Election:** Election notices were sent out to all members.

**DROP & PLOP Interest Rate:** Mike Conefry, Fund's Actuary, calculated the 2012 interest earned on investments at 1.078%.

**MOTION:** Moved by DiSalvo and second by Noya to pay 1% interest rate on DROP & PLOP accounts.

**Motion Passed.**

**7 Yeas with one Objection (Norman Foster).**

**ANNUAL REQUIRED CONTRIBUTION (ARC):**

**MOTION: Moved by Klumpp and second by Noya to accept Fund's Actuary, Mike Conefry, estimated ARC for the New System of \$33,786,640.**  
**Motion Passed. NO OBJECTIONS.**

**MOTION: Moved by Klumpp and second by Noya to accept Fund's Actuary, Mike Conefry, estimated ARC for the Old System of \$19,932,024.**  
**Motion Passed. NO OBJECTIONS.**

**Longevity Suit – “New Orleans Firefighters et al v City of New Orleans”, CDC No. 81-11108. Discussion and action regarding ongoing litigation.**

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**MOTION: Moved by Noya and second by Terry Hampton to enter into Executive Session to discuss the Longevity Suit.**  
**Motion Passed. NO OBJECTIONS.**

**MOTION: Moved by Noya and second by Felton to end Executive Session to discuss the Longevity Suit and return to Regular Session.**  
**Motion Passed. NO OBJECTIONS.**

**NOTE:** Norman Foster left the meeting at 2:45 p.m.

**First National Bank of Commerce (FNBC):** Ashton Ryan and David Anderson were available to provide performance information for FNBC for the past year. Mr. Ryan's presentation covered key financial statistics of the Bank, its growth potential, acquisitions over the last year, new office openings and prospects for the local economy and its potential impact on FNBC.

**MANDAMUS SUIT/RECONVENTIONAL DEMANDS – “NOFF PENSION AND RELIEF**

**FUND v CITY OF NEW ORLEANS et al”, CDC No. 2012-7061**

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**MOTION: Moved by Noya and second by Terry Hampton to enter into Executive Session to discuss the Mandamus Suit.**

**Motion Passed.**

**NO OBJECTIONS.**

**MOTION: Moved by Noya and second by Felton to end Executive Session to discuss the Mandamus Suit and return to Regular Session.**

**Motion Passed.**

**NO OBJECTIONS.**

**MOTION: Moved by Noya and second by Carrouche to authorize and direct Fund Counsel to initiate a Mandamus action to address the City’s failure to appropriate for and satisfy the Actuarially Required Contribution for Fiscal Year 2013.**

**Motion Passed.**

**NO OBJECTIONS.**

**COLA’s:** COLA’s are one of the subject matters that is currently under litigation.

**MOTION: Moved by Carrouche and second by DiSalvo to defer action on a COLA for fiscal year 2013 until resolution of the ongoing Funding Mandamus and City’s Reconventional Demand.**

**Motion Passed.**

**NO OBJECTIONS.**

**CLIFTON:** Board discussed the overlay policy.

**MOTION:** Moved by Carrouche and seconded by Terry Hampton to allow the investment of cash balances above \$4,000,000 to be 100% invested to the S&P 500 Index by Clifton.

**Motion passed.**

**NO OBJECTIONS**

**MOTION:** Moved by Carrouche and seconded by Terry Hampton to allow the investment of cash balances in individual Investment Manager accounts to be invested 100% to the S&P 500 Index by Clifton.

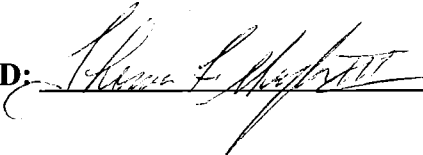
**Motion passed.**

**NO OBJECTIONS**

**NOTE:** William Carrouche left the room at 3:50 p.m.

**MOTION:** Moved by Noya and seconded by DiSalvo to allow the investment of cash balances for the Old System held in the FNBC account to be invested 65% to the S&P 500 Index and 35% to the Merrill Lynch 1-3 year Treasury Index by Clifton.  
Motion passed. NO OBJECTIONS

There being no further business, the meeting adjourned at 4:00 p.m. The next Investment Board Meeting of the Board of Trustees will be on August 13, 2013.

APPROVED: 

Date: 11/19/13