

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

**(Investment Board Meeting)**

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**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 September 12, 2013  
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, Jacobs, McConnell and Foster.

Absent: None

Seven (7) members present and no (0) 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

- Bob Tarza, Attorney
- Paul Mitchell
- Derrick Francis, Mayor's office
- Jesse Evans
- Encida Younis, OIG
- John Brcth, Bogdahn Group
- Joe Bogdahn, Bogdahn Group
- Richard Hampton, Firefighter
- Oarryl Klumpp, Firefighter
- Mike Langston, Firefighter
- Nick Felton, Firefighter
- Keith Noya, Firefighter
- Terry Hampton, Firefighter
- Kenny Prevost, Firefighter

## **COMMUNICATIONS**

None

## **REVIEW & ACCEPT MINUTES**

**MOTION:** Moved by Foster and seconded by Gaal to approve the August 2013 Investment Board minutes.

**Motion passed.**

**NO OBJECTIONS**

## **OLD BUSINESS:**

**Natehez:** Mr. Tarza, the Board attorney handling the sale documents noted that the purchasing group is getting closer to having a final document ready for closing. He noted that the purchasing group is in agreement with all terms of the proposed sale. Before the sale can go to closing, Compass Bank, the lead mortgage bank on the property, has to approve the transaction. This review could take over 30 days. Discussion followed on closing procedures and the document review process.

Mr. Tarza noted that Mr. Meals is assisting with calculating the payoff amounts on the documents and has limited involvement in the current negotiations.

**Land Baron:** The board was provided with an update on discussions between Bogdahn representatives and the Land Baron personnel. Mr. Bogdahn noted that the Land Baron investment comprises two remaining pieces of property, Corner Pocket and Sadie Creek. Corner Pocket, about 3.5 acres, currently has a mortgage assigned to it of about \$1.7 million. Managers at Land Baron indicate that they believe the mortgage currently exceeds the value of the land by at least \$400,000. NOFFP is the sole owner of the Corner Pocket parcel. Sadie Creek, about 11.5 acres, is debt free. NDFFP is the majority owner in this parcel with two other people. The parcels are located in the suburbs near Boise Idaho. The property has been described as the last remaining undeveloped intersection in that area. Representatives of Land Baron have the responsibility to market both parcels.

Mr. Bogdahn noted that the mortgage on Corner Pocket is in default and that Regal Bank, the mortgager, is considering foreclosure. Discussion followed on the terms of the note, history of the investment and the decision not to make payments on the mortgage. It was noted that the Land Baron organization made all decisions regarding payment of the mortgage, not members of the NOFFP board. Mr. Bogdahn arranged for a telephone conference call with the Land Baron

organization at 11:15 am during the Board meeting. The purpose of the call was to provide the Board with a brief history of their efforts to market the property. Board members and the Bogdahn Group were also interested in gaining an understanding of how and why the property is in foreclosure and the potential impact of foreclosure on the entire investment. Mr. Randy Black and Mr. Mike Chernine of the Land Baron organization provided the following. They felt that the property has the most market value if sold or developed together. Over the past years the group has found various parties interested in developing the land at various prices. The property did not go to closing due to various factors including loss of an anchor tenant or valuation issues. Recent valuation issues arose because Regal Bank has refused to go to closing if it would have to take a short sale. Land Baron personnel indicated that they have also received offers to develop portions of the Corner Pocket property; however the Bank refused to sell portions of the property without having the mortgage paid in full. The Bank expected full payment of the mortgage despite the fact that the parcel of land was worth less than the mortgage. Efforts to refinance the mortgage have failed. The Land Baron Group felt that representatives of Regal Bank would not be willing to negotiate a loan reduction as long as the note was current. In an effort to get the bank to consider a loan reduction, payment on the note was stopped. The note is approximately \$18,000 in arrears or 90 days late in interest payments. Discussion followed regarding bankruptcy options. Land Baron personnel noted that they would have 115 days after filing a notice of default to cure the loan.

Land Baron personnel felt sales options would be better if the loan was not in default. That would allow Land Baron to retain control of the development. Land Baron personnel indicated that they would take steps to get the loan current.

**Fletcher:** Mr. Meagher reminded the Board that a special meeting to discuss Fletcher is scheduled for September 13, 2013.

### **REGULAR BUSINESS:**

Fund performance - period ended August 30, 2013

#### **Total Equities**

Up	-3.2% vs.	-2.9%	for S&P for current month
Up	7.8% vs.	16.2%	for S&P year to date
Up	6.1% vs.	18.7%	for S&P trailing one year

**Total Fixed Income**

Up 0.5% vs. -0.5% for Barclay's Aggregate current month  
Up 3.6% vs. -2.8% for Barclay's Aggregate year to date  
Down -1.5% vs. -2.5% for Barclay's Aggregate trailing 1 year

Jon Brett lead the discussion on the performance of the Fund and provided commentary on the performance of various sectors and money managers in particular..

**NEW BUSINESS:**

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

Mr. Mitchell noted that 178,300 shares have been sold at prices ranging from \$25.85 to \$26.00. 81,700 shares remain to be sold following the directive to sell 260,000 total shares. Discussion followed on the feasibility of increasing the total allocation of shares to be sold. The Fund's consultant noted that maintaining an allotment in FNBC of 2% of the total portfolio would be sufficient exposure for this holding. Discussion followed on the reasons supporting a 2% allocation. Reaching a 2% allocation would equate to keeping 110,000 shares of FNBC stock on hand. Members noted that there would be no rush to sell the shares. Discussion followed on the timing of the sale of the remaining shares.

**MOTION:** Moved by Meagher and second by Lavene to direct staff to have Saadler O'Neill to sell all but 110,000 shares of the FNBC stock at \$24.00 or greater.

**Motion passed.**

**NO OBJECTIONS**

**Actuary update:** Mike Conefry, the Fund's actuary was on hand to provide the Board with information on the actuarial process, funding history of the Old and New systems, actuarial funding methods, GASB 67, 25 and 68 and analysis of the funding shortfall. This presentation lasted approximately one hour.

Mike's GASB presentation explained how the new rules would drastically change reporting requirements for liabilities resulting from pension obligations for employers. Pension obligations would move from the notes in the financial statements to the balance sheets of the employers. This new reporting requirement would place a large liability on the balance sheet of employers for underfunded pension plans.

Mr. Conefry then explained the funding shortfall for the years 2010 through 2013 and the effect on the actuarial required contribution in future years. Discussion on the unfunded liability followed.

There being no further business, the meeting adjourned at 12:10 p.m. The next Investment Board Meeting of the Board of Trustees will be on October 9, 2013.

**APPROVED:**  **Date:** 11/13/13