

Firefighters' Pension Governance & Investment Policies

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Purpose of This Report

The purpose of the OIG's evaluation was to determine whether the NOFFPF's overall governance systems and investment decision-making processes were consistent with legal requirements and best practices, and supported its goal of ensuring sufficient funds available to pay benefits.

What the OIG Found

The New Orleans Firefighters' Pension and Relief Fund (NOFFPF) provides retirement, disability, and survivor benefits for local firefighters. The entity had a prior history of poor investment performance, including consistently negative overall returns for several years and the use of alternative investments such as a local golf course, films, and hedge funds. In recent years, the NOFFPF showed signs of improved financial stability and governance. However, after years of poor performance, compounded by conflict between the NOFFPF and the City of New Orleans (City) over benefit obligations, the fund remained significantly underfunded compared to other public pension plans.

While the NOFFPF had improved some of its practices pertaining to governance and investments, evaluators found weaknesses in the entity's documentation of and adherence to formal processes and policies. Specifically, evaluators found that the NOFFPF did not comply with all governance provisions in its settlement agreement and Cooperative Endeavor Agreement (CEA) with the City. Furthermore, the NOFFPF did not develop, document, and use meaningful criteria for evaluating its investment performance, and it lacked a formally articulated risk tolerance and a thorough, documented process for assessing investment risks. Finally, while the NOFFPF had clear criteria to monitor the performance of its money managers, it lacked similarly well-defined criteria to monitor the performance of its investment consultant.

What the OIG Recommended

To address these weaknesses, evaluators recommended the NOFFPF take the following actions:

- Work with the City and other parties to revise the CEA as needed and comply with any and all provisions within the updated CEA;
- Develop meaningful measures to assess the performance of its investment portfolio, clearly document these criteria in its investment policy or other documents, and use these guidelines to routinely monitor investment performance;
- Clearly document its risk tolerance and process for assessing risks in investment decisions; and
- Develop clear performance criteria for its investment consultant.