

## EXECUTIVE SUMMARY

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The Office of Inspector General (OIG) of the City of New Orleans conducted an evaluation of the New Orleans Firefighters' Pension and Relief Fund's (NOFFPF) governance and investment policies. The purpose of this 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.

The NOFFPF was responsible for paying retirement, disability, and survivor benefits for local firefighters, funded by contributions from employed firefighters and the City of New Orleans (City). 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 over benefit obligations, the fund was significantly underfunded compared to other public pension plans.

Evaluators interviewed personnel, attended board meetings, and obtained documents from the NOFFPF, in addition to reviewing the entity's policies and procedures, financial and investment reports, board meeting minutes, and additional documentation provided by the NOFFPF.

The evaluation included the following findings:

- The NOFFPF did not comply with all governance requirements in its settlement agreement and Cooperative Endeavor Agreement (CEA) with the City.
- The NOFFPF did not develop, document, and use meaningful criteria for evaluating the performance of its investment portfolio.
- The NOFFPF lacked a formally articulated risk tolerance and a thorough, documented process for assessing investment risks.
- 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.

Based on these findings, the OIG made the following recommendations to the NOFFPF:

- The NOFFPF should work with the City and other parties to revise the CEA as needed and should comply with any and all provisions within the updated CEA.

- The NOFFPF should 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.
- The NOFFPF should clearly document its risk tolerance and process for assessing risks in investment decisions.
- The NOFFPF should develop clear performance criteria for its investment consultant.

The NOFFPF accepted three of the four recommendations in the report and has indicated corrective actions that are either planned or in progress. Devoting additional attention to creating formal processes, policies, and performance measures that support effective decision making will increase the likelihood that the entity manages its assets efficiently and effectively.