

# Select Louisiana Retirement Systems, Investment Processes

Performance Audit Services - May 2012

Audit Control # 40110013



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## Report Highlights

### Why We Conducted This Audit

We conducted this audit in response to a legislative request from the House and Senate Committee on Retirement. This report provides the chronology and current status of the Fletcher Income Arbitrage (FIA) Leveraged Fund investments. This report also provides the results of our performance audit on the following entities:

- Firefighters' Retirement System (FRS)
- Municipal Employees' Retirement System (MERS)
- Firefighters' Pension and Relief Fund of the City of New Orleans (NOFPRF)
- Registrars of Voters Employees' Retirement System (ROVERS)

### What We Found

Chronology and Current Status of FIA Leveraged Fund Investments	
March 2008	FRS (\$45 million), MERS (\$40 million), and NOFPRF (\$15 million) invest a total of \$100 million in the FIA Leveraged Fund.
March 2011	FRS and MERS request a redemption in the amount of \$32 million (total).
April 2011	Fletcher Asset Management, Inc. (FAM) informs FRS and MERS that it anticipates that it will satisfy their requests on or before June 15, 2011.
June 2011	Instead of satisfying the redemption requests, FAM attempts to assign promissory notes over to FRS and MERS as a means to satisfy the requests. In response, FRS and MERS request a redemption of all shares credited to FIA Leveraged Fund to date. NOFPRF subsequently submits a formal redemption request for all of its initial investment and the interest earned to date.
January 2012	FRS, MERS, and NOFPRF file a Winding Up petition and ask the Grand Court of the Cayman Islands to appoint a liquidator recommended jointly by the systems.
April 2012	Retirement systems have not received any payment from the FIA Leveraged Fund. On April 18, 2012, the Grand Court of the Cayman Islands rules in favor of FRS, MERS, and NOFPRF's petition, granting all relief that has been requested.

Our performance audit of the retirement systems focused on whether FRS, MERS, NOFPRF, and ROVERS met all investment process and educational requirements mandated by state law and recommended by best practices. The types of issues we found included the following (**Note:** Please refer to full report for system-specific issues.):

- Lack of documentation to support that the system(s) completed an asset allocation study and a comprehensive implementation plan for each asset class and investment decision (MERS, ROVERS, NOFPRF).
- Lack of documentation to support that the system(s) examined all statutorily required types of risk when completing the implementation plan for each investment (FRS, MERS, ROVERS).
- Lack of documentation to support that the system(s) considered the ability to liquidate each investment (FRS, MERS, ROVERS).
- Some elected trustees did not meet all of the statutorily mandated number of education hours (FRS, MERS, ROVERS).

View the full report at [la.la.gov](http://la.la.gov).  
For more information, contact Emily Wilson, Performance Audit Manager, at 225-339-3800.