

# New Orleans firefighters' pension fund lost 41 percent of value in 2013

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21 July 2014

The latest independent audit of the New Orleans Fire Fighters Pension and Relief Fund recorded a 41 percent decline in the fund's net assets in 2013, primarily due to the fund writing down the value of many of its investments, according to the *New Orleans Advocate* newspaper.

The audit's findings, as well as the virtual state of freefall of the pension fund itself, will undoubtedly spur renewed calls by the Democratic mayor of New Orleans Mitch Landrieu to slash the city's contributions to the fund. City officials have been refusing for years in spite of court orders to adequately fund the firefighters' pension system.

Like all funded pension schemes, the New Orleans firefighters' pension plan is prey to the swindling and double-dealing of the financial industry. The list of bad and often downright shady investments made by the fund could fill several volumes. For example, in 2008 it and two other Louisiana public employee pension funds invested \$100 million in a scheme by Fletcher Asset Management, supposedly involving an anonymous financial backer, which guaranteed a 12 percent return on investment. Fletcher Asset Management is now embroiled in several lawsuits filed by pensions and hedge funds throughout the country, including the three pension funds in Louisiana, alleging tens of millions of dollars worth of corruption and fraud.

The firefighters' fund is particularly vulnerable, however, because it relies heavily on high-risk real estate investments, which cannot be easily liquidated in the event of a budget shortfall. Fully 45 percent of its investment portfolio is tied up in real estate, ranging from a \$2.3 million loan to a now-closed Days Inn in the New Orleans suburb of Metairie to a 99 percent stake in the Lakewood Golf Club, a few blocks away from the fund's offices, which accounts for \$17.5

million of last year's net asset loss.

A major factor in the financial troubles facing the fund is widespread corruption and self-aggrandizement within the board of trustees itself. An investigation by a local news station found that the former secretary treasurer of the board was also employed as CEO of the pension fund, in violation of state law, for which he received a salary that reached \$156,000 in 2010. In addition, the pension fund issued 11 credit cards to its 10 board members and three employees, which were then regularly used to pay for lavish meals worth thousands of dollars. Like other unions throughout the country, the New Orleans Fire Fighters Association, which controls a majority of seats on the board, views the pension fund as an enormous cash cow.

The situation facing the pension is dire. According to the *Advocate*, net assets for the fund have fallen by almost half since the end of 2011, from \$158.5 million to a low of \$84.8 million, with \$20 million readily convertible into cash to meet monthly expenses of around \$800,000. Louis Robein, the fund's attorney, told the paper, "We're beyond crisis."

Nevertheless, the city has deliberately and systematically underfunded the pension, in flagrant violation of state law, as part of a deliberate policy to starve the fund in order to pave the way for massive pension cuts. In late June, a judge found that the city had been underfunding the pension system since 2010 and ordered the Landrieu administration to pay \$17.5 million. Yet Landrieu has refused to pay even this sum, a fraction of what is actually owed, which could reach \$110 million by the end of next year. Instead, he is holding the money ransom in return for sweeping pension "reform," aimed not at putting the fund on sounder financial footing, but at ripping up the city's obligations toward providing firefighters and their

families with a decent standard of living in their old age.

The collapse of the pension's assets, which by state law will require greater contributions to the fund from the city, will undoubtedly embolden the city government as well as hurry their timetable for dismantling the firefighters' pensions. Landrieu is already seeking political cover for this move by counterpoising firefighters' pensions to Recreation Department and road and streetlight repair, and by declaring that the issue will be decided through fraudulent "voter input" at sessions of the city council.

However, the inroads against firefighters' pensions are not due to the personal character of officials in city government, but part of a national program of austerity aimed at destroying the living standards of public employees and the working class as a whole. The unions are incapable of mounting any serious struggle against the pension cuts because they are bound hand and foot to the capitalist system, including through the mechanism of their control over these very same pension funds.



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