FIREFIGHTERS' RETIREMENT SYSTEM
NEW ORLEANS FIREFIGHTERS' RETIREMENT SYSTEM
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Joint Statement
July 11, 2011

This joint statement has been reviewed and approved for public distribution by the executive directors of the Firefighters' Retirement System (FRS), the New Orleans Firefighters' Retirement System (NOFF), and the Municipal Employees' Retirement System (MERS).

Within recent weeks, the board of trustees for each retirement system, acting independently, decided to capture some of the profits that had been earned in an investment known as the FIA Leveraged Fund (FIA). For example, on April 1, 2008, FRS initially invested $45 million in FIA. On March 10, 2011, the FRS governing board received information showing that the value of its investment in FIA had grown to $63.7 million. On March 14, 2011, the FRS board requested a partial redemption of its shares in the sum of $17 million. MERS made a similar request. Again, the systems share a similar purpose, although acting independently, and the requests were designed to capture some but not all of the profits earned to date.

The FIA fund manager (Fletcher) first responded by indicating that the retirement systems' request had been received and would be accommodated at the end of the 60 day notice period as provided for in the contractual agreements. Just prior to the expiration of the time period allowed under the terms of the agreements, Fletcher informed FRS and MERS that they would receive the requested distribution, but the cash distribution would first require an orderly liquidation of assets held by FIA. Fletcher further indicated that it would make the assets available for sale in the capital markets over a period of time, in order for the assets to be sold at the best price available for the retirement systems. Fletcher avers that a forced immediate sale of assets in the present market environment would probably result in FIA obtaining less than a fair price on the assets in the capital markets. To show its binding commitment of a cash distribution, while at the same time beginning its timely liquidation of assets, Fletcher issued each system a 100% assignment of interest in a promissory note equal to the amount of each respective system's redemption request. The promissory note is set to mature 2-years after the date of each requested redemption, thereby giving Fletcher up to 2-years to accomplish the liquidation. The note is payable at 5% interest per year.

The FIA investment is designed to pay a preferred return of interest equal to 12% per year for the assets invested on behalf of the retirement systems. The investment has accrued that 12% return on behalf of the retirement systems since inception as verified by the two independent audit firms of Grant Thornton, and Eisner LLP. By the terms of the investment, the retirement systems are allowed to share in interest earned by FIA in a range of 12-18%. If the fund earns less than 12%, then other investors, not the retirement systems, again to repeat, not the retirement systems, absorb the losses. The retirement systems' preferred return is collateralized against losses. If the collateral supporting the preferred return declines to a level that is 20% above the systems' collective account values, there is a trigger mechanism requiring a mandatory redemption of the systems' investment. This 20% cushion is designed to protect the systems' accounts against any loss in value. As a trade off, the retirement systems do not participate in earnings that exceed 18%. Anything above that level goes to the investors who absorb the losses if earnings are less than 12%.

The distribution of a promissory note in lieu of immediate cash has raised concerns with each of the systems' respective boards. To be practical, it gives rise to questions regarding the liquidity of the FIA fund and the accuracy of the financial statements issued by the two renowned independent auditors. For that reason, the systems have already provided notice to Fletcher that a team of system experts, including board members, systems' accountants, and investment consultant is being assembled to appear and closely examine Fletcher's books and financial statements. The systems are also considering jointly retaining a forensic economist to assist in the examination. The examination will provide first-hand assurance regarding all as yet unanswered questions about the fund. It will also give the systems the ability to verify the veracity of the representations made by Fletcher. Much like President Reagan said during the era of detente: "Trust, but verify."

Fletcher has fully cooperated during the preliminary assessments conducted by the retirement systems. However, if information is discovered that relates to FIA's solvency or if Fletcher's cooperation becomes less than forthcoming, then the retirement systems are poised to act quickly and decisively with any steps necessary to preserve the interest of the systems. The systems' boards of trustees are keenly aware of the concern expressed by the systems' participating employees and employers and by the taxpayers of this state. The boards have instructed their executive staffs to handle this matter with professional skill and diligence while keeping the public and all other interested parties informed as events unfold. Meanwhile, please direct any inquires or requests for information to the executive director of each system undersigned below.

/s/ Steven Stockstill
Steven S. Stockstill, FRS Executive Director

/s/ Richard Hampton
Richard Hampton, NOFF Executive Director

/s/ Robert L. Rust
Bob Rust, MERS Executive Director

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