

**FIREFIGHTERS' RETIREMENT SYSTEM
NEW ORLEANS FIREFIGHTERS' PENSION AND RELIEF FUND
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

**Joint Memorandum
August 18, 2011**

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

You may have read in the media or might have been told about an investment the systems placed with a manager known as Fletcher Asset Management (FAM). In 2008, the systems did collectively invest \$100 million in a Fletcher hedge fund and, at the end of March 2011, the account statements showed that the investment had grown to \$140+ million. In that same month, the systems decided to follow their usual practice and take profits from the investment. FRS and MERS asked for a combined return of \$32 million and FAM responded with a promissory note. As a result, the systems put together a team to review the financial statements, records, and holdings of the Fletcher fund. The team was lead by a principal of the fraud investigative and dispute services unit of Ernst & Young (E&Y) accounting firm. Although their review is not yet finished, the accountants have provided the following preliminary indications. To this point the management and staff of FAM have been open and forthcoming with the documents requested by the team. FAM representatives freely discussed any subject raised by the team. The firm that provides a valuation of investments managed by FAM is comprised of a well respected, independent team of academics. Independent valuations have been used to value the assets in preparing prior audits of the funds in accordance with generally accepted accounting principles. FAM furnished documents and financial statements indicating that the fund has assets exceeding the value of the systems' investments and earnings showing more than \$40 million in profit on the systems' original investment. The E&Y accountants will continue the review until they have enough information to provide a thorough, independent report to the systems. We will provide you with additional information upon completion of the report.

/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