

OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



ED QUATREVAUX
INSPECTOR GENERAL

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MEDIA CONTACT:
[Paula Pendarvis](#)
(504) 717-7591

**OFFICE OF INSPECTOR GENERAL QUESTIONS COST OF FIREFIGHTERS' PENSION AND RELIEF
FUND FOR THE CITY OF NEW ORLEANS**

The New Orleans Inspector General issued a [public letter](#) today to the Mayor and City Council raising questions about the cost of the Firefighters' Pension and Relief Fund for the City of New Orleans ("Pension Board").

The Office of Inspector General (OIG) calculated that the Pension Board cost taxpayers an additional and unnecessary \$8.8 million in 2015 and approximately \$150.3 million for the period of 1999-2015 by accepting false actuarial reports, ignoring the excessive number of disability retirements, and inflating retirement pensions by disregarding age requirements in state law.

Firefighters in the Louisiana state system experience a disability retirement rate of about 10% while New Orleans firefighters experienced disability retirement rates ranging from 94% to 80% from 2011 through 2015. The Supplemental Earnings Benefit (SEB) provides an additional benefit of approximately \$30,000 per year for those firefighters who become disabled before retirement. The state system requires that income earned after a disability retirement be offset by deducting the amount from the retirement payment; there was no offset in New Orleans. Therefore 53 or 87% of the 61 firefighters approved by the Pension Board for disability retirements in 2013-2015 earned more than they did the last 12 months before retirement. The OIG noted that of 61 disability retirements from 2013-2015, 44 or 72% of firefighters had a slip and fall or strain occurring less than one year from retirement.

After the OIG questioned the Pension Board in 2011 about the unusual disability retirement rate of 94%, the Pension Board accepted actuarial reports in subsequent years that showed disability retirement rate reductions to 45% in 2012, 42.5% in 2013, and 40% in 2014 and 2015. However City representatives on the Pension Board reported to the OIG that Pension Board documentation to the Internal Revenue Service showed from 2013-2015 that 80% of retired firefighters received disability pensions.

The OIG calculated that if the Pension Board conformed to the state disability retirement rate, the City could save approximately \$6,240,288 per year.

In addition to the Pension Board's misrepresentations of the number of disability retirements, the OIG found that the Board failed to apply state law in its calculations of overall pension benefits for retired firefighters. The Pension Board's interpretation resulted in an overpayment of \$4,272 in pension benefits per firefighter retired in 2013-2015 or approximately \$2,601,648 per year.

"The New Orleans firefighters' pension system should be required to mirror the state firefighters' system in applications of law, which would save the city about \$8.8 million each year," stated Inspector General Ed Quatrevaux. "In the longer term, the magnitude of the waste associated with this Pension Board warrants an extensive evaluation of its actions and identification of options for ending the control by officials who are not responsible for paying the cost. "

The OIG will conduct the evaluation.

An OIG news conference to announce details of the public letter will be streamed live and afterward be available for replay on the website nola.oig.gov.

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