

**OFFICE OF LEGISLATIVE AUDITOR  
2024 REGULAR SESSION  
ACTUARIAL NOTE**

<b>House Bill 40 HLS 24RS-132</b> <b>Engrossed</b> <b>Author: Horton</b> <b>LLA Note HB 40.02</b>	<b>Date: April 1, 2024</b> <b>Organizations Affected: FRS</b>  <b>EG +\$21,235 FC SG EX</b>
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**Bill Header:** RETIREMENT/FIREFIGHTERS: Provides relative to the board of trustees of the Firefighters' Retirement System

**Purpose of Bill:** This bill increases the number of board members for FRS from 11 to 12 by increasing the number of retirees from one to two.

**I. ACTUARIAL IMPACT ON RETIREMENT SYSTEMS**

This section of the actuarial note is intended to provide a brief outline of the changes in plan provisions and actuarial effect on key aspects of the affected retirement systems.

The net change in actuarial present value of expected future benefits and administrative expenses incurred by the retirement systems from the proposed legislation is estimated to be minimal. Anticipated administrative costs are included as part of the development of the annual employer contribution, expressed as a percent of payroll. An additional \$16,000 - \$21,000 per year in administrative cost would not have a discernable effect on the development of the employer contribution rate.

**II. FISCAL IMPACT ON RETIREMENT SYSTEMS**

This section of the actuarial note pertains to annual fiscal costs (savings) associated with the retirement systems.

Fiscal costs or savings include only cash flows to or from the affected retirement system (e.g. administrative expenses incurred by, benefit payments from, or contributions to the retirement system) and do not include administrative expenditures and revenues specifically incurred by the state or local government entities associated with implementing the legislation. A fiscal cost is denoted by "Increase" or a positive number. Fiscal savings are denoted by "Decrease" or a negative number. A revenue increase is denoted by "Increase" or a positive number. A revenue decrease is denoted by "Decrease" or a negative number.

**Table A: Retirement System Fiscal Cost**

<b>Expenditures</b>	<b><u>2024-25</u></b>	<b><u>2025-26</u></b>	<b><u>2026-27</u></b>	<b><u>2027-28</u></b>	<b><u>2028-29</u></b>	<b><u>5-Year Total</u></b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	21,235	16,603	16,603	16,603	21,235	92,279
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	21,235	16,603	16,603	16,603	21,235	92,279
<b>Annual Total</b>	<b>\$ 42,470</b>	<b>\$ 33,200</b>	<b>\$ 33,200</b>	<b>\$ 33,200</b>	<b>\$ 42,470</b>	<b>\$ 184,558</b>

<b>Revenues</b>	<b><u>2024-25</u></b>	<b><u>2025-26</u></b>	<b><u>2026-27</u></b>	<b><u>2027-28</u></b>	<b><u>2028-29</u></b>	<b><u>5-Year Total</u></b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	21,235	16,603	16,603	16,603	21,235	92,279
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
<b>Annual Total</b>	<b>\$ 21,235</b>	<b>\$ 16,603</b>	<b>\$ 16,603</b>	<b>\$ 16,603</b>	<b>\$ 21,235</b>	<b>\$ 92,279</b>

Changes in employer contributions are reflected in the State General Fund and/or Local Fund expenditure lines above. The actual sources of funding (e.g., Federal Funds, State General Fund, etc.) may vary by employer and are not differentiated in the table.


Firefighters Retirement System (FRS) has estimated the annual administrative costs, including but not limited to travel and lodging costs for attending board meetings and/or legislative meetings, could be as high as \$16,600 per year per trustee, depending on where a board member lives within the state and how far that member must travel. In addition, the cost to conduct an additional retiree trustee election would be approximately \$4,600 incurred once every five years. Any increase in administrative expenses has a corresponding increase in employer contributions which is reflected above as Local Funds expenditures and Agy Self-Generated revenues.

FRS has also indicated they do not have sufficient seating or space for additional trustees which could result in potential one-time construction costs to renovate the board room or on-going costs to find and utilize an appropriate meeting space. This is not considered a direct cost of the bill.

**III. FISCAL IMPACT ON LOCAL GOVERNMENT ENTITIES**  
(Prepared by LLA Local Government Services)

This section of the actuarial note pertains to annual fiscal costs (savings) related to administrative expenditures and revenue impacts incurred by local government entities other than those included in Table A.

The proposed legislation is not expected to have any additional effects on fiscal administrative costs and revenues related to local government entities during the five-year measurement period, other than those outlined above.

<p><b>This Note has been prepared by the Actuary for the Louisiana Legislative Auditor (LLA) with assistance from either the Fiscal Notes staff of the Legislative Auditor or staff of the Legislative Fiscal Office (LFO). The attachment of this Note provides compliance with the requirements of R.S. 24:521 as amended by Act 353 of the 2016 Regular Session.</b></p>	 <b>Kenneth J. "Kenny" Herbold, ASA, EA, MAAA</b> <b>Director of Actuarial Services</b> <b>Louisiana Legislative Auditor</b>
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**2024 REGULAR SESSION  
ACTUARIAL NOTE HB 40**

**IV. FISCAL IMPACT ON STATE GOVERNMENT ENTITIES  
(Prepared by Legislative Fiscal Office)**

This section of the actuarial note pertains to annual fiscal costs (savings) related to administrative expenditures and revenue impacts incurred by state government entities other than those included in Table A.

N/A - This bill only impacts local government, and therefore, has no state impact. The LFO does not review local government bills.

**V. ACTUARIAL DISCLOSURES**

**Intended Use**

This actuarial note is based on our understanding of the bill as of the date shown above. It is intended to be used by the legislature during the current legislative session only and assumes no other legislative changes affecting the funding or benefits of the affected systems, other than those identified, will be adopted. Other readers of this actuarial note are advised to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. The actuarial note, and any referenced documents, should be read as a whole. Distribution of, or reliance on, only parts of this actuarial note could result in its misuse and may mislead others. The summary of the impact of the bill included in this actuarial note is for the purposes of an actuarial analysis only, as required by La. R.S. 24:521, and is not a legal interpretation of the provisions of the bill.

**Actuarial Data, Methods and Assumptions**

Unless indicated otherwise, this actuarial note was prepared using actuarial data, methods, and assumptions as disclosed in the most recent actuarial valuation report adopted by the Public Retirement Systems' Actuarial Committee (PRSAC). The assumptions and methods are reasonable for the purpose of this analysis.

To the extent that this actuarial note relies on calculations performed by the retirement systems' actuaries, to the best of our knowledge, no material biases exist with respect to the data, methods or assumptions used to develop the analysis other than those specifically identified. We did not audit the information provided, but have reviewed the information for reasonableness and consistency with other information provided by or for the affected retirement systems.

**Conflict of Interest**

There is nothing in the proposed legislation that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

**Risks Associated with Measuring Costs**

This actuarial note is an actuarial communication, and is required to include certain disclosures in compliance with Actuarial Standards of Practice (ASOP) No. 51. Risk disclosures otherwise required by ASOP No. 51 do not apply to this actuarial note because the proposed bill does not significantly change the types or levels of risks of the retirement system.

**Certification**

Kenneth J. Herbold is an Associate of the Society of Actuaries (ASA), a Member of the American Academy of Actuaries (MAAA), and an Enrolled Actuary (EA) under the Employees Retirement Income Security Act of 1974. Mr. Herbold meets the US Qualification Standards necessary to render the actuarial opinion contained herein.

**VI. LEGISLATIVE PROCEDURAL ITEMS**

**Information Pertaining to La. Const. Art. X, §29(F)**

- This bill contains a retirement system benefit provision having an actuarial cost.

No member of a retirement system would receive a larger benefit with the enactment of this bill than what they would have received without this bill.

**Dual Referral Relative to Total Fiscal Costs or Total Cash Flows:**

The information presented below is based on information contained in Sections II, III, and IV for the first three years following the 2024 Regular Session.

**Senate**

- 13.5.1 Applies to Senate or House Instruments  
If an annual fiscal cost  $\geq$  \$100,000, then bill is dual referred to:  
**Dual Referral: Senate Finance**
- 13.5.2 Applies to Senate or House Instruments  
If an annual tax or fee change  $\geq$  \$500,000, then bill is dual referred to:  
**Dual Referral: Revenue and Fiscal Affairs**

**House**

- 6.8F Applies to Senate or House Instruments  
If an annual General Fund fiscal cost  $\geq$  \$100,000, then bill is dual referred to:  
**Dual Referral: Appropriations**
- 6.8G Applies to Senate Instruments only  
If a net fee decrease occurs or is an increase in annual fees and taxes  $\geq$  \$500,000, then bill is dual referred to:  
**Dual Referral: Ways and Means**