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BUREAU OF GOVERNMENTAL RESEARCH
1055 St. Charles Ave., Suite 200
New Orleans, LA 70130
504-525-4152 / www.bgr.org

BGR MEDIA RELEASE

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Contact: Stephen Stuart, *Vice President and Research Director*
ssuart@bgr.org
(504) 525-1668

BGR Calls for Clear Justification of Future Firefighter Pension Proposals

Today the Bureau of Governmental Research (BGR) published a [report](#) analyzing a proposal in the spring legislative session to increase pension benefits for New Orleans firefighters. While the proposal will not move forward, BGR's report finds several concerns and risks for the City of New Orleans and taxpayers that any future attempt to change the pension plan should address.

House Bills [32](#) and [33](#) would have increased minimum pension benefits and reversed benefit cuts from a landmark 2016 legal settlement to shore up the firefighters' beleaguered pension fund. The sponsor of the bills pulled them from consideration last week, but supporters plan to renew their efforts, possibly in next year's legislative session. For that reason, BGR is releasing this report to inform both the public and policymakers about problems with the withdrawn proposal that any future proposal should address. Those problems include:

- Concerns about the New Orleans City Council, which must budget for the City's pension contributions, not having a say in whether to change pension benefits.
- Insufficient evidence to support proponents' contention that the pension benefit cuts have caused significant recruiting and retention problems.
- Risk of further weakening the pension fund's poor financial health.
- An unknown increase in the public's already substantial pension costs.
- Risk of unjustified pension changes eroding public trust, especially after voters approved a 2.5-mill property tax to help fund the settlement.

Carefully justifying any revisions to pension benefits is important. The changes could have substantial impacts for decades to come on the City's finances and the stability of the pension system that firefighters rely on to fund their retirements.

Other key background information and findings:

- As part of the 2016 legal settlement, the City increased its annual contributions to the New Fund of the firefighters' pension system, which covers all active firefighters. Meanwhile, firefighters supported legislation to reduce benefits for new hires by 9% and raise the retirement age from 52 to between 55 and 57. These and other settlement terms are set forth in a 2016 cooperative endeavor agreement (CEA) among three parties: the City, the firefighters' union, and the pension fund.
- The New Fund has enough assets to cover just 11.5% of its liabilities. Pension experts say that retirement systems should strive for a 100% funded ratio. They add that a drop below 70% is cause for serious concern.
- The settlement prohibits changes to firefighter pension benefits until the system achieves a funded ratio of 80%. However, the parties to the settlement carved out an exception for the now-shelved bills.
- An actuary who analyzed the two pension bills for the Legislature said the New Fund is the worst funded among 216 large public retirement systems in the country.
- For 2023, the pension fund's actuary determined the City's contributions to the New Fund should be \$46 million, or 122% of the payroll for active firefighters. That was nearly four times the 33.25% figure for the statewide firefighters' pension system, which serves most other local fire departments in Louisiana. What this means is, if a community in the statewide system had the same firefighter payroll as New Orleans, it would have paid only \$12.5 million in pension costs, or \$33.5 million less than New Orleans.

Conclusion and Recommendations

BGR supports appropriately funding core City services, including fire protection. Employees who carry out those essential responsibilities should have fair and competitive compensation. At the same time, the firefighters' pension system is in poor financial condition and imposes substantial costs on taxpayers. Thus, it is important for policymakers to strike a balance that is both effective from a staffing standpoint and affordable to the public. This requires that any changes to the pension benefit structure are carefully justified. This will require rigorous study to identify any problem to be solved and the long-term impacts of any proposed solution.

BGR recommends that, before seeking changes to firefighter pension benefits in New Orleans, the three parties to the CEA – the City, the firefighters' union and the pension fund – should:

- Seek City Council review of proposed changes to the pension benefit structure and approval of any necessary amendments to the CEA.
- Facilitate an independent and professional study of the New Orleans Fire Department's hiring, retention and compensation. The study should analyze the extent to which pension benefits are a cause of any problems in these areas.
- Accompany the compensation study with an analysis of the department's personnel needs and ideal staffing level.
- Facilitate a professional actuarial analysis of all costs of any future proposed benefit increases.
- Carefully justify any proposals to amend the pension benefit structure that require an exception to the 80% funding threshold established in the CEA.

“These recommendations are basic safeguards to support a pension system that provides firefighters with stable and competitive compensation at an affordable cost to taxpayers,” said BGR President and CEO Rebecca Mowbray.

The [full report](#) and an online summary are also available [here](#) on our website.

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policymaking and the effective use of public resources in the Greater New Orleans area. For more information, call (504) 525-4152 or visit BGR's website, www.bgr.org.