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BGR's Spotlight on Local Government Issues
April 24, 2024

Altering New Orleans Firefighter Pension Benefits Demands Careful Analysis and Justification

The sponsor of state legislation that would have increased pension benefits for New Orleans firefighters decided not to move forward with House Bill 33 (HB 33) and House Bill 32 (HB 32) last week. This was the right move because there are several significant shortcomings with the proposal, which would have reversed pension benefit cuts from a landmark 2016 legal settlement to shore up the firefighters' beleaguered pension fund. These concerns remain highly relevant because proponents of the shelved bills said they plan to renew their effort to change firefighters' pension benefits, 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 For that reason, BGR is releasing this report to inform both the public and policymakers about problems with the withdrawn proposal that any future proposal should address.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 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 because 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.

In this report, "benefit cuts" refer to changes in the structure of the New Orleans Firefighters' Pension and Relief Fund, pursuant to the 2016 settlement, that reduced the future retirement benefits of newly hired firefighters. BGR recognizes that Louisiana law protects accrued benefits earned by retirees and current employees. Policymakers are largely unhindered in changing the benefit structures for new hires.[1]

BACKGROUND

A PAIR OF TROUBLED PENSION FUNDS

The Legislature, not the City Council, controls the benefit structure of the New Orleans firefighters' pension system, which is established in state statute. The system has two funds: the Old Fund and the New Fund.

The Old Fund covers firefighters hired before 1968 and has no actively employed members. The fund has a tumultuous financial history that included an ill-fated attempt to play the market in 2000. The City borrowed $170.7 million to create a trust fund with the goal of earning investment returns that exceeded the interest payments. That didn't happen, and the trust fund was depleted after just nine years of paying out benefits, far short of the 40-year goal. Meanwhile, the City had to continue making large interest payments long after the trust fund money was gone.[2]

The New Fund covers firefighters hired since 1968 and is the subject of this report. The New Fund's financial health deteriorated rapidly in the early 2000s. One reason was underfunding by the City, which expanded the gap between the New Fund's assets and liabilities.[3] Another reason was poor investment decisions by the fund's board. This included risky investments in golf courses, a shopping center and a Cayman Islands hedge fund, among other things. By 2015, the New Fund had enough assets to cover just 12.8% of accrued benefits, leaving a $343 million unfunded pension liability.[4] Pension experts say that retirement systems should strive for 100% coverage of accrued benefits and that a drop below 70% is cause for serious concern. The low funded ratio for the New Fund means the City must cover benefits on a largely pay-as-you-go basis. This means making annual allocations from its General Fund as opposed to using investment returns, the primary funding source for a healthy pension system. These obligations create significant financial strain on the City, as shown in Table 1.

THE LEGAL SETTLEMENT

Recognizing the huge unmet pension liability for the New Fund as a threat to the City's long-term fiscal wellbeing, the Business Council of New Orleans and the River Region brokered a 2016 legal settlement that sought to bring the runaway pension costs under control. The settlement took the form of a 13-page Cooperative Endeavor Agreement (CEA) involving the City, the firefighter's union and the pension fund.[5] The original one-year agreement led to the current multi-year CEA that carried forward the same terms and was approved by the City Council in January 2017.

The agreement required the City to increase its annual pension contributions to the New Fund. The agreement capped the contributions at $36 million annually for the first six years. Starting in 2023, the City became responsible for paying the actuarially determined contribution.[6]

It further required all parties to support legislation that reduced pension benefits in two ways for all new firefighters. First, the minimum retirement age increased from 52 to between 55 and 57.[7] Second, the multiplier used to calculate pension benefits dropped from 2.75% per year of service to 2.5%. Benefits for firefighters hired before August 15, 2016, were unchanged.[8] Table 2 summarizes these benefit changes. It also highlights how HB 33 would have eliminated the shaded tiers, providing the first-tier benefits to all current and future firefighters.

To settle decades-long litigation, the CEA further required the City to provide $75 million in backpay to firefighters who did not receive raises from the City as the Legislature had mandated in 1979. In exchange, the firefighters gave up $68.5 million in interest payments on the backpay.[9] The CEA also mandated reforms to improve investment decisions and the accuracy of actuarial valuations of the pension fund's assets and liabilities.

Finally, the CEA required the City to seek voter approval of a 12-year, 2.5-mill property tax to help cover the backpay payments as well as the City's higher pension contributions under the settlement. The settlement was not contingent upon the tax passing, though passage of the tax accelerated the backpay payments. BGR supported the tax proposition, which voters approved in December 2016. The tax, which is not subject to the homestead exemption, will yield an estimated $12.5 million this year. It expires in 2028.[10]

TABLE 1. KEY NUMBERS ON THE "NEW FUND" FOR NEW ORLEANS FIREFIGHTERS' PENSIONS

11.5%	Funded ratio of plan assets to liabilities as of December 31, 2022. The recommended goal is 100%. Below 70% is cause for serious concern.
122%	The City's annual firefighters' pension contribution for the New Fund as a percentage of payroll as of January 1, 2023. The similar figure for the statewide firefighters' retirement system, which serves most other local fire departments in Louisiana, was 33.25%.
$412 million	Unfunded gap between assets and accrued benefits for the New Fund of the New Orleans firefighters' pension system as of December 31, 2022.

BGR analysis of New Orleans Firefighters' Pension and Relief Fund, Audited Financial Statements for the year ended December 31, 2022, p. 16, and Annual Actuarial Valuation for the New Fund as of January 1, 2023, p. 9, and Louisiana Legislative Auditor, Financial Statement Audit for the Firefighters' Retirement System for the years ended June 30, 2022, and 2021, issued December 7, 2022, p. 3. The statewide system's employer contribution rate of 33.25% for the fiscal year July 1, 2022, to June 30, 2023, related to contributions for employees with salaries above the poverty rate.

TABLE 2. CURRENT RETIREMENT ELIGIBILITY AND ACCRUAL RATES BASED ON HIRE DATE
New Fund of the New Orleans Firefighters' Pension and Relief Fund

Hire date	Retirement eligibility	Benefit accrual rate*	Percent of salary replaced in retirement after 30 years of service**
Dec. 31, 1967, to Dec. 31, 2014	Age 50	First 12 years: 2.5% Years 13 to 29: 3 ⅓% Years 30 and up: 3 ⅓% for all years, including the first 12	100%
Jan. 1, 2015, to Aug. 14, 2016	Age 52	All years: 2.75%	82.5%
On or after Aug. 15, 2016	Age 55 to 57***	All years: 2.5%	75%

Note: House Bill 33 would have eliminated the shaded tiers, providing the first-tier benefits to all current and future firefighters.

* This figure is multiplied by the number of years of employment to determine the percentage of the highest five-year average salary that a retiring firefighter will receive in annual pension benefits.

** Figures are a percentage of the highest average salary over five consecutive years. Because of lower living expenses, retirees generally need 70% to 80% of their pre-retirement income. Employees earning low salaries need to replace a higher percentage. Plans for police and firefighters tend to provide slightly higher multipliers than plans for other government workers. This is because a higher multiplier usually allows for earlier retirement, and the work life of public safety employees is typically shorter than normal due to the hazards and physical demands of their jobs. BGR's 2012 sample of 20 plans for public safety personnel in the U.S. found a median multiplier of 2.5%, compared to a national median of 2.4% for non-public safety employees. For more discussion, see BGR's report, *Reducing the Cost of Tomorrow: A Practical Guide to Pension Reform in Jefferson, Orleans and St. Tammany Parishes, October 2016*, pp. 8-9.

*** Under current law, the minimum retirement eligibility is calculated by subtracting 10 years from the Social Security retirement age based on the employee's birth year (which gradually increases from 65 for employees born before 1938 to 67 for employees born 1960 or later).

Source: Rudd and Wisdom, Inc., Actuarial Experience Study of the New Orleans Firefighters' Pension and Relief Fund (New System), for the period from January 1, 2017, to December 31, 2021. BGR calculations of salary replacement.

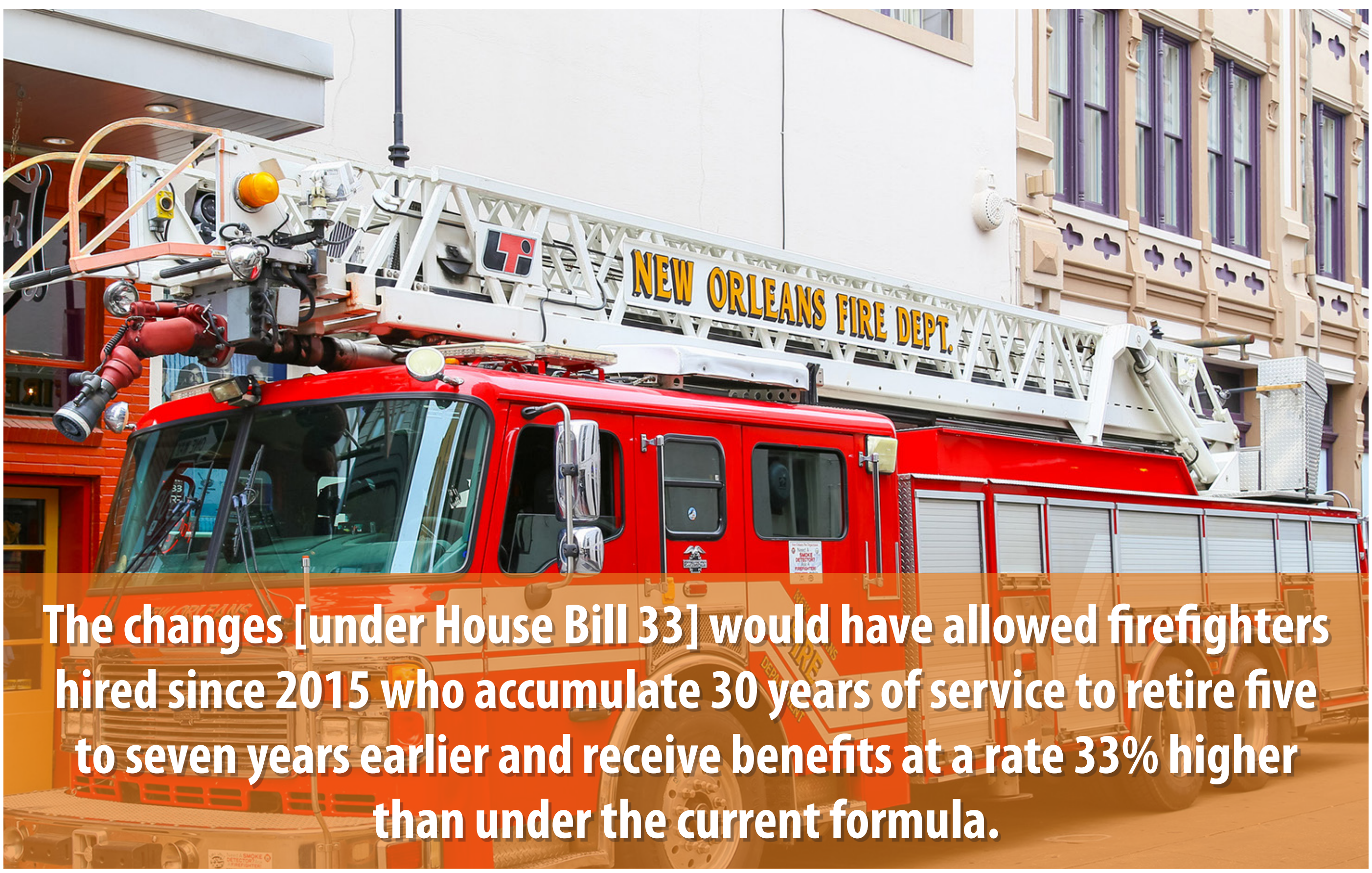
UNDOING THE BENEFIT CUTS

At the time of the settlement, the parties hailed the terms as hard-won compromises to rescue a pension fund plagued by chronic underfunding and a series of disastrous investment decisions. But officials from the New Orleans Fire Department, the firefighters' union, and the pension fund say the pension reductions are now doing more harm than good. They say the benefit cuts are causing recruitment and retention problems because most competing fire departments participate in a statewide pension system that provides significantly higher benefits. The officials describe a wasteful cycle in which the City invests in training new firefighters, only to see some of them leave for other departments. This, they say, creates hard-to-fill vacancies that drive up overtime costs. They view these staffing problems as potentially undermining the Fire Department's ability to serve the public.

To address these concerns, the firefighters' union drafted a bill to reverse the 2016 pension benefit cuts and asked a member of the New Orleans' legislative delegation to sponsor it. The bill, HB 33, would also have reversed deeper pension benefit cuts that took effect in 2015 before the legal settlement. The proposed changes would have increased pension benefits for New Orleans firefighters hired since 2015 and all future hires to match the benefits that the statewide firefighter pension fund provides. Firefighters hired before 2015 already receive benefits commensurate with the statewide system.

HB 33 would have lowered the minimum retirement age for new firefighters to 50 from the current range of 55 to 57, depending on when they were born. The bill also would have increased the multiplier used to calculate pension benefits from 2.5% to 3 ⅓% for firefighters with at least 12 years of experience. This number is multiplied by the employee's years of service and highest average salary during five consecutive years to determine the pension benefit. The changes would have allowed firefighters hired since 2015 who accumulate 30 years of service to retire five to seven years earlier and receive benefits at a rate 33% higher than under the current formula.[11]

A second piece of legislation, HB 32, would have increased the minimum monthly pension benefit from $1,200 to $1,500. The 2016 legal settlement did not change the minimum benefit. The two bills had been scheduled for a hearing last week. But the sponsor decided not to advance them during this legislative session after meeting with proponents, who wanted more time to build support.



The changes [under House Bill 33] would have allowed firefighters hired since 2015 who accumulate 30 years of service to retire five to seven years earlier and receive benefits at a rate 33% higher than under the current formula.

ANALYSIS

The following discussion of shortcomings in the shelved proposal is intended to highlight issues that should be addressed in any future proposal to change the firefighter pension benefit structure. This analysis is grounded in BGR's extensive research on public pensions in the New Orleans area, including the firefighters' pension. This prior research linked the rising costs of those pension plans to benefit structures that are more generous than the national medians for public sector plans. The plans also well exceed what most private sector employees can expect from their retirement savings options. See the sidebar on page 6 for details.

NO ROLE FOR THE CITY COUNCIL?

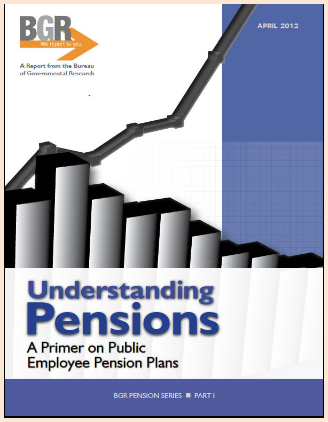
Any effort to change pension benefits for firefighters faces a key prohibition in the CEA. The CEA bars the pension fund from seeking legislative changes in the pension benefit structure until the fund has enough assets to cover at least 80% of accrued benefits.[12] This is a safeguard to prevent increases in pension liabilities before the fund's financial position has improved substantially. The fund's most recent financial statement from 2022 showed it could cover just 11.5% of accrued benefits.[13] While the 80% minimum funded ratio requirement remains in place, executives of the three parties to the CEA signed an amendment to the agreement in March 2024. It makes an exception to jointly support the bills to restore the benefit cuts and increase minimum monthly benefits.[14] On behalf of the City, the mayor signed the amendment, which was not presented to the City Council for its approval. Union and pension fund officials contend the council's approval is not necessary. They cite a clause in the CEA that says the agreement can be amended by "authorized representatives" of all three parties.[15] The agreement does not define what constitutes an authorized representative.

The City's charter required the council's approval of the current CEA because the agreement lasts more than a year.[16] The charter is silent on whether the council must approve any amendments to a multi-year CEA.[17] Whether the council can assert such authority is likely a matter that would have to be resolved in the courts, if the council were to contest it. If council approval is not required for amendments to multi-year CEAs, the mayor could make wholesale changes that would render the council's approval of the original agreement essentially meaningless. City Council members declined or did not respond to BGR's requests for comment on the CEA or the amendment process. BGR also contacted the City Attorney, who represents the mayor and the council, multiple times but received no response.

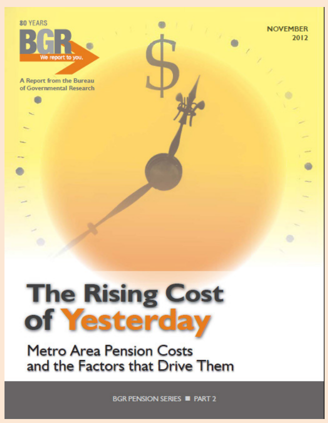
Aside from the legal issues, this process raises governance and transparency concerns. The City Council must budget funds to cover the City's pension obligations, so it is problematic for the council to have no say in changing the pension benefit structure. Not having amendments come before the council also limits public transparency. In light of this, the parties to the CEA should seek City Council approval for any future amendments they wish to make. BGR notes that the amendment adopted in March specifically authorizes support for the 2024 legislation and would apparently not apply to any future legislation.

BGR's Research on Public Pensions

In 2012, BGR began a series of reports on public pensions with Understanding Pensions: A Primer on Public Employee Pension Plans. This report discussed the various types of retirement plans. It reviewed the differences between plans available to public and private sector employees. It explained the calculation of pension benefits, employee eligibility criteria and funding mechanisms. BGR also discussed measurements of the health of a pension plan.

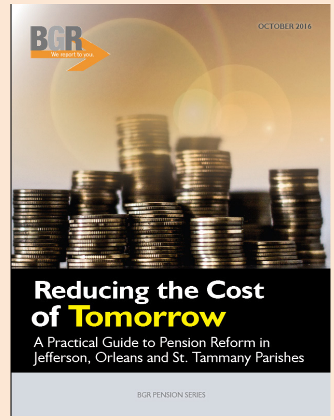


BGR followed that report with an analysis of 18 pension plans available to local government workers. The Rising Cost of Yesterday: Metro Area Pension Costs and the Factors that Drive Them tallied the rising public pension costs in Jefferson, Orleans and St. Tammany parishes. BGR found that all but one plan offered benefits initially more generous than the median public sector retirement plan.



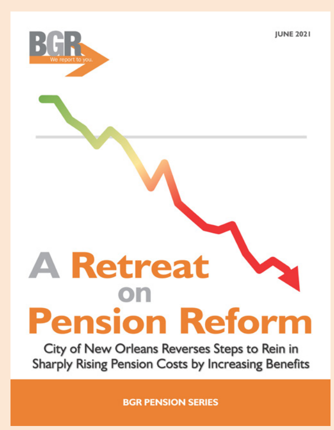
As pension reform efforts focused in 2013 on the beleaguered City firefighters' pension system, BGR published Sound the Alarm: New Orleans Firefighter Pension Woes and the Legislative Session. The report examined how the system created a major financial burden for the public. BGR found the City paid more in pension contributions than firefighter salaries. The 2016 legal settlement incorporated several provisions consistent with BGR's recommendations. These included a reduction in the benefit multiplier for new hires from 2.75% to 2.5%. They also included new limitations on cost-of-living adjustments, an increase in the retirement age for new hires and greater City control over the pension plan.

In 2016, BGR published Reducing the Cost of Tomorrow: A Practical Guide to Pension Reform in Jefferson, Orleans and St. Tammany Parishes. It analyzed potential changes to the 18 local public pension plans to reduce the costs and risks to the public. BGR urged citizens and policymakers to provide public employee benefits that, as part of a total compensation package, will attract and retain high-quality employees, while also ensuring that the level of benefits and their costs are fair to taxpayers. BGR recommended that policymakers consider alternative pension plan designs, such as defined contribution, cash balance, and hybrid plans that combine defined contributions with a reduced defined benefit component. Such alternatives would shift risk from employer to employees in exchange for greater plan portability if they change jobs. These plan designs may also better reflect the evolving expectations and career patterns of the work force.



At a minimum, the report urged policymakers to pursue reforms to the existing defined benefit offerings to bring them to a more reasonable level. The report found that reducing the multiplier used to calculate pension benefits is one of the strongest options. Other reforms that the report recommends considering include requiring employees to make contributions that at least match the national medians for public pension plans, establishing a fixed retirement age more in line with the normal retirement age under Social Security, and leaving it to employees to self-fund cost-of-living adjustments.

Most recently, in 2021, BGR raised concern about the City's decision to reverse a separate set of pension reforms for the New Orleans Municipal Employees' Retirement System. The City retroactively increased pension benefits by 32% for about 1,000 employees hired since 2018, and all future hires, at substantial cost to the public. A Retreat on Pension Reform: City of New Orleans Reverses Steps to Rein in Sharply Rising Pension Costs by Increasing Benefits found significant problems with virtually every aspect of the decision-making process. BGR also highlighted the steady weakening of the pension system's finances and a steep rise in the public's costs.



INSUFFICIENT EVIDENCE OF STAFFING PROBLEMS

Another concern with the proposal to restore the benefit cuts is the limited evidence of recruitment and retention problems for the Fire Department. The fire superintendent and representatives from the firefighters' union and pension fund told BGR that the department's compensation package has lost competitiveness with other fire departments and districts in the region. Even though the department pays the highest entry-level salaries in the region, as indicated by a recent survey by the department, they said experienced firefighters are enticed by the larger pensions offered by competing departments and districts through the statewide firefighters' retirement system.

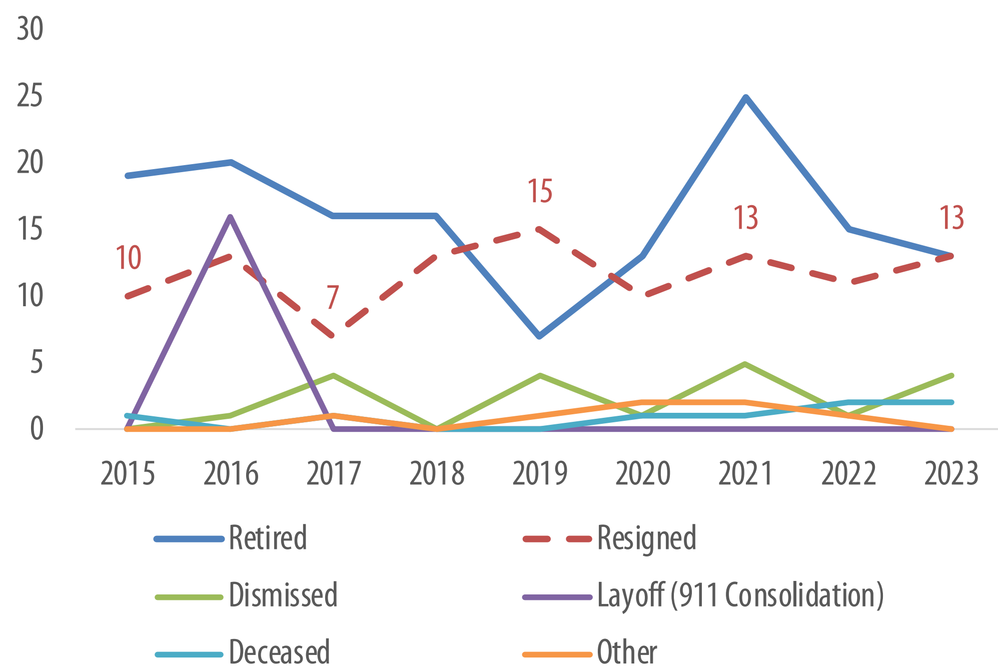
While the Fire Department's survey sheds some light on regional pay scales, it does not represent a full-fledged compensation study. For example, the department presents the data collected in a table without analysis. The survey also lacks complete information on the compensation packages. And beyond that, there is no information on how pay competitiveness changes as firefighters gain experience and receive promotions. Any future compensation study to support pension changes should be paired with a study of the Fire Department's personnel needs and ideal staffing level. That study should review, among other things, the fire suppression and other duties of today's firefighters (such as fire prevention and emergency medical response), opportunities for efficiencies in deployment, the impact of modern construction techniques on fires and fire suppression duties, and the population of the city.

There is also limited data to support concerns about hiring and separations. The Fire Department provided data on new hires since 2017 and separations since 2015. The hiring data focused on three positions key to fire suppression: Firefighter 1, Fire Recruit, and Fire Apparatus Operator. The data for 2017 and 2018 showed the effect of a hiring freeze put in place for several years by the previous mayoral administration. But under the current mayor, who took office in 2018, hiring has rebounded with 184 of the 208 new hires (88%) still employed. The City has continued to facilitate this effort by increasing budgeted positions from 597.5 last year to 640 this year.[18] The current fire superintendent told BGR that the department's ideal target is approximately 700 employees.

It remains to be seen whether the department will begin seeing retention problems as the new hires since 2019 gain experience. But so far, the separation data does not show a significant rise in employee attrition, let alone that pension benefit cuts were the cause. The data track 310 separations finalized since 2015. Nearly half were retirements, and 105 were resignations. As shown in Chart A, the number of resignations has remained relatively consistent at about 10 to 15 per year. A similar trend (about three to eight annually) exists for the 50 firefighters who cited a "better job" as the reason they resigned.[19]

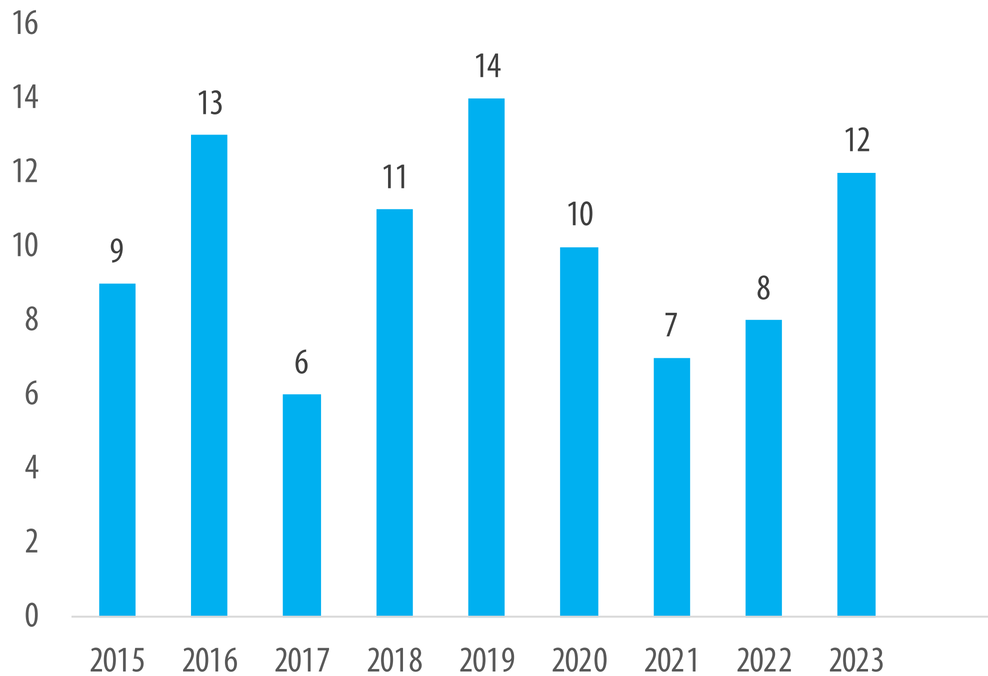
In addition, BGR's analysis of the department's employee separation data found that resignations of em-

CHART A. FIRE DEPARTMENT EMPLOYEE SEPARATIONS BY MAJOR TYPE, 2015 TO 2023



BGR analysis of data provided by the New Orleans Fire Department, April 11, 2024.

CHART B. FIRE DEPARTMENT EMPLOYEES WHO RESIGNED WITH LESS THAN 12 YEARS OF SERVICE NEEDED TO VEST IN PENSION BENEFITS



BGR analysis of data provided by the New Orleans Fire Department, April 11, 2024.

ployees with fewer than the minimum 12 years of service required to vest in the pension benefits have not changed significantly since 2015. The trend is shown in Chart B. The Fire Department told BGR it continues to analyze historical separation data trends and their impacts.

Thus, BGR found insufficient evidence in the data proponents of pension changes presented that hiring and retention problems exist and that the pension reforms are driving them. This highlights the need for an independent and professional study of hiring, retention and compensation before considering any increases in pension benefits. Such a study should be paired with a review of the department's personnel needs and ideal size, as described above.

RISK OF FURTHER WEAKENING THE FUND'S FINANCIAL HEALTH

The proposal to restore the pension benefit cuts comes as the New Fund has made little progress in improving its financial position in the eight years since the legal settlement took effect. A key gauge of a pension fund's health is its funded ratio, or the portion of accrued benefits that are covered by the fund's current assets. As previously discussed, pension funds should strive for a funded ratio of 100%. The New Fund had a funded ratio of just 10.4% in 2016.[20] The ratio increased modestly to 11.5% in 2022. This is far below the 80% funded ratio threshold that the CEA sets for changing the pension benefit structure. To achieve the 80% target, the fund would have to increase its assets by nearly 700% from $53.5 million to $372.1 million based on 2022 figures, while holding total pension liability constant at $465.1 million. The New Fund ended 2022 with $411.6 million in unfunded liabilities, or the amount by which accrued benefits exceeded its assets.[21] This is about $40 million more than the unfunded liability when the settlement took effect.

In yet another indication of the fund's persistent financial problems, the actuarial note for HB 33 indicates that the New Fund is the worst funded among 216 large public retirement systems in the country.[22] The fund is clearly not in a sound financial position to handle a major increase in benefits. The parties to the CEA acknowledged this reality by setting the 80% funding threshold before considering any change to the benefit structure. Any proposal to bypass this safeguard would expose the fund to financial risks that have not been adequately assessed – and potentially expose taxpayers to the risk of having to further subsidize the pension in the future. These potential downsides underscore the need to carefully justify any future benefit changes that require an exception to the 80% funding threshold.

New Orleans was required to pay 122% of firefighter payroll to the pension fund for 2023, nearly four times the 33.25% rate required for the statewide firefighter system. If a community in that 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.

UNKNOWN INCREASE IN PUBLIC PENSION COSTS

It is unclear how much restoring the pension benefit cuts would cost the City in the form of higher annual pension contributions. The pension fund's former actuary estimated the additional costs at approximately $1 million per year.[23] However, an actuary who analyzed the bills for the Legislature said this estimate did not include all increases in the City's pension costs associated with the proposed plan changes. The actuary said that the costs will likely be significantly more than $1 million but did not give a more precise estimate.[24]

It would be financially irresponsible to commit to major pension benefit increases without careful estimates of the long-term costs. This is particularly important because the City already must make far larger firefighter pension contributions than most, if not all, other fire departments and districts across the state. 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.[25] That was nearly four times the 33.25% employer contribution that nearly all other fire departments or districts made to the statewide firefighters' retirement system.[26] 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.

And the picture worsens when the City's annual contribution to the Old Fund is included. The pension fund's actuary determined an additional $11 million in City contributions to the Old Fund for 2023.[27] This increased the City's total cost to 151% of payroll.

The City has budgeted a total contribution of $55.3 million for the firefighters' pension system in 2024. This is more than twice the City's budgeted allocation to the police pension of $25.3 million.[28]

In addition, a recent actuarial audit recommended that the pension fund reevaluate whether its 7.5% assumed rate of return on investments is appropriate.[29] While the pension fund's board has revamped the system's remaining investments into a more stable portfolio, the fund reached its targeted rate of return just twice in a nine-year period ending in 2022, the most recent year for which data is available.[30] In five of those nine years, the fund's investments had negative returns or lost money. Any reduction in the 7.5% assumed rate of return would push the City's required contributions even higher to make up for the anticipated drop in revenue from interest on investments.

It is imperative that the parties to the CEA facilitate a professional actuarial analysis of all costs of any future proposed benefit increases. Failing to do so could further strain an already struggling pension fund.

FRAYING THE PUBLIC'S TRUST

The public and firefighters have a mutual interest in a stable, adequately funded pension system that provides competitive benefits at a reasonable cost. The parties to the CEA highlighted this common ground in convincing voters in 2016 to approve a 2.5-mill property tax to help fund the legal settlement on backpay and otherwise defray pension costs.[31] Voters opted to tax themselves to help put the City on more solid financial ground. Making a fundamental change to eliminate a key firefighter concession without sufficient justification could fray the public's trust in City government. Voters may be less likely to support requests for additional funding for the firefighters' pension or other purposes in the future.

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.

ENDNOTES

1 Bureau of Governmental Research (BGR), *Reducing the Cost of Tomorrow: A Practical Guide to Pension Reform in Jefferson, Orleans and St. Tammany Parishes*, October 2016, p. 5.

2 BGR, *Sound the Alarm: New Orleans Firefighter Pension Woes and the Legislative Session*, April 2013, p. 1.

3 BGR, *The Rising Cost of Yesterday: Metro Area Pension Costs and the Factors that Drive Them*, November 2012, p. 15.

4 New Orleans Firefighters' Pension and Relief Fund, Audited Financial Statements, for the year ended December 31, 2022, p. 31.

5 Cooperative Endeavor Agreement (CEA) by and between the City of New Orleans and the New Orleans Firefighters Pension & Relief Fund and New Orleans Firefighters Local 632, effective January 1, 2016.

6 See page 6 of the CEA.

7 The new retirement age is 10 years less than the firefighter's full retirement age under Social Security, which currently ranges from 65 to 67.

8 The Legislature passed multiple bills in the 2016 Regular Session to implement changes to the pension plan, including Acts 599, 651, 652 and 653. Act 651 made the changes to retirement eligibility and the accrual rate for new hires.

9 BGR, *On the Ballot: December 10, 2016*, p. 2.

10 See Property Tax Dashboards for more detailed information on this and other local property taxes, https://www.bgr.org/property-tax-dashboards/

11 The percentage change represents the increase in the benefit accrual rate from 2.5% to 3 1/3%.

12 See page 3 of the original CEA.

13 See page 16 of the pension fund's 2022 Audited Financial Statements.

14 Amendment No. 1 to the CEA, effective March 28, 2024.

15 See page 12 of the original CEA.

16 The original CEA, which took effect January 1, 2016, ran for one year. The current multi-year CEA that extends its terms was approved by New Orleans City Council Ord. 27263 MCS on January 12, 2017.

17 City of New Orleans Home Rule Charter, Sec. 9-314.

18 City of New Orleans 2024 Adopted Budget, p. 230.

19 "Better job" is one of several possible reasons that firefighters may give when resigning. The next closest category was "moved out of town" (10 times) and "home obligation" (9). Reason "unknown" occurred 16 times and "Other" occurred 10 times. There were a few other, less frequent reasons given for resignations.

20 See page 31 of the pension fund's 2022 Audited Financial Statements.

21 Ibid., p. 16.

22 Office of the Legislative Auditor, 2024 Regular Session Actuarial Note on House Bill 33, March 8, 2024.

23 Ibid.

24 Ibid.

25 The pension fund's actuary calculated 122% based on payroll of $37.6 million for the New Fund for 2023. New Orleans Firefighters' Pension and Relief Fund, Annual Actuarial Valuation for the New Fund as of January 1, 2023, p. 9.

26 Employees in both the New Orleans and statewide systems contribute 10% of their salaries toward their pensions. These employee contributions rates are set by Louisiana law.

27 New Orleans Firefighters' Pension and Relief Fund, Annual Actuarial Valuation for the Old Fund as of January 1, 2023, p. 6.

28 City of New Orleans, 2024 Adopted Annual Operating Budget, pp. 224, 246.

29 Rudd and Wisdom, Inc., *Actuarial Experience Study of the New Orleans Firefighters' Pension and Relief Fund (New System),* for the period from January 1, 2017, to December 31, 2021.

30 See page 34 of the pension fund's 2022 Audited Financial Statements.

31 For BGR's analysis and recommendation in support of that tax, see BGR, *On the Ballot: New Orleans Fire and Drainage Taxes, December 10, 2016*.

2024

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