

2023 Regular Session

HOUSE BILL NO. 43

BY REPRESENTATIVES FIRMENT, ILLG, JEFFERSON, KNOX, AND NELSON

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT/FIREFIGHTERS: Provides for nonrecurring lump-sum supplemental payment to certain eligible retirees and beneficiaries

1 AN ACT

2 To enact R.S. 11:2256(H) and 2256.3, relative to the Firefighters' Retirement System; to
3 provide with respect to benefits of designated surviving children; to provide for
4 payment of benefits; to provide with respect to a nonrecurring lump-sum
5 supplemental payment to certain retirees and beneficiaries; to provide relative to
6 eligibility for and calculation of such payment; to provide for an effective date; and
7 to provide for related matters.

8 Notice of intention to introduce this Act has been published
9 as provided by Article X, Section 29(C) of the Constitution
10 of Louisiana.

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 11:2256(H) and 2256.3 are hereby enacted to read as follows:

13 §2256. Benefits; refund of contributions, application, and payment

14 * * *

15 H.(1)(a) A surviving eligible spouse who is receiving a survivor benefit
16 pursuant to Subsection B of this Section, may designate his deceased spouse's child
17 or children with a permanent mental or physical disability, hereafter in this
18 Subsection referred to as a child with a disability, or the deceased member's
19 dependent minor child or children, hereafter in this Subsection referred to as a minor
20 child, to receive a specified amount of benefits payable to the surviving eligible

1 spouse. Prior to any such payment to a minor child or child with a disability, the
2 system's actuary shall certify that the benefit to be paid to the minor child or child
3 with a disability plus the remaining benefit to be paid to the surviving eligible spouse
4 is of equivalent value to the total benefits that would otherwise be payable to the
5 surviving eligible spouse. Any benefit paid to a child with a disability pursuant to
6 Subparagraph (B)(2)(a) of this Section shall be factored to mitigate any reduction of
7 the surviving spouse's benefit that may be related to designating such child as a
8 beneficiary pursuant to this Subsection.

9 (b) The designation made pursuant to Subparagraph (a) of this Paragraph is
10 irrevocable on and after the date that the first of any benefit payment pursuant to
11 Subparagraph (a) of this Paragraph becomes due.

12 (c) If a surviving eligible spouse designates a child with a disability to
13 receive a benefit pursuant to this Subsection, the surviving eligible spouse shall
14 furnish the system such medical documentation as required, within the sole
15 discretion of the board of trustees, to determine the existence and medical certainty
16 of any claimed permanent mental or physical disability. The surviving eligible
17 spouse is responsible for furnishing the medical evidence of disability, including all
18 costs thereof. Within the board of trustee's sole discretion, and upon receipt of
19 written consent of the surviving eligible spouse, the cost of any such additional
20 medical processes may be deducted from the benefits payable to the surviving
21 eligible spouse or child or children or all of the foregoing beneficiaries.

22 (2)(a) If a surviving eligible spouse irrevocably designates a minor child to
23 receive a benefit as set forth in Paragraph (1) of this Subsection, the benefits of a
24 surviving child shall cease upon the child's attaining the age of majority or upon
25 marriage, whichever occurs first. Additionally, an unmarried minor child, who
26 graduates from high school and enrolls, on a full-time basis, in an institute of higher
27 education shall have his benefit continued as long as he remains enrolled on a
28 full-time basis and remains unmarried; however, the benefit payments shall not

1 extend past four additional years nor past the surviving child's twenty-second
2 birthday.

3 (b) If a surviving eligible spouse irrevocably designates a child with a
4 disability to receive a benefit as set forth in Paragraph (1) of this Subsection, that
5 benefit shall continue unless the disabling condition is no longer medically
6 determined to be permanent.

7 (3)(a) If a child that has been designated to receive a benefit as set forth in
8 Paragraph (1) of this Subsection predeceases the surviving eligible spouse, the
9 surviving eligible spouse's benefits shall be increased to account for the forgone
10 payment of benefits to such child, less any actuarial reduction related to the period
11 in which the child was alive and subject to receipt of benefits pursuant to the
12 designation.

13 (b) If the surviving eligible spouse predeceases any designated child, then
14 the benefits payable to the child shall continue for the duration specified in
15 Paragraph (2) of this Subsection.

16 (c) If the surviving eligible spouse predeceases a designated child, and the
17 child dies prior to receiving benefits for the duration specified in Paragraph (2) of
18 this Subsection, then the benefits payable to such deceased child shall revert to any
19 other surviving designated child on a prorated basis. The benefit payable shall
20 continue until the last surviving child or children are no longer eligible pursuant to
21 the provisions of this Subsection.

22 (4) Any active contributing member may prefile with the system prior to
23 retirement, on forms prescribed by the system, a notarized statement whereby a
24 surviving eligible spouse consents to legally waive in advance, in whole or in part,
25 any portion of benefits payable to the surviving eligible spouse. The prescribed form
26 shall include a hold harmless clause whereby the system is acknowledged to be an
27 administrator only and not liable for any consequences of relinquished rights or
28 obsolescence of or failure to update any forms prefiled by the member.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 43 Engrossed

2023 Regular Session

Firment

Abstract: Requires payment of a nonrecurring lump-sum supplemental payment to retirees and beneficiaries of the Firefighters' Retirement System (FRS).

Proposed law grants a nonrecurring lump-sum supplemental payment to the following FRS retirees and beneficiaries:

- (1) Any retiree or disability retiree who has received a benefit for at least five years on June 30, 2023.
- (2) Any nonretiree beneficiary, if benefits were paid to the beneficiary and/or the retiree for at least five years on June 30, 2023.

Proposed law provides that each FRS retiree and beneficiary to whom proposed law applies shall receive the supplemental payment in the amount that is equal to the lesser of:

- (1) The retiree or beneficiary's current monthly benefit.
- (2) \$2,500.00.

Proposed law requires that any cost of proposed law be funded with additional employer contributions.

Proposed law provides that a surviving eligible spouse of a deceased member of the system receiving a benefit may designate a minor child or child with a disability to receive a portion of his benefit. Provides that such a designation is irrevocable. Provides relative to the duration of such benefit payments under various circumstances.

Proposed law provides that any active contributing member may submit notarized forms, in advance of retirement, waiving part or all of the benefit to the surviving spouse.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Adds R.S. 11:2256(H) and 2256.3)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Retirement to the original bill:

1. Add provisions relative to a surviving spouse designating a child to receive a portion of his benefit.



**OFFICE OF LEGISLATIVE AUDITOR
2023 REGULAR SESSION
ACTUARIAL NOTE**

House Bill 43 HLS 23RS-294
Engrossed
Author: Firmont
LLA Note HB 43.02

Date: May 7, 2023
Organizations Affected: FRS
EG +4,750,000 FC SG EX

Bill Header: RETIREMENT/FIREFIGHTERS: Provides for nonrecurring lump-sum supplemental payment to certain eligible retirees and beneficiaries.

Purpose of Bill: This bill provides a one-time, non-recurring, lump-sum payment (often referred to as a 'thirteenth check') to eligible retirees and beneficiaries of the Firefighters' Retirement System (FRS). Eligible recipients will receive a lump sum payment amount equal to the lesser of (1) the current monthly benefit or (2) \$2,500. This bill also permits certain surviving spouses to designate all, or a portion, of their benefit be payable to certain eligible children.

Cost Summary¹: The estimated net actuarial and fiscal impact of the proposed legislation is summarized below.

Although this bill provides a one-time payment which does not permanently increase future benefit payments, it will necessarily reduce current assets available to fund currently accrued benefits, thereby requiring an increase in employer contributions. It also permits certain surviving spouses to designate all, or a portion, of their benefit to certain eligible children.

The expected change in the *net actuarial present value of expected future benefits and administrative expenses incurred by the retirement systems* from the proposed law is estimated to be approximately \$4,750,000, resulting in an increase in employer contributions of approximately 0.17% per year. A more detailed explanation can be found in Section I: Actuarial Impact on Retirement Systems.

Net Fiscal Costs pertain to changes to all cash flows over the next five-year period including retirement system cash flows or cash flows related to local and state government entities.

In the following table, expenditures and revenues include 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 more detailed explanation can be found in Section II: Fiscal Impact on Retirement Systems.

Five Year Net Fiscal Costs Pertaining to:	Expenditures	Revenues
The Retirement Systems	\$ 4,750,000	Increase
Local Government Entities	Increase	0
State Government Entities	0	0
Total	Increase	Increase

In the following table, expenditures and revenues include administrative expenditures and revenues specifically incurred by the state or local government entities associated with implementing the legislation and do not include cash flows to or from the affected retirement system (i.e. contribution changes included in the above table). This information, is provided by the LLA Local Government Services or the Legislative Fiscal Office. A more detailed explanation can be found in Sections III: Fiscal Impact on Local Government Entities and Section IV: Fiscal Impact on State Government Entities.

Five Year Net Fiscal Costs Pertaining to:	Expenditures	Revenues
Local Government Entities	\$ 0	\$ 0
State Government Entities	0	0
Total	\$ 0	\$ 0

¹ This is a different assessment from the actuarial cost requiring a 2/3rd vote (refer to the section near the end of this Actuarial Note "Information Pertaining to La. Const. Art. X, §29(F)").

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.

Kenneth J. "Kenny" Herbold, ASA, EA, MAAA
Director of Actuarial Services
Louisiana Legislative Auditor

**2023 REGULAR SESSION
ACTUARIAL NOTE HB 43**

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.

Proposed law provides a one-time, non-recurring, lump-sum payment (often referred to as a ‘thirteenth check’) to eligible retirees and beneficiaries of the Firefighters’ Retirement System (FRS). Eligible participants will receive a lump sum payment amount equal to the lesser of (1) retiree or beneficiary’s currently monthly benefit or (2) \$2,500. This amount is estimated to be approximately \$4,750,000, but may change if a more thorough examination of participant data identifies more, or fewer, individuals to be eligible at the effective date

Although proposed law provides a one-time payment which does not permanently increase future benefit payments, it will necessarily reduce current assets available to fund currently accrued benefits, thereby requiring an increase in future employer contributions. The net effect of this change is estimated to be an increase in employer contributions of 0.17% per year.

In addition, proposed law also permits certain surviving spouses to designate all, or a portion, of their benefit be payable to certain eligible children. While this particular provision could potentially result in anti-selection that general actuarial equivalence tools would not be sufficient to mitigate, any additional cost to the system is expected to be immaterial.

II. FISCAL IMPACT ON RETIREMENT SYSTEMS

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

Fiscal costs or savings only include 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

Expenditures	2023-24	2024-25	2025-26	2026-27	2027-28	5-Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	4,750,000	0	0	0	0	4,750,000
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	Increase	Increase	Increase	Increase
Annual Total	\$ 4,750,000	\$ 0	Increase	Increase	Increase	Increase

Revenues	2023-24	2024-25	2025-26	2026-27	2027-28	5-Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	0	0	Increase	Increase	Increase	Increase
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
Annual Total	\$ 0	\$ 0	Increase	Increase	Increase	Increase

Changes in employer contributions are reflected in the Local Funds expenditure line 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.

The proposed legislation will have the following effects on retirement related fiscal costs and revenues during the five-year measurement period.

1. Expenditures:
 - a. Approximately \$4,750,000 of nonrecurring lump sum payments.
 - b. Employer contributions are expected to be higher during Years 3 through 5 under the proposed law equal to approximately 0.17% of payroll.
 - c. Administrative expense would be minimal and can be absorbed within FRS’ existing budget.
2. Revenues:

Employer contributions to the retirement systems are represented as Agy Self-Generated revenues in the table above.

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.

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ACTUARIAL NOTE HB 43

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

This section of the actuarial note pertains to annual fiscal cost (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.

For certain calculations that may be presented herein, we have utilized commercially available valuation software and/or are relying on proprietary valuation models and related software developed by our actuarial contractor. We made a reasonable attempt to understand the intended purpose of, general operation of, major sensitivities and dependencies within, and key strengths and limitations of these models. In our professional judgment, the models have the capability to provide results that are consistent with the purposes of the analysis and have no material limitations or known weaknesses. Tests were performed to ensure that the model reasonably represents that which is intended to be modeled.

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. Some members of the Firefighters' 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 2023 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

