

A close-up photograph of a firefighter's hand holding a metal fire hose reel. The hose is coiled and the reel is mounted on a wall. The background is slightly blurred, showing the interior of a fire station with red walls and equipment. The image has a dark red overlay.

Firefighters' Retirement System (FRS) Member Presentation

OCTOBER 16, 2024



FIREFIGHTERS' RETIREMENT SYSTEM

**3100 Brentwood Drive
Baton Rouge, LA 70809**

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Website: www.lafrrs.org

FRS Overview

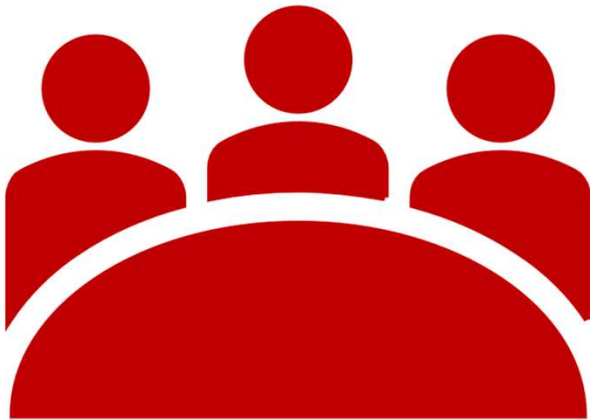
Created in 1980 by State Legislature

One of 9 statewide retirement systems

Governed by eleven-member board of trustees

145 Fire Departments

Trustee Requirements & Responsibilities



- Trustee Designation Either by Appointment or Election
- Physically Attend Assigned Committee Meetings
- Physically Attend Regular Monthly and Emergency Board Meetings
- Obtain Required Education
 - 2 hours of Fiduciary/Ethics Education
 - 4 hours of Actuarial Education
 - 2 hours of System Laws Education
 - 8 hours of Investment Education
- File Annual Ethics Tier 2.1 Personal Financial Disclosure Statement
- Assume Fiduciary Responsibility to the System
- Assume a Level of Personal Liability

MANDATORY MEMBERSHIP

Any full-time firefighter employed by a municipality, parish or fire protection district shall become a member of FRS as a condition of employment*

Any person in a position as defined in the municipal fire and police civil service system (position does not have to be Civil Service) who is employed by a fire department of a municipality, parish, or fire protection district of the State of Louisiana*


- Full-time is defined as working (including PTO) an average of at least 35 hours per week per monthly reporting period (calendar month) AND earns at least \$375/month, excluding state supplemental pay
- Employer must complete enrollment process within 180 days of date of hire

*There are some exceptions.

MEMBERSHIP EXCEPTIONS

- No person who has attained age 50 or over shall become a member of FRS unless by reason of merger
- No person receiving a disability retirement benefit from another pension plan shall be eligible for membership in FRS

Any employee whose **employer is also covered by mandatory social security** may elect not to become a member of FRS by filing an affidavit with FRS. The employee shall be refunded his/her employee contributions.



The election to “Opt-Out” is a **one-time irrevocable election** if the employee remains employed with an employer that is also covered by mandatory social security.

Optional Membership

FUNDING

Employee contributions 8% to 10%

Employer contributions
fluctuates (currently 33.25%)

Investment earnings 6.9%

Insurance premium tax fund

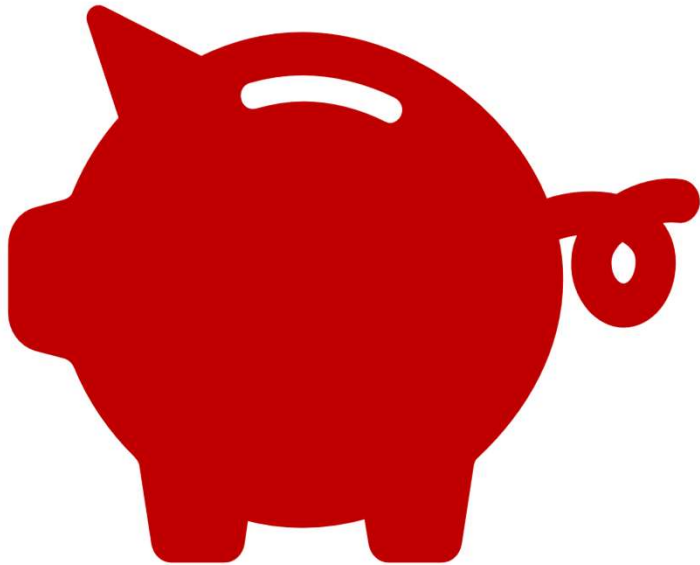
A close-up photograph of several yellow dice. The dice are scattered, with some in sharp focus and others blurred in the background. Two dice in the foreground are clearly visible, showing the numbers 60 and 40. The lighting is warm and golden, creating a soft glow around the dice.

Contributions

Both Employee and Employer Contributions are based on earnable compensation.

- Earnable Compensation is the full amount of compensation earned by an employee on a regular tour of duty (to include scheduled overtime).
- Earnable compensation and contributions are self-reported by employers to FRS on a monthly basis.

Types of Retirement Plans



Defined Benefit Plan (DBP)

- Retirement Benefits are Based Upon a Defined Benefit Formula

Defined Contribution Plan (DCP)

- Retirement Benefits are Based Upon How Much Saved (contribution) & Return on Contribution

Pros and Cons of DBP and DCP

Pro / Con	Defined Benefit Plan (FRS)	Defined Contribution Plan (DCP)
Time Restraints on Vesting	Y	N*
Benefit Dependent on How Much Money Employee Saved/Contributed	N	Y*1
Employee Subject to Investment Risk	N	Y
Employee Subject to Longevity Risk	N	Y
Benefit Subject to Louisiana State Income Tax	N	Y
Employee Must Self-Manage Money or Hire a Manager (for a fee)	N	Y
Benefit Based on Years of Service and Earned Income	Y	N

*There may be constraints on DCPs, but time constraints are generally very short in comparison to DBPs.

*1 Tax Implications – 401K/Deferred Compensation Accounts – annual limit on deposit; with DBP, can also have a separate IRA, Deferred Comp and /or DROP Account to further supplement retirement income where taxes are deferred until funds are distributed.

RETIREMENT BENEFITS
ARE BASED UPON A
DEFINED BENEFIT
FORMULA

EMPLOYEE AND
EMPLOYER
CONTRIBUTIONS DO
NOT DETERMINE
BENEFITS

FRS is a Qualified Defined Benefit
Plan

DBP and DCP Comparison A (30 yrs service & any age)

	Defined Benefit	Defined Contribution <small>(using same monthly contribution)</small>	Defined Contribution <small>(using same monthly benefit)</small>
Years of Service	30	30	30
Age at Retirement	48	48	48
Life Expectancy in Retirement	32	32	32
AFC	\$50,000		
Monthly Benefit in Retirement	\$4,167	\$1,581	\$4,167
Average Employee Monthly Contribution Over Years of Service	\$268	\$268	\$707
Amount Required to be Saved at Retirement to Generate Monthly Income		\$269,679	\$710,575
Assumed Rate of Return on Investments		6%	6%

Assumptions:

- 80-year life expectancy
- 4% annual increase over career (\$17k-\$50k) – (worked from age 18 to 48)
- 6% consistent rate of return on investments

Disclaimer: This is a simplified calculator and does not consider taxes, various options, or unique circumstances.

DBP and DCP Comparison B (25 yrs service & any age)

	Defined Benefit	Defined Contribution (using same monthly contribution)	Defined Contribution (using same monthly benefit)
Years of Service	25	25	25
Age at Retirement	43	43	43
Life Expectancy in Retirement	37	37	37
AFC	\$50,000		
Monthly Benefit in Retirement	\$3,469	\$1,208	\$3,469
Average Monthly Contribution Over Years of Service	\$291	\$291	\$836
Amount Required to be Saved at Retirement to Generate Monthly Income		\$201,559	\$618,603
Assumed Rate of Return on Investments		6%	6%

Assumptions:

- 80-year life expectancy
- 4% annual increase over career (worked from age 18 to 43)
- 6% consistent rate of return on investments

Disclaimer: This is a simplified calculator and does not consider taxes, various options, or unique circumstances.

DBP and DCP Comparison C (20 yrs service & 50 yrs old)

	Defined Benefit	Defined Contribution <small>(using same monthly contribution)</small>	Defined Contribution <small>(using same monthly benefit)</small>
Years of Service	20	20	20
Age at Retirement	50	50	50
Life Expectancy in Retirement	30	30	30
AFC	\$50,000		
Monthly Benefit in Retirement	\$2,778	\$875	\$2,778
Average Monthly Contribution Over Years of Service	\$316	\$316	\$1,003
Amount Required to be Saved at Retirement to Generate Monthly Income		\$145,982	\$463,310
Assumed Rate of Return on Investments		6%	6%

Assumptions:

- 80-year life expectancy
- 4% annual increase over career (worked from age 30 to 50)
- 6% consistent rate of return on investments

Disclaimer: This is a simplified calculator and does not consider taxes, various options, or unique circumstances.

DBP and DCP Comparison D (12 yrs service & 55 yrs old)

	Defined Benefit	Defined Contribution <small>(using same monthly contribution)</small>	Defined Contribution <small>(using same monthly benefit)</small>
Years of Service	12	12	12
Age at Retirement	55	55	55
Life Expectancy in Retirement	25	25	25
AFC	\$50,000		
Monthly Benefit in Retirement	\$1,667	\$491	\$1,667
Average Monthly Contribution Over Years of Service	\$362	\$362	\$1,234
Amount Required to be Saved at Retirement to Generate Monthly Income		\$76,145	\$258,678
Assumed Rate of Return on Investments		6%	6%

Assumptions:

- 80-year life expectancy
- 4% annual increase over career (worked from age 43 to 55)
- 6% consistent rate of return on investments

Disclaimer: This is a simplified calculator and does not consider taxes, various options, or unique circumstances.



Benefit Formula

AVERAGE FINAL COMPENSATION
(AFC)

X 3.33%

X YEARS OF SERVICE

=

MAXIMUM RETIREMENT BENEFIT

Average Final Compensation (AFC)

AFC is the average of the highest consecutive 36 full months of earnable compensation

INCLUDES the following:

- Supplemental pay paid by state of Louisiana
- Educational incentive pay
- Holiday pay (*if employer defers the payment of regularly scheduled holiday pay and pays to employee in the same calendar year, include in earnable compensation*)
- Seniority incentive pay
- Pay to an employee acting in a civil service classification higher than the one held (*step up pay*)

EXCLUDES the following:

- overtime except for overtime worked as part of a normal tour of duty
- Payments in lieu of unused annual or sick leave
- Bonuses
- Terminal pay
- Severance pay
- Any irregular or nonrecurring payment



Retirement Eligibility

Years of Service	Age	Percentage
12	55	40%
20	50	66%
25	Any	83%
30	Any	100%

If an employee started in the system at the age of 18 with no break in service or refund, they would be eligible to retire at 100% of their Average Final Compensation (AFC) as a benefit for the remainder of their life at the age of 48.

Assume that the AFC was \$100,000. Their lifetime benefit would be \$100,000 per year. However, they could also enter DROP for 3 years, and begin receiving their monthly retirement benefit at the age of 51 with a lifetime annual benefit of \$100,000 and have \$300,000 in their DROP account.

Benefit Options

Maximum – Benefit ceases upon death

Option 1 – Unused portion of employee contributions payable upon death

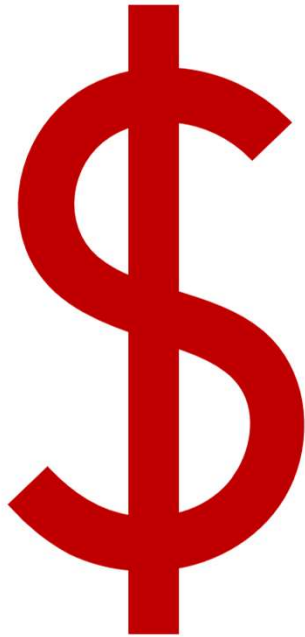
Option 2 – Same benefits to beneficiary upon death

Option 3 – One-half of benefits to beneficiary upon death

Option 4 – Pays a discretionary monthly benefit to the retiree/beneficiary. Limited to spouse/minor child/handicapped child

Option 4-2 – Same as 2 BUT benefits convert to maximum if beneficiary deceases 1st

Option 4-3 – Same as 3 BUT benefits convert to maximum if beneficiary deceases 1st



Deferred Retirement Option Plan (DROP)

Eligibility at 20 years and age 50 OR 25 years any age

Maximum of 36 months

System does not receive employee nor employer contributions

No penalty for exiting DROP early

Initial Benefit Option (IBO)



Available option at any retirement eligibility



Maximum of 36 months in duration



Receive up to 36 months of maximum benefit in a lump sum and take an actuarially reduced monthly benefit

OPTION	Regular Retire	DROP	IBO (36)	IBO (24)
Lump Sum	NONE	\$113,815 (opt 2)	\$124,988 (opt 2)	\$83,325 (opt 2)
Maximum	\$3,469	\$3,469	\$2,582	\$2,878
Option 1	\$3,463	\$3,463	Not Available	Not Available
Option 2	\$3,161	\$3,161	\$2,351	\$2,621
Option 3	\$3,309	\$3,309	\$2,461	\$2,744

Regular Retirement/DROP/IBO Comparison

AFC = \$50k Yrs. of Svc = 25 Retiree Age = 50 Ben Age = 50

Back Active After DROP

Part A = Benefit Calculation at the time of DROP
(original benefit)

Part B = Additional Benefit after DROP

- Less than 36 months: AFC used to calculate additional benefit is the same as AFC used to calculate original benefit
- 36 Months or More: AFC used to calculate additional benefit is based upon revised AFC calculated during period of additional service (additional benefit when combined with original benefit cannot exceed 100% of AFC used to calculate additional benefit)

Part C = Revised Benefit Amount (A + B)

		2 Years Back Active	3 Years Back Active
	<u>Part A</u>	<u>Part B</u>	<u>Part B</u>
AFC	50,000.00	50,000.00	60,000.00
Accrual Rate	3.33%	3.33%	3.33%
Years of Service	25	2	3
Annual Benefit	41,625.00	3,330.00	5,994.00
Monthly Benefit	3,468.75	277.50	499.50
Part C New Monthly Benefit		3,746.25	3,968.25
	3 Year DROP	124,875.00	

Back Active Example

DROP/IBO Investment Options at FRS

Portfolio

- Posted annually based on system's fiscal year return
- Subject to both gains and losses

Money Market

- Monthly money market returns
- Not subject to losses

Pros:

- No administrative fee
- Louisiana state tax exempt
- Possible 10% early withdrawal penalty exemption

Cons:

- Limited timing of withdrawals (1st business day of each month)
- No individual investment options (all portfolio participants pooled and invested per law)

Steps for Retirement

Request a retirement estimate from FRS (must be within 3 years of retirement)

Review estimated numbers and reach out with questions

Once vested and ready to retire complete the following:

- Retirement Application (same app for DROP/Regular Retirement/IBO)
- Auto COLA Form
- Submit copies of birth certificates and marriage licenses

Remit all paperwork at least 30 days prior to effective date

Disability Benefits

In the Line of Duty: 60% of AFC

Not in the Line of Duty (5 years of service): Greater of 75% of retirement benefit or 25% of average salary

If member has reached age 50: Greater of regular retirement or disability retirement above

Disability retirees must submit annual earnings statement. Total income is limited to 100% of AFC in combination of FRS benefit, workers' compensation benefits, and outside earned income. Any lump sum settlements from workers' compensation must specify any amount attributed to medical expenses.

Death/Survivor Benefits

Active Contributing
Member Not
Eligible to Retire

Active Contributing
Member Eligible to
Retire

Survivor
Benefits:
Active
Contributing
Member Not
Eligible to
Retire

Not in the Line of Duty:

- Surviving Spouse- 3% of AFC x Years of Service
 - Not less than 40% or more than 60% of AFC

In the Line of Duty:

- Surviving Spouse- Receives 2/3 of AFC

Benefit for Surviving Minor/Handicapped Child

- 10% of AFC or \$200/month (whichever is greater)
- No surviving spouse- if survived by one child, that child receives 40% of AFC; if survived by two or more children each child receives 30% of AFC (not to exceed 60% of AFC)

Combination of both surviving spouse benefits and children benefits not to exceed 100% of member's AFC.

Survivor Benefits: Active Contributing Member Eligible to Retire

Surviving spouse receives benefits as though the member had retired on the date of death and selected option 2 naming the spouse as the beneficiary.



If no surviving spouse, then benefits are payable to the designated beneficiary.

Additional Information



Refunds – Payable after approval of the board of trustees at a meeting at least 30 days after the date of termination



Repay Refunds – May repay a refund after 18 months of additional service



Transfers – After 6 months of service, may transfer service from other public retirement system



Military service – Eligible to purchase up to 4 years of active duty, reserve, or national guard service



Rehired Retiree:

Full-time - retirement benefits cease, must contribute to FRS and accrue an additional benefit

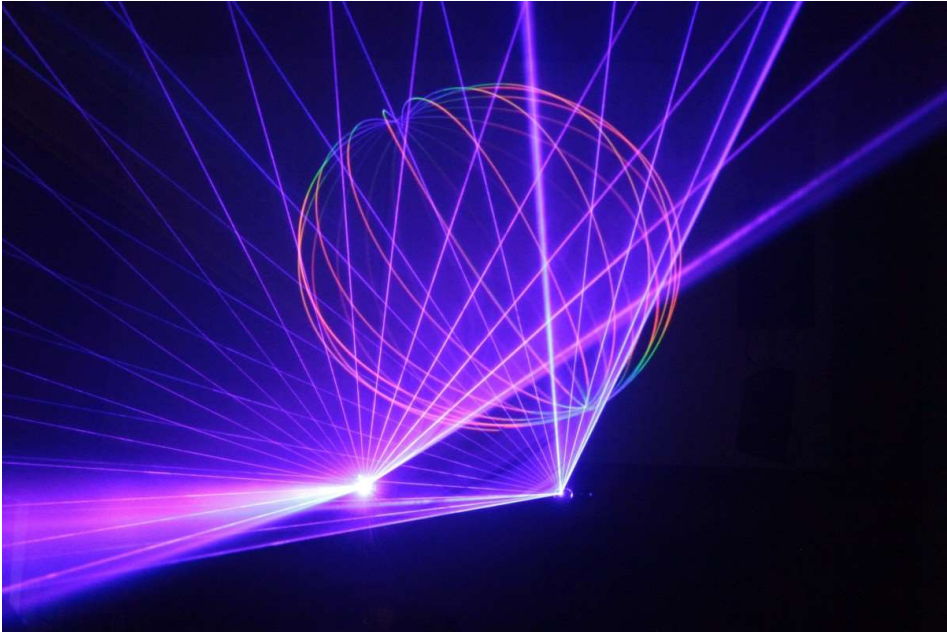
Part-time - retirement benefit continues, employer contributes to FRS and do not accrue an additional benefit


What's New

❖ FRS Newsletter

❖ www.lafrs.org

- Launched New Secure Webpage
- Mobile Device Optimization
- ADA Compliance and Certifications
- Compact Design with Fewer Tabs





What's on the Horizon

PTG Pension Pro – Pension Administration Software

- Web-Based System
- Portal Accessible through FRS Webpage
- Member Portal – Self Service Module
- Electronic Document Management Capabilities

QUESTIONS

