



**OFFICE OF LEGISLATIVE AUDITOR
2026 REGULAR SESSION
ACTUARIAL NOTE**

House Bill 41 HLS 26RS-313 Engrossed Author: Dewitt LLA Note HB 41.02	Date: April 1, 2026 Organizations Affected: FRS EG INCREASE FC SG EX
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Bill Header: RETIREMENT/FIREFIGHTERS: Provides relative to board membership of the Firefighters' Retirement System

Purpose of Bill: Proposed law makes various changes to the membership of the board of trustees of the Firefighters' Retirement System (FRS).

Summary of Impact¹: The estimated net actuarial and fiscal impact of the proposed legislation is summarized below.

Proposed law is not expected to have an impact on the *actuarial present value of expected future benefits* but could have a material impact on *the administrative expenses* incurred by the retirement system. 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:	<u>Expenditures</u>	<u>Revenues</u>
The Retirement Systems	See Section II	\$ 0
Local Government Entities	0	0
State Government Entities	0	0
Total	See Section II	\$ 0

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:	<u>Expenditures</u>	<u>Revenues</u>
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.

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Louisiana Legislative Auditor

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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.

Present law provides that the FRS board of trustees consists of the following 13 members:

1. Five active members of FRS, consisting of the following:
 - a. Two members of the Professional Fire Fighters Association (PFFA), elected by the officers of the PFFA.
 - b. Three members of the Louisiana Fire Chiefs Association (LFCA), elected by the officers of the LFCA.
2. Two retirees of the system, elected by a majority vote of the retired members and beneficiaries of the system, to serve for 5-year terms.
3. Two mayors, appointed by the Louisiana Municipal Association from municipalities having fire departments in the system.
4. A member of the House, or their designee.
5. A member of the Senate, or their designee.
6. The state treasurer, or their designee.
7. The commissioner of administration, or their designee.

Proposed law changes the five active members, as follows:

1. Must have at least 10 years of service credit.
2. Will be elected by active members of FRS.
3. Consist of the following:
 - a. Three members of the PFFA.
 - b. Two members not participating in the PFFA.

Proposed law also provides that the terms of current active members shall terminate on the effective date of proposed law but shall serve until such time as new board members are elected to replace them.

Proposed law has no actuarial impact, other than potential increase in contributions due to an increase in administrative costs, which are discussed further in Section II below.

In addition, proposed law raises several governance concerns.

1. Proposed law does not provide for a term for the active members, nor does it provide a method for removing the newly elected active board members. Best practices for elected positions would generally suggest, at a minimum, the elected position should be held for a specified period, with new elections being held at the end of that period.
2. Proposed law immediately ends the term of 5 of the 13 existing board members, potentially resulting in 5 brand new board members at the same time. It is generally considered best practice when board members have staggered terms of service. And given the lack of clarity on the terms, it could potentially result in this occurring repeatedly in the future.

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

Expenditures	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>	<u>2029-30</u>	<u>2030-31</u>	<u>5-Year Total</u>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	See Below	See Below	See Below	See Below	See Below	See Below
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	See Below	See Below	See Below	See Below	See Below	See Below

Revenues	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>	<u>2029-30</u>	<u>2030-31</u>	<u>5-Year Total</u>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	0	0	0	0	0	0
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	\$ 0	\$ 0	\$ 0	\$ 0

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.

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

1. Expenditures:

Proposed law does not include guidance on the timing and/or the method for nominations or elections. FRS staff are currently evaluating the various ways in which the nomination and election process may occur, resulting in significant variability in estimated costs.

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As a baseline, FRS held an election in 2025 for one retiree board member. Staff were able to handle the vetting of nominees internally using existing budget resources, so the primary cost consisted of hiring a third-party election administrator to mail and process ballots. For 2,477 eligible voters, the cost was approximately \$10 per eligible voter, or approximately \$24,770.

There are currently 4,881 active members, therefore FRS staff estimates the cost to run a single election would be, at a minimum, approximately \$49,000. However, staff would likely need to coordinate with the PFFA and hire a third-party election administrator to properly vet the nominees to be certain they are properly classified as PFFA or non-PFFA members and confirm they meet the minimum service requirement. Based on the hourly cost of the third-party election administrator, FRS staff estimates an additional \$15,000-\$18,000 to administer the nomination process in addition to the election, raising the cost for a single election to approximately \$64,000-\$67,000. If only PFFA members are eligible to vote for PFFA members and non-PFFA members are eligible to vote for non-PFFA members, the complexity, and therefore cost, of the administering the elections would increase.

Proposed law does not specify if a single election, or multiple elections, must be held. Nor does it specify if a nominee requires a majority of votes to be elected or if it is the top 2 or 3 receiving votes from a specific category who would be elected. To the extent a single election is held that allows all active members to vote for up-to 3 PFFA candidates and up-to 2 non-PFFA candidates and the top 2 or 3 from each category are elected, the minimum cost for running a single election is estimated to be approximately \$64,000-\$67,000. On the high end, if 5 separate elections must be held that require runoffs to ensure the winner receives a majority of votes, the total for all elections could be as high as \$335,000-\$400,000.

Finally, as noted above, proposed law does not specify terms for these 5 active board members. Nor does it specify the frequency of elections, which would generally be governed by the terms of the positions. Therefore, it is not clear how often the cost of elections would be incurred by FRS.

2. Revenues:

The proposed legislation is not expected to have any effects on retirement related fiscal revenues during the five-year measurement period.

III. FISCAL IMPACT ON LOCAL GOVERNMENT ENTITIES

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 Section II.

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.

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 Section II.

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.

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.

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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, or their beneficiary, could 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 2026 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