



New Orleans Firefighter Disability Pension Case Study

Presented by: Erica Smith

PLAN
 showing the boundaries
 OF THE
great Conflagration of New Orleans —
 on the 21st of March,
1788



Note: The fire broke out on the South East Corner of Toulouse and Chartres Streets in the Office of the military treasurer, Vincent Jose Nunez. All the buildings fronting the River, including the Statehouse, escaped the Fire.

ESCALA. 300 pies por un pulgada.

Remark: The settled parts of the town are indicated by the darker shading of the squares.

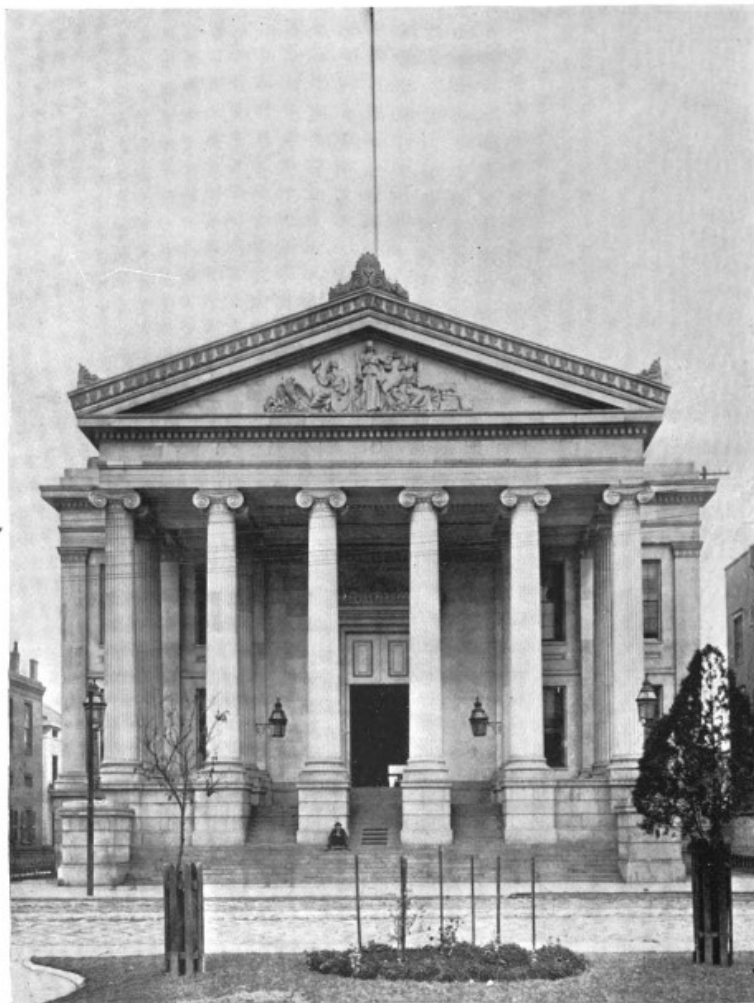
Mississippi → *River.*



THOMAS O'CONNOR.



Chief Tim McConnell, New Orleans FD



CITY HALL.
Headquarters of the Fire Department.

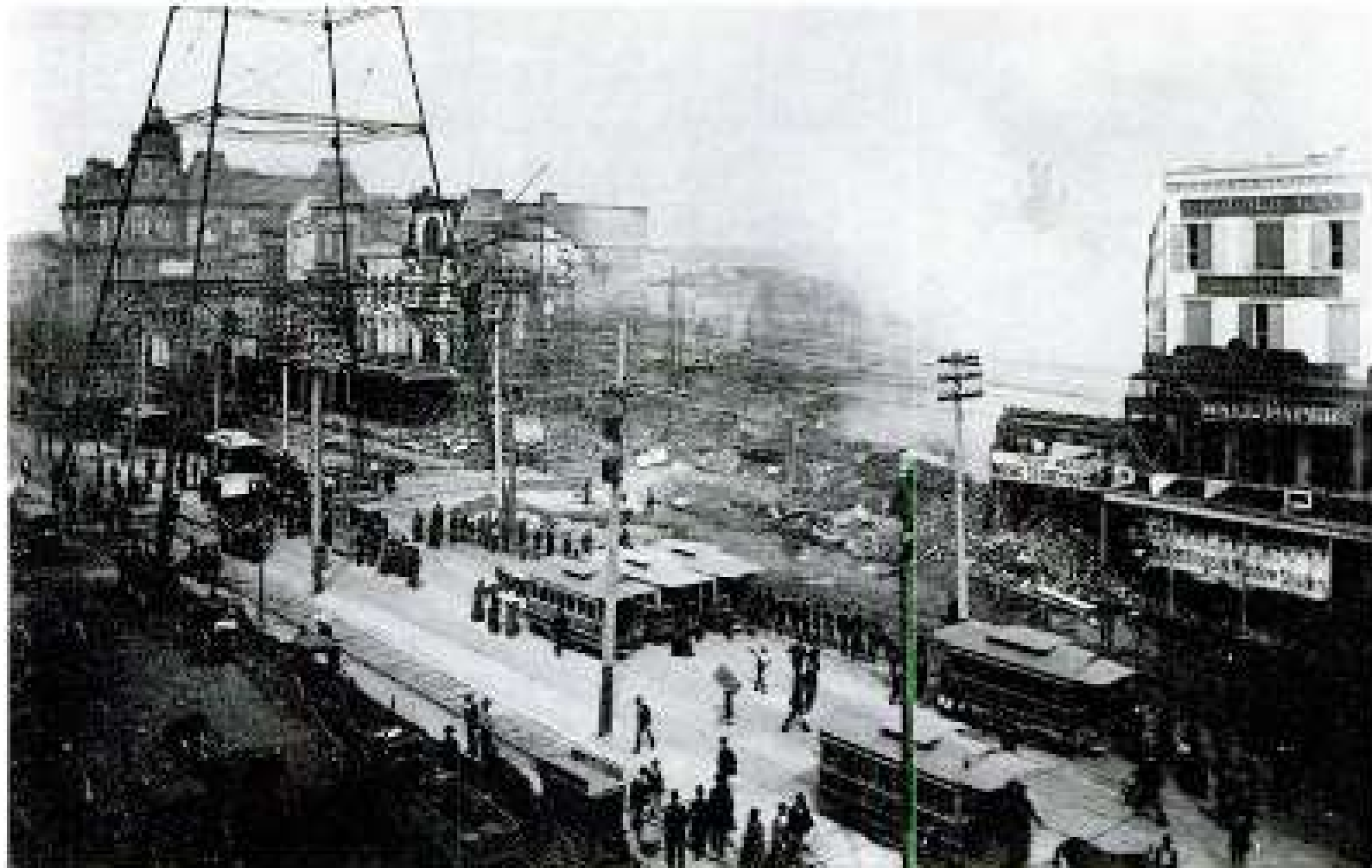


Fig. 32. Still-smouldering area of Canal Street razed by fire on February 17, 1892. (Courtesy Samuel Wilson, Jr., Collection.)

the Department. The receipts for the year so far were reported at \$7,217; death benefits (to five families at \$500) \$2,500; investments \$3,508; expenses \$187; cash balance \$1,011—which was regarded as a very handsome starter for a most commendable enterprise.

\$7,217 in 1894 → **\$198,981.85** in 2017

Pension Plan Funding



Three Parts to a Pension Plan Funding

1. Employee Contributions
2. Employer Contributions
3. Investments

Benefit is determined based on salary, accrual rate, and years of service.

Actuary determines total funding:

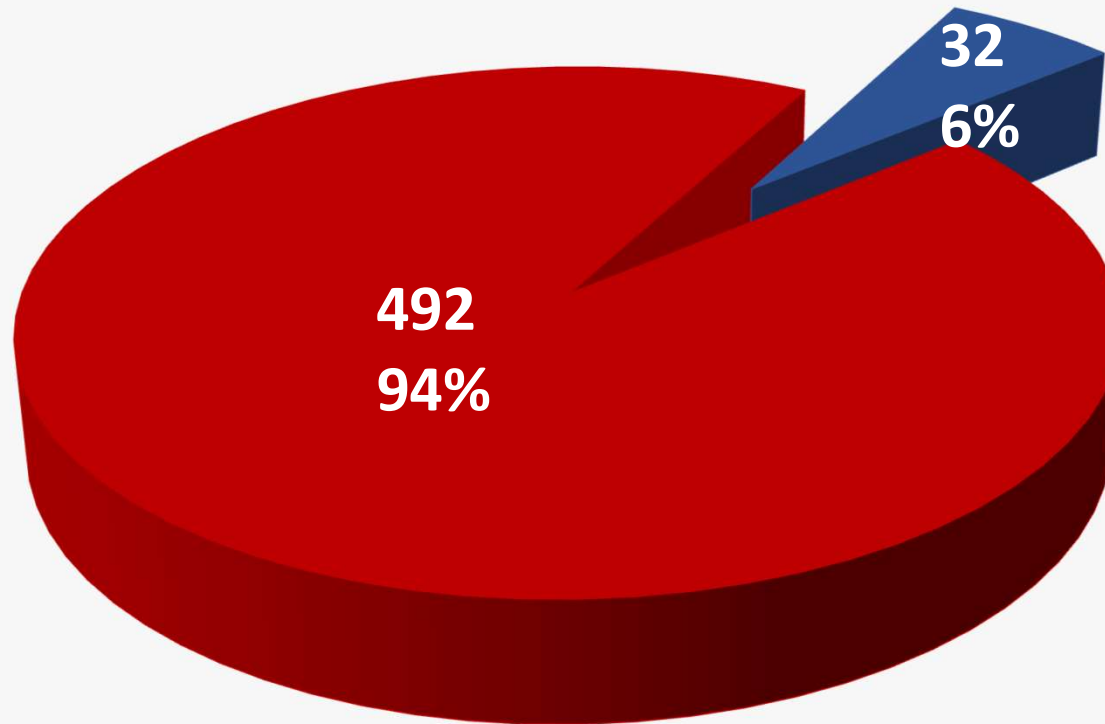
- Number of People in the plan
- Salaries
- Age, gender, ethnicity
- 80% Funding

Firefighters Board of Directors

The Pension Board is responsible for making investment decisions and approving regular/disability pensions. By a 2/3 vote a firefighter is awarded:

- 66% of salary or if the FF is permanently disabled and incapacitated from performing duties or unable to hold any other meaningful and gainful employment
- 50% of salary if the FF is disabled from firefighting but can perform any other “reasonable kind” of work
- If a FF has 20 years of service, awarded regular pension

January 1, 2011 Actuarial Valuation Report: Disability and Ordinary Retirements



■ Disability Retirement

■ Ordinary Retirement







Actuarial Valuation Reports

January 1, 2011 – 94% Disability Retirement

(August 4, 2011 – OIG Met with Pension Board)

January 1, 2012 – 45% Disability Retirement

January 1, 2013 – 42.5% Disability Retirement

January 1, 2014 – 40% Disability Retirement

January 1, 2015 – 40 % Disability Retirement

Changes to Actuarial Valuation Reports

FIREFIGHTERS' PENSION AND RELIEF FUND FOR THE CITY OF NEW ORLEANS
 1/1/2011 INACTIVE PARTICIPANT PROFILE
 JANUARY 1, 2011 ACTUARIAL VALUATION
 NEW FUND

..... ORDINARY RETIREMENT

----- DISABILITY RETIREMENT -----

AGE	TOTAL
50-54	4
55-59	4
60-64	14
65-69	8
70-74	2
	32

AGE	TOTAL
25-29	1
30-34	5
35-39	13
40-44	22
45-49	17
50-54	40
55-59	103
60-64	195
65-69	68
70-74	26
75-79	2
	492

94%

Changes to Actuarial Valuation Reports

FIREFIGHTERS' PENSION AND RELIEF FUND FOR THE CITY OF NEW ORLEANS
 1/1/2012 INACTIVE PARTICIPANT PROFILE
 JANUARY 1, 2012 ACTUARIAL VALUATION
 NEW FUND

----- RETIREES -----

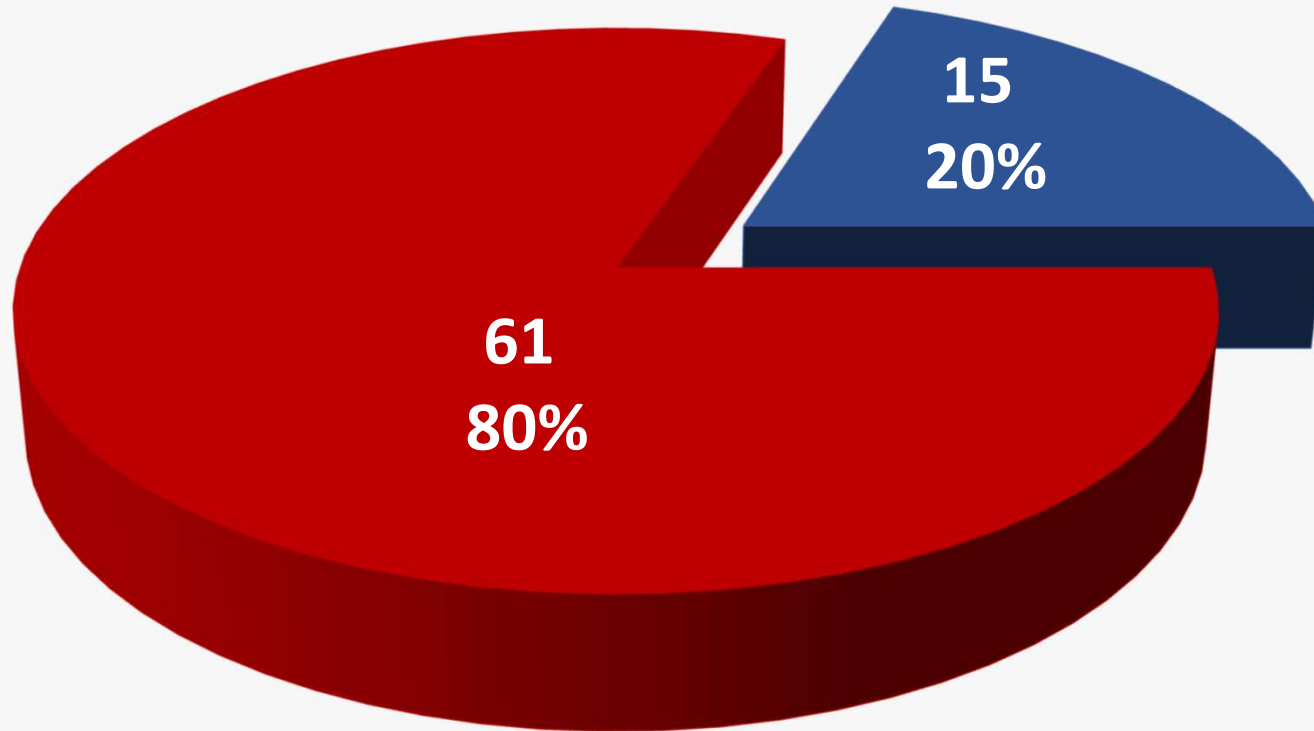
AGE	TOTAL
50-54	11
55-59	53
60-64	145
65-69	57
70-74	28
75-79	3
	297

----- DISABILITY RETIREMENT -----

AGE	TOTAL
25-29	1
30-34	3
35-39	6
40-44	26
45-49	18
50-54	26
55-59	38
60-64	73
65-69	40
70-74	9
	240

45%

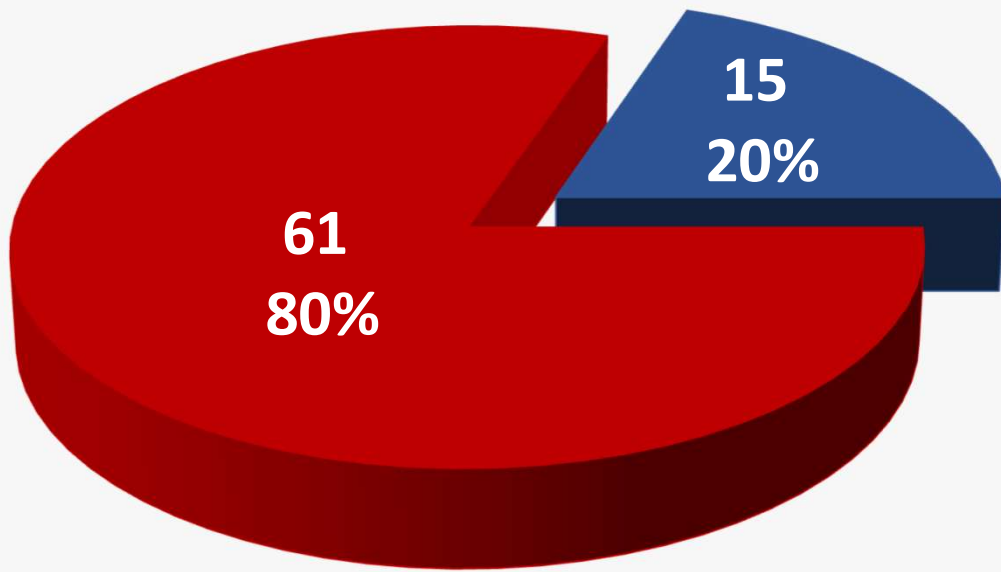
Type of Pension Received By New Orleans Firefighters Who Retired From January 1, 2013 - December 31, 2015



■ Disability Pension

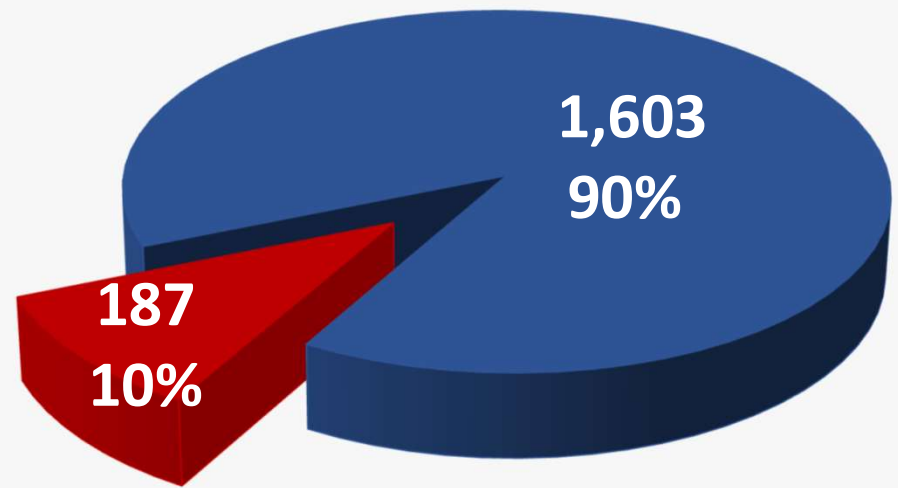
■ Regular Pension

Type of Pension Received By New Orleans Firefighters Who Retired From January 1, 2013 - December 31, 2015



■ Disability Pension ■ Regular Pension

Type of Pension Received by Louisiana State Firefighters as of June 30, 2015

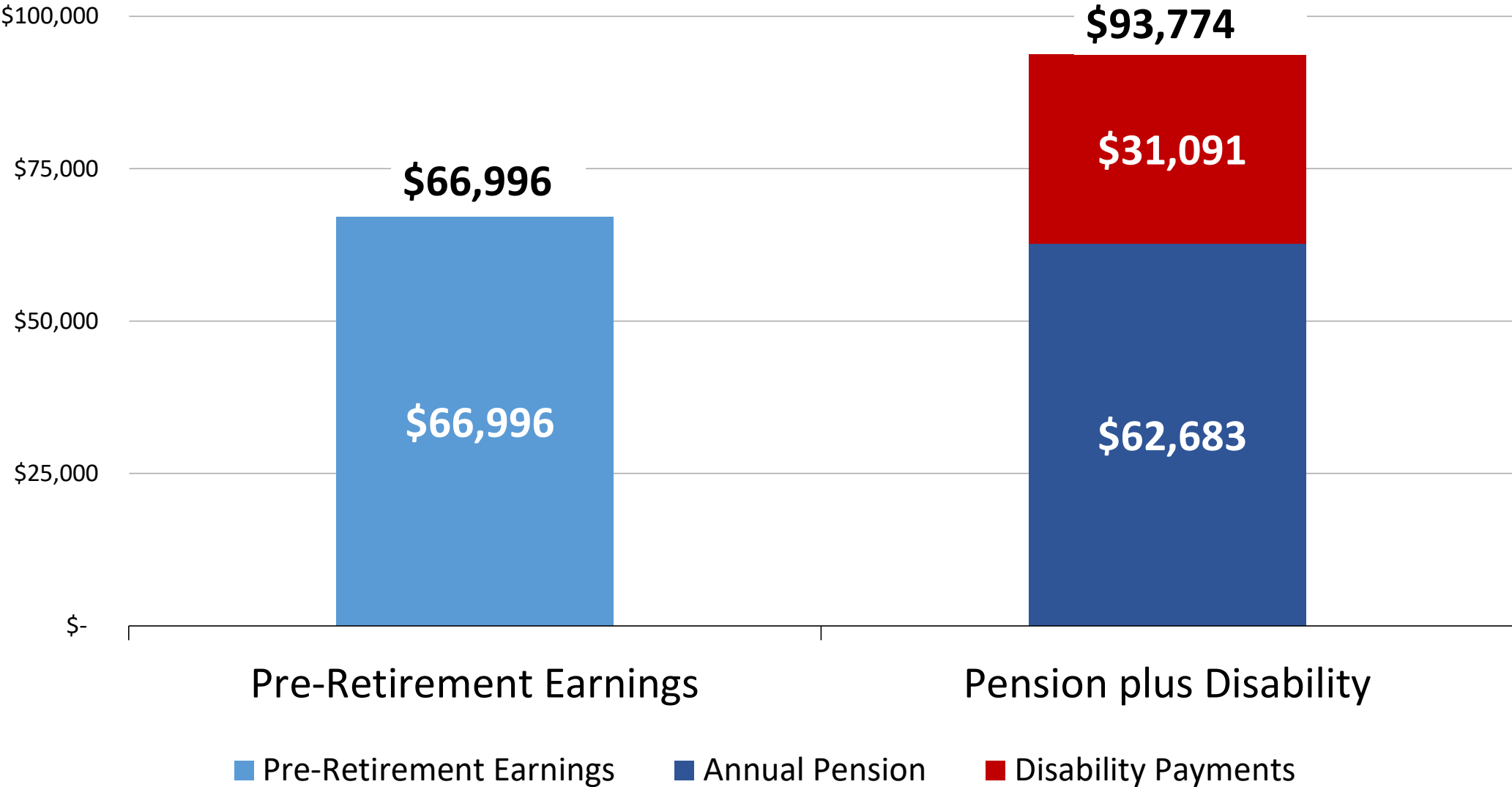


■ Disability Pension ■ Regular Pension

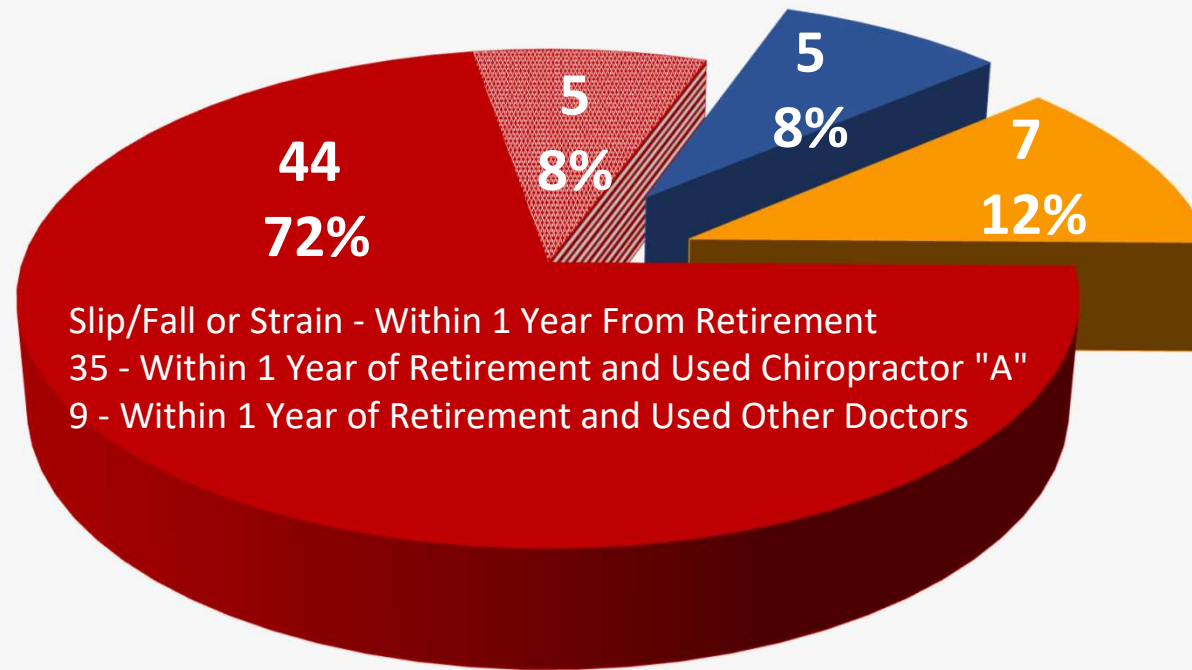
So What? You get your pension...

- 50% is exempt from federal income tax
- Actuarial reports showed 40% disability retirees but 80% received 1099s
- Supplemental earnings benefit = \$30,000 per year for 10 years
- Benefit is based on the FF highest annual earnings, benefit is greatest if received in the last year before normal retirement.
- Unlike the State of Louisiana – NO OFFSET

Firefighter X's Annual Earnings Before and After Disability Retirement



Types of Disability Injuries for All Firefighters Who Retired From January 1, 2013 – December 31, 2015



- Heart and Lung
- Other
- Slip/Fall or Strain - Within 1 Year From Retirement
- Slip/Fall or Strain - Greater than 1 Year From Retirement

While taking a break from fighting a fire, he was walking down the stairs and his foot got tangled up and he tripped, slid and fell down the stairway.

Retired on Disability



Advancing a hose line, he slipped
in a ditch on the side of a road.

Retired on Disability



While working a fire he tripped
and fell down a flight of stairs.

Retired on Disability



Injured right wrist while loading hose
into bed of ladder truck.

Retired on Disability



While attempting to create opening in ceiling of building on fire, a large piece of plaster fell, striking him in the head and knocking him to the floor.

Retired on Disability



Potential Savings if % of Disability Retirements Conformed to the State of Louisiana Firefighters' Retirement System Average

Description	Amount	Estimated Savings %*	Estimated Savings Per Year
Total Disability Payments Incurred by Retirees in 2015 per Third Party Administrator (TPA)	\$5,514,949	70%	\$3,860,464
Total Additional Expenses Incurred by Retirees in 2015 (medical, rehab, etc.) per TPA	\$3,399,749	70%	\$2,379,824
Total Disability Payments and Additional Expenses Incurred by Retirees in 2015 per TPA	\$8,914,698		\$6,240,288

*80% NOFF disability rate less 10% (State of Louisiana) Firefighters Retirement System disability rate equals 70%.

La. R.S. 11:3384 Accrual Rates

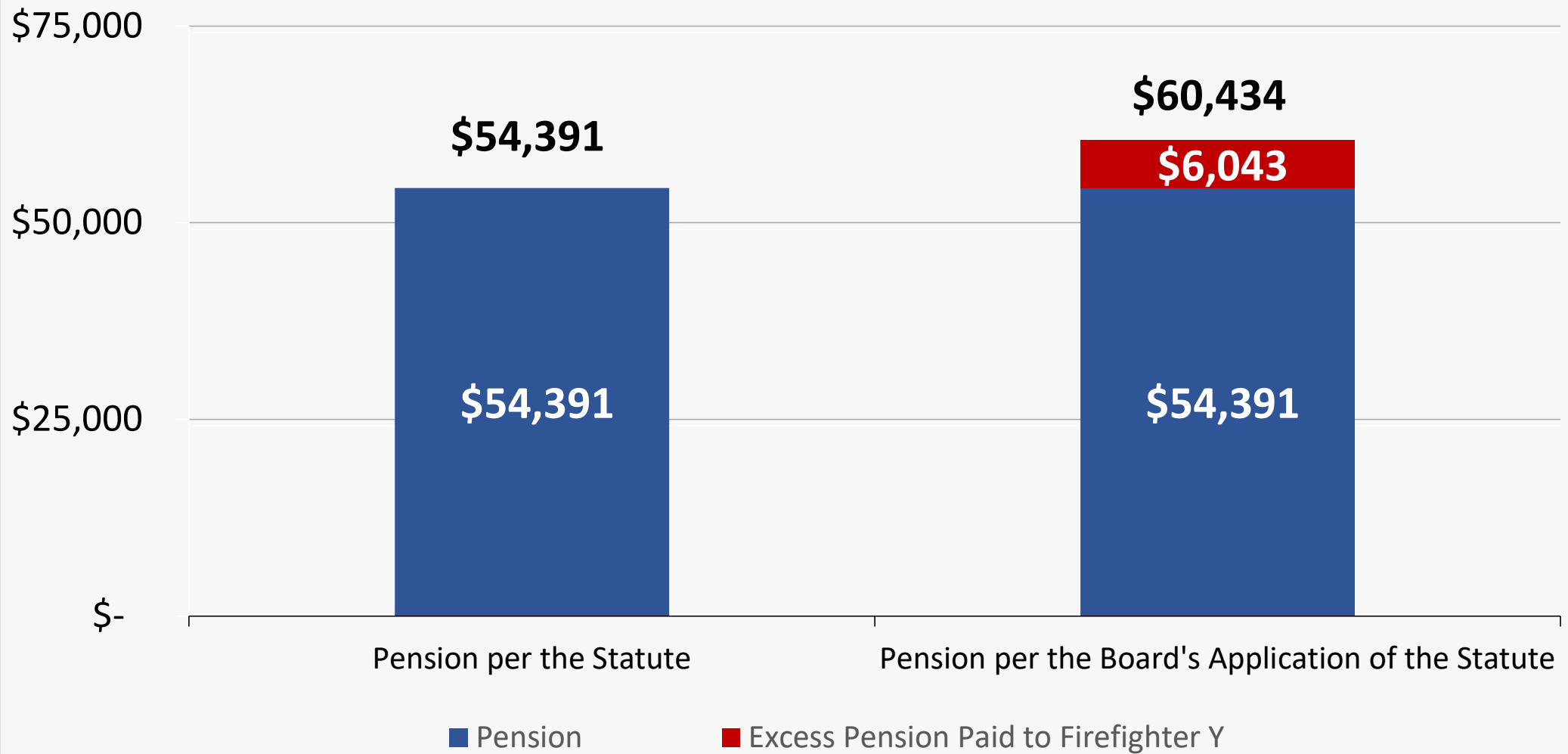
Rate	Years of Service Requirement
2.5%	For each year of service
3.33%	Once you reach 30 years of service (years 13-30)
3.33%	For each year of service after 12 years AND 50 years old

La. R.S. 11:3384 Accrual Rates vs. Pension Board Interpretation

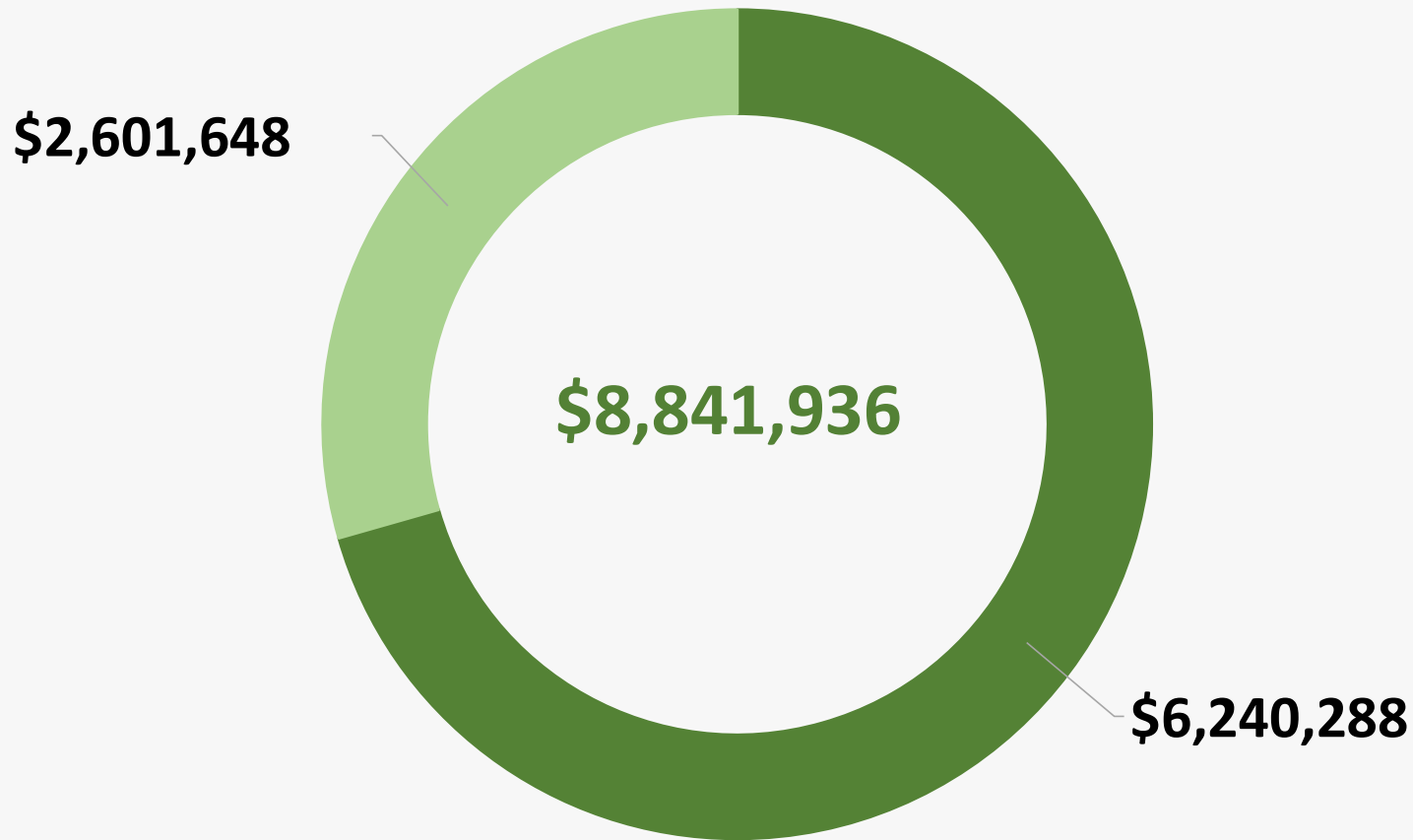
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Rate	Years of Service Requirement
2.5%	For each year of service
3.33%	Once you reach 30 years (all years)
3.33%	For each year of service after 12 years

Firefighter Y's Pension per the Governing Statute vs. the Board's Application of the Statute

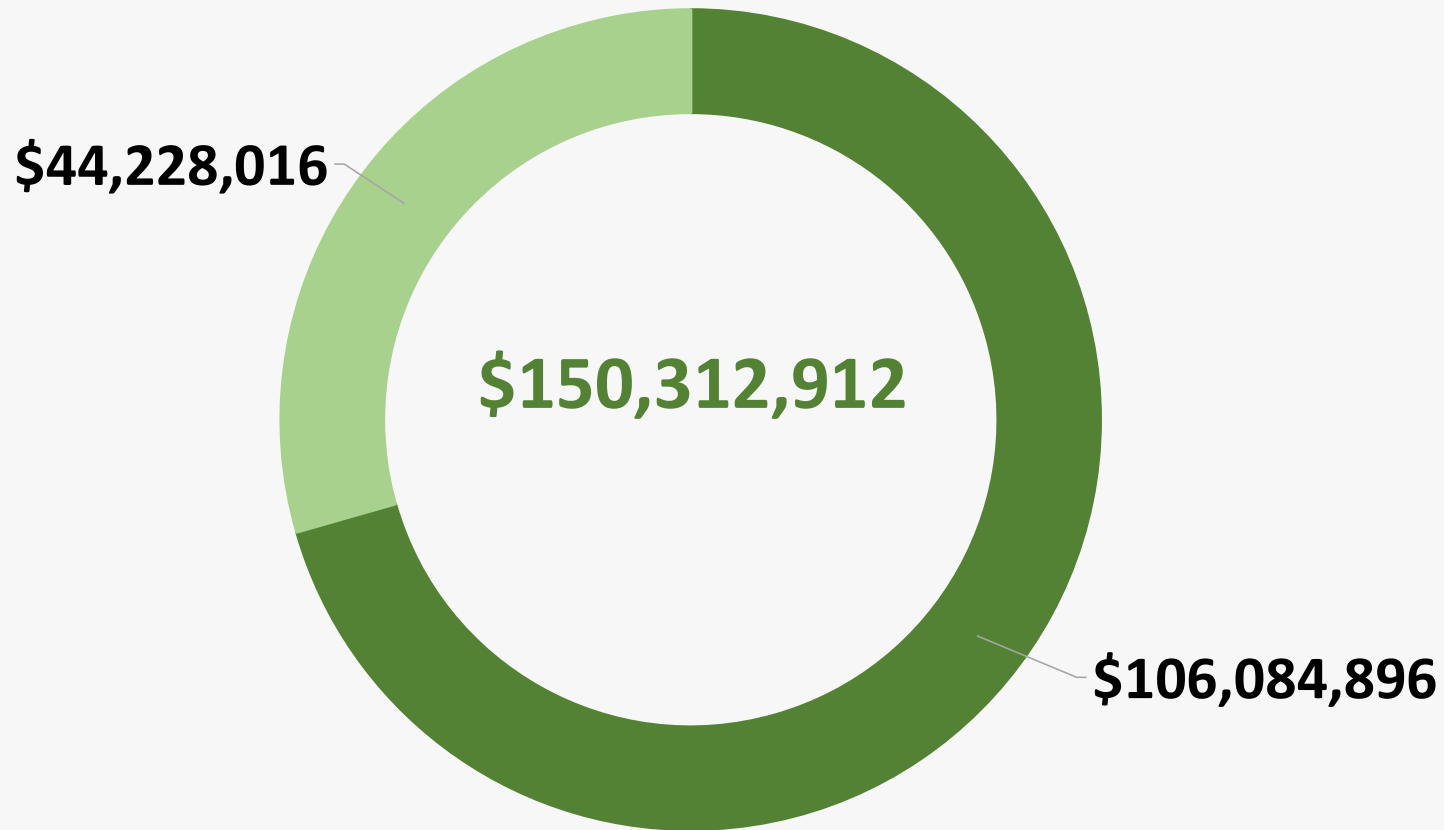


How Much Money Could the City of New Orleans Save Per Year?



- Total Estimated Avoidable Disability Payments and Additional Expenses in 2015
- Total Pension Benefits Overpayment as a Result of the Misapplication of the Governing Statute

Money the City of New Orleans Spent from 1999 – 2015 on Questionable Disability and Pension Costs



- Total Estimated Spent on Avoidable Disability Payments and Additional Expenses
- Total Pension Benefits Overpayment as a Result of the Misapplication of the Governing Statute

What this Money Buys...

\$8.8 million:

- 125 NOPD Officers
- 2 NOFD Firehouses

\$150.3 million:

- 22 Miles of Streets w/ New Drainage
 - Almost as long as the Causeway Bridge

What Happened?

NOFF appealed to the 4th Circuit Court:

- Allowed 3.33% accrual rate to all YOS once FF reaches 30 YOS.
- Prohibited application of 3.33% accrual rate until FF reaches age 50 AND 12 YOS.
- FF with 30 YOS are eligible to retire, have vested right to 3.33% accrual rate for each YOS.
- Accrual rate/benefits can change until FF becomes eligible to retire. FF not eligible to retire do not have a vested right to benefits calculated erroneously.

New Hires as of January 1, 2016

- Increased contribution rate 6% to 10%
- 2.5% accrual rate
- Increased retirement age – Social Security less 10 (52-57)

Offset of disability payments from pension payments



Questions? Comments?

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