OFFICE OF LEGISLATIVE AUDITOR
2026 REGULAR SESSION
ACTUARIAL NOTE

House Bill 45 HLS 26RS-303	**Date: April 14, 2026**
Engrossed	**Organizations Affected: MPERS, LASERS**
Author: Bacala	
LLA Note HB 45.02	**EG INCREASE APV**

Bill Header: RETIREMENT/MUNICIPAL POL: Provides relative to benefits of participating employees in the Municipal Police Employees' Retirement System

Purpose of Bill: Proposed law primarily applies to the Municipal Police Employees' Retirement System (MPERS) and 1) excludes non-recuring lump-sum payments or ad-hoc bonuses from earnable compensation paid after December 31, 2025, 2) permits members of MPERS to purchase service credit for certain service performed in out-of-state law enforcement roles, 3) provides survivor benefits for officers killed in the line of duty who have not been enrolled as members of MPERS, 4) makes changes to how Deferred Retirement Option Plan (DROP) balances may be invested for participants who enter DROP after June 30, 2026, 5) increases the maximum allowable contribution rate to the Funding Deposit Account (FDA), 6) increases the accrual rate from 3% to 3 1/3% for participants in the Hazardous Duty Subplan and from 2.5% to 3.0% for participants in the Non-Hazardous Duty Subplan, for service earned after December 31, 2026, and 7) requires certain individuals in MPERS' eligible positions, who elected to remain a member of the Louisiana State Employees Retirement System (LASERS), to transfer their service credit to MPERS.

Summary of Impact[1]: The estimated net actuarial and fiscal impact of the proposed legislation is summarized below.

Proposed law is expected to immediately increase the ***actuarial present value of expected future benefits and the employer contribution rate*** incurred by MPERS. 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	Increase	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**

2026 REGULAR SESSION
ACTUARIAL NOTE HB 45

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 1) excludes non-recuring lump-sum payments or ad-hoc bonuses from earnable compensation paid after December 31, 2025, 2) permits members of MPERS to purchase service credit for certain service performed in out-of-state law enforcement roles, 3) provides survivor benefits for officers killed in the line of duty who have not been enrolled as members of MPERS, 4) makes changes to how DROP balances may be invested for participants who enter DROP after June 30, 2026, 5) increases the maximum allowable contribution rate to the FDA, 6) increases the accrual rate from 3% to 3 1/3% for participants in the Hazardous Duty Subplan and from 2.5% to 3.0% for participants in the Non-Hazardous Duty Subplan, for service earned after December 31, 2026, and 6) requires certain individuals in MPERS' eligible positions, who elected to remain a member of the Louisiana State Employees Retirement System (LASERS), to transfer their service credit to MPERS.

The following outlines the expected impact of each of these provisions.

1. Present law defines compensation for purposes of calculating contributions and benefits for MPERS as the "full amount of compensation earned by an employee for a given month, including supplemental pay paid by the state of Louisiana, but shall not include overtime." Proposed law would specifically exclude any non-recuring lump-sum payment or ad-hoc bonus for any compensation paid after December 31, 2025.

   a. Contributions are paid as a percentage of the salary of participating employees, and consist of three primary parts which are calculated in different ways:
      i. The normal cost is the portion of the expected benefit attributable to the current year of service and is calculated as a percentage of salary. The total dollar amount of this contribution will decrease for employers who regularly utilize newly excluded compensation, but the contribution rate is unlikely to change.
      ii. The unfunded accrued liability (UAL) amortization payment is calculated as a specified dollar amount and is apportioned across all participating employers as a percentage of the salary of participating employees. Therefore, the total dollar amount of this contribution will not change, but the contribution rate will increase due to the lower overall payroll. The likely impact is that employers who regularly utilize newly excluded compensation will see a decrease in total UAL amortization dollars paid and those who do not will see an increase in total UAL amortization dollars paid.
      iii. FDA contributions are calculated as a percentage of salary. The total dollar amount of this contribution will decrease for employers who regularly utilize newly excluded compensation, but the contribution rate will not change.
   b. MPERS benefits are calculated by averaging the highest 36- or 60-month period of compensation. Therefore, for members who regularly receive newly excluded compensation, their highest average may be based on compensation earned in the pay periods ending prior to January 1, 2026. Therefore, while their accrued benefit will not decrease, it may not increase as much as it otherwise would.

   The net effect is a decrease in total dollars paid in contributions but an increase in the employer contribution rate.

2. On its surface, this provision would appear to be "cost neutral" with respect to changes in MPERS' unfunded accrued liability. However, the development of the actuarial cost, as outlined in statute, results in a member being able to purchase guaranteed benefits (e.g. a retirement annuity, disability, and death benefits, all guaranteed by MPERS and backed by the State of Louisiana) at a price that is, generally, significantly less than the cost of similar benefits on the open market. This is a function of several factors, primarily the comparatively generous assumptions used to develop the "actuarial cost" and the lack of individual underwriting that an insurance company would undertake (e.g. requiring basic health information). Further, members have knowledge about their personal situations MPERS does not, and it is reasonable to assume only those members who perceive the purchase of the additional service credit as advantageous will utilize it, ultimately exposing the system to a long-term expected cost greater than the amount paid by the member, and an increased cost to MPERS. It is worth noting the population of individuals who are likely to be eligible to take advantage of this opportunity is likely small compared to the total active population; therefore, in this case, the potential impacts from anti-selection are expected to be minimal.

3. Proposed law would provide death benefits to a surviving spouse or other eligible beneficiary of an employee who was killed in the line of duty while employed as a municipal police officer on or after July 1, 2010, and before March 1, 2026, even though that individual was not enrolled as a member of MPERS if a) they otherwise could have been enrolled and the application for survivor benefits is made no later than June 30, 2027.

   This provision will immediately increase benefits and the UAL effective with the June 30, 2027 actuarial valuation and increase employer contributions beginning with fiscal year 2029. MPERS staff identified 3 officers who's beneficiary would be eligible for these benefits and MPERS' actuary estimates the benefits would increase UAL by approximately $1.2 million and the employer contribution rate by approximately 0.03%.

4. Under present law, DROP accounts are invested through a third-party provider and investments selections are made by the participant. Proposed law provides that, for individuals who begin participation in DROP after June 30, 2026, the board may adopt rules that retain DROP account balances within the MPERS trust and credit them at the actuarial rate of return less 0.5%.

   This provision of proposed law has minimal actuarial impact.

5. Present law permits MPERS' board to set the actual employer contribution rate up to 0.85% above the required employer contribution rate plus ½ of any reduction in the required employer contribution rate from the prior year, and specifies that any excess contributions up to 0.85% of payroll may be deposited to the FDA (which may only be used to prefund cost-of-living adjustments) and contributions above 0.85% of payroll must be used to pay down the oldest existing amortization loss base without reamortization (i.e. the existing level dollar payment schedule will remain unchanged and those dollars will be applied to another outstanding base).

   Proposed law creates the "additional benefits funding rate" which, effective July 1, 2027, is 0.85% and is the amount deposited to the FDA. Effective July 1, 2028, the additional benefits funding rate shall increase by ½ of any reduction in the required employer contribution rate with any increase being permanent, except the rate shall never a) be less than 0.85%, b) be more than 2.5%, and c) to the extent the required employer contribution rate plus the additional benefits funding rate would exceed 29.35%, the additional benefits funding rate paid by employers shall be reduced so the actual employer contribution rate is not more than 29.35% or the additional benefits funding rate is not less than 0.85%.

This provision will not directly increase the actual employer contribution rate but will cause it to be higher than it otherwise would by redirecting some of the reduction in the required employer contribution rate to the additional benefits funding rate.

6. Uder present law, participants in the Hazardous Duty Subplan earn 3% of final average compensation (FAC) per year of service, with a retroactive increase to 3 1/3% once they reach 30 years of service (i.e. a total accrual rate of 100% of FAC); and participants in the Non-Hazardous Duty Subplan earn 2.5% of FAC per year of service. Proposed law would increase this accrual rate for service earned after December 31, 2026 to 3 1/3% for the Hazardous Duty Subplan and 3.0% for the Non-Hazardous Duty Subplan. In addition, participants may purchase an increase in the accrual rate for any period of service in the respective subplan to increase the rate from the original rate earned to the new, higher rate.

   The actuary for the system estimates this change will result in an immediate increase of approximately 0.83% in the employer contribution rate, approximately $3.2 million per year, and a long-term increase in the employer contribution rate between 1.4% to 1.5%.

7. Present law provides that certain members of LASERS, who later become employed in a position eligible for membership in another public retirement system, may remain a member of LASERS. Proposed law requires that any such member who is employed in an MPERS eligible position as of December 31, 2026, must become a member of MPERS and transfer their LASERS service credit to MPERS. Proposed law also provides that assets must be transferred in accordance with existing statute.

   The actuary for MPERS and the actuary for the LLA believes the assets required to be transferred are likely to be sufficient to cover the actuarial cost of the benefit accrued under LASERS, at LASERS' accrual rate. To the extent the assets are not sufficient, MPERS would absorb any difference. Without knowing the exact group of individuals to whom this applies, we cannot predict the actual impact. However, we believe the impacted group is likely to be sufficiently small with respect to both MPERS and LASERS, as a whole, that any actuarial impact will be minimal.

The net effect of all changes is expected to be an increase in the actuarial present value of expected future benefits and the employer contribution rate.

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	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**5-Year Total**
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Agy Self-Generated	Increase	Increase	Increase	Increase	Increase	Increase
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	Decrease	Decrease	Increase	Increase	Increase	Increase
Annual Total	**Increase**	**Increase**	**Increase**	**Increase**	**Increase**	**Increase**

Revenues	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**5-Year Total**
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Agy Self-Generated	See Below	Decrease	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	**See Below**	**Decrease**	**Increase**	**Increase**	**Increase**	**Increase**

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:

   a. Items 2, 3, 6, & 7 outlined in result in an increase in benefits payable (Agy Self-Generated) almost immediately.
   b. LASERS will be required to transfer an appropriate level of assets to MPERS in Fiscal 2027, which increases Agy Self-Generated expenditures for LASERS.
   c. Employer contributions (Local Funds) are expected to increase overall, but different provisions have differing impacts:
      i. Total payroll is expected to decrease immediately because it no longer includes nonrecurring payments, decreasing the total dollar amount of contributions for the normal cost contributions and contributions to the FDA, which are calculated as a percentage of payroll.
      ii. The actuary for the system estimates an immediate increase in employer contribution rate (Local Funds) of 0.83% of payroll per year, or approximately $3.2 million, for the changes in accrual rate. This would first be reflected in the June 30, 2026 actuarial valuation, which calculates the employer contribution rate for Fiscal 2029.

iii. Effective July 1, 2028, a portion of any reduction in required employer contribution rate will be redirected to increase the additional benefits funding rate.

d. MPERS staff estimates the one-time cost to update their pension administration system to accommodate the changes in the definition of earnable compensation to be approximately $36,000-54,000.

2. Revenues:

   a. The transfers from LASERS to MPERS and purchase of service credit for out-of-state law enforcement roles results in an increase in Agy Self-Generated revenue for MPERS, in the years in which that occurs.
   b. Changes in employer contributions identified as changes in expenditures have corresponding changes in Agy Self-Generated revenue.
   c. The net effect of a) and b) on Agy Self-Generated revenues for MPERS in Fiscal 2027 is unknown at this time.

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.

For certain calculations presented herein, we may have utilized commercially available valuation software. 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.

A full actuarial determination of the retirement system's costs, actuarially determined contributions, and accrued liability require the use of assumptions regarding future economic and demographic events. The assumptions used to determine the retirement system's contribution requirement and accrued liability are summarized in the system's most recent Actuarial Valuation Report accepted by the respective retirement board and by the Public Retirement Systems' Actuarial Committee (PRSAC).

The actual emerging future experience, such as a retirement fund's future investment returns, may differ from the assumptions. To the extent that emerging future experience differs from the assumptions, the resulting shortfalls (or gains) must be recognized in future years by future taxpayers. Future actuarial measurements may also differ significantly from the current measurements due to other factors: changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period; or additional cost or contribution requirements based on the system's funded status); and changes in plan provisions or applicable law.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the expected returns (assumptions);
2. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
3. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
4. Longevity and life expectancy risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
5. Other demographic risks – members may terminate, retire or become disabled at times or with benefits at rates that differ from what was assumed, resulting in actual future accrued liability and contributions differing from expected.

The scope of an actuarial note prepared for the Louisiana Legislature does not include an analysis of the potential range of such future measurements or a quantitative measurement of the future risks of not achieving the assumptions. In certain circumstances, detailed or quantitative assessments of one or more of these risks as well as various plan maturity measures and historical actuarial measurements may be requested from the actuary. Additional risk assessments are generally outside the scope of an actuarial note. Additional assessments may include stress tests, scenario tests, sensitivity tests, stochastic modeling, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

However, the general cost-effects of emerging experience deviating from assumptions can be known. For example, the investment return since the most recent actuarial valuation may be less (or more) than the assumed rate, or a cost-of-living adjustment may be more (or less) than the assumed rate, or life expectancy may be improving (or worsening) compared to what is assumed. In each of these situations, the cost of the plan can be expected to increase (or decrease).

The use of reasonable assumptions and the timely receipt of the actuarially determined contributions are critical to support the financial health of the plan. However, employer contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

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.

Members of a retirement system, or their beneficiary, 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 2026 Regular Session.

Senate

☒ 13.5.1 Applies to Senate or House Instruments
If an annual fiscal cost ≥ $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 ≥ $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 ≥ $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 ≥ $500,000, then bill is dual referred to:
Dual Referral: Ways and Means