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## DIGEST

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HB 1237 Reengrossed

2026 Regular Session

Bacala

**Abstract:** Provides relative to dissolution of a police or fire department by an employer in the Municipal Police Employees' Retirement System or Firefighters' Retirement System and to membership in the systems.

### **Opt-out Provision**

Present law, applicable to Municipal Police Employees' Retirement System (MPERS) and the Firefighters' Retirement System (FRS), generally requires a person who meets the definition of "employee" contained in present law to become a system member as a condition of employment.

Proposed law retains present law.

Present law, applicable to MPERS and FRS, allows an employee whose employer covers its police officers or firefighters under Social Security to elect not to become a member of the system. Provides requirements and procedures for making the election including execution of an affidavit.

Proposed law retains present law and requires the police chief or the mayor of the employing municipality to sign and notarize the affidavit for a police officer electing to not participate in MPERS.

### **MPERS Dissolution Provision**

Present law provides that a participating employer in MPERS that partially dissolves its police department shall pay the portion of the system's unfunded accrued liability (UAL) attributable to that employer existing on the June 30 prior to the dissolution, with interest.

Present law requires that the employer's UAL portion be calculated using the allocation percentage included in the prior fiscal year's employer pension report produced according to requirements established by the Governmental Accounting Standards Bd.

Present law requires an employer to pay a pro rata portion of the UAL attributable to that employer if there is a significant reduction in the employer's participation in the system (partial dissolution).

Present law requires such payments if either of the following occurs during a one year period:

- (1) A 30% or greater decrease in active members and DROP participants and the number of

participating employees decreases by at least two.

- (2) The number of participating employees decreases by at least 50.

Present law requires that payments be amortized over 15 years in equal payments.

Present law provides that if the number of participating employees of an employer whose department was partially dissolved returns to or exceeds the number of participating employees prior to the partial dissolution, payments shall cease on the July first following the increase. Provides that payments made will be credited as an offset of any amounts due for any subsequent dissolution or partial dissolution of the department that occurs within 15 years of such payment.

Proposed law repeals present law.

Present law provides that the board of trustees shall not collect payments from an employer who was deemed to have partially dissolved its police department if the partial dissolution occurred prior to July 1, 2018.

Proposed law changes the date in present law to July 1, 2025.

Proposed law provides that the UAL is determined using the level percentage of payroll entry age normal actuarial accrued liability.

### **FRS Partial Dissolution Provision**

Present law provides generally for an employer with a sufficient reduction in employees to be deemed to have partially dissolved and requires payments to the system. Provides for definitions and determinations related to the reduction and payments with determinations made as part of the actuarial valuation process.

Proposed law retains present law.

Present law provides that a participating employer shall be deemed to have partially dissolved its fire department if either of the following occurs:

- (1) The number of participating employees of the employer on the valuation date is less than 70% of the number of participating employees of the employer as of June 30th of the prior fiscal year and either the number of participating employees decreases by at least a minimum number or the number of participating employees is zero.
- (2) The number of participating employees of the employer as of June 30th is at least 50 fewer than the number of participating employees of the employer as of June 30th of the prior year.

Present law provides for a minimum decrease of at least three employees.

Proposed law provides that a participating employer shall be deemed to have partially dissolved its fire department if either of the following occurs:

- (1) The number of participating employees of the employer as of June 30th is less than 70% of the base employee count and either the number of participating employees is zero or the number of participating employees decreases by at least three.
- (2) The number of participating employees of the employer as of June 30th is at least 50 fewer than the base employee count.

Proposed law further provides that if the calculation of the percentage does not result in a whole number, the actuary shall round to the nearest lower whole number.

Present law requires payments to begin on the first of July of the second fiscal year following the determination that a partial dissolution has occurred.

Proposed law requires payments to begin on the first of July of the third fiscal year following the determination for withdrawals based on a valuation dated June 30, 2024, or later.

Proposed law provides that if an employer is delinquent on June 30th in any year, certain provisions of proposed law do not apply to the withdrawal on which the payments are delinquent and any additional withdrawal based on the June 30th actuarial valuation of that year.

Proposed law provides that the UAL is determined using the level percentage of payroll entry age normal actuarial accrued liability.

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

(Amends R.S. 11:157(C)(1), 2225.4(B), (C)(2), and (D), and 2262.1(A) and (B); Adds R.S. 11:2262.1(D)(3) and (4) and (E); Repeals R.S. 11:2225.4(A)(2))

The House Floor Amendments to the engrossed bill:

1. Make technical changes.
2. Specify that the requirement for the police chief or mayor of an employing municipality to sign and notarize an affidavit applies only when a police officer chooses to opt-out of MPERS.
3. Provide that no payments for partial dissolution shall be collected from an employer if a partial dissolution of a police department occurred prior to July 1, 2025.
4. Provide that the unfunded accrued liability is determined using the level percentage of payroll entry age normal actuarial accrued liability for both MPERS and FRS when a department partially or fully dissolves.