

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

House Bill 1237 HLS 26RS-3471 Reengrossed w/SFA Author: Bacala LLA Note HB 1237.03	Date: May 14, 2026 Organizations Affected: FRS, MPERS REF SEE ACTUARIAL NOTE FC
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Bill Header: RETIREMENT/STATEWIDE SYS: Provides relative to the Municipal Police Employees' Retirement System and the Firefighters' Retirement System

Purpose of Bill: Proposed law 1) changes the method for determining a partial dissolution and the calculation of the increased unfunded accrued liability (UAL) payments for employers who experience a partial dissolution in the Firefighters' Retirement System (FRS), 2) eliminates the concept of partial dissolution for the Municipal Police Employees' Retirement System (MPERS), 3) requires any affidavit filed by an employee eligible to opt-out of participating in MPERS be signed and notarized by the chief of police or the mayor of the employing municipality, and 4) changes how delinquent payments may be recovered.

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.

Item 3 above does not have an actuarial or fiscal impact. Items 1 and 2 do not have an actuarial impact but shift costs from one participating employer to another. Item 4 does not have an actuarial impact but may make it more difficult for MPERS to recover delinquent payments, possibly increasing costs for other participating employers. See Section II for more details.

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.

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	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	See Below	See Below	See Below	See Below	See Below	See Below
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:
 - a. For items 1 and 2 in the purpose of the bill session above, changing the partial dissolution rules for both FRS and MPERS. the impact to the retirement systems is effectively zero, because as described below, the total UAL payment in a given year does not change based on the number of participants, the total payroll, or if one or more employers are paying full or partial dissolution payments. The retirement systems will continue to receive the same total UAL amortization payment. Proposed law only changes how the UAL payment is allocated among employers.

Retirement contributions for both FRS and MPERS consist of 3 primary parts. The normal cost and contributions to the Funding Deposit Account (and excess contributions for MPERS), which are calculated as a percentage of employee salary, and the UAL amortization payment, which is calculated as a specified dollar amount and allocated across all participating employers as a percentage of employee salary. Therefore, the total UAL payment, in a given year, does not change based on the number of participants or the total payroll.

<p>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.</p>	 Kenneth J. "Kenny" Herbold, ASA, EA, MAAA Director of Actuarial Services Louisiana Legislative Auditor
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Under present law, an employer who experiences a “large” decrease in their participating population (i.e. a partial dissolution), is required to pay a portion of the UAL according to a specified formula, this UAL is allocated to that specific employer and subtracted from the total UAL prior to allocating the remaining UAL across all employers as part of the required employer contribution.

Proposed law changes how this amount is calculated for FRS and eliminates it completely for MPERS. It should be noted, for MPERS, the concept of full dissolution remains but there is nothing defining what it means for a police department to “fully dissolve.”

- b. Present law provides 2 different methods to recover delinquent contributions under R.S. 11:2227(B)(1) and 2227(D)(1), specifically,
 - i. Certifying to the state treasurer the nature and amount of the delinquency, the state treasurer shall deduct the amount from any monies available for distribution to such municipality shall and transmitted to MPERS, or
 - ii. Through court action.

Proposed law eliminates option i. MPERS staff has expressed concern that this provision will “increase the cost, delay, and uncertainty of collection — reducing the probability of net recovery even after judgment and thereby increasing the risk of unrecovered liabilities.”

To the extent MPERS is unable to collect delinquent contributions but is obligated to pay benefits for individuals for whom contributions were never received, placing the cost of these benefits on other employers.

2. Revenues:

The proposed legislation is not expected to have any measurable 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.

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.

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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, 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 \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