



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

<b>House Bill 31 HLS 26RS-508</b> <b>Original</b> <b>Author: Echols</b> <b>LLA Note HB 31.01 REVISED</b>	<b>Date: March 9, 2026</b> <b>Organizations Affected: MPERS</b>  <b>OR SEE ACTUARIAL NOTE FC</b>
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**Bill Header:** RETIREMENT/MUNICIPAL POL: Provides relative to annual retirement education for certain participating employers in the Municipal Police Employees' Retirement System

**Purpose of Bill:** Proposed law allows a municipality with a population of 5,000 or less the ability to terminate participation in MPERS for employees who would otherwise be enrolled in MPERS who are hired on or after the effective date of a termination resolution adopted by the municipality's governing authority.

**Summary of Impact<sup>1</sup>:** The estimated net actuarial and fiscal impact of the proposed legislation is summarized below.

Proposed law is not expected to have an immediate impact on the *actuarial present value of expected future benefits and administrative expenses* incurred by the retirement system. Over the long term, proposed law is expected to decrease the actuarial present value of expected future benefits incurred by the retirement system because fewer people will participate in the retirement system than under present law. 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.

<b>Five Year Net Fiscal Costs Pertaining to:</b>	<u>Expenditures</u>	<u>Revenues</u>
The Retirement Systems	\$ 0	See Section II
Local Government Entities	See Section II	0
State Government Entities	<u>0</u>	<u>0</u>
<b>Total</b>	<b>See Section II</b>	<b>See Section II</b>

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.

<b>Five Year Net Fiscal Costs Pertaining to:</b>	<u>Expenditures</u>	<u>Revenues</u>
Local Government Entities	\$ 0	\$ 0
State Government Entities	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ 0</b>	<b>\$ 0</b>

<sup>1</sup> This is a different assessment from the actuarial cost requiring a 2/3<sup>rd</sup> 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 31**

**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 allows a municipality with a population of 5,000 or less the ability to terminate participation in MPERS for employees who would otherwise be enrolled in MPERS who are hired on or after the effective date of a termination resolution adopted by the municipality’s governing authority. This is not expected to have an immediate impact on the retirement system’s actuarial present value of expected future benefits but to the extent some municipalities take advantage of this option, MPERS could experience a decline in the participating population as current members in these municipalities are replaced by new employees and therefore, over the long-term, the actuarial present value of expected future benefits will decrease, or not increase as much as it otherwise would.

In and of itself, a declining population is not a net negative or a net positive. However, retirement contributions consist of 3 primary parts. The cost of the benefit for an active participant attributable to service worked during the current fiscal year (normal cost), if not fully funded, a payment to fund benefits attributable to service worked in prior fiscal years (UAL amortization payment), and a contribution to the Funding Deposit Account (FDA) to fund future cost of living adjustments (COLAs). Normal cost is only paid on actively participating employees so to the extent new employees do not participate in MPERS, MPERS will not receive as much in normal cost contributions.

The 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 UAL payment in a given year does not change based on the number of participants, or the total payroll. However, the amount a given employer will pay does change based on that employer’s payroll in relation to the payroll of all participating employees, and any associated dissolution payments.

Proposed law does not make any changes to the partial dissolution rules, therefore it is possible that a municipality that elects to opt-out of future participation could trigger the requirement to cover a portion of the UAL under these provisions. It is worth noting that, by design, it is unlikely for the partial dissolution rules to be triggered due to natural turnover, particularly for small employers with only a few participating members, except when the total participants drop to zero, in which case the amount of UAL the municipality would be obligated to pay is likely small.

MPERS’ actuary has identified 182 municipalities that, based on 2020 census information, have 5,000 or fewer residents. Of these 182 municipalities, we have identified 123 with a total of 663 actively employed participants as of June 30, 2025, representing approximately 8% of total payroll. MPERS’ minimum required employer contribution for FY 2027 is 26.5% of projected payroll, 25.0% is for the UAL Amortization Payment. Therefore, if all eligible municipalities elect to opt-out and no municipality that opts out triggers the partial dissolution payment requirement, an 8% reduction in total payroll would increase the employer contribution rate for a similar UAL amortization payment from 25.0% to approximately 27.2% of payroll

Finally, the FDA contribution to prefund future COLAs is 0.85% of payroll, or approximately \$3.2m per year. The most recent COLA granted by MPERS was effective July 1, 2022 with a present value of approximately \$50m. The FDA balance as of June 30, 2025 was slightly less than \$5m. Based on the projected payroll in the June 30, 2025 actuarial valuation, assuming a modest 2% increase in total payroll per year, the FDA will accumulate \$50m in approximately 9 more years. If total payroll were instead reduced by the 8% outlined above, it would take approximately 10 years to accumulate \$50m.

**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**

<b>Expenditures</b>	<b><u>2026-27</u></b>	<b><u>2027-28</u></b>	<b><u>2028-29</u></b>	<b><u>2029-30</u></b>	<b><u>2030-31</u></b>	<b><u>5-Year Total</u></b>
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					
<b>Annual Total</b>	<b>\$ 0</b>					

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

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.

## **2026 REGULAR SESSION ACTUARIAL NOTE HB 31**

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:

As more thoroughly explained in Section I, retirement contributions consist of 2 primary parts, the normal cost and the UAL amortization payment.

- a. Normal cost contributions and the FDA contributions (local funds expenditures) will decrease, or not increase as much as they otherwise would, as participating employees are replaced by non-participating employees in any municipality that elects to opt-out.
- b. The total amount of local funds expenditures that make up the UAL amortization payment will not be affected, however, municipalities that opt-out and do not trigger the dissolution payment requirement, will pay less than they otherwise would while the remaining municipalities will pay more.

### 2. Revenues:

Changes in retirement contributions identified as expenditures have corresponding changes in Agy Self Generated revenues.

### **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

## 2026 REGULAR SESSION ACTUARIAL NOTE HB 31

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.

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**