



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

House Bill 40 HLS 26RS-176 Original Author: Butler LLA Note HB 40.01	Date: March 5, 2026 Organizations Affected: MPERS OR SEE ACTUARIAL NOTE FC
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Bill Header: RETIREMENT/MUNICIPAL POL: Provides relative to the payment of unfunded accrued liability by employers of the Municipal Police Employees' Retirement System

Purpose of Bill: Present law requires a participating employer pay a portion of the unfunded accrued liability in addition to the amount included in the employer contribution rate, when that participating employer is considered to have fully, or partially, dissolved. Proposed law includes an exception to the partial dissolution requirement when it is determined that the employees of the partially dissolved entity have transferred to another participating employer.

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 is not expected to have an immediate or long-term impact on the actuarial present value of expected future benefits and administrative expenses incurred by the retirement system. Proposed law could impact how much a given employer pays towards amortizing the outstanding unfunded accrued liability. See Section II for a more detailed discussion of the fiscal impact on employers and the system as a whole. The general concept applies for both the 5 years covered in Section II as well as for the long-term.

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	<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					
Annual Total	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					

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:

Retirement contributions consist of 2 primary parts. The cost of the benefit for an active participant attributable to service worked during the current fiscal year (normal cost) and, if not fully funded, a payment to fund benefits attributable to service worked in prior fiscal years (UAL Amortization Pmt). Normal cost is only paid on actively participating employees.

The UAL Amortization Pmt 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.

<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>	<p>Kenneth J. "Kenny" Herbold, ASA, EA, MAAA Director of Actuarial Services Louisiana Legislative Auditor</p>
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The purpose of partial dissolution rules are to ensure that a participating employer that experiences a significant reduction in workforce, and therefore a significant reduction in total payroll, continues to help fund a portion of the UAL that can be reasonably, if not directly, attributed to their prior employees. When those employees are not actually removed from the payroll, but instead move to another participating employer, present law results in both the “partially dissolved” employer, through the additional UAL payments required under the partial dissolution rules, and the new employer via standard employer contributions on the actual payroll, paying a portion of the UAL attributable to the same set of employees. Proposed law eliminates this occurrence by accounting for his transfer of employees.

The amount of local government expenditure paid to MPERS as a result of proposed law will not be affected, however, any employer that would otherwise be required to pay increased UAL payments due to a partial dissolution associated with a transfer of employees will pay less than they otherwise would and all others will pay a pro-rate share of that amount. The net effect across all local governments is \$0.

2. Revenues:

No changes in Agy-Self Generated Revenues are expected.

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