



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

<b>House Bill 45 HLS 26RS-303</b> <b>Original</b> <b>Author: Bacala</b> <b>LLA Note HB 45.01</b>	<b>Date: March 9, 2026</b> <b>Organizations Affected: MPERS,</b>  <b>OR INCREASE APV</b>
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**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) makes changes to how Deferred Retirement Option Plan (DROP) balances may be invested for participants who enter DROP after June 30, 2026 , 2) increases the accrual rate from 3% for participants in the Hazardous Duty Subplan and from 2.5% for participants on the Non-Hazardous Duty Subplan, to 3 1/3%, for service earned after December 31, 2026, and 3) 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<sup>1</sup>:** 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 administrative expenses* incurred by MPERS and increase MPERS' employer contribution by approximately 0.90%. Over the long term, proposed law is expected to increase MPERS' employer contribution rate between 1.5% to 1.6%. 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><b>Expenditures</b></u>	<u><b>Revenues</b></u>
The Retirement Systems	See Section II	See Section II
Local Government Entities	0	0
State Government Entities	<u>See Section II</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><b>Expenditures</b></u>	<u><b>Revenues</b></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)").

<p><b>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.</b></p>	<p><b>Kenneth J. "Kenny" Herbold, ASA, EA, MAAA</b>  <b>Director of Actuarial Services</b>  <b>Louisiana Legislative Auditor</b></p>
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**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) makes changes to how MPERS' Deferred Retirement Option Plan (DROP) balances may be invested for participants who enter DROP after June 30, 2026, 2) increases the accrual rate from 3% for MPERS' participants in the Hazardous Duty Subplan and from 2.5% for MPERS' participants on the Non-Hazardous Duty Subplan, to 3 1/3%, for service earned after December 31, 2026, and 3) 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.

- 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.

- Under 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 both the Hazardous Duty and Non-Hazardous Duty Subplans. 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 3 1/3%.

The actuary for the system estimates this change will result in an immediate increase of approximately 0.90% in the employer contribution rate and a long-term increase in the employer contribution rate between 1.5% to 1.6%.

The actuary for the system also highlighted potential inequities in the employee contribution rates given the change to identical accrual rates. Specifically, Non-Hazardous Duty subplan participants hired after December 31, 2012, contribute 8.0% of pay while all other participants (both Hazardous Duty and Non-Hazardous duty hired prior to January 1, 2013) currently contribute 10.0% of pay but decreases on a sliding scale to a floor of 7.5% when employer contributions decrease below 31.01%.

- 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.

**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	See Below					
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	<u>0</u>	<u>0</u>	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>
<b>Annual Total</b>	<b>See Below</b>					

<b>Revenues</b>	<b><u>2026-27</u></b>	<b><u>2026-27</u></b>	<b><u>2026-27</u></b>	<b><u>2026-27</u></b>	<b><u>2026-27</u></b>	<b><u>2026-27</u></b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	See Below	0	See Below	See Below	See Below	See Below
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Annual Total</b>	<b>See Below</b>	<b>\$ 0</b>	<b>See Below</b>	<b>See Below</b>	<b>See Below</b>	<b>See Below</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.

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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. Some members of MPERS will be eligible to purchase an increase in their accrual rate and retire with larger benefits than they otherwise would, increasing Agy Self-Generated expenditures 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 them.
- c. The actuary for the system estimates an immediate increase in employer contribution rate of 0.90% (Local Funds). This would first be reflected in the June 30, 2026 actuarial valuation, which calculates the employer contribution rate for Fiscal 2029. Based on the June 30, 2025 actuarial valuation, 0.90% of pay is approximately \$3.5m.

2. Revenues:

- a. The transfers from LASERS to MPERS represents an increase in Agy Self-Generated revenue.
- b. Changes in employer contributions identified as changes in expenditures have corresponding changes in Agy Self-Generated revenue.

### **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.

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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  $\geq$  \$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**