OFFICE OF LEGISLATIVE AUDITOR
2025 REGULAR SESSION
ACTUARIAL NOTE

Senate Bill 176 SLS 25RS-166	**Date: May 23, 2025**
Reengrossed w/HCA	**Organizations Affected: BRMC, CPERS, & MPERS**
Author: Foil	
LLA Note SB 176.01	**RE1 +$251,239 FC SG EX**

Bill Header: AIRCRAFT/AVIATION. Provides relative to the Baton Rouge Metropolitan Airport.

Purpose of Bill: Authorizes the Baton Rouge Metropolitan Council (BRMC) to form a special purpose airport authority known as the Baton Rouge Regional Airport Authority (Authority) and establishes guidelines for its creation.

Summary of Impact[1]: The estimated net actuarial and fiscal impact of the proposed legislation is summarized below.

In general, proposed law represents a transfer of airport operations, including all revenue, expenses, and existing authority from the East Baton Rouge City-Parish government to the proposed Authority with, according to Baton Rouge airport officials, no change in the baseline operating expenditures. However, the proposed Authority will incur an increase in its budget to account for new, independent administrative functions that are currently being performed by City-Parish employees.

Proposed law is not expected to have an impact on the ***net actuarial present value of expected future benefits and administrative expenses*** incurred by the retirement systems if employees remain in their current retirement systems. If the Authority elects to adopt another or establish its own retirement system, CPERS, MPERS, and the new retirement system could have significantly different costs than under current conditions. 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.

Five Year Net Fiscal Costs Pertaining to:	**Expenditures**	**Revenues**
The Retirement Systems	See Section II	See Section II
Local Government Entities	See Section II	0
State Government Entities	0	0
Total	**See Section II**	**See Section II**

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.

Five Year Net Fiscal Costs Pertaining to:	**Expenditures**	**Revenues**
Local Government Entities	$ 1,174,059	$ 0
State Government Entities	0	0
Total	**$ 1,174,059**	**$ 0**

[1] This is a different assessment from the actuarial cost requiring a 2/3rd 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**

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.

Under current law, airport employees are either members of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS) or the Municipal Police Employees Retirement System (MPERS).

Proposed law authorizes the Baton Rouge Metropolitan Council (BRMC) to form a special purpose airport authority known as the "Baton Rouge Regional Airport Authority". If this entity is created, airport employees may transfer to the regional authority. At the point of transfer, the initial terms of employment must be "substantially similar" to existing employment terms, including retirement benefits. Proposed law provides several options for the regional authority to consider, with varying actuarial impacts.

1. Keep the existing employees in their current retirement systems.

   If the regional authority elects this option, there is no actuarial impact to the retirement systems. The required contributions paid by an employees' existing employer will be paid by the regional authority and the employees will maintain all existing and future benefits.

2. Adopt another legally permitted retirement system.

   The regional authority is authorized to "adopt another … retirement system or pension plan." While "substantially similar" is not defined, from an actuarial perspective, given the current benefits available under both CPERS and MPERS it does not appear there is another public retirement system that would necessarily provide "substantially similar" benefits for all employees.

3. Establish its own retirement system.

   If the regional authority establishes its own retirement system, the accrued benefits and liabilities of all transferring employees would become the responsibility of the new retirement system which would receive the associated assets, as outlined in statute and/or proposed law. Creating an entirely new retirement system that provides similar benefits to those provided by CPERS, MPERS, or both, also presents a number of administrative and legal challenges for the regional authority system that would likely result in increased administrative costs, if not actuarial costs, at least over the near term. In particular, the legal structure of the new system as a separate entity or contained within the regional authority, as well as the need to hire or contract for administrative and actuarial services to properly administer the plan.

   With respect to employees currently participating in CPERS, proposed law requires the regional authority to pay CPERS "for the loss of the positions of the employees transferred to the regional authority who are no longer covered by the city-parish retirement system."

   With respect to employees currently participating in MPERS, the current employer could become subject to the partial dissolution requirements outlined in R.S. 11:2225.4, which could obligate the current employer pay contributions above what they would otherwise pay were those employees to remain in MPERS.

   The actuarial impact of this election is not determinable at this time.

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	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5-Year Total**
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Agy Self-Generated	See below	See below	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	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	**2025-26**	**2025-26**	**2025-26**	**2025-26**	**2025-26**	**2025-26**
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Agy Self-Generated	See below	See below	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	0	0	0	0	0	0
Annual Total	**See below**	**See below**	**See below**	**See below**	**See below**	**See below**

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:

   As outlined in Section I, if the regional authority:
   a) Keeps the existing employees in their current retirement systems, no changes in retirement or local fund expenditures are expected.
   b) Adopts another legally permitted retirement system, it is not clear this is permitted.
   c) Establishes its own retirement system,
      i. Administrative and legal costs for the regional authority and/or the new retirement system would be more than they otherwise would be under the other options;
      ii. Payments to CPERS from the regional authority would be more than they otherwise would over the near-term to account for a shorter amortization period to pay the associated UAL "for the loss of the positions of the employees transferred to the regional authority."
      iii. Payments to MPERS from the current employer (i.e. not the regional authority) could increase to reflect the partial dissolution requirements outlined in R.S. 11:2225.4 resulting from a decrease in the total active population participating in MPERS.

2. Revenues:

   Changes in expenditures outlined above are reflected as corresponding changes to retirement system contributions (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.

From time to time, legislation is proposed that has an indirect effect on administrative expenditures and revenues associated with local government entities (other than the impact included in Section II). Table B shows the estimated fiscal administrative cost impact of the proposed legislation on such local government entities. 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 B: Fiscal Costs for Local Government Entities

Expenditures	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5-Year Total**
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Agy Self-Generated	218,940	226,603	234,534	242,743	251,239	1,174,059
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	**$ 218,940**	**$ 226,603**	**$ 234,534**	**$ 242,743**	**$ 251,239**	**$ 1,174,059**

Revenues	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5-Year Total**
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**

The proposed legislation will have the following effects on fiscal administrative costs and revenues related to local government entities during the five-year measurement period.

1. Expenditures:

   a. According to Baton Rouge airport officials, while the transfer of airport operations itself will not alter the baseline operating expenditures, the proposed Baton Rouge Regional Airport Authority (Authority) will incur an increase in its budget to account for new, independent administrative functions. These functions consist of new employment positions including a Human Resources Manager, Human Resources Generalist & Payroll position, and a Purchasing Manager, as well as the addition of Human Resource Information Software (HRIS). Airport officials estimate the net increase to the airport budget for these positions and software, minus existing central support services provided by the City-Parish, to be approximately $218,940 for the 2025-2026 fiscal year, with a forecasted annual increase of 3.5% thereafter.

   b. East Baton Rouge City-Parish officials indicated this transfer is not expected to have a fiscal impact on the City-Parish General Fund. While airport-related expenditures will now be assumed by the new Authority, these expenditures are currently funded by dedicated airport revenues and not by any General Funds.

2. Revenues: The proposed legislation is not expected to have any effects on fiscal revenues related to local government entities during the five-year measurement period.

   a. According to airport officials, upon its establishment, the proposed Authority will begin to receive all revenues currently generated by the airport. While this represents a transfer of existing dedicated funds rather than an increase in overall airport system revenue, these funds will constitute new revenue for the Authority's budget; these revenues are presently managed within an enterprise fund by the City-Parish and do not involve City-Parish General Fund support.

b. East Baton Rouge City-Parish officials report this transfer is not expected to have a fiscal impact on the City-Parish General Fund. While direct airport-related revenues will now flow to the new Authority, these revenues are currently dedicated to the airport's enterprise fund and do not support any General Fund operations.

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 that may be presented herein, we have utilized commercially available valuation software and/or are relying on proprietary valuation models and related software developed by our actuarial contractor. 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 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 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 2025 Regular Session.

Senate

☒ 13.5.1 Applies to Senate or House Instruments
If an annual fiscal cost ≥ \$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 ≥ \$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 ≥ \$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 ≥ \$500,000, then bill is dual referred to:
Dual Referral: Ways and Means