RÉSUMÉ DIGEST

ACT 609 (HB 45) **2026 Regular Session** **Bacala**

Earnable Compensation

Existing law defines "earnable compensation" within the Municipal Police Employees' Retirement System (MPERS) as the full amount of compensation earned by an employee for a given month, including supplemental pay, but not including overtime.

New law further provides that beginning July 1, 2026, "earnable compensation" shall not include any nonrecurring lump-sum payment or ad hoc bonuses including but not limited to the following:

(1) Hiring or signing bonuses.

(2) Retention incentives or bonuses.

(3) Clothing allowances.

(4) Any other one-time award not paid as part of the employee's regular recurring salary.

New law provides that payments not paid as part of the employee's regular recurring salary on or after Jan. 1, 2026, and on or before July 1, 2026, are not used in the calculation of retirement benefits unless the payments were remitted to MPERS no later than June 30, 2026. Provides that any contributions retained by the employer and not remitted to MPERS are returned to the employee.

New law provides that no right or claim shall exist for reimbursement against MPERS or against any employer or municipality for amounts deducted, paid, or otherwise payable on certain nonrecurring payments to employees before June 2, 2026. Provides that the system and any employer or municipality are immune from suit or liability from payment of certain nonrecurring payments to employees without deductions prior to June 2, 2026.

Creditable Service

Existing law provides that any active contributing member of the system is entitled to receive credit for service as a law enforcement officer.

Existing law provides that service credit may be purchased by the member by paying an amount which, on an actuarial basis, totally offsets the increase in accrued liability of the system resulting from the receipt of the credit by the member. Provides that the amount payable is calculated by using the actuarial funding method, assumptions, and tables in use by the system at the time of the member's application for credit.

New law allows a police officer who was employed by any other law enforcement agency of the state of La. or any political subdivision thereof, if such service is not creditable in any public retirement or pension system, fund, or plan in the state, to purchase service credit in the system by paying the actuarial cost of the purchase in accordance with existing law.

New law provides that a member with at least six months of service credit in MPERS who was employed by any law enforcement agency of the federal government or of any state or any political subdivision of another state where such service is not creditable in any public retirement or pension system, fund, or plan may purchase service credit by paying the actuarial costs in accordance with existing law.

Survivor Benefits

Existing law provides that benefits are payable to survivors of an active contributing member who dies before retirement. Provides that qualifying survivor's benefits are payable upon application and become effective as of the day following the death of the member if the fully completed application is received by the system.

New law provides that for officers killed in the line of duty between July 1, 2010, and March 1, 2026, a surviving spouse may apply for survivor benefits under existing law no later than June 30, 2027, if the employee otherwise met the eligibility requirements for membership in the system at the time of death.

New law provides that if the surviving spouse qualifies for survivor benefits the system shall pay such benefits notwithstanding the failure of the employer to properly enroll the officer in the system at the time of the death. Provides that the actuarial cost of the payment associated with the benefit is funded with additional employer contributions. Requires retroactive benefit payments to be made no later than three months after the system determines that the applicant is eligible.

DROP

Existing law provides for the establishment of the Deferred Retirement Option Plan (DROP) for members of MPERS. Provides that if employment is not terminated following a DROP participant's participation period, the participant shall become an active contributing member of the system. Provides that upon termination of employment, the participant receives an additional retirement benefit based on his additional service rendered since termination of participation in the plan.

New law allows a DROP participant who has 28 or more years of creditable service and who elected a participation period of three years before July 1, 2024, to resume active contributions pursuant to existing law. Provides that the participant may elect, upon his subsequent retirement, to receive an additional benefit payable pursuant to existing law as an initial benefit plus a reduced monthly retirement allowance equal to the actuarially equivalent amount of his maximum additional retirement benefit.

New law provides that the initial benefit shall not exceed 24 months of the monthly retirement benefit that was paid into the participant's DROP account upon termination of participation in the plan. Provides that the member may elect to receive the initial benefit as a lump-sum payment or in an investment account established and administered pursuant to existing law, provided the benefit is actuarially reduced to offset the cost. Provides that a cost-of-living adjustment is not payable in the initial benefit.

Existing law provides for the accumulation of funds in an account during a participant's DROP period.

Prior law provided that for certain participants in DROP, accounts were invested through a third-party provider selected by the system's board of trustees to administer a self-directed investment program.

New law authorizes the board of trustees, in accordance with existing law (Administrative Procedure Act), to adopt rules that would allow the system to retain and invest amounts credited to DROP accounts, including amounts held after termination of participation. Provides that such rules apply to any person whose DROP participation begins on or after July 1, 2026.

Existing law provides that all amounts which remain credited to the individual's account after termination of participation in the plan are transferred to the stable value fund.

New law specifies that if the rules authorized by new law have not been promulgated by the date the person's DROP period ends, the individual's account shall be transferred as provided in existing law.

New law further authorizes the board, by rule and at the option of the DROP participant, to transfer amounts credited to DROP accounts invested outside of the system, including third-party providers, back to the system.

New law provides that amounts retained or transferred to the system pursuant to existing law shall earn interest at the system's actuarial interest rate of return minus one-half of one percent on an annual basis.

New law authorizes the board of trustees to adopt rules governing the following, prospectively only:

(1) Eligibility.

(2) Timing of transfers.

(3) Administration.

(4) Valuation dates.

(5) Crediting periods.

(6) Administrative fees.

(7) Other matters as necessary.

Existing constitution provides that the legislature shall enact laws providing for retirement of officials and employees of the state, its agencies, and its political subdivisions through the establishment of one or more retirement systems. Provides that membership in any retirement system of the state or of a political subdivision thereof shall be a contractual relationship between employee and employer.

New law provides, beginning July 1, 2026, that any member electing to participate in DROP is deemed to have knowingly and voluntarily waived rights and claims under existing constitution as it relates to benefits credited to and interest earned on DROP accounts. Provides that the waiver applies to all amounts credited to DROP accounts whether during or after participation in DROP.

Funding Deposit Account

Existing law authorizes the board of trustees to require an employer contribution rate up to the following limits:

(1) When the contribution rate is equal to or greater than the previous year's rate, the board can set the rate at the otherwise required rate plus .85%.

(2) When the contribution rate is lower than the previous year's rate, the board can set the rate at the otherwise required rate plus .85% plus half the difference between the rates for the two years.

New law authorizes the board to require an employer contribution rate up to the rate provided pursuant to existing law plus the applicable benefit rate.

New law provides that beginning July 1, 2027, the funding deposit account rate (FDAR) is .85%.

New law provides that in any fiscal year beginning on or after July 1, 2028, if the employer contribution rate as provided in existing law decreases, the FDAR shall increase by 50% of the amount of the decrease. Provides that any increase in the FDAR is permanent. Provides that the adjusted FDAR shall not exceed 2.5%.

New law provides that in any fiscal year beginning on or after July 1, 2028, if the sum of the employer contribution rate as provided in existing law and the FDAR does not exceed 29.35%, the applicable benefit rate shall be equal to the FDAR.

New law provides that in any fiscal year beginning on or after July 1, 2028, in which the sum of the rate as provided in existing law and the FDAR exceeds 29.35% the applicable benefit rate is equal to .85% or the difference between 29.35% and the rate as determined in existing law, whichever is greater.

New law requires that excess contributions be used to pay additional benefits to retirees, survivors, and beneficiaries.

Benefit Calculations

Existing law, applicable to MPERS members hired before Jan. 1, 2013, provides for an accrual rate of three and one-third percent of the member's final average compensation.

Existing law provides for two subplans in MPERS for those hired on Jan. 1, 2013, or later. Provides for the Hazardous Duty Subplan and the Nonhazardous Duty Subplan.

Prior law provided that for members of the Hazardous Duty Subplan the accrual rate was equal to three percent of the member's final average compensation.

New law increases the accrual rate to three and one-third percent of the member's final average compensation for creditable service credited on or after Jan. 1, 2027.

Prior law provided that for members of the Nonhazardous Duty Subplan, the accrual rate was equal to two and one-half percent of the member's final average compensation.

New law increases the accrual rate to three percent of the member's final average compensation for creditable service credited on or after Jan. 1, 2027.

New law allows a member of the Hazardous Duty Subplan or Nonhazardous Duty Subplan to purchase an increase in the member's accrual rate so that the member's years of service are credited at the higher accrual rate. Requires the purchase to be calculated on an actuarial basis to offset any accrued liability resulting from the purchase of the higher accrual rate. Provides that the cost is determined by the system's actuary using the assumptions and methods in use by the system at the time of the member's election. Provides that the new accrual rate is not effective until the full purchase is made and that the cost of the purchase is borne solely by the member and cannot be paid, directly or indirectly, by an employer of the system.

Transfer of Membership

Existing law provides that a member of the La. State Employees' Retirement System (LASERS) who becomes employed in a position where he is no longer eligible for membership in LASERS but is eligible for membership in another public retirement system may remain a member of LASERS in lieu of participation in another public retirement system. Requires that the member have a minimum of 10 years of service credit in LASERS. Requires the member file a notice of election with the board of trustees within 30 days of employment. Provides that the election is irrevocable.

New law provides that a member of MPERS, who filed an irrevocable election to remain in LASERS pursuant to existing law, and who, on Dec. 31, 2026, is employed in a position that would qualify the member to be in the MPERS nonhazardous duty subplan shall become a member of MPERS and his service credit shall be transferred on an actuarial basis to MPERS. Provides that the transfer of service is deemed to be creditable service in MPERS for purposes of eligibility for benefits and benefit computation.

Effective upon signature of governor (June 2, 2026).

(Amends R.S. 11:2213(10), 2221(N), 2225.5(B)(1)(intro. para.) and (2) and (C), 2241.5(A), and 2242.5(A); Adds R.S. 11:2218(K), 2220.1, 2221(G)(6), (K)(5), and (O), 2225.5(B)(3) and (4), 2241.5(D), 2242.5(D), and 2242.9)