OFFICE OF LEGISLATIVE AUDITOR
2024 REGULAR SESSION
ACTUARIAL NOTE

House Bill 43 HLS 24RS-239	**Date: June 3, 2024**
Enrolled	**Organizations Affected: MPERS**
Author: Bacala	
LLA Note HB 43.05	**EN SEE ACTUARIAL NOTE APV**

Bill Header: RETIREMENT/MUNICIPAL POL: Provides relative to contributions to and the administration of the Municipal Police Employees' Retirement System

Purpose of Bill:
This bill:
1. Specifies what membership information employers must submit to MPERS and changes the deadline to submit the information from six months to 90 days after employment.
2. Provides that the application for survivor benefits must be received before 120 days after the death of the retiree for the benefits to become effective on the day following the member's death, otherwise the benefits become effective the first month following 30 days from the date that the application is complete.
3. Provides that an employee cannot opt out of MPERS until all the required membership documents have been provided to the system.
4. Increases the maximum Deferred Retirement Option Plan (DROP) participation from three to five years.
5. Provides that if a member of the board with no more than two years left in his term becomes a retiree of MPERS or is no longer a police chief, he will continue to serve as a member of the board until the expiration of the term for which he was elected.
6. Requires a municipality that employed a police officer or chief within the previous 5 fiscal years to submit a monthly report to MPERS that includes pay information and any other information prescribed by the board. If such a municipality did not have any covered employees during the previous and current fiscal year, they will not be required to submit monthly reports and instead must certify they did not have any covered employees no later than July 15th following the end of the fiscal year.

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

The expected change in the ***net actuarial present value of expected future benefits and administrative expenses incurred by the retirement systems*** from the proposed law is **not actuarially determinable**. 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	See Section III	$ 0
State Government Entities	0	0
Total	**See Section III**	**$ 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**

2024 REGULAR SESSION
ACTUARIAL NOTE HB 43

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 tightens up enrollment and reporting procedures (items 1, 2, 3, and 6 from the prior page), including:

1. Requiring employers to submit all the required membership and physical examination documentation to MPERS within 90 days after employment.
2. Not allowing an employee to opt out of MPERS until all the required membership documents have been provided to the system.
3. Requiring regular compensation reports covering all eligible employees, or a certification that no covered employees have been employed for at least 2 fiscal years, from every employer that has employed even one police officer or chief of police within the past 5 years.

Tighter reporting requirements are likely to result in more members being enrolled in the system. To the extent more employees are enrolled as members, total contribution and benefit payments will increase. However, employer contribution rates would likely decrease as the unfunded accrued liability will be spread across a larger employee payroll base.

Increasing the maximum DROP period from 3 to 5 years (item 4 from the prior page) is expected to have some cost, but it is not expected to be material.

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	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**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	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	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**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	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.

1. Tighter reporting requirements are likely to result in more members being enrolled in the system. To the extent more employees are enrolled as members, total contributions and benefit payments will increase. Employer and employee contributions for newly enrolled members (Local Funds expenditures and Agy-Self-Generated Revenues) may increase but the timing and amount are indeterminable at this time. Regardless of whether new members are enrolled during the five-year measurement period, benefit payments (Agy-Self Generated expenditures) are not expected to increase during this time.

2. Permitting board members to continue on the board despite no longer service in the specific role for which they were elected to the board (item 5 from the prior page) is expected to result in some savings because fewer special elections will be required, but it is not expected to be material.

III. FISCAL IMPACT ON LOCAL GOVERNMENT ENTITIES
(Prepared by LLA Local Government Services)

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 Table A.

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 Tables A). 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	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**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	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	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**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: The effect on fiscal administrative costs is indeterminable at this time.

   a. According to MPERS, the enrollment and reporting requirements described in the bill are a clarification of existing requirements and should result in no additional costs to local government entities. However, some of the requirements appear to be new.
   b. According to the Louisiana Municipal Association (LMA), much of the enrollment and reporting requirements described in the bill are new requirements and local government entities may incur additional clerical staff hours to comply with them. In some cases, the additional time requirements may be absorbed by existing staff; however, in other cases, the municipalities may need to increase staff in order to meet the additional time requirements.

2. Revenues: The proposed legislation is not expected to have any additional effects on fiscal 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 Table A.

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.

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. 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.

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. Some members of the Municipal Police Employees' Retirement Systems could 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 2024 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