

HOUSE SUMMARY OF SENATE AMENDMENTS

HB 45

2026 Regular Session

Bacala

RETIREMENT/MUNICIPAL POL: Provides relative to benefits of participating employees in the Municipal Police Employees' Retirement System

Synopsis of Senate Amendments

1. Adds provisions authorizing a participant of the Deferred Retirement Option Plan (DROP) within the Municipal Police Employees' Retirement System with 28 or more years of service, who elected a DROP participation period of three years before July 1, 2024, and resumed active contributing membership to, upon election, choose to receive the additional retirement benefit payable under present law as an initial benefit plus a reduced monthly retirement allowance.
2. Provides that the initial benefit cannot exceed 24 payments of monthly retirement benefit that was paid into the participant's DROP account upon termination in the plan.
3. Provides that the participant may receive the initial benefit as a lump-sum payment or in an investment account established and administered pursuant to present law.
4. Makes technical changes.

Digest of Bill as Finally Passed by Senate

Earnable Compensation

Present law defines "earnable compensation" as the full amount of compensation earned by an employee for a given month, including supplemental pay, but not including overtime.

Proposed law retains present law.

Proposed 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.

Proposed 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 Jun. 30, 2026. Provides that any contributions retained by the employer and not remitted to MPERS are returned to the employee.

Proposed 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 the effective date of proposed law.

Provides that the system and any employer or municipality is immune from suit or liability from payment of certain nonrecurring payments to employees without deductions required pursuant to present law.

Creditable Service

Proposed 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 costs of the purchase in accordance with present law.

Proposed law provides that if 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 the ability to purchase service credit by paying the actuarial costs in accordance with present law. Provides for payment.

Survivor Benefits

Proposed 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 present 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.

Proposed 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.

Funding Deposit Account

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

- (1) When the contribution rate is equal or greater than the previous year's rate, the board can set the rate at the other 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.

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

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

Proposed law provides that in any fiscal year beginning on or after July 1, 2028, if the contribution rate as provided in present 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%.

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

Proposed law provides that in any fiscal year beginning on or after July 1, 2028, in which the sum of the rate as provided in present law and the FDAR exceeds 29.35% the applicable benefit rate is equal to 0.85% or the difference between 29.35% and the rate as determined in present law, whichever is greater.

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

DROP

Present law provides for the establishment of the Deferred Retirement Option Plan (DROP) for members of the MPERS.

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

Proposed law authorizes the board of trustees, in accordance with present 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. Specifies that if the rules authorized by proposed law have not been promulgated by the date the person's DROP period ends, the individual's account shall be transferred as provided in present law.

Proposed 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.

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

Proposed 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.

Present law 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.

Proposed law allows a DROP participant with 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 present law. Provides that the participant may elect, upon his

subsequent retirement, to receive an additional benefit payable pursuant to present law as an initial benefit plus a reduced monthly retirement allowance equal to the actuarially equivalent amount of his maximum additional retirement benefit.

Proposed 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.

Proposed law 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 present law, provided the benefit is actuarially reduced to offset the cost.

Proposed law provides that a cost-of-living adjustment is not payable in the initial benefit.

Proposed 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 present 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.

Benefit Calculations

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

Proposed law retains present law.

Present 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.

Proposed law retains present law.

Present law provides that for members of the hazardous duty subplan the accrual rate is equal to three percent of the member's final average compensation.

Proposed 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.

Present law provides that for members of the nonhazardous duty subplan, the accrual rate is equal to two and one-half percent of the member's final average compensation.

Proposed 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.

Proposed 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.

Proposed law 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.

Proposed law 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

Present 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.

Present law requires that the member have a minimum of 10 years of service credit in LASERS.

Present law requires the member file a notice of election with the board of trustees within 30 days of employment. Provides that the election is irrevocable.

Proposed law retains present law.

Proposed law provides that each member of MPERS, who filed an irrevocable election to remain in LASERS, 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 is transferred on an actuarial basis to MPERS.

Proposed law 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 or lapse of time for gubernatorial action.

(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)