



January 19, 2026

Board of Trustees
Municipal Employees' Retirement System
7937 Office Park Blvd.
Baton Rouge, Louisiana 70809

Ladies and Gentlemen:

The statutes provide the Board of Trustees with the ability to set the employer contribution rates for Plan A and B above the minimum actuarially determined rate. Any surplus funds collected in years when the rate is set above the minimum are added to the system's Funding Deposit Account.

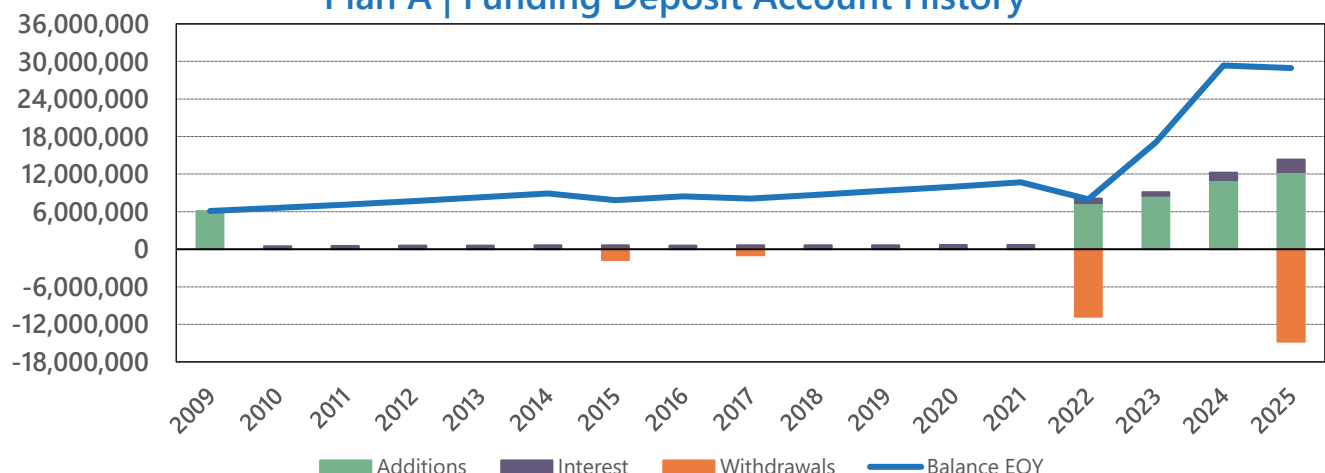
Plan A Employer Rate Decision

For fiscal 2027 (beginning July 1, 2026), the Board may set the employer contribution rate for Plan A at any level between 20.75% and 27.00%. The employer contribution rate in effect for fiscal 2026 is 27.00%. The following chart provides a recent history of the employer rates:

Year	2021	2022	2023	2024	2025	2026
Minimum ER Rate	29.50%	29.25%	28.25%	27.75%	25.25%	23.25%
Actual ER Rate	29.50%	29.50%	29.50%	29.50%	28.00%	27.00%
Difference	0.00%	0.25%	1.25%	1.75%	2.75%	3.75%
Amount added to FDA	\$0	\$7,360,583	\$8,547,054	\$11,077,504	\$12,339,289	Unknown

The following graph shows how the plan arrived at its current Funding Deposit Account balance of \$28,944,653 as of June 30, 2025. Contributions to the FDA and interest earned on the FDA during Fiscal 2025 slightly exceeded the cost of the COLA granted on January 1, 2025.

Plan A | Funding Deposit Account History

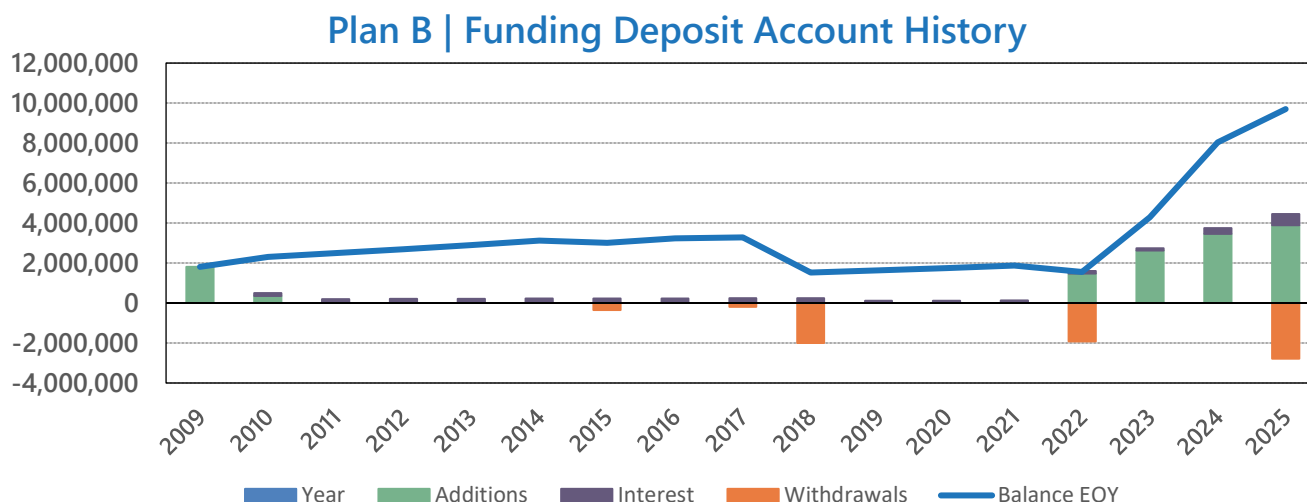


Plan B Employer Rate Decision

For fiscal 2027 (beginning July 1, 2026), the Board may set the employer contribution rate for Plan B at any level between 8.75% and 13.50%. The employer contribution rate in effect for Fiscal 2026 is 13.50%. The following chart provides a recent history of the employer rates:

Year	2021	2022	2023	2024	2025	2026
Minimum ER Rate	15.50%	15.25%	14.50%	13.25%	12.50%	10.25%
Actual ER Rate	15.50%	15.50%	15.50%	15.50%	14.00%	13.50%
Difference	0.00%	0.25%	1.00%	2.25%	1.50%	3.25%
Amount added to FDA	\$0	\$1,475,806	\$2,629,363	\$3,449,934	\$3,890,176	Unknown

The following graph shows how the plan arrived at its current Funding Deposit Account balance of \$9,696,911 as of June 30, 2025. Contributions to the FDA and interest earned on the FDA during Fiscal 2025 exceeded the cost of the COLA granted on January 1, 2025.



Setting the actual employer contribution rate above the minimum is intended to add excess funds to the system's two funding deposit accounts. The Funding Deposit Account acts as a "rainy day" fund to offset employer contributions or can be used to prefund future COLAs. COLAs provided on July 1, 2022 and July 1, 2025 were funded from the system's Funding Deposit Accounts. Prior to that year, the Board used funds in these accounts to offset annual employer contributions for Plans A and B (i.e. it was used as a "rainy day" fund) and Plan B used a portion of the account to pay off the system's frozen unfunded accrued liability in 2018.

Cost-of-Living Increases to retirees/survivors

R.S. 11:243(G) states that systems with funded ratios of 80% or more may grant a COLA if none has been granted in the two most recent fiscal years. Since the funded ratios for COLA purposes for Plans A and B are 84.89% and 87.99%, respectively, and the Board last granted a COLA effective July 1, 2025, no COLA may be granted following the Fiscal 2025 valuation.

The most recent estimate of a COLA based on the provisions of R.S. 11:1761 (or up to 2% of each retiree's original benefit payable to those retired at least one year), is approximately \$15 million for Plan A and \$2.8 million for Plan B. Additionally, the supplemental COLA defined in R.S. 11:246 would cost approximately \$10.5 million for Plan A and \$2.4 million for Plan B.

Estimations of items expected to affect employer rates

Although we are limited in our ability to project future employer costs without a full forecast valuation, we can use recent history to make estimates of the likely impact of a few items like future investment returns, liability experience, and new hire experience.

1. Estimated impact of investment returns

Employer costs impacted by investment returns after applying the asset smoothing methodology. With the actuarial smoothing of investment returns over a five-year period, a portion of the returns for the most recent four years will affect the smoothed return for the upcoming year. We have tested the expected future cost changes based on the actual returns through 2025 and using the assumed rate of return for each of the following 5 years:

Plan A:

Year	Tested Market Return	Estimated Actuarial Return	Expected Impact on ER rate
2026	6.85%	5.35%	+1.16%
2027	6.85%	8.30%	-1.16%
2028	6.85%	7.90%	-0.89%
2029	6.85%	7.27%	-0.37%
2030	6.85%	6.85%	+0.00%

Plan B:

Year	Tested Market Return	Estimated Actuarial Return	Expected Impact on ER rate
2026	6.85%	5.24%	+0.69%
2027	6.85%	7.98%	-0.51%
2028	6.85%	7.68%	-0.40%
2029	6.85%	7.16%	-0.16%
2030	6.85%	6.85%	+0.00%

2. Historical liability experience:

Although we cannot truly know what to expect from liability experience without performing an actuarial valuation, we can look at recent history for some idea of what might be expected in the near future. The following table shows the impact of liability experience in each of the past few years for Plans A and B. Liability experience represents the impact of actual member and employer decisions as compared to our actuarial assumptions. Salary increases and demographic assumptions like retirements, DROP entries, disabilities, withdrawals and mortality are key components. Summary values are found below in the chart within the Historical new member experience section:

3. Historical new member experience:

Because of the less expensive newer tier rules, both Plans A and B have experienced reductions in normal cost in recent years as a larger portion of each Plan is enrolled in the less expensive tier. The savings from the impact of new members is expected to continue. See the chart below:

Year	Plan A Liability Experience	Plan B Liability Experience	Plan A New Member Experience	Plan B New Member Experience
2021	+0.06%	-0.20%	-2.01%	-1.21%
2022	+0.01%	-0.07%	-2.00%	-1.40%
2023	-1.30%	-0.22%	-2.09%	-1.39%
2024	-0.93%	-0.49%	-1.62%	-1.27%
2025	-0.59%	-0.40%	-1.40%	-1.12%
5 year average	-0.55%	-0.28%	-1.83%	-1.28%

Both plans have averaged cost savings from liability experience over the past five years. This is consistent with our approach of setting assumptions in a conservative fashion. The greatest risk of future cost increases from liability experience is salary increases in excess of assumed rates. Both plans have also experienced significant average savings from new member experience. This is expected to continue as the plans transition to include only members covered by the newest tier of benefits.

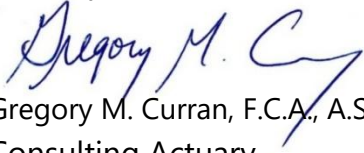
Although the numbers provided above are not sufficient to truly project the employer contribution rate over the next few years, they do show that the base case for near-term minimum employer contribution rates is a further reduction in cost. Although a return of 6.85% within Fiscal 2026 would result in an actuarially smoothed return below 6.85% and put upward pressure on the employer normal cost, average liability and new member experience would more than offset that upward pressure. The two main items that could cause the employer rate to increase instead of decrease would be – larger salary increases for active members than assumed and future investment returns below 6.85%.

One additional consideration for Plan A employer costs is the system's frozen unfunded accrued liability. This unfunded accrued liability will appear in Exhibit 1 through the Fiscal 2028 actuarial valuation. Currently the annual UAL payment amounts to approximately 4.7% of payroll. Once the UAL is paid off, the employer contribution rate for Plan A will drop by a similar amount.

Hopefully, the information contained within this letter will provide you with sufficient background information to set the employer contribution rate for Fiscal 2027. Continuing to set the employer contribution rate above the minimum over a long period of time will allow the Board to build a significant rainy day fund and to provide more consistent COLAs to plan retirees.

If you have any questions, please give us a call.

Sincerely,

A handwritten signature in blue ink that reads "Gregory M. Curran". The signature is stylized with a large, sweeping "G" and a long, horizontal stroke at the end.

Gregory M. Curran, F.C.A., A.S.A.
Consulting Actuary