

## **MEMORANDUM**

**TO:** Chief Executive Officers  
TRS Member Agencies

**FROM:** Donald L. Yancey, Director of TRS Benefits  
Teachers' Retirement System of Alabama

**DATE:** July 1, 2009

**SUBJECT:** 2009 LEGISLATIVE UPDATE

The regular session of the 2009 Alabama Legislature adopted only one Act that directly impacts on the Teachers' Retirement System participating agencies and their employees. Attached you will find a summary of that Act. You may duplicate this summary and disseminate it to your employees as you deem appropriate. The Legislative Update is now posted on our web site and may be viewed or printed as necessary. Also, please add this Legislative Update to your agency manual(s).

The employer cost rate for TRS Agencies will increase to **12.51%** effective October 1, 2009.

Also attached is a copy of a Memorandum previously distributed in October 2008 which addressed the new Annual Compensation Limit which became effective on July 1, 2009 and the Post Retirement Earnings Limit which remains at \$22,000 for the remainder of the 2009 calendar year. If the Post Retirement Earnings Limit should increase for 2010, we will notify you as soon as that determination is made.

If we may provide additional information or assist you or your employees in any way, please contact our office at 1-877-517-0020.

DLY:fbh

**ACT #2008-385**

**Purchasing TRS credit for service with a Department of Defense Dependent School**

This Act amends the existing law which allows active and contributing members of TRS who are vested to purchase service credit for work performed at a Dependent School operated by the US Department of Defense. The prior law limited the service eligible for purchase to service performed prior to April 25, 1990. That limitation has been removed by this Act. Any DOD school service is now eligible to be purchased regardless of the dates of employment at the DOD school.

Attached please find an information sheet which provides information on how a TRS member should proceed if he or she wishes to purchase TRS service credit for DOD school service. Please add that information sheet to your Agency Manual(s) and provide a copy to anyone inquiring about purchasing DOD school credit.

## ACT #2009-643

### PURCHASING TRS CREDIT FOR SERVICE WITH AN EDUCATIONAL INSTITUTION OF HIGHER EDUCATION THAT RECEIVES DIRECT APPROPRIATIONS FROM THE EDUCATION TRUST FUND BUT DOES NOT PARTICIPATE IN TRS.

This ACT allows any active, vested, and contributing member of TRS to purchase up to five(5) years credit for service rendered at an educational institution of higher education that receives a direct appropriation from the Education Trust Fund, but does not participate in TRS. The service must have been rendered between 1974 and 1989.

A critical second provision of this Act provides that TRS service credit purchased under this Act shall not be used in determining a member's out-of-pocket cost for PEEHIP insurance nor to make a retired member eligible for PEEHIP insurance coverage if he or she is not otherwise eligible. A member must understand that while purchasing this service may make the member eligible to retire sooner, it may not qualify the member to continue PEEHIP coverage. The text of Section two(2) of this Act is quoted below for your reference.

Section 2. Any year of service purchased under the provisions of this Act shall not be considered in determining the out-of-pocket premium amount charged to retirees under the provisions of Code of Alabama 1975, Section 16-25A-8.1. Also, any service purchased under this Act shall not entitle a member to be eligible for benefits under the Public Education Employees' Health Insurance Plan any sooner than the member could have reached eligibility under the plan without the service purchased under the provisions of this Act.

The cost of this service is calculated based on the actuarial value of this service based on the age, average final salary, total service at the time of the purchase, and the time remaining until the member's earliest retirement eligibility date. The purchase will be audited after the close of the scholastic year in which the purchase was made and any necessary adjustments will be made based on any changes in the above parameters which were used in the calculation.

Any eligible employees who are interested in purchasing this type of service should have the former employing institution provide TRS with appropriate certification. TRS would then determine eligible service and notify the member of the cost. This ACT takes effect on October 1, 2009 and expires September 30, 2010.