



# Teachers' Retirement System of Alabama

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The Teachers' Retirement System (TRS) of Alabama is pleased to provide you with this Agency Manual. It is designed as a ready reference to assist you in matters regarding retirement system procedures, rules, and regulations. We hope that this Manual will significantly help you perform your reporting responsibilities as the employer of a retirement plan administered by the TRS.

This Manual will be updated periodically to reflect any changes in the law. Our goal is to provide you with a clear and concise explanation of plan benefits and reporting procedures. We encourage you to contact our office if you have any questions on retirement matters. All updates to this manual are available online at [www.rsa-al.gov](http://www.rsa-al.gov).



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Website: [www.rsa-al.gov](http://www.rsa-al.gov)

# Introduction

## To Payroll and Personnel Officers

The purpose of this manual is to provide payroll and/or personnel officers of TRS employing agencies with an understanding of their responsibilities in reporting retirement wages and paying retirement contributions.

You are the key link between the TRS and the employees of your agency. You must be knowledgeable of TRS' procedures to ensure that your employees know their rights related to retirement matters. We hope that this manual will make it easier to find the information needed to perform your job well.

## Updating the Manual

When policies and procedures change, updates will be available online. Once you have downloaded the revised sections, please insert the revision(s) and discard the obsolete pages(s). The TRS will notify you by email of any revisions to this manual.

## Explanation of Retirement Coverage

The TRS was established October 1, 1940, by the Alabama Legislature for the purpose of providing retirement allowances for teachers of the state of Alabama. Benefits are calculated as a percentage of average final compensation multiplied by years of creditable service. In addition to the monthly benefit paid to members who meet the minimum requirements for service retirement, disability retirement and in-service death benefits are also part of the TRS benefit structure.

To ensure soundness, the plan is required by law to have an annual actuarial valuation of the assets and liabilities of the TRS to determine, on the basis of actual experience, if any changes in the agency's contributions are necessary. Based on the actuarial valuation, the contribution rate of the agency is adjusted from time to time to ensure that as members retire, the contributions of members and agencies, together with the investment earning, will be sufficient to pay the benefits provided under the retirement plan.

## TRS Board of Control

The Board of Control consists of 15 members as follows:

- The State Superintendent of Education, ex officio;
- The State Treasurer, ex officio;
- The State Director of Finance, ex officio; and
- Twelve elected members of the Teachers' Retirement System:
  - o Two retired members.
  - o One city or county superintendent.
  - o One principal.
  - o One member from postsecondary education that is part of the Alabama Community College System.
  - o Two members from a public four-year institution of higher education.
  - o Three teachers who are actively instructing students in grades K-12.
  - o Two education support personnel from a grade K-12 school.

#### Terms of Office

- The ex officio members serve as long as they hold that office.
- All other Board members serve three-year terms.

Please refer to the TRS Member Handbook or visit the RSA website at <http://www.rsa-al.gov> for all information regarding TRS benefits.

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# Contacts

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## Phone

877.517.0020  
334.517.7000

## Fax

877.517.0021  
334.517.7001

## Email

trsinfo@rsa-al.gov

Because email submissions are unsecured, do not include confidential information like your Social Security number in your email. Please provide your full name, employer, home mailing address, and daytime phone number.

## Mail

The Teachers' Retirement System of Alabama  
P.O. Box 302150  
Montgomery, AL 36130-2150

## Website

[www.rsa-al.gov](http://www.rsa-al.gov)

## Member Online Services

Change your address and view your account statement online  
<https://mso.rsa-al.gov>

## Building Location

201 South Union Street  
Montgomery, Alabama

## Business Hours

8:00 a.m. - 5:00 p.m.  
Monday - Friday

Please provide your full name and Social Security number on all faxes and letters.

## **MEMBER PARTICIPATION AND ELIGIBILITY**

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# MEMBER PARTICIPATION AND ELIGIBILITY

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## Mandatory Participation

Participation in the TRS is mandatory if a person is employed in a position eligible for coverage in a non-temporary capacity on at least a half-time (50%) basis.

### *Tier 1 and Tier 2*

**Tier 1 plan member:** Any member of the Retirement Systems who had service for which he or she received credit in the Employees' Retirement System or in the Teachers' Retirement System prior to January 1, 2013.

**Tier 2 plan member:** Any member of the Retirement Systems who first began eligible employment with an Employees' Retirement System or a Teachers' Retirement System participating employer on or after January 1, 2013, and who had no eligible service in the Employees' Retirement System or the Teachers' Retirement System prior to January 1, 2013.

### *New Members*

New employees, including those previously employed with an agency participating in the TRS or Employees' Retirement System (ERS), should complete a FORM 100 TRS ENROLLMENT MEMBER INFORMATION RECORD. Once enrolled, the member must continue participation until employment is terminated, even if the employment is less than half-time (50%). Once the agency submits the employee's enrollment form to the TRS, the new member will be mailed a TRS Member Handbook as well as information about the RSA-1 Deferred Compensation Plan.

- Tier 1 members must contribute 7.5% of earnable compensation.
- Tier 1 full-time, certified firefighters, correctional officers, or law enforcement officers, who are not covered as State Policemen, must contribute 8.5% of earnable compensation.
- Tier 2 members must contribute 6.0% of earnable compensation.
- Tier 2 full-time, certified firefighters, correctional officers, or law enforcement officers, who are not covered as State Policemen, must contribute 7.0% of earnable compensation.

### *Temporary Employees Employed Longer Than One Year*

Temporary employees employed longer than one year must begin participation in the TRS at the beginning of the second consecutive year of employment. The member will be given an opportunity to purchase the first year of temporary employment as error service. Employers of employees purchasing temporary service credit will be responsible for paying the matching employer cost for the purchased service.

## **Not Eligible for TRS Participation**

- Active members of the ERS
- Persons in receipt of a retirement benefit from the TRS (See Postretirement Employment)
- Retired members of the ERS employed on a part-time basis with a TRS agency (See Postretirement Employment)
- Employees who elected not to participate under the provisions of ACT 1108, effective October 1, 1975
- Temporary employees with a specific termination date not exceeding one year

## **Transfers from other TRS/ERS Agencies**

If the member previously worked for an agency covered under the ERS, a TR-2, TRANSFER OF MEMBERSHIP FROM THE EMPLOYEES' RETIREMENT SYSTEM form must be completed in order to transfer service credit established in the ERS to the TRS. The ERS does not automatically transfer service credit to the TRS. The member must authorize this transfer.

If a member is transferring from one TRS agency to another TRS agency, a TR-1, TRANSFER OF MEMBERSHIP FROM THE TEACHERS' RETIREMENT SYSTEM, should not be submitted. The member should complete and submit a new Form 100.

A withdrawn account under the TRS or ERS is not transferable because the service was cancelled due to the member's refund of contributions upon termination of employment.

Any member who previously participated in either the TRS or the ERS and withdrew his or her contributions and again becomes a member may, upon the completion of two years contributing membership service, restore the previously canceled creditable service provided the member has not established credit for the previously withdrawn service with any other public retirement system. The member must make a lump sum payment of the withdrawn amount plus eight percent interest compounded from the date of withdrawal to the date of payment. Payment must be made prior to termination of employment.

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## UPDATING INFORMATION

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### Agency

An agency official must notify the TRS when changes are made to the payroll or personnel contact persons, phone numbers, mailing and/or physical addresses. Verification of changes must be submitted in writing to: Teachers' Retirement System of Alabama, Post Office Box 302150, Montgomery, Alabama 36130-2150.

### Member

#### *Name Changes*

Agencies must change the name of the member on the monthly *Retirement Contribution Report*. A notice from the member in a letter or on a FORM 100 will not change the name on the active member's retirement account.

**Note:** Inactive member name changes: The member must submit a copy of the legal document authorizing the name change.

#### *Address Changes*

The TRS will mail to its members important information such as:

- RSA newsletter, the *Advisor*
- Board of Control election information
- TRS Account Statements
- RSA-1 Account Statements

It is essential for the TRS to be informed of an employee's change of mailing address. Members can now go online to access and update their TRS and RSA-1 accounts. To obtain access to information in their account(s), the member must register online at <https://mso.rsa-al.gov>. Address change forms may be obtained by calling the TRS or by downloading a form from our website.

To change a member's address, the TRS can be notified by a submission of one of the following:

- Member Online Services (<https://mso.rsa-alo.gov>)
- A downloaded ADDRESS CHANGE NOTIFICATION
- A signed, written request or letter

To change a retired member's address for receipt of his or her retirement check, a signed written request or letter from the retiree or the retiree's legal representative must be received by the TRS.

### ***Beneficiary Changes***

New members designate a primary and contingent beneficiary on the FORM 100, MEMBER INFORMATION RECORD. If the member wishes to change the beneficiary designation(s), the appropriate portions of a FORM 100-C CHANGE OF BENEFICIARY – PRIOR TO RETIREMENT must be completed with the member's signature acknowledged by a notary public.

If the member's primary beneficiary predeceases him or her, the TRS will pay the contingent beneficiary any benefits due at the death of the active or inactive member. If, at the member's death, no beneficiary is designated, the estate of the member will be paid the appropriate death benefit payment.

Beneficiary changes for retired members must be referred to the TRS for the appropriate forms.

### ***Date of Birth Documentation***

If a controversy arises regarding the date of birth of the member or a designated beneficiary, the member must provide one of the following\*:

- An original or certified copy of the birth certificate issued by the state in which birth occurred
- Delayed birth certificate issued by the state in which birth occurred
- Bureau of Census Report from the U.S. Census Bureau stating the age of the individual at a census year when the person was less than 20 years old (This document verifies year of birth only.)
- An original or certified copy of the Baptismal Record or Parish Record providing the age of the individual at the time of baptism
- An original or certified copy of the Family Bible record indicating the individual's date of birth
- An original or certified copy of the school record indicating the individual's date of birth
- Insurance policy indicating the individual's date of birth provided the policy is dated prior to the member's enrollment in the RSA.

\*The form, RSA-14, ACCEPTABLE PROOF OF AGE DOCUMENTS, verifies the correct method(s) required for certifying a copy of an original document and provides more detailed information regarding the documentation that is acceptable by the TRS to verify a date of birth.

### ***Social Security Number Corrections***

The member's Social Security number (SSN) must be correctly reflected on the monthly payroll deductions reconciliation report.

- If there is an error in the SSN, the agency must correct the member's Social Security number on the monthly report.
- The agency must provide the TRS with a copy of the member's Social Security card to verify the correct number in order for the TRS to correct the member's account information.
- A notice from the member in a letter or on a FORM 100 will not change the Social Security number on the retirement account.

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# REPORTING RETIREMENT CONTRIBUTIONS

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## Reporting Specifications

Member contributions remitted to the TRS must be based on the compensation that is earned in a reporting period. Earnable compensation is subject to retirement deductions in a monthly reporting period regardless of when the compensation is actually paid to the member. Earnable compensation consists of all regular compensation earned and overtime compensation. Once enrolled, a member must continue to contribute to the TRS until employment is terminated, even if the member's employment is on less than a one-half (50%) basis.

- Tier 1 members must contribute 7.5% of earnable compensation.
- Tier 1 full-time, certified firefighters, correctional officers, or law enforcement officers, who are not covered as State Policemen, must contribute 8.5% of earnable compensation.
- Tier 2 members must contribute 6.0% of earnable compensation.
- Tier 2 full-time, certified firefighters, correctional officers, or law enforcement officers, who are not covered as State Policemen, must contribute 7.0% of earnable compensation.

## Exceptions

Retirement deductions must not be withheld from:

- expense allowance payments that are reimbursement for actual expenses
- lump sum payments for unused accrued sick and/or annual leave
- lump sum payments for unused vacation leave payments
- bonus payments, if not specified in employment contract
- compensatory time payments, unless used for paid leave
- reimbursed expenses unless specifically authorized by law
- any part-time work done after the member's effective date of retirement

In cases of doubt, please contact the TRS for clarification.

## Reporting Method and Deadline

The TRS participating agency must report retirement contributions and RSA-1 deferred compensation contributions using the following method:

**Full reporting submission** is reporting by secure upload of electronic files formatted in accordance with RSA ITS department guidelines. The Contributions Reporting Application (CRA) is offered free of charge for PC based operating systems that meet certain criteria. The files will be uploaded via the RSA's secure website for Contributions Reporting, and the printed receipt there from should be sent along with a check for the total amount of the TRS retirement remittance.

The report and remittance are considered delinquent if received after the 10<sup>th</sup> of the month.

The agency cost and members' contribution computation must agree with the remittance. Discrepancies result in costly processing delays and difficulties.

Delinquent remittances may be subject to an additional interest payment based on the TRS current investment earnings rate.

**TRS CLASSIFICATION CODES:** To be used in reporting members' positions

<b>Tier I</b>	<b>Tier II</b>	<b>Description</b>
01	51	Teacher
02	52	Principal
03	53	Superintendent
04	54	Administrative
05	55	Clerical
06	56	Lunchroom
07	57	Maintenance
08	58	Bus Driver
09	59	Mechanic
00	60	Other
10	70	Correctional Officer
11	71	Firefighter
12	72	Law Enforcement

### ***RSA-1***

For RSA-1, a separate file must be generated and formatted in accordance with RSA ITS department guidelines and uploaded via the RSA's secure website for Contributions Reporting. The printed receipt should be sent along with a check for the total RSA-1 contributions.

**For questions concerning submission of deducted money and/or electronic media, please contact Member Services at 877.517.0020.**

## **Status Change Reporting**

### ***Part-time Employees***

If a TRS member is less than full-time or on a leave of absence with pay, the law requires that contributions be deducted and that service credit be given in proportion to the percent of time worked as compared to a full-time employee for that job classification.

The agency should review the monthly contributions report to confirm that the report provides the information necessary to identify members who do not work full-time or who are not paid full-time wages for the reporting period and prorate the service credit.

### ***Temporary Employees***

Temporary employees who are employed longer than one (1) year **must** be enrolled in the TRS at the beginning of the second year. Once enrolled, the employee should be given an opportunity to purchase the first year of service. To certify this service, the agency submits a completed FORM CS-1, CERTIFICATION OF SERVICE FORM, to the TRS certifying the first year of temporary employment.

Temporary service of less than one year is ineligible for service credit.

## **Correcting Reporting Errors**

### ***Eligible employee***

When the agency fails to remit retirement contributions on an eligible employee, a FORM CS-1, CERTIFICATION OF SERVICE FORM, must be completed. This form indicates the salary earned by the member and the period of time in which the salary was earned. The TRS will calculate the agency and member cost and provide written notification of the additional amounts to be remitted to correct the error.

The FORM CS-1 requires the employer to certify the employee's total salary and dates and months of service credit by scholastic year (July 1 – June 30). In addition, the reason for requesting this calculation must be indicated. The certifying official of the agency must certify the following regarding the certified service:

1. Full-time hourly rate employment,
2. Part-time employment, specifying the percentage of full-time employment,
3. Provisional (non-temporary) employment,
4. Full-time employment during the period of non-enrollment due to administrative error,

Any other service requires an explanation. (Example: part-time employment on a specified percentage during a period of non-enrollment due to administrative error.)

Information certified on the FORM CS-1 must be specified by scholastic year.

- If the error is corrected within the same scholastic year, there **will not** be an interest charge.

- If the error to be corrected occurs in a prior scholastic year, there **will** be an interest charge.

If a member elects to make a payment for any errors in omitting retirement contributions, the agency is required to also make an employer contribution.

### ***Ineligible employee***

The agency must request a refund of the erroneously remitted retirement contributions and the matching employer cost when retirement deductions are made on an employee who is not eligible to participate in the TRS.

## **Employer Pickup of Retirement Contributions (Tax Sheltering)**

The participating agency may request information from the TRS about tax-sheltering employee contributions. The tax-sheltering plan provides tax savings for the majority of public employees. Information and a model resolution can be mailed to you upon request. You may also wish to contact the TRS and discuss the tax-sheltering provision.

Implementation of tax-sheltering is solely at the discretion of each agency. If the agency elects to tax-shelter employee contributions, the reduction will apply to all employees, except those who are ineligible to participate in the TRS. If the employing agency begins participating in the tax-sheltering, all contributing TRS members must participate. Individual employees cannot be given the option of participating or not participating once the agency begins tax-sheltering.

Regular members of the TRS are required to contribute 7.5% for Tier 1 and 6.0% for Tier 2 of earned compensation. Firefighters, correctional officers, and law enforcement officers, not covered as State Policemen, must contribute 8.5% for Tier 1 and 7.0% for Tier 2 of earned compensation. Retirement contributions are subject to federal income tax and are included as taxable income, unless the agency tax-shelters employee contributions.

TRS members will not have to pay federal income tax on their retirement contributions if the employing agency elects to pay the retirement contribution directly to the TRS. The member has a reduction in federal taxable income and benefits from the agency “picking-up” or tax-sheltering the member’s contributions. Payment of the retirement contributions by the agency directly to the Internal Revenue Service does not change the agency’s cost to the TRS.

For all purposes other than federal income taxation, the members’ earnable compensation will be considered to be the same as before the salary reduction and retirement contribution “picked-up” by the employing agency. State income tax, Social Security tax, and Medicare tax will be paid on the members’ full earnable compensation.

Tax-sheltering defers payment of federal income tax on retirement contributions but does not preclude payment of federal income taxes altogether. The member must pay federal income tax on retirement contributions when the TRS issues a return of contributions upon withdrawal from the RSA or upon payment of benefits at retirement.

To implement the tax-sheltering of retirement contributions, the governing authority for each agency should:

1. Adopt a resolution that is prospective from the date of adoption.
2. Provide a copy of the resolution to the TRS.

Implement the necessary payroll procedure and reporting changes to discontinue withholding federal income tax from the retirement contribution. For federal income tax purposes, the member's federal taxable income should be reduced by the amount of the retirement contribution.

**Note:** Currently all organizations participating in TRS have elected to tax shelter retirement contributions.

# **FIREFIGHTER, CORRECTIONAL OFFICER AND LAW ENFORCEMENT OFFICER**

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# FIREFIGHTER, CORRECTIONAL OFFICER AND LAW ENFORCEMENT OFFICER

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## Firefighter, Correctional Officer and Law Enforcement Officer Act 2000-669

### *General Information*

The provisions of Act 2000-669 apply to any full-time certified firefighter, correctional officer or law enforcement officer not covered as State Police. The provisions of the Act became effective January 1, 2001.

#### *Note:*

*Effective October 1, 2012, each eligible **Tier 1** full-time firefighter, correctional officer or law enforcement officer shall contribute 8.5% of his or her earnable compensation.*

*Effective January 1, 2013, **Tier 2** was created and each eligible **Tier 2** full-time firefighter, correctional officer or law enforcement officer shall contribute 7.0% of his or her earnable compensation.*

Act 2000-669 will provide eligible firefighters, correctional officers and law enforcement officers with one year of additional retirement service credit for each 5 years of employment as a full-time certified firefighter, correctional officer or law enforcement officer **provided** that the Tier 1 member remits to the TRS or ERS 8.5% of his or her current annual earnable compensation; and the Tier 2 member remits to the TRS or ERS 7.0% of his or her current annual earnable compensation.

The additional retirement service credit provided under this act will be granted upon the member's attainment of the required number of years to qualify for service or disability retirement. *The additional retirement service may **not** be used to meet the creditable service requirement for service or disability retirement.*

# TERMINATION OF SERVICE

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## TERMINATION OF SERVICE

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### Termination of Employment – Ineligible for Retirement

Once employment or service is terminated prior to retirement eligibility, the member's participation in the TRS ceases. The member has three options at this time:

1. If the member is **vested (at least 10 years of service)** retirement contributions may be left in the system until age 60 for Tier 1 members and age 62 for Tier 2 members. The member may apply for service retirement to be effective the first of the month following attainment of age 60 for Tier 1 and age 62 for Tier 2.
2. **With less than 10 years of service**, the member may leave contributions in the system for up to five years. If the member has not returned to employment as a participating member, the account will be terminated and contributions plus any refundable accrued interest will be payable to the member.
3. The member may withdraw all retirement contributions and refundable interest. **Member contributions are only refunded at the request of the member upon termination of employment and application for refund.**

An approved leave of absence does not constitute termination of employment.

The employee and employer must complete a FORM 7, NOTICE OF FINAL DEPOSIT AND REQUEST FOR REFUND with the employee's signature being notarized. Instructions for the completion of the refund form (FORM 7) are located on the reverse side of the form and important information about Federal Income Tax located in the SPECIAL TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS.

If the employer has "picked-up" (or never federally taxed) the employee's retirement contribution, those contributions and any refundable interest will be subject to Federal Income Tax. The taxable portion of the refund may also be subject to a 10% additional income tax (See in the SPECIAL TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS for additional information.). No portion of the refund is subject to state of Alabama Income Tax.

The taxable portion of the employee's refund is subject to Federal Income Tax withholding at the rate of 20% unless the taxable amount of the refund is directly rolled-over from the RSA to the trustee of an Individual Retirement Account, Annuity, or Qualified Retirement Plan. (See the in the SPECIAL TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS for the eligible rollover plan codes.)

If the employee elects to receive the refund directly, he or she will be refunded 80% of the taxable amount of the retirement contributions and refundable interest, if any. There will not be withholding on the previously taxed portion of the refund.

In January following the calendar year a taxable refund is made, a 1099R will be issued to the member who has directly received the refund, regardless of whether the individual rolled-over the refund to a qualified plan within 60 days of the date of withdrawal. The TRS is required to report 100% of the taxable portion of the refund to the Internal Revenue Service as taxable income if the refund check was mailed directly to the member.

The taxable portion of the refund paid directly to the member may be subject to an additional income tax of 10% in the year of distribution unless certain requirements are met.

When withdrawing retirement contributions, the member is verifying that he or she does not have a contract and is not negotiating for employment with any agency covered by the RSA.

Upon withdrawal of retirement contributions (taking a refund), **all** service credit established in the TRS is cancelled. For vested members, the rights to a lifetime monthly retirement benefits at age 60 is forfeited for Tier 1 members and age 62 for Tier 2 members.

The employee is **not** entitled to the total interest credited to the account. The following table lists any refundable interest to which the employee is entitled:

*Table of Refunds*

<b>Years of Membership Service</b>	<b>Amount of Interest Refunded</b>	<b>CONTRIBUTIONS Refunded</b>
Less than 3 years	NONE	All
3 – 15 years inclusive	50%	All
16 – 20 years inclusive	60%	All
21 – 25 years inclusive	70%	All
26 years	80%	All

## Death of a Member Prior to Retirement

If a member dies prior to retirement, death benefit payments are determined and paid based on the member's age, service credit, employment status, and eligibility for retirement. Preretirement death benefits for which the beneficiary or estate of a deceased member may be eligible are outlined below:

### Tier 1

Member Age	Years of Service Credit	Preretirement Death Benefit
Under 60* <i>Or</i> 60* and older	Between 1 & 25  Between 1 & 10	Member contributions, total interest earned, plus an amount equal to the member's salary for the prior fiscal year (July 1 – June 30)
Any Age*	Less than 1 year & death was job-related	Member contributions, total interest earned, plus an amount equal to the member's salary at time of death
Any Age	Less than 1 year & death was <b>not</b> job-related	Member contributions, total interest earned, plus an amount matching the contributions and interest but limited to a maximum of \$5,000
Any Age*  <i>Or</i>  60* and Older	25 or more    10 or more	Choice of: (1) Option 3 monthly benefit (50% of member's retirement benefit) to the spouse or beneficiary <i>Or</i> (2) Member contributions, total interest earned, plus an amount equal to the member's salary for the prior fiscal year (July 1 - June 30)

*\* If death occurs more than 180 calendar days after the member's last day in a pay status or if the deceased had applied for a refund of contributions or terminated employment, the lump-sum payment will be the same as for status of less than 1 year and not job-related.*

## Tier 2

Member Age	Years of Service Credit	Preretirement Death Benefit
Under 62* <i>Or</i> 62* and older	————— Between 1 & 10	Member contributions, total interest earned, plus an amount equal to the member's salary for the prior fiscal year (July 1 – June 30)
Any Age*	Less than 1 year, death was job-related	Member contributions, total interest earned, plus an amount equal to the member's salary at time of death
Any Age	Less than 1 year, death was <b>not</b> job-related	Member contributions, total interest earned, plus an amount matching the contributions and interest but limited to a maximum of \$5,000
62* and older	10 or more	Choice of: (1) Option 3 monthly benefit (50% of member's retirement benefit) to the spouse or beneficiary <i>Or</i> (2) Member contributions, total interest earned, plus an amount equal to the member's salary for the prior fiscal year (July 1 - June 30)

*\* If death occurs more than 180 calendar days after the member's last day in a pay status or if the deceased had applied for a refund of contributions or terminated employment, the lump-sum payment will be the same as for status of less than 1 year and not job-related.*

### ***Payment of Benefit***

Payment of any preretirement death benefit is made to the designated beneficiary **after** the RSA-SB, APPLICATION FOR SURVIVOR BENEFIT is submitted to the TRS. If no individual has been designated as beneficiary and there is no spouse, the appropriate lump sum payment will be made to the member's estate.

### ***Term Life Insurance Benefits***

The beneficiary or estate of a deceased **active** member who dies within 90 days of being in an active pay status, will be eligible to receive up to \$15,000 in life insurance benefits. The life insurance benefits will be \$15,000 if the member was employed on a full-time basis or a pro rata share of the \$15,000 benefit if the member was employed less than full-time. i.e., the beneficiary of a member employed half-time would be entitled to a \$7,500 life insurance benefit.

### ***Completing the Application for Survivor Benefit form***

Payment to the beneficiary(s) cannot be made until the TRS receives a completed RSA-SB form, a certified copy of the death certificate of the member and the member's final retirement contribution. If the death is the result of a homicide, additional information from the investigating law enforcement agency that confirms the beneficiary(s) is not involved in or a suspect(s) in the death of the member will also be required.

Instructions to complete the RSA-SB, APPLICATION FOR SURVIVOR BENEFIT form, are on the reverse side of the form. The beneficiary(s) should read the "Federal Income Tax Notice" to avoid any misunderstandings about the taxability of the preretirement death benefit.

#### **Part I and Part II**

The applicant should complete Part I and Part II of the form, attach a certified copy of the death certificate of the deceased and forward the documents to the agency that employed the deceased member. Only one death certificate is required.

#### **Part III**

If the member **had** terminated employment or applied for a refund prior to death, the designated beneficiary is not eligible for a preretirement death benefit, but may be issued a matching death benefit payment. The matching death benefit will be equal to the member's accumulated contributions but cannot exceed \$5,000.

**Note:** A RSA-SB2, SURVIVING SPOUSE TAX INFORMATION DESIGNATION form, may be required if the surviving spouse submits an old version of the form RSA-SB, APPLICATION FOR SURVIVOR BENEFIT.

### ***Beneficiaries of Members Eligible for Retirement***

If the member was eligible for retirement at the time of his or her death, the designated beneficiary is eligible to choose either a lump sum death benefit payment or monthly survivor benefits. After the APPLICATION FOR SURVIVOR BENEFIT is submitted, the beneficiary will be provided a Benefit Election form that will specify both benefit amounts (amounts may be estimated).

# RETIREMENT

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## RETIREMENT

### Disability and Service

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#### Disability Retirement

##### *Requirements*

A member is *eligible to apply* for disability retirement with the TRS if the member is “in service” with a minimum of 10 years of creditable service. (A member is considered “in service” if currently working or on an official leave of absence for one year which may be extended for no more than one additional year.) **A member who has terminated employment is not eligible to apply for a disability retirement benefit.**

To qualify for a disability benefit, the member must be determined by the TRS Medical Board to be permanently incapacitated, either mentally or physically, to perform his or her current duties.

##### *Application for Disability Retirement*

A RETIREMENT APPLICATION PACKET and a REPORT OF DISABILITY PACKET must be remitted to the TRS no less than 30 days nor more than 90 days prior to the proposed effective date of retirement. Both packets must be received before an effective retirement date can be determined. The effective retirement date is always the first day of a month.

- **RETIREMENT APPLICATION PACKET**
  - **APPLICATION FOR RETIREMENT: PART I (FORM 10):** The member completes the Member Information, Beneficiary Designation, and Member Authorization sections. The agency must complete the Employer Certification section.
  - **INSURANCE AUTHORIZATION FORM:** The member completes all sections except Employer Certification. This section is to be completed by the payroll/insurance official.
  - **DIRECT DEPOSIT AUTHORIZATION:** The TRS DDR, DIRECT DEPOSIT AUTHORIZATION, is included with the RETIREMENT FORMS packet. The member and an official of the member’s selected financial institution (bank) will complete this form. The TRS DDR may be submitted with the APPLICATION FOR RETIREMENT or separately.

- **REPORT OF DISABILITY PACKET**
  - **STATEMENT BY EXAMINING PHYSICIAN:** The member's attending physician(s) completes the front and back side of the STATEMENT BY EXAMINING PHYSICIAN.
  - **APPLICANT AUTHORIZATION:** The member applying for disability retirement must complete this form.

The completed application is placed before the Medical Board, which meets once a month, usually the first Tuesday of the month. Once the application is reviewed, the member will be notified of the Board's decision.

When the FORM 10 and REPORT OF DISABILITY PACKET are submitted separately to the TRS, the retirement date will be determined by the date the TRS receives the last form, unless the member is simultaneously eligible for service retirement. When the member is eligible for service retirement, the retirement date will be determined by the date the FORM 10 is received. For service eligible members who are disabled, the physician's report must be received prior to the retirement date.

Upon approval for disability retirement benefits, an annual disability review is required to determine continued eligibility for disability benefits.

***CODE OF ALABAMA 1975 §16-25-14f***

*“Once each year during the first five years following the retirement of a member on a disability retirement allowance and once in every three-year period thereafter, the Board of Control may and upon his application shall require any disability beneficiary who has not yet attained age 60 to undergo a medical examination, such examination to be made at the place of residence of such beneficiary or other place mutually agreed upon by a physician of or designated by the Medical Board. Should any disability beneficiary who has not yet attained age 60 refuse to submit to such medical examination, his pension may be discontinued until his withdrawal of such refusal, and should his refusal continue for one year, all his rights in and to his pension may be revoked by the Board of Control.”*

\*Age 62 for Tier 2

# Service Retirement

## *Requirements*

A TRS member is eligible for retirement:

### ***TIER 1***

- at age 60 with 10 or more years of creditable service, **or**
- at any age with 25 or more years of creditable service

### ***TIER 2***

- at age 62 with at least 10 years of service credit for members of TRS
- at age 56 with at least 10 years of service credit for Firefighters, Law Enforcement, and Correctional Officers (FLC)

## ***Application for Retirement***

- An Application for retirement (Form 10) must be submitted to the TRS no less than 30 days nor more than 90 days prior to the effective date of retirement. The member must complete all but the Employer Certification section and have the form notarized. The agency must complete the Employer Certification portion of the Application for Retirement.
- The PEEHIP Authorization on the reverse side of the Application must also be completed by the member and certified by the agency.
- Direct Deposit Authorization: Direct deposit of retirement checks is an option. The TRS DDR, Direct Deposit Authorization, is included with the Retirement Forms packet. The member and an official of the member's selected financial institution (bank) will complete this form. The TRS DDR may be submitted with the Application for Retirement or separately.

The member may file an APPLICATION FOR RETIREMENT (FORM 10) directly with the TRS without the employer certification, which will establish the member's retirement date. Upon receipt, the TRS will send the FORM 10 to the employing agency for completion of the Employer Certification portion of the form. If the member is age 60 for Tier 1 and vested (more than 10 years of service) and has not been employed with an agency covered by the RSA for over one year, no employer certification is necessary.

**If the agency fails to submit the APPLICATION FOR RETIREMENT within the filing period for the requested retirement date, the member's retirement date will be delayed.**

**Note:** A member may cancel his or her APPLICATION FOR RETIREMENT, provided that the cancellation is made in writing prior to the effective date of retirement.

## Sick Leave Conversion\*

(Only applies to Tier 1 members)

The provisions of Act 84-251 codified under §16-25-11.1, *Code of Alabama*, 1975, allow a TRS Tier 1 member to convert unused accrued sick leave to service credit at retirement. Conversion of sick leave to service credit is in lieu of any payment the member is entitled to receive for this leave.

The service credit may be applied toward meeting the minimum service requirement for service retirement eligibility (age 60 with 10 years or 25 years of service, regardless of age).

The following chart is used by the TRS to convert accumulated sick leave days to months of service credit upon service retirement. The maximum number of days that may be converted is based upon the accrual limits of the employing agency. The sick leave accrual limit of the employing agency determines the amount of sick leave eligible for conversion.

Accumulated Sick Leave Days	Months of Service Credit	Accumulated Sick Leave Days	Months of Service Credit
0 – 7	0	218 – 232	15
8 - 22	1	233 – 247	16
23 – 37	2	248 – 262	17
38 - 52	3	263 – 277	18
53 - 67	4	278 – 292	19
68 - 82	5	293 – 307	20
83 - 97	6	308 – 322	21
98 - 112	7	323 – 337	22
113 - 127	8	338 – 352	23
128 - 142	9	353 – 367	24
143 – 157	10	368 – 382	25
158 – 172	11	383 – 397	26
173 – 187	12	398 – 412	27
188 – 202	13	413 – 427	28
203 – 217	14	428 – 442	29

\*Tier 2 members cannot convert sick leave to service credit

## Cost-of-Living Increases

Cost-of-Living Adjustments (COLAs) for TRS retirees are provided on an *ad hoc* basis. The Alabama Legislature occasionally passes into law a cost-of-living increase for TRS retirees. The amount of any increase will be based upon the provisions of the legislation. Historically, the Legislature has granted COLAs approximately every other year.

# DEFERRED RETIREMENT OPTION PLAN (DROP)

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## Introduction

The Deferred Retirement Option Plan (DROP) became effective June 1, 2002. This voluntary plan will allow members of the Teachers' Retirement System (TRS) to contract with the TRS to defer receipt of their retirement allowance and continue employment for a specific period of time. At the end of DROP participation, the member may withdraw from active service and receive a retirement benefit based on his or her years of service credit at the time of enrollment in DROP plus a lump-sum payment of the amount in their DROP account. Please read this brochure thoroughly and keep it with your other benefit materials. It is a very useful tool when you have questions about DROP.

*The information in this section of the Manual is based on the Code of Alabama 1975, Title 16, Chapter 25, Article 9. This section is not intended as a substitute for the laws of Alabama governing the TRS nor will its interpretation prevail should a conflict arise between its contents and Article 9. Furthermore, the laws summarized here are subject to change by the Alabama Legislature. Do not rely solely upon the information provided in this section to make any decision regarding participation in DROP, but contact the TRS directly with any questions you may have about eligibility or how DROP works. Also consult the new TRS Member Handbook.*

**\*Due to Act 2011-27, the TRS stopped accepting DROP applications  
March 24, 2011.**

## Election to Participate in DROP

The participation period for DROP is for a minimum of three years, but not more than five years. Once the member has completed the three-year minimum requirement, he or she is eligible to receive **either** a lump-sum payment or make a direct rollover of the entire account to a qualified plan. A DROP participant may terminate DROP anytime between three years and five years (for example, three years and eight months or four years and three months). The termination date must be the last day of a month.

## Entering DROP

### *Maximum or Optional Retirement Allowance*

Prior to the beginning of the participation period, the member must select between the Maximum Monthly Benefit or one of the Options the same as if he or she were retiring. After the TRS receives your DROP Application, the TRS will calculate the monthly benefit under the Maximum and Options. The TRS will mail this information and the Retirement Benefit Option Selection – DROP form to you to make your monthly benefit selection. This option selection is an irrevocable, onetime election. If the member does not make this selection, by law he or she will automatically receive the Maximum. This monthly retirement allowance will be paid into the member's DROP account.

### *Converting Accrued Sick Leave*

Accrued sick leave may not be converted to service credit for the purpose of establishing DROP eligibility, nor used in calculating the monthly retirement allowance upon entering DROP. At the time the member leaves service, the monthly retirement allowance will be recalculated to include accrued sick leave. However, the number of days converted cannot exceed the number of days the participant had on the date he or she entered DROP.

### **Example:**

If a member had 100 days of sick leave upon entering DROP and accrued 20 more sick leave days during DROP, he or she may only convert 100 sick leave days to service credit. If a DROP participant has 100 sick leave days upon entering DROP and used all of his or her sick leave accrued during DROP plus another 20 days of sick leave, the DROP participant may only convert the remaining 80 days of sick leave to service credit.

### *Service Credit*

The member's service credit will remain the same during DROP participation as when he or she entered DROP. No time spent participating in DROP will be counted as creditable service.

### *Purchasing Service Credit*

Once a member enters DROP, service credit purchases are prohibited.

### *Contributions*

Both the employer and the member will continue making contributions to the TRS during the DROP participation period.

## **The DROP Account**

### ***Monthly Retirement Allowance***

The monthly retirement allowance that normally would have been paid to the member as if he or she had retired will be placed in the member's DROP account. There will be no deductions for taxes or health insurance, or Social Security.

### ***Member Contributions***

Member contributions will be deposited in the DROP account.

### ***Interest***

The DROP account will earn interest at the same rate as active member accounts (currently four percent per year). Interest accruals on member contributions cease at termination of the DROP participation period. DROP funds not distributed within 90 days of termination of employment cease to accrue interest on monthly benefit deposits.

### ***Retiree Cost-of-Living Adjustments (COLAs)***

A member participating in DROP is not eligible to receive retiree COLAs. A member is not eligible to receive a retiree COLA until he or she has withdrawn from service and has been receiving a retirement allowance for one year.

### ***Post-DROP***

Post-DROP accounts earn interest at a rate determined by the investment returns of the Teacher's Retirement System for the previous investment year. The rate may not exceed 4% per year.

### ***Active COLAs and Salary Increases***

Participants in DROP may receive active COLAs and salary increases.

### ***Health Insurance***

A member's health insurance benefits (PEEHIP or SEIB) will continue to be provided through the member's employing agency or school system.

### ***Annual and Sick Leave***

Participants in DROP will continue to accrue sick and annual leave.

### ***No Fees***

DROP is not subject to any fees, charges or other similar expenses of any kind.

### ***Employee Rights***

Participation in DROP does not affect the rights of education employees under the Fair Dismissal Act, tenure law, or any other fringe benefit. The election to enter DROP is between the TRS and the member. In no way should it be construed as a guarantee of continued employment for the DROP participation period, nor as a requirement that a participant terminate employment at the end of the DROP participation period. Continued employment and termination of employment are matters between the employer and employee.

### ***Military Leave While Participating in DROP***

A DROP participant may go on military leave without penalty provided he or she does not terminate employment. The period of military leave is included in the DROP participation period.

## **Withdrawal from DROP**

A DROP Distribution brochure is available on our Web site or you can request one by contacting the TRS.

### ***Completion of Contractual Obligation***

A member who completes his or her contractual obligation in DROP, i.e., participates in DROP between three to five years, may elect to receive the following contributions in either a lump-sum payment, make a direct rollover to an eligible plan, or a combination of the two:

1. The monthly retirement allowance contributions plus interest (currently four percent). These contributions are based on the retirement option elected upon entering the DROP participation period.
2. Member contributions made to the TRS during the DROP participation period plus applicable interest.

The monthly retirement allowance the retiree will receive after withdrawal from service may be recalculated to include accrued sick leave. However, the number of days converted cannot exceed the number of days the participant had on the date he or she entered DROP.

The member is **not** allowed to change the option for the monthly retirement allowance chosen at the beginning of the DROP participation period.

Payments will not be made until the member withdraws from service. If the member continues employment with an agency participating in the RSA, he or she will not be able to receive distribution until he or she terminates employment.

### ***Death During DROP Participation***

If the member dies anytime during the DROP participation period, the beneficiary may elect to receive the following contributions in either a lump-sum payment, make a direct rollover to a qualified plan, or a combination of the two.

1. The monthly retirement allowance contributions plus interest (currently four percent). These contributions are based on the retirement option elected upon entering the DROP participation period.
2. Member contributions made to the TRS during the DROP participation period plus applicable interest.

Any retirement benefit based on the retirement option selected by the member at the beginning of the DROP participation period will be paid to the beneficiary(s). The monthly retirement allowance may be recalculated to include accrued sick leave. However, the number of days converted cannot exceed the number of days the participant had on the date he or she entered DROP.

The beneficiary is **not** allowed to change the option for the monthly retirement allowance chosen at the beginning of the DROP participation period.

A \$15,000 term life insurance benefit will be paid to the beneficiary(s) if the member was employed fulltime. This benefit will be prorated if employment was not full-time.

**No death before retirement benefit will be paid to the estate or beneficiary.**

### **Continued Service after the DROP Participation Period**

If the member does not withdraw from service after completing his or her DROP participation, the member will resume active contributing membership in the TRS for the purpose of earning creditable service. No time spent participating in DROP will be counted as creditable service.

#### **Example:**

If a member had 26 years of creditable service upon entering DROP and participated in DROP for five years; then worked two more years after completing his or her contractual obligation in DROP, the member would only have 28 years

of total creditable service. There would be two separate retirement allowance calculations; one based on 26 years and the other based on two years of service.

Upon withdrawal from service, the member may elect to receive the following contributions in either a lump-sum distribution, make a direct rollover to an eligible plan, or a combination of the two:

1. The monthly retirement allowance contributions plus interest (currently four percent). These contributions are based on the retirement option elected upon entering the DROP participation period.
2. Member contributions made to the TRS during the DROP participation period plus applicable interest.

The monthly retirement allowance may be recalculated to include accrued sick leave. However, the number of days converted cannot exceed the number of days the participant had on the date he or she entered DROP.

The member is **not** allowed to change the option for the monthly retirement allowance chosen at the beginning of the DROP participation period.

An additional monthly retirement allowance based on his or her additional service since the end of the DROP participation period will be calculated using the retirement formula (Average Final Salary x Additional Years and Months of Service x 2.0125%). The Average Final Salary will be calculated only on the additional service since the end of DROP participation. **This additional service can in no way be combined with service prior to participation in DROP.** The retirement option will be the same option used in the original retirement allowance.

If the member dies or becomes disabled during the period of additional service, he or she will be considered as having retired on the date of death or commencement of disability. No death before retirement benefits will be made. However, the \$15,000 Group Term Life Insurance benefit would be payable to beneficiaries of full-time employees.

## **Distribution of DROP Account**

No distribution from a member's DROP account will be made until the member terminates employment. Upon termination, a member should notify the TRS how the member wants to receive the DROP distribution. DROP benefit deposits cease to accrue interest after 90 days from termination of employment. Interest also ceases on date of 5 year completion. A member generally receives DROP distributions within 30 days of receipt of the final contribution to the DROP account.

DROP participants have one of two ways to distribute the funds in their DROP account:

1. Receive a lump-sum payment of the total DROP account balance less the required 20% federal income tax withholding. No portion of the distribution is subject to state of Alabama income tax.
2. Rollover all or a portion of the account balance to a traditional IRA, another eligible employer retirement plan, a 403(b) Tax Sheltered Annuity, or a governmental 457(b) plan that accepts rollovers. **The RSA-1 Deferred Compensation Plan** (457 plan) accepts rollovers from your DROP account.
3. Or a combination of the two above.

A SPECIAL TAX NOTICE REGARDING RSA PAYMENTS is included with all distribution forms. Please read prior to deciding how you want your DROP account distributed. **All of the forms listed in this section are available on our Web site or by contacting the TRS.**

***Applying for DROP Distribution - Participation Period Completed***

1. Complete the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form (RSA 10 D-D) to authorize distribution of the DROP account balance. The election to receive either a lump-sum payment or to make a rollover will be made on this form. If you elect to have a lump-sum payment of your DROP account, the TRS will withhold 20% for federal income taxes. The form must be signed and notarized, but no employer certification is required. If you elect to rollover all or a portion of your DROP account, sign and have the form notarized before sending it to the Trustee of the eligible retirement plan you have elected to make your rollover to. The Trustee should mail the completed form to the TRS.
2. Complete the REQUEST FOR DROP TERMINATION PARTICIPATION PERIOD COMPLETED form (TRS 10 D-C). Complete the federal income tax withholding certificate. Sign and have the form notarized before sending it to your employing agency for them to certify your employment. You and your employer will also have to complete the PEEHIP Insurance Authorization information on the reverse side of the form.
3. Send both the completed REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form and the REQUEST FOR DROP TERMINATION PARTICIPATION PERIOD COMPLETED form to the TRS. If electing a rollover, the Trustee will send the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form to the TRS. Both forms must be completed and

returned to the TRS at least 30 days prior to termination of employment, if possible.

### ***Applying for DROP Distribution - Death During DROP Participation***

1. The beneficiary must complete the APPLICATION FOR BENEFICIARY PAYMENT - DROP form (RSA-DROP BEN). The beneficiary will complete Part I, Part II, and Part III, sign and have the form notarized. The employer of the deceased member will complete Part IV and send the form to the TRS. A copy of the death certificate must accompany this form.
2. How the DROP account balance is distributed depends on whether the beneficiary is a surviving spouse or not. A non-spousal beneficiary may receive the distribution in a lump-sum payment, or make a direct rollover to an IRA created for that purpose. See Section IV of the SPECIAL TAX NOTICE for tax treatment of non-spousal beneficiaries.

If the beneficiary is a surviving spouse, the surviving spouse may elect to either have the full account balance paid directly to them less the 20% mandatory withholding on taxable portion of payment, or have all or a portion of the account balance rolled over into an eligible retirement plan.

3. If you elect to rollover all or a portion of your DROP account, sign and have the form notarized before sending it to the Trustee of the eligible retirement plan you have elected to make your rollover to. The Trustee should mail the completed form to the TRS.

### ***DROP Participation Period Completed - Will Continue Employment***

Complete the REQUEST FOR DROP TERMINATION PARTICIPATION PERIOD COMPLETED/CONTINUED SERVICE form (RSA 10 D-CCE). Check the box indicating you will be continuing employment after you have completed the DROP participation period. Sign the form and have it notarized. Have your employer certify your employment and have them return the form to the TRS. Once you terminate employment post-DROP:

1. Complete the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form (RSA 10 D-D) required to authorize distribution of the DROP account balance. The election to receive either a lump-sum payment or to make a rollover will be made on this form. If you elect to have a lump-sum payment of your DROP account, the TRS will withhold 20% for federal income taxes. The form must be signed and notarized, but no employer certification is required. If you elect to rollover all or a portion of your DROP account, sign and have the form notarized before

sending it to the Trustee of the eligible retirement plan you have elected to make your rollover into. The Trustee should mail the completed form to the TRS.

2. Complete the TERMINATION OF EMPLOYMENT OF CONTINUED SERVICE - POST DROP form (TRS 10 D-CT). Complete the federal income tax withholding certificate. Sign and have the form notarized before sending it to your employing agency for them to certify your employment. You and your employer will also have to complete the PEEHIP Insurance Authorization information on the reverse side of the form.
3. Send both the completed REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form and the TERMINATION OF CONTINUED SERVICE – POST DROP form to the TRS. If electing a rollover, the Trustee will send the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form to the TRS. Both forms should be completed and returned to the TRS at least 30 days prior to termination of employment, if possible.

## **Reemployment with the RSA after Withdrawal from Service**

Any member who participated in DROP and withdrew from service may become reemployed with either the TRS or ERS. This additional service will be calculated under Continued Service after the DROP Participation Period.

## **Calculating Your DROP Benefit**

The following is a step-by-step method of calculating your DROP benefit. This is only an estimate. When you are ready to make a decision about entering DROP, contact the TRS for an official estimate. The retirement benefit calculator on our Web site will also calculate the DROP benefit for eligible members.

1. Determine your monthly retirement benefit at the DROP participation date.

Average Final Salary x Years and Months of Service x .020125 ÷ 12 =  
Monthly Retirement Benefit

The Average Final Salary is the average of the highest three annual salaries in the member's last 10 years of creditable service for which the member made contributions. This formula will only compute the Maximum Monthly Retirement Benefit. For Options 1, 2, or 3, use the benefit calculator on our Web site to determine the monthly retirement benefit.

2. Multiply the monthly retirement benefit times the factor associated with the number of years you elect to participate in DROP to give you the DROP contributions value including interest.

1 year - 12.24  
2 years - 24.97  
3 years - 38.21  
4 years - 51.98  
5 years - 66.30

Determine the value of your contributions, plus interest, made during the DROP participation period.

Multiply the average salary (estimated) during the DROP participation period times the factor for the number of years you elect to participate in DROP.

1 year - .0510  
2 years - .1040  
3 years - .1592  
4 years - .2166  
5 years - .2762

3. Add the two amounts together to give you an estimated value of your DROP benefit at the end of the DROP participation period.

**Example:**

At the DROP participation date the member had an average final salary of \$41,000; 31 years of service; and selects the Maximum Retirement Benefit. The member elects a four-year DROP participation period and estimates that the salary for the next four years will average \$43,500.

1. Monthly retirement benefit:  
 $\$41,000 \times 31 \times .020125 \div 12 =$   
 $\$2,131.57$
2. DROP contribution value including interest:  
 $\$2,131.57 \times 51.98 = \$110,799.00$
3. Member contributions including interest:  
 $\$43,500 \times .2166 = \$9,422.10$
4. Total DROP benefit:  
 $\$110,799.00 + \$9,422.10 = \$120,221.10$

# POSTRETIREMENT EMPLOYMENT

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## POSTRETIREMENT EMPLOYMENT

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### Part-Time Employment of TRS or ERS Retiree

A TRS or ERS retiree employed with an ERS or TRS member agency will continue to receive full retirement benefits provided the retired member meets **both** of the following conditions:

1. The retiree must not be employed or under contract for full-time employment.
2. The retiree's compensation cannot exceed the limitation on earnings. The limits are subject to change from year to year based upon changes in the Consumer Price Index.

If a retiree's earnings exceed the annual limitation on earnings, the retirement benefit will be suspended for the remainder of the calendar year or for the remainder of the month if the retiree is subject to a monthly earnings limitation.

- *Retirees who return to work with an ERS or TRS member agency in the same calendar year as their retirement are subject to a monthly earnings limitation.*
- *Retirees who return to work with an ERS or TRS member agency in a subsequent year from their retirement are subject to a yearly earnings limitation.*

(The TRS Member Handbook provides the amount of the limitation on earnings.) For 2014, the limitation on earnings is \$23,000.

### Reporting Postretirement Employment Violations

The participating RSA agency must notify the ERS or TRS in writing, verifying the name, Social Security number, employment dates, and earnings of the retiree. In addition, a statement regarding the employment status, full-time or percentage of full-time, of the retiree is required. If no violation has occurred, notification is not necessary.

#### ***TRS or ERS Retiree Exceeding Earnings Limit***

If a TRS or ERS retiree exceeds the annual or monthly (first year retiree) limitation on earnings, the employing agency must notify the RSA immediately. Failure to notify the RSA of postretirement employment violations may jeopardize the retiree's retirement benefits from the RSA.

#### ***Disability Retiree***

A disability retiree is subject to the same earnings limitations as a service retiree, *or* the difference between the average final salary and the annual retirement benefit, whichever is lower. However, if the retiree is employed with a non-participating agency, earnings cannot exceed the difference between the average final salary and the annual retirement benefit. The average final salary is the salary used in the computation of the disability retirement benefit.

#### ***Contract Employment***

Retirees providing services to TRS or ERS agencies on a contractual basis are subject to the post-retirement earnings limitations. Retirees providing services through a third-party vendor are subject to the limitations if the retiree is performing the duties of an employee.

### **Full-Time Employment of TRS Retiree with ERS Agency**

A TRS retiree who is employed with an ERS member agency in a permanent full-time position eligible for retirement coverage must begin participation in the ERS. The member's TRS retirement account will be terminated and the remaining funds and creditable service will be transferred and credited to the account established in the ERS.

### **Full-Time Employment of TRS Retiree with TRS Agency**

A TRS retiree who returns to full-time employment with an agency covered by the TRS must notify the Teachers' Retirement System immediately. The agency must notify the TRS in writing providing the date on which the retiree returned to full-time employment. The retirement benefit will be suspended as of the date the retiree returns to full-time employment.

If the retiree remains employed for two years, the retiree may petition the Board of Control for reinstatement to active participation in the TRS. Once the retiree's petition is approved by the Board of Control, the retiree must purchase the two years of post-retirement employment. The service and funds established under the retired account will be transferred to the new active account. The member will then be eligible to retire again with the two years of post-retirement employment included in the calculation of retirement benefits, or may continue to work and contribute to the TRS and retire at a later date.

The cost for the two years of post-retirement employment will be equivalent to the amount that would have been contributed to the TRS had the retiree been an active contributing member of the TRS (five percent of gross salary), plus the interest that have accrued on the agency's contributions (four percent on the average balance).

If the retiree does not work two years or does not wish to be reinstated to active participation after two years, retirement benefits will resume once the retiree terminates employment with the TRS agency. The retiree will not be credited with any additional service credit and will not have the opportunity to establish post-retirement employment service. The retiree's benefit will remain the same as they were receiving at the time they returned to full-time employment, unless the Alabama Legislature enacted a cost of living allowance during the period of post-retirement employment and the retiree was otherwise eligible for the increase.

### **Full-Time Employment of ERS Retiree With TRS Agency**

An ERS retiree, who is employed with a TRS member agency in a permanent full-time position eligible for retirement coverage, must begin participation in the TRS. The member's ERS retirement account will be terminated and the remaining funds and creditable service will be transferred and credited to the account established in the TRS.

The earnings of retirees who provide services to participating agencies on a contractual or consulting basis, or who incorporate a business to provide such services, are also subject to the above stated limitations. If a retiree has entered into or is considering entering into a contract with a participating agency of the TRS or ERS, it is recommended that the retiree provide a copy

of the contract or proposed contract to the Retirement System for determination of the effect the contract would have upon the retiree's benefit.

Employment with private industry, private education, or a non-participating agency will not affect a service retiree's benefit from TRS. However, a retiree who is receiving a Social Security benefit may wish to contact the Social Security Administration regarding the effect post retirement employment earnings may have upon his or her Social Security benefit.

A retiree should notify the TRS immediately if his or her earnings from a participating member agency exceed the maximum allowed or he or she is employed on a full time basis so that the appropriate benefit adjustment or benefit suspension may be accomplished. If a retiree has any questions regarding post retirement restrictions, he or she should contact the Teachers' Retirement System at 877.517.0020.

# **RSA-1 DEFERRED COMPENSATION PLAN**

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# **RSA-1 DEFERRED COMPENSATION PLAN**

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## **Establishment of RSA-1**

RSA-1 is an eligible deferred compensation plan as defined by Section 457 of the Internal Revenue Code of the United States. The plan is authorized by §36-27A-1, et. seq., *Code of Alabama 1975*, as amended. Under this deferred compensation plan, a public employee may elect to defer receipt of a portion of his or her salary until a later determined date, usually at retirement or other termination of service. Because receipt of the income is deferred, the deferred income is not included in the employee's current federal or state of Alabama gross taxable income.

The deferred income is paid into the RSA-1 Deferred Compensation Plan and invested for the employee's benefit. Investment earnings are accumulated in the fund and like the deferred income, are not subject to federal or state of Alabama income taxation until distributed to the employee. Deferred income and the investment earnings are held in the participant's account for the exclusive benefit of the plan participants and their beneficiaries.

## **RSA-1 Contacts**

### ***Phone***

877.517.0020 or 334.517.7000

### ***Fax***

877.517.0021 or 334.517.7001

Please provide your full name and address on all faxes.

### ***Email***

[rsa1info@rsa-al.gov](mailto:rsa1info@rsa-al.gov)

When sending an email, please include your full name, employer, home mailing address, and daytime phone number.

### ***Member Online Services***

Change your address and view your account statement online.

<https://mso.rsa-al.gov>

### ***Request a Presentation***

Field Services Division

877.517.0020

## **RSA-1 Member Handbook**

Information about participation, deferrals, investing, distribution, transfers, rollovers, and taxes in the RSA-1 Deferred Compensation Plan are included in the enclosed RSA-1 Member Handbook. RSA-1 forms are included in the form section, as well as located on the RSA Web site.

### **Deferral Limits**

The 2014 deferral limit is \$17,500 if you are under the age of 50. If you are 50 or older, the limit is \$23,000. The catch-up deferral limit for 2014 is \$35,000.

# RSA EDUCATIONAL OPPORTUNITIES

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# RSA EDUCATIONAL OPPORTUNITIES

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Retirement is a major decision and there are several other decisions which go hand in hand with retirement. Education is power and your employees need to be equipped with all available knowledge in order to make good decisions relating to their retirement.

The Field Services Division of the RSA offers educational programs throughout the year. There are two valuable seminars offered to members: (1) **Control Your Money Game** and (2) **Retirement Preparation**.

*\* As HR or Payroll employees, you may attend one or both of these programs for informational purposes. Call the RSA Field Services Division and ask to be registered.*

Schedules and registration forms for members are posted to the RSA Web site. Seminar packets are mailed each year to all agencies and school systems. Information on the seminars should be dispersed to all employees as soon as possible. All seminars have capacity limits and registration is required. Members may also register their spouses to attend.

## Control Your Money Game

This is an early to mid-career opportunity for TRS members with **1-19** years of service credit. It is a half-day program to help members understand how their pension program operates in order for them to make educated decisions and plans. These programs are focused on helping members get on track for a successful future and sound retirement.

## Retirement Preparation Seminars

These programs are for all members who are **within 5 years of retirement eligibility**. This is an extremely beneficial seminar and members should be encouraged to attend before they retire **or** enter DROP. Information is provided on Social Security, health insurance, the psychological and physical aspects of retirement as well as specific explanations of the retirement plan options.

## RSA On The Move

RSA agencies or school districts may request presentations through the Field Services Division. If you would like a field representative to come to your site, please make the call or email a request to [field.services@rsa-al.gov](mailto:field.services@rsa-al.gov).

## **One-on-One Appointments**

Appointments with counselors may be made for the Montgomery office at any time by contacting the RSA Member Services Contact Center at 877.517.0020.

RSA also offers appointments at various remote sites throughout the state. These one-on-one appointments are limited to 20 minutes and are filled in a date/time order. Schedules and forms are provided on the RSA Web site and announcement packets are mailed to all agencies and school districts on a yearly basis.

## **Retirement Videos**

Visit our website at [www.rsa-al.gov](http://www.rsa-al.gov) to view the Tier 1 Steps to Retirement and Retirement Forms Videos.

# RSA PUBLICATIONS AND NOTIFICATIONS

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## **RSA PUBLICATIONS AND NOTIFICATIONS**

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### **Contributions Reporting Application and Manual**

The “Contributions Reporting Application” (CRA) is an automated system provided free of charge from the RSA to member agencies. This PC based software application is used to maintain TRS and RSA-1 contributions, balance data entry of monthly contribution changes, compute monthly remittance and generate monthly reports to RSA. CRA produces a “full report” which includes contributions for all employees for the month reported and generates an electronic copy of the report.

Versions of CRA are available for the Windows 95 and above operating systems.

### **Member Handbooks (ERS, TRS, State Police, and JRF)**

A Member Handbook is mailed to each new member upon receipt of an enrollment form from the employing agency. A Handbook can be requested at any time. Each Handbook presents an overview of mandatory participation, creditable service, vesting, disability and service retirement, DROP, pre-retirement death benefits, and postretirement employment.

### **RSA-1 Deferred Compensation Plan Member Handbook**

RSA-1 is a voluntary deferred compensation plan governed by Section 457 of the Internal Revenue Service Code. Each employing agency must deduct and report RSA-1 contributions to the RSA for those employees who wish to participate in the plan. The RSA will provide an SPD at the request of the member or the agency.

### **RSA-1 Deferred Compensation Plan Brochure Secure A Better Tomorrow With RSA-1**

One way for public employees in Alabama to increase their personal savings and add to their financial security is by investing in a 457 Deferred Compensation Plan like RSA-1. RSA-1 offers an easy and flexible way to save for retirement while providing tax relief today. This brochure can answer questions members may have about this plan.

## **Deferred Retirement Option Plan (DROP) Distributions Brochure**

The Deferred Retirement Option Plan (DROP) is a voluntary plan that allows members of the Teachers' Retirement System (TRS) to contract with the TRS to defer receipt of their retirement allowance and continue employment for a specific period of time. At the end of DROP participation, the member may withdraw from active service and receive a retirement benefit based on his or her years of service credit at the time of enrollment in DROP plus a lump-sum payment of the amount in their DROP account. This brochure is a very useful tool when members have questions about DROP distributions.

## **RSA Annual Report**

In February of each year, the RSA publishes the Annual Report. The report provides information about assets, investments, membership, the RSA Boards of Control, RSA departments, and financial statements.

## **Comprehensive Annual Financial Report (CAFR)**

The CAFR, which is published annually, provides more detailed financial and actuarial information about the RSA.

## **RSA Newsletter**

The monthly *Advisor* is mailed to each RSA active member, RSA retired member and any other persons or organizations interested in the RSA. The *Advisor* informs recipients of important topics regarding the TRS, ERS, RSA-1, PEIRAF, PEEHIP, legislation, investments and counseling schedules. Comparisons of insurance and retirement benefits provided by other states and current information regarding Social Security, taxes and Alabama's economic and political climate are also featured. The *PEEHIP Advisor* is mailed along with the *Advisor* six to eight times a month to keep you informed about your health care plan.

## **RSA Web Site ([www.rsa-al.gov](http://www.rsa-al.gov))**

The RSA Web site publishes RSA's Member Handbooks, the *Advisor*, Annual Reports and information about the ERS, TRS, PEIRAF, RSA-1 and PEEHIP benefits. News from RSA features updates on policies, procedures, new legislation, federal laws and other late breaking events. Members can make changes to their contract information and view their TRS and RSA-1 accounts

online. The Web site also offers links to AlaWeb, Alabama Retired State Employees' Association, Alabama State Employees' Insurance Board, Alabama Governor's Office, Alabama State Legislature, ALALINC, Internal Revenue Service, the Robert Trent Jones Golf Trail, Social Security Online, PEEHIP at Blue Cross Blue Shield of Alabama and Alabama state agencies.

Legislative Updates keep members informed about legislative news, current legislation and archive legislation.

The Retirement Benefits Estimate Calculator allows members to estimate retirement benefits under the Maximum allowance and three options, and DROP estimates.

Members can now view their TRS and RSA-1 accounts online through Member Online Services. You can also update your address as well.

### **Member Online Services (MOS)**

<https://mso.rsa-alo.gov>

Member Online Services offers a simple, convenient way to enroll in and make changes to your benefits electronically. The online system is fast, free, secure and accurate and operates in real-time.

By the time you receive your Confirmation page, your enrollment elections are already processed and in our system. Your Confirmation page confirms the date and time that your elections were saved and submitted; gives a recap of your elections; displays your actual PEEHIP coverage's; and provides your premium calculation so that you will know what your monthly out-of-pocket premium will be!

No paper forms, envelopes, stamps or last minute runs to the post office when you use the RSA's Member Online Services system! RSA and PEEHIP continually strive to improve the services we provide to our members. Use the electronic Member Online Services system and we all benefit in terms of greater efficiency and effectiveness as well as savings in time and costs!

### **Annual Statement of Account**

The TRS provides each member a Statement of Account for the year ending June 30. The statements are sent to the last employer for which contributions were posted for June for distribution to RSA members.

The Statement of Account verifies current year contributions and accumulated interest. The total service credit, interest, service purchases, previously taxed

contributions, non-taxed contributions, and balance are also provided. The member's designated beneficiary, mailing address, and change of address as of June 30 are listed. Members can also view their account balances online.

## **RSA-1 Statement**

For those electing to participate in the RSA-1 Deferred Compensation Plan, a statement is sent to the member's mailing address quarterly. The statement verifies the balance and earnings as of March 31, June 30, September 30, and December 31. The member's designated beneficiary is also listed. Members can also view their account balances online.

## **Retirement Legislation**

After the close of each legislative session and a legal interpretation of the law, the TRS will notify each participating agency of legislation that was enacted during the session. The notification will provide the numbers of each act as well as a summarization of the law.

## **Postretirement Employment Notification**

Each year, the TRS provides the participating agency information regarding postretirement earnings limitations and the requirement for certifying postretirement employment information.

The law mandates that the employer notify the TRS when a retired, RSA member is employed full-time. If the retired, RSA member is not employed full-time, the agency must notify the TRS when the retiree's earnings exceed the earnings limit.

## **Terminated Account Information Request**

The TRS may request mailing address information from participating agencies about former employees whose retirement account has been terminated due to an absence of participation. The TRS reviews terminated accounts throughout the year and will try to locate the former member to be able to return contributions. Vested accounts (with 10 years of service) will not be terminated.

# **GLOSSARY AND ABBREVIATIONS**

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## **Glossary**

### **Accumulated Contributions**

The sum of all the amounts deducted from the compensation of a member credited to his or her individual account in the Annuity Savings Fund, together with regular interest thereon, as provided in §16-25-21.

### **Annuity**

Payments for life derived from the “accumulated contributions” of a member. All annuities shall be payable in equal monthly installments.

### **Average Final Compensation**

The average final compensation of a member is used to calculate the member’s retirement benefit. It is the average of the highest three annual salaries in the member’s last 10 years of creditable service for which the member made contributions.

### **Beneficiary**

Any person designated by a member to become, upon the death of the member, the recipient of a pension, an annuity, a retirement allowance or other benefit.

### **Correctional Officer**

Any person certified as a correctional officer by the Alabama Peace Officers Standards and Training Commission.

### **Creditable Service**

“Prior Service” plus “membership service” rendered since last becoming a member.

### **DROP Contract/Application**

This form must be submitted to the TRS no more than 90 nor less than 30 days prior to the effective date of participation in DROP. This form will recite the terms of DROP and serve as the application for DROP.

### **DROP Participation Period**

The period of time the member agrees to contract with the TRS under DROP. Election to participate in DROP must be for a minimum of three years but not more than five years.

### **Earnable Compensation**

Earnable compensation is the full rate of compensation that would be payable to an employee if he or she worked the full normal work-time.

**Employer**

The state of Alabama, the county school board, the city school board, the State Board of Education, or any governing body of any private nondenominational school operated nonprofit for education of children of school age residing within a district where no public school is available for the children or any other agency of and within the state by which a teacher is paid.

**Firefighter**

Any firefighter employed with the State of Alabama, a municipal fire department, or a fire district who has a level one minimum standard certification by the Firefighters Personnel Standards and Education Commission.

**Law Enforcement Officer**

Any person employed with a state agency, department, board, commission or institution or a law enforcement officer employed by a local unit of the Teachers' Retirement System who is certified as a law enforcement officer by the Alabama Peace Officers Standards and Training Commission.

**Member**

Any employee included in the membership of the retirement system as provided in §16-25-1.

**Medical Board**

A medical board composed of three physicians not eligible to participate in the retirement system. The Medical Board shall arrange for and pass upon all medical examinations and shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for disability retirement.

**Membership Service**

Service rendered while a member of the retirement system and on account of which contributions are made.

**Pension**

Payments for life derived from money provided by the employer. All pensions shall be payable in equal monthly installments.

**Public School**

Any day school conducted within the state under the authority and supervision of a duly elected or appointed county or city board of education and any educational institution supported by and under the control of the state, or any private nondenominational school operated nonprofit for the education of children of school age residing within a district where no public school is available for the children.

**Retirement**

Retirement is an employee's withdrawal from active service with a monthly retirement allowance or optional benefit in lieu thereof granted under the law.

**Retirement Allowance**

Retirement allowance is the sum of the “annuity” and the “pension”.

**Retirement Eligibility**

A member is retirement eligible at age 60 with 10 or more years of creditable service or at any age with 25 or more years of creditable service.

**Vesting**

There is a 10-year vesting for TRS. Once a member has 10 years of service they qualify for specified benefits including a monthly retirement allowance when they become retirement eligible.

## Abbreviations

**COLA**

Cost-of-Living Adjustment

**DROP**

Deferred Retirement Option Plan

**ERS**

Employees' Retirement System of Alabama

**ITS**

Information Technology Systems

**JRF**

Judicial Retirement Fund

**PEEHIP**

Public Education Employees' Health Insurance Plan

**PEIRAF**

Public Employees' Individual Retirement Account Fund (account is closed to new membership)

**RSA**

Retirement Systems of Alabama

**RSA-1**

RSA-1 Deferred Compensation Plan

**SEIB**

State Employees' Insurance Board

**TRS**

Teachers' Retirement System of Alabama