



Employees' Retirement System of Alabama

State ♦ State Police ♦ Public ♦ Judicial
Hon. Robert Bentley, Chair
Jackie B. Graham, Vice Chair

April 2015

The Employees' Retirement System (ERS) 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 ERS.

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.



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Introduction

To Payroll and Personnel Officers

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

You are the key link between the ERS and the employees of your agency. You must be knowledgeable of ERS 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, you will be emailed an updated page(s) for the manual. Upon receipt of revised sections, please discard the obsolete page(s).

Explanation of Retirement Coverage

The ERS was established October 1, 1945, by the State Legislature for the purpose of administering a retirement plan for state employees and employees of public and quasi-public agencies that elect to join the ERS. 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 ERS benefit structure.

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

ERS Board of Control

The ERS Board of Control consists of 13 members:

- Ex Officio:
 - o Governor
 - o State Treasurer
 - o State Director of Finance
 - o State Personnel Director

- Three vested members of the Employees' Retirement System appointed by the Governor
 - o No two from the same department of state government nor from any department of which an ex officio trustee is head
- Six members of the Employees' Retirement System elected by its membership:
 - o Two retired members (one from state government, one from a local agency)
 - o Two vested active state employees
 - o Two active local employees

Terms of Office

- The ex officio members serve as long as they hold that office.
- Retired members serve three-year terms.
- Active members serve four-year terms.

Please refer to the ERS Member Handbook or visit the RSA website at www.rsa-al.gov for all information regarding ERS benefits.

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MEMBER PARTICIPATION AND ELIGIBILITY

Mandatory Participation

Participation in the ERS 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.

To classify a position as *temporary* and therefore ineligible to participate in the ERS, the temporary position must have a predetermined termination date with the employment period lasting one year or less.

Note: Certain elected officials who meet the above requirements and are elected to office **after** the adoption of the Constitutional Amendment authorizing participation in the ERS are required to participate.

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, (TRS) prior to January 1, 2013. This includes a member who has purchased withdrawn service or non-temporary error service that predates 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 ERS or TRS, should complete a FORM 100, 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 ERS, the new member will be mailed an ERS Member Handbook as well as information about the RSA-1 Deferred Compensation Plan.

- Tier 1 regular members (state employees) 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.
Note: Local Units have the option of adopting the state employee rates or remaining at 5.0% for regular employees and 6.0% for full-time certified firefighters, correctional officers, and law enforcement officers.
- Tier 2 regular members (state employees) 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.
- Tier 1 & Tier 2 State Police must contribute 10.0% of earnable compensation.

Temporary Employees Employed Longer Than One Year

Temporary employees employed longer than one year, employed on at least a one-half (50%) basis, and earn the prevailing minimum wage must begin participation in the ERS 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.

Elected Officials in Office Prior to a Constitutional Amendment

Elected Officials may participate in the ERS provided the counties in which they reside have adopted a local Constitutional Amendment to provide for coverage of elected officials. The provisions of the Constitutional Amendment determine which elected official positions are eligible for ERS coverage.

Not Eligible for ERS Participation

- Active members of the TRS
- Persons in receipt of a retirement benefit from the ERS (See Postretirement Employment)
- Retired members of the TRS employed on a part-time basis with an ERS member agency (See Postretirement Employment)
- Employees who elected not to participate at the time their employing agency joined the ERS and who remain continuously employed
- Temporary employees with a specific termination date not exceeding one year
- Employees specifically excluded from participation by resolution at the time the employer began ERS participation

Transfers from other ERS/TRS Agencies

If the member previously worked for an agency covered under the TRS, a TR-1 form, TRANSFER OF MEMBERSHIP FROM THE TEACHERS' RETIREMENT SYSTEM, must be completed in order to transfer service credit established in the TRS to the ERS. The TRS does not automatically transfer service credit to the ERS. The member must authorize this transfer.

If a member is transferring from one ERS agency to another ERS agency, a TR-2 form, TRANSFER OF MEMBERSHIP FROM THE EMPLOYEES' RETIREMENT SYSTEM, should not be submitted. However, 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 ERS or the TRS and withdrew his or her contributions and again becomes a member may, upon the completion of two years contributing membership service, restore the previously cancelled 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

Agency

An agency official must notify the ERS when changes are made to the payroll or personnel contact persons, phone numbers, mailing and/or physical addresses. Verification of changes must be submitted: by email at ersinfo@rsa-al.gov or by writing to the Employees' Retirement System of Alabama, Post Office Box 302150, Montgomery, Alabama 36130-2150.

Member

Name Changes

Agencies must change the name of the active 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 ERS will mail to its members important information such as:

- RSA newsletter, the *Advisor*
- Board of Control election information
- Current legislative changes
- ERS Account Statements
- RSA-1 Account Statements

It is essential for the ERS to be informed of an employee's change of mailing address. Members can now go online to access and update their ERS 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 ERS or by downloading a form from our website, or contacting Member Services at 877.517.0020.

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

- Member Online Services (<https://mso.rsa-al.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 ERS.

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, the appropriate portions of a FORM 100-C, CHANGE OF BENEFICIARY FORM, must be completed with the member's signature acknowledged by a notary public.

If the member's primary beneficiary predeceases him or her, the ERS 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 ERS 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 ERS to verify a date of birth.

Social Security Number Corrections

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

- If there is an error in the SSAN, the agency must correct the member's Social Security number on the monthly report.
- The agency must provide the ERS with a copy of the member's Social Security card to verify the correct number in order for the ERS 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

Reporting Specifications

Member contributions remitted to the ERS 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. Earnable compensation cannot exceed 120% of base pay for Tier 1 member and 125% of base pay for Tier 2 member.

Member contribution rates are determined by statute and subject to change by the Alabama Legislature. Once enrolled, a member must continue to contribute to the ERS until employment is terminated, even if the member's employment is on less than a one-half (50%) basis.

- Tier 1 regular members (state Employees) 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.
Note: Local Units have the option of adopting the state employee rates or remaining at 5.0% for regular employees and 6.0% for full-time certified firefighters, correctional officers, and law enforcement officers.
- Tier 2 regular members (state employees) 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.
- Tier 1 & Tier 2 State Police must contribute 10.0% 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

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

Reporting Method and Deadlines

The ERS 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. The printed receipt should be sent along with a check for the total amount of the ERS retirement remittance. **The report and remittance are considered delinquent if received after the 10th 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 ERS current investment earnings rate.

Note: Detailed instructions for using the Contributions Reporting Application (CRA) software can be found on our website at:

www.rsa-nh.gov/index.php/employers/contributions-reporting-application.

CLASSIFICATION CODES: To be used in reporting members’ positions

Local Units Job Classification Codes and Employee Rates					
Tier 1			Tier 2		
Classification	Code	Employee Rate	Classification	Code	Employee Rate
Regular	04	5% or 7.5% if adopted Act 2011-676	Regular	54	6%
Firefighter	11	6% or 8.5% if adopted Act 2011-676	Firefighter	71	7%
Law Enforcement Officer	12	6% or 8.5% if adopted Act 2011-676	Law Enforcement Officer	72	7%

State Job Classification Codes and Employee Rates					
Tier 1			Tier 2		
Classification	Code	Employee Rate*	Classification	Code	Employee Rate*
Regular and Police Split Service	00	Rates will vary based on job class.	Regular and Police Split Service	50	Rates will vary based on job class.
Regular	01	7.5%	Regular	51	6%
State Police	02	10%	State Police	52	10%
County Engineer	03	7.5%	County Engineer	33	6%
Correction Officer	10	8.5%	Correction Officer	70	7%
Firefighter	11	8.5%	Firefighter	71	7%
Law Enforcement Officer	12	8.5%	Law Enforcement Officer	72	7%

**Rates in effect on June 18, 2014*

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 therefore 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 an ERS 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.

Service credit is given based on the number of hours, days or shifts your employees worked in a specific time frame. A full-time employee receives 1 month of service credit for each full month they worked.

If an ERS member is less than full time or on a leave of absence with or without 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.

It will be necessary to indicate the number of hours, days or shifts worked and paid during the reporting period and must be indicated in the “Partial Service” field. The number of hours, days or shifts required for full-time employment during the reporting period must be certified in the “Full-time Service” field.

Please note that if the employee remains on payroll and is compensated for the number of hours required to be full time, no entries should be made in either service field.

If an employee is hired after the beginning of a monthly reporting period, the employee’s service credit in the first month should be adjusted to reflect the actual time worked and the amount of hours, days or shifts required for full time.

Should you have any questions about reporting service correctly please contact ERS. If you need technical assistance with the CRA software, please contact our ITS Division.

Temporary Employees

Temporary employees who are employed longer than one (1) year **must** be enrolled in the ERS 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 ERS F SC, SERVICE CALCULATION FORM, to the ERS certifying the first year of temporary employment.

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

The screenshot shows a software window titled "Contributions Report for the Month Ending July 31, 2014". The window has a menu bar with "File", "Display", "Maintenance", "Records", and "Setup". Below the title bar, there are sections for "Personal Information" and "Contribution Information". The "Personal Information" section includes fields for SSN, First Name, Middle Name, Last Name, and Suffix. The "Contribution Information" section includes fields for Department Code, Division Code, June Contribution, July Contribution, Full-time Service, and Partial Service. The "Full-time Service" and "Partial Service" fields are circled in red. To the right of the "Contribution Information" section is an "RSA-1 Deferral Information" table with columns for Type, Amount, Month, and Year. Below the table are several buttons: "Open Database", "Navigation Tips >>", "Clear July", "Save Record", "Copy June", "Add New Person", "Table View", "Locate SSN", "Tally Remittance", and "Exit".

Correcting Reporting Errors

Eligible employee

When the agency fails to remit retirement contributions on an eligible employee, a FORM F SC, SERVICE CALCULATION 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 ERS will calculate the agency and member cost and provide written notification of the additional amounts to be remitted to correct the error.

The FORM F SC requires the employer to certify the employee's total salary and dates and months of service credit by fiscal year (October 1 through September 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
5. Elected official (office must be specified)

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 F must be specified by fiscal year.

- If the error is corrected within the same fiscal year, there **will not** be an interest charge.
- If the error to be corrected occurs in a prior fiscal year, there **will** be an interest charge. The agency should submit a statement verifying that the agency will pay the employer cost when submitting the FORM F.

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

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 ERS. Upon request, the ERS will provide the agency a FORM 71R, INELIGIBLE MEMBER REFUND REQUEST.

Common Reporting Questions and Errors

Tier 1: Any member of the Retirement System 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: Any member of the Retirement System 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.

- **Firefighter and Law Enforcement Officer class codes and rates** are reserved for full-time, certified employees who are working in a position that requires the certification. The exception being if they are already eligible and contributing with these class codes and rates with another participating agency, then they must contribute the same with all participating agencies they are working for, no matter the position or number of hours worked.
- Any person who works for the state or a participating unit at least one-half time in a salaried position or at least 20 hours a week in an hourly paid position and who earns no less than the prevailing minimum wage payable for an 80 hour month **must** be a member of the Employees' Retirement System as a condition of employment. If already eligible and contributing with another participating agency, the member **must** contribute with all participating agencies they work for no matter how many hours worked at additional agencies.
- Anyone not working full-time throughout a contribution reporting period **must** have their monthly **retirement service credit prorated** for that contribution reporting period. Calculating monthly service credit is based on the number of hours, days, or shifts considered full-time for the position for your agency compared to the number of hours, days, or shifts actually worked during a contribution reporting period.
 - ◆ Example: 80 hours worked during a contribution reporting period ÷ 160 hours required for full-time for the position for your agency = .5 retirement service credit for the contribution reporting period.
 - ◆ Examples of the need to prorate service would be part-time employees, employees hired or terminated in the middle of a contribution reporting period, employees on a leave of absence without pay – basically anyone not working full-time hours throughout the entire contribution reporting period. As a reminder,

there is nothing to enter in the full-time and partial service fields for anyone working full-time during the entire contribution reporting period – the system will automatically assign 1 month of retirement service credit when these fields are left blank.

- **Please let us know** if you attempt to correct a contribution amount for one month with a contribution for another month. **We will need to manually correct the amounts posted to each month on the member's account.** As a reminder, corrections to contributions in one fiscal year cannot be corrected with contributions submitted for another fiscal year, i.e., each fiscal year must be corrected separately. ERS's fiscal year is October – September.
- The current version of the **ERS Enrollment Member Information Record** (ERS 100), this typable form can be found on our website at www.rsa-al.gov, it is also in the forms section of this manual. Please ensure the information provided on the form is legible and complete. We should have an ERS enrollment form from **every** agency a member contributes with as it contains information specific to employment with each agency.
- In January of each year, ERS will send out the **Annual Checklists** for the previous fiscal year to each agency. This will provide your agency with the opportunity to make corrections to your employees' accounts.

You can use this link to look up a member's **tier status** by entering their SSN. If you ever think the tier status on this site is incorrect, *please contact us.*

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

User Name: cra-upload

Password: R\$@upLO@d

Should you need technical assistance submitting contributions using the **CRA software**, please contact our ITS Department at **1-877-517-0020, ext. 7411.**

EMPLOYEES' RETIREMENT SYSTEM

P. O. Box 302150 ♦ Montgomery, Alabama 36130-2150
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www.rsa-al.gov

Limitation on Annual Earnable Compensation Subject to Retirement Deductions

Section 36-27-1(14), Code of Alabama, 1975, limits earnable compensation on which a member of the Employees' Retirement System (ERS) may make retirement contributions. This limitation is effective for the plan year that began October 1, 1996, and for all subsequent plan years. The limitation adopted by this Act is the limitation imposed by §401(a)(17) of the Internal Revenue Code as applied to public pension funds. Only employees who became members of the ERS on or after October 1, 1996, shall be subject to the limitation. **Any employee who was a member of the Employees' Retirement System before October 1, 1996, shall not be subject to the limitations set forth in §401(a)(17).**

The limit on earnable compensation for the period October 1, 2014, through September 30, 2015, is \$260,000.00. This is the maximum amount on which a person who became a member of the ERS on or after October 1, 1996, may contribute during the plan year 2014-2015. Thus, during the plan year 2014-2015, the total retirement contributions are limited as follows:

5.00% Contributions Rate:	\$13,000.00
6.00% Contributions Rate:	\$15,600.00
7.00% Contributions Rate:	\$18,200.00
7.50% Contributions Rate:	\$19,500.00
8.50% Contributions Rate:	\$22,100.00
10.00% Contributions Rate:	\$26,000.00

Retirement contributions should be stopped on persons subject to this limit when contributions reach the above-stated limit for this plan year and resumed at the beginning of the next plan year, October 1, 2015.

The annual earnable compensation limit will be adjusted for changes in the cost-of-living by the Commissioner of the Internal Revenue Service. The ERS will advise you of any future changes to the annual limit. The earnable compensation upon which an employee contributes under this limit is the compensation for that year on which retirement benefits will be based. Please be reminded that this limit does not apply to any person who became a member of the ERS prior to October 1, 1996.



TM

THE RETIREMENT SYSTEMS OF ALABAMA

David G. Bronner, CEO
Donald L. Yancey, Deputy Director

December 3, 2015

MEMORANDUM

TO: Local Units Participating in the Employees' Retirement System of Alabama

FROM: William F. Kelley, Jr.
Director of Benefits
Employees' Retirement System

RE: Act 2012-302 - Retirement Contributions on Overtime Pay

Act 2012-302 amends §36-27-1(14), *Code of Alabama 1975*, to define earnable compensation as follows:

“the term earnable compensation for retirement purposes shall not include subsistence payments that are made to an employee and shall include overtime payments that are made to an employee; however, earnable compensation shall not exceed 120 percent of any employee’s annual base compensation as certified by the employer.”

Effective immediately, you should submit retirement contributions on overtime pay up to the cap of 120% of annual base compensation. It is the employer’s responsibility to determine the base compensation and to ensure that retirement contributions do not exceed the 120% limit.

Please make all employees who receive overtime payments aware of this important change.

FIREFIGHTER, CORRECTIONAL OFFICER AND LAW ENFORCEMENT OFFICER

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FIREFIGHTER, CORRECTIONAL OFFICER AND LAW ENFORCEMENT OFFICER

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

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% (6% if employer is not under the provisions of Act 2011-676) 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 and Act 2004-637 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% (6% if employer is not under the provisions of Act 2011-676) 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.*

Certification for Firefighters

The agency must certify service for current or former firefighters who were employed full-time. The agency must certify eligible service as soon as possible. A separate ACT 2004-637 FIREFIGHTER CERTIFICATION FORM must be completed by each employing agency to which service under this act has been rendered.

Certification for Law Enforcement Officers

The agency must certify service for current or former firefighters who were employed full-time. The agency must certify eligible service as soon as possible. A separate ACT 2004-637 LAW ENFORCEMENT OFFICERS CERTIFICATION FORM must be completed by each employing agency to which service under this act has been rendered.

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TERMINATION OF SERVICE

Termination of Employment – Ineligible for Retirement

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

1. If the member is **vested** (has at least 10 years of service), retirement contributions may be left in the system until **age 60 for Tier 1** and **age 62 for Tier 2**. 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.
**age 52 Tier 1 State Police and age 56 Tier 2 State Police and FLC employees.*
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 an active 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.**

Note: 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 ERS 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 ERS is cancelled. For vested members, the right to lifetime monthly retirement benefits at age 60 (Tier 1) or age 62 (Tier 2) is forfeited.

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

Years of Membership Service	Amount of Interest Refunded	Contributions Refunded
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

Deceased Before 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* Or 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 (October 1 – September 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 not 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* Or 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 Or (2) Member contributions, total interest earned, plus an amount equal to the member's salary for the prior fiscal year (October 1 – September 30)

*Age 52 for State Police

* 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* Or 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 (October 1 – September 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 not 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 Or (2) Member contributions, total interest earned, plus an amount equal to the member's salary for the prior fiscal year (October 1 – September 30)

*Age 56 for State Police and FLC employees

* 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 ERS. 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.

Completing the Application for Survivor Benefit form

Payment to the beneficiary(ies) cannot be made until the ERS 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(ies) 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(ies) should read the SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS 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

An official of the employing agency must complete Part III of the RSA-SB form. It is very important to complete all portions of this section. It is especially important to indicate whether or not the member had terminated employment prior to death.

Once the application is submitted, the beneficiary will be provided estimated payment amounts or payment options. The beneficiary will be provided any additional form or forms needed to process the beneficiary payment(s).

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.

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).

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RETIREMENT

Disability and Service

Disability Retirement

Requirements

A member is *eligible to apply* for disability retirement with the ERS 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, with or without pay, 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.**

The ERS Medical Board must determine the member to be permanently incapacitated for the further performance of duty. The Medical Board bases its determination upon information provided by the member’s physician.

If a State Policeman incurs a service-connected disability, he or she may retire on disability without a minimum service or age requirement.

Application for Disability Retirement

A RETIREMENT APPLICATION PACKET and a REPORT OF DISABILITY PACKET must be remitted to the ERS no less than 30 days nor more than 90 days prior to the proposed effective date of retirement (effective date of retirement can only be the 1st day of any month). 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 (STATE EMPLOYEES ONLY):** The member completes all sections except Employer Certification. This section is to be completed by the payroll/insurance official.
 - **DIRECT DEPOSIT AUTHORIZATION:** The ERS 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 ERS 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 STATEMENT BY EXAMINING PHYSICIAN are submitted separately to the ERS, the retirement date will be determined by the date the ERS 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 §36-27-16 (b) (3)

(3) REEXAMINATION OF BENEFICIARIES RETIRED ON ACCOUNT OF DISABILITY. "Once each year during the first five years following the retirement of a member on a disability retirement allowance and once every three-year period thereafter, the Board of Control may, and upon his or her application shall, require any disability beneficiary who has not yet attained age 60 if the beneficiary is a Tier I plan member or age 62 if the beneficiary is a Tier II plan member 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 or physicians of or designated by the medical board. Should any disability beneficiary who has not yet attained age 60 if the beneficiary is a Tier I plan member or age 62 if the beneficiary is a Tier II plan member refuse to submit to such medical examination, his or her allowance may be discontinued until his or her withdrawal of such refusal, and, should his or her refusal continue for one year, all his or her rights in and to his or her pension may be revoked by the Board of Control; provided, that these requirements relative to the medical examination shall not apply in the case of a state policeman retired for disability and who has

attained age 52 if he or she is a Tier I plan member or in the case of a state policeman or a correctional officer, firefighter, or law enforcement officer as defined in Section 36-27-59 with at least ten years of creditable service as a correctional officer, firefighter, or law enforcement officer retired for disability who has attained age 56 if he or she is a Tier II plan member. Should the medical board report and certify to the Board of Control that a disability beneficiary who is a Tier I plan member is engaged in or is able to engage in a gainful occupation paying more than the difference between his or her retirement allowance and his or her average final compensation and should the Board of Control concur in such report, then the amount of his or her pension shall be reduced to an amount which, together with his or her annuity and the amount earnable by him or her shall equal the amount of his or her average final compensation. Should his or her earning capacity be later changed, the amount of his or her pension may be further modified; provided, that the new pension shall not exceed the amount of the pension originally granted nor an amount which, when added to the amount earnable by the beneficiary, together with this annuity exceeds the amount of his or her average final compensation.

Should the medical board report and certify to the Board of Control that a disability beneficiary who is a Tier II plan member has the capacity to engage in regular and substantial gainful employment, the Board of Control shall discontinue the beneficiary's retirement allowance until the beneficiary is otherwise eligible for service retirement."

Service Retirement

Requirements

If the employing agency **has adopted or is under the provisions of Act 88-548**, a member is eligible for service 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
- *age 52 for State Police

If the employing agency **has not adopted or is not under the provisions of Act 88-548**, a member may retire:

- at age 60 with 10 or more years of creditable service, **or**
- at any age with 30 years or more of creditable service.

TIER 2

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

Any agency that has elected ERS membership after October 1, 1988, is covered under the provisions of 25-year retirement eligibility.

Application for Retirement

- **An APPLICATION FOR RETIREMENT (FORM 10)** must be submitted to the ERS **no less than 30 days nor more than 90 days prior to the effective date of retirement**. The effective retirement date is always the first day of a month. The Form 10 must be completed by the member and notarized.
- **Agency Certification:** The agency must complete the Employer Certification section on the APPLICATION FOR RETIREMENT.
- **Direct Deposit:** Direct deposit of retirement checks is a strongly recommended option. The ERS DDR, DIRECT DEPOSIT AUTHORIZATION, is included with the RETIREMENT APPLICATION PACKET. The member and an official of the member's selected financial institution (bank) will complete this form. The ERS DDR may be submitted with the APPLICATION FOR RETIREMENT or separately.

The member may file an APPLICATION FOR RETIREMENT (FORM 10) directly with the ERS without the employer certification, which will establish the employee's retirement date. Upon receipt, the ERS will send the FORM 10 to the employing agency for completion of the Employer Certification section of the form. If the member is age 60 and vested (more than 10 years of service) and has not been employed with an agency covered by the RSA for over six months, 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 employee'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.

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POSTRETIREMENT EMPLOYMENT

Postretirement Employment of ERS or TRS Retiree

Once you are a retiree of any RSA agency, there are very strict guidelines that must be followed when it comes to Postretirement Employment.

Employment Eligible for ERS or TRS Participation

Unless the postretirement employment meets the Exceptions from Retirement Benefit Suspension, an ERS retiree who is employed with an ERS or TRS member agency must have his or her retirement benefit suspended until he or she withdraws from service again. Employment with the ERS If the retiree is employed in a position eligible for ERS coverage, after a period of two years, he or she may petition the ERS Board of Control to permit the resumption of participation in the ERS. Upon approval, the member would pay the contributions of the two-year period of noncontributing service and begin contributing on future compensation. If you participated in DROP, you will automatically be reinstated as a contributing member to the ERS without the two-year waiting period. Upon subsequent termination of employment, the member's retirement benefit will be recalculated to include service accrued since reemployment. The member would also be allowed to reselect a retirement option and beneficiary. If you participated in DROP, your post-DROP benefit will be added to your regular benefit and you will not be allowed to reselect a retirement option.

Employment with the TRS

An ERS retiree who is employed with a TRS member agency in a position eligible for retirement coverage must begin participation in the TRS immediately. The member's ERS retirement account will be terminated and remaining funds and creditable service will be transferred and credited to the new TRS account. Upon subsequent termination of employment, the member's retirement benefit will be recalculated to include service accrued since reemployment. The member would also be allowed to reselect a retirement option and beneficiary. If you participated in DROP, your post-DROP benefit will be added to your regular benefit and you will not be allowed to reselect a retirement option.

Exceptions from Retirement Benefit Suspension

An ERS service retiree employed with an ERS or TRS member agency may continue to receive retirement benefits provided the retired member meets both of the following conditions:

1. The retiree must not be employed or under contract for permanent, full-time employment.
2. The retiree's compensation cannot exceed the limitation on earnings. The limits are subject to change each year based upon the Consumer Price Index (CPI). The limit for the 2014 calendar year was \$23,000 and for 2015 is \$24,000.

If a retiree's compensation exceeds the annual limitation on earnings, the retirement benefit will be suspended for the remainder of the calendar year.

- Retirees who return to work with an ERS or TRS member agency in the same calendar year as their retirement are subject to a prorated earnings limitation based upon the number of months remaining in the year. Retirees who retire effective January 1 of a given year are only subject to the annual earnings limitation amount.
- 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.
- If an ERS or TRS retiree exceeds the limitation on earnings, the employing agency must notify the RSA immediately. Any questions concerning postretirement law should be directed to the ERS.

Disability Retiree

A disability retiree employed with an ERS or TRS participating agency is subject to the following additional compensation limitation: The lesser of the same limitations as a service retiree or the difference between the average final salary and the annual retirement benefit. If the retiree is employed with a non-ERS or non-TRS agency, in private industry or private education, earnings cannot exceed the difference between the average final salary and the annual retirement benefit. The earnings restriction is waived upon attaining age 60.*

**Age 52 for a State Policeman*

Contract Services

Retirees providing services to ERS or TRS agencies on a contractual basis may be subject to the limitations on compensation. If an ERS or TRS agency has entered into a contract with an ERS or TRS retiree or with a third party that is providing compensation to the retiree, please provide a copy of the contract to the ERS to confirm whether or not this contract would violate the postretirement employment law.

Private Employment

There are no limitations on earnings for a service retiree employed in private industry, private education, or a non-participating RSA agency.

Elected Officials

An ERS retiree who is elected or appointed to an office that is covered under the ERS must have their benefit suspended once compensation from the office exceeds the annual limitation on earnings. An ERS retiree who becomes an elected official and participates in a supernumerary plan may continue to receive his or her retirement benefit while he or she serves in the elected position. However, if the ERS retiree is ultimately eligible to become an “appointed supernumerary official,” he or she would not be able to receive both the ERS retirement benefit and the supernumerary benefit. Not knowing exactly what your options and guidelines are can cause you problems and even result in your benefit being suspended. Do not let it happen to you. Keep yourself updated and educated on the rules governing Postretirement Employment and do not forget to call the ERS at 877.517.0020 if you are ever in doubt.

New Postretirement Form Requirements

Included in the Forms section are the new postretirement forms required from the agencies and the retirees returning to work to changes to the Code of Alabama Sections 16-25-26 and 36-27-8.2(c) in April 2014.

One of the significant changes is the requirement that the retiree, in addition to the employing agency, notify RSA of any post retirement employment with a participating ERS agency. Additionally, the new law specifically states that independent contractors be required to comply with restrictions to avoid suspension of retirement benefits. It is strongly suggested that any contractor relationship be discussed with staff at ERS to ensure compliance with the law. Some relationships are exempt from restrictions while others are not. It is incumbent upon the retiree and agency to determine the true definition of that relationship after discussion with a TRS or ERS representative to avoid suspension of retirement benefits.

Also included is the form to be used by the agency when a retiree first enters on duty with the agency, EMPLOYING AGENCY INITIAL NOTICE (PRE EAIN), and the form to be used for the annual certification required by the agency, EMPLOYING AGENCY ANNUAL CERTIFICATION (PRE EAAC). As stated in the instructions, this annual certification form will be required in **January 2015** and again in **December 2015**.

However, in subsequent years, this annual certification will only be required in **December of each calendar year**. In an effort to fully implement the new process, we are asking for a certification in January 2015 to use as a basis for the future annual requirement. Forms are also located in the *Employers* section of our website at www.rsa-al.gov.

The retiree will also be required to notify the RSA of their employment by completing the RETIREE NOTICE POSTRETIREMENT EMPLOYMENT (PRE RN). To best ensure that retirees complete and submit this notice, we are including it as part of your Postretirement Employment package. Please provide this form to retirees you are currently employing, and maintain the form on file as new retirees come on board. Please coordinate the submission of your EMPLOYING AGENCY INITIAL NOTICE for new hires with the RETIREE NOTICE POSTRETIREMENT EMPLOYMENT (PRE RN) form.

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AGENCY OPTIONS

EMPLOYER PICKUP OF RETIREMENT CONTRIBUTIONS (Tax Sheltering)

The participating agency may request information from the ERS 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 ERS 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 ERS. If the employing agency begins participating in the tax-sheltering, all contributing ERS 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 ERS are required to contribute (5% or 7.5%) of earned compensation for Tier 1 and (6.0%) for Tier 2. Firefighters, correctional officers, and law enforcement officers, not covered as State Policemen, must contribute six percent (6% or 8.5%) of earned compensation for Tier 1 and (7.0%) for Tier 2. Retirement contributions are subject to federal income tax and are included as taxable income, unless the agency tax-shelters employee contributions.

ERS 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 ERS. 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 ERS.

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 ERS 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 ERS.

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.

Sick Leave Conversion (Tier 1 Only)

The provisions of Act 88-904 codified under §36-26-36.1, *Code of Alabama*, 1975, allow an ERS 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; or 30 years of service, regardless of age if agency has not elected 25-year retirement eligibility).

The following chart is used by the ERS 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 limit 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 – 10	0	191 – 210	10
11 – 30	1	211 – 230	11
31 – 50	2	231 – 250	12
51 – 70	3	251 – 270	13
71 – 90	4	271 – 290	14
91 – 110	5	291 – 310	15
111 – 130	6	311 – 330	16
131 – 150	7	331 – 350	17
151 – 170	8	351 - 370	18
171 - 190	9		

To adopt the provisions of Act 88-904, the governing body of the ERS participating agency must adopt a resolution, which must be forwarded to the ERS. The ERS will provide a sample copy of a resolution at the request of an official of the agency.

Tier 2 members cannot convert sick leave to service credit.

Twenty-Five (25) Year Retirement

Tier 1 ERS members may retire at any age with twenty-five (25) or more years of service, provided the participating ERS agency has adopted and funded Act 88-548. If the agency has not adopted this Act, the member may retire at any age with thirty (30) or more years of service. All agencies electing ERS participation after October 1, 1988, are required to operate under the provisions of ACT 88-548: retiring with twenty-five (25) or more years of service at any age.

The governing board of the participating ERS agency must adopt a resolution. The ERS will provide a sample resolution at the request of an official of the agency. The ERS recommends that before an agency elects to adopt this provision, the agency has an actuarial study computed to determine the cost associated with the implementation of this provision.

Cost-of-Living Increases

Cost-of-living increases for ERS retirees are provided on an *ad hoc* basis. The Alabama Legislature occasionally passes into law a cost-of-living increase for ERS retirees. The amount of any increase will be based upon the provisions of the legislation.

Cost-of-living increases for retirees of agencies covered under §36-27-6, *Code of Alabama, 1975*, (non state member agencies) require the approval of the governing body of the ERS agency, which must fund the cost-of-living increase for persons retired from that agency. The ERS will provide information regarding an increase to the agencies on any future increases adopted by the Alabama Legislature.

Including 1978, twelve (12) cost-of-living increases have been passed into law. Recent legislation has allowed for a cost-of-living increase for the beneficiary of a retiree who had selected a monthly survivor option at retirement (Option 2, 3 or 4).

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DEFERRED RETIREMENT OPTION PLAN (DROP)

Introduction

The Deferred Retirement Option Plan (DROP) became effective June 1, 2002. This voluntary plan allowed members of the ERS to contract with the ERS 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.

Due to Act 2011-27, the ERS stopped accepting DROP applications March 24, 2011.

The information in this section of the Manual is based on the Code of Alabama 1975, Title 36, Chapter 27, Article 9. This section is not intended as a substitute for the laws of Alabama governing the ERS 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 ERS directly with any questions you may have about eligibility or how DROP works. Also consult the ERS Member Handbook.

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 and terminated employment, 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. No payment can be made unless the member ceases employment.

Members who **voluntarily** terminate employment or withdraw from DROP in the first three years of DROP participation must forfeit the accrued deferred retirement benefits in their DROP account. There is no forfeiture

for **involuntary termination, disability, involuntary transfer of his or her spouse, or death of the participant** in the first three years.

Entering DROP

Maximum or Optional Retirement Allowance

At the beginning of the participation period, the member must select between the maximum monthly benefit or one of the options the same as he or she would do if retiring. **This option is an irrevocable, one-time election.** If the member does not make this selection, he or she will automatically receive the maximum. The 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 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.

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 ERS during the DROP participation period.

The DROP Account

The DROP account funds are generated from three sources:

1. 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, health insurance or Social Security.

2. Member Contributions

The member contributions established by the Alabama Legislature will be placed in the member's DROP account. Up to October 1, 2011, the contribution rate will be 5% for regular members and 6% for full-time certified firefighters, correctional officers, and law enforcement officers. Beginning October 1, 2011, regular member's contributions will be 7.25% and 7.5% beginning October 1, 2012. Full-time certified firefighters, correctional officers, and law enforcement officers will contribute 8.25% beginning October 1, 2011, and 8.5% beginning October 1, 2012.

3. Interest

The DROP account will earn interest at the same rate as active member accounts (currently four percent). Interest accruals on member contributions cease at termination of the DROP participation period and are, by law, subject to 20% or 30% forfeiture, depending on the member's years of service. 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.

Active COLAs and Salary Increases

Participants in DROP may receive active COLAs and salary increases.

Health Insurance

A member's health insurance benefits will continue to be provided through the member's employing agency.

Annual and Sick Leave

Participants in DROP will continue to accrue sick and annual leave based on agency approval. See ***Converting Accrued Sick Leave*** for more information.

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 any state employee under the state personnel system, including, but not limited to, his or her rights to longevity pay. The election to enter DROP is between the ERS 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 website or you can request one by contacting the ERS.

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 or make a direct rollover to a qualified plan:

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 ERS during the DROP participation period plus interest (currently four percent).

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.

Involuntary Termination, Disability, or Involuntary Transfer of Spouse in First Three Years of DROP Participation

A member who did not fulfill his or her contractual obligation due to involuntary termination, disability, or involuntary transfer of spouse in the first three years of the DROP participation period may elect to receive the following contributions in either a lump-sum payment or make a direct rollover to a qualified plan:

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 ERS during the DROP participation period plus interest (currently four percent).

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.

Voluntary Termination within the First Three Years of DROP Participation

A member who withdraws from service voluntarily within the first three years of DROP will **forfeit** the DROP contributions based on the monthly retirement allowance made to his or her account. He or she may elect to receive the

following in either a lump-sum payment or make a direct rollover to a qualified plan:

1. Member contributions made to the ERS during the DROP participation period plus interest (currently four percent).
2. Interest attributable to the monthly retirement allowance contributions made to the DROP account during the DROP participation period.

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.

Death During DROP Participation

If the member dies anytime during the DROP participation period and the beneficiary is the spouse, the spouse may elect to receive the following contributions in either a lump-sum payment or make a direct rollover to a qualified plan. Non-spouse beneficiary(s) may only receive the following contributions in a lump-sum payment:

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 ERS during the DROP participation period plus interest (currently four percent).

Any retirement benefit based on the retirement option elected 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. 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 ERS for the purpose of earning creditable service. No time spent participating in DROP will be counted as creditable service. For 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.

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

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 ERS during the DROP participation period plus interest (currently four percent).

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. (*2.875% for a State Policeman)

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.

Distribution of DROP Account

No distributions from a member's DROP account will be made until the member terminates employment with any RSA participating agency.

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 the account balance to a traditional IRA, another employer retirement plan, a 403(b) Tax Sheltered Annuity, or a governmental 457(b) plan that accepts rollovers. **The RSA-1 Deferred Compensation Plan accepts rollovers from your DROP account.**

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 Website or by contacting the ERS.**

Applying for DROP Distribution - Early Termination

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 ERS 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 ERS.
2. Complete the REQUEST FOR EARLY TERMINATION OF DROP form (ERS 10 D-E). Indicate the reason for the early termination and 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.
3. Send both the completed REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form and the REQUEST FOR EARLY TERMINATION OF DROP form to the

ERS. If electing a rollover, the Trustee will send the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form to the ERS. Both forms must be completed and returned to the ERS at least 30 days prior to termination of employment, if possible.

4. Supporting documentation must be included with the forms. If the termination is involuntary, submit a copy of the termination letter. If the termination is due to a disability, the DROP participant must complete and submit the REPORT OF DISABILITY PACKET. The STATEMENT OF EXAMINING PHYSICIAN form (also used to apply for a disability retirement) in the REPORT OF DISABILITY PACKET must be signed by the member and completed by his or her attending physician. The medical information will be reviewed by the RSA Medical Board, which will rule on your eligibility. If the termination is due to involuntary transfer of spouse, submit a copy of the transfer letter on company letterhead.

Applying for DROP Distribution - Participation Period Completed

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 ERS 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 ERS.
2. Complete the REQUEST FOR DROP TERMINATION PARTICIPATION PERIOD COMPLETED form (ERS 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..
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 ERS. If electing a rollover, the Trustee will send the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form to the ERS. Both forms must be completed and returned to the ERS 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 ERS. 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 ERS.

DROP Participation Period Completed - Will Continue Employment

Complete the REQUEST FOR DROP TERMINATION PARTICIPATION PERIOD COMPLETED/CONTINUED SERVICE form (ERS 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 ERS. 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 ERS 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 ERS.

2. Complete the **TERMINATION OF EMPLOYMENT OF CONTINUED SERVICE - POST DROP** form (ERS 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.
3. Send both the completed **REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION** form and the **TERMINATION OF CONTINUED SERVICE – POST DROP** form to the ERS. If electing a rollover, the Trustee will send the **REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION** form to the ERS. Both forms must be completed and returned to the ERS 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 ERS or TRS. This additional service will be calculated based on Number 4 under **Continued Service After the DROP Participation Period**.

City, County, Town, Public or Quasi-Public Organization or Political Subdivision (Section 12)

The governing body of Section 12 units must elect to come under the provisions of DROP and assume any costs associated with implementation of DROP. Once the Section 12 unit exercises the option to participate in DROP, the option is irreversible. Any agency that elected to participate in the ERS on or after February 1, 2002, is required to participate under the DROP provisions.

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 ERS for an official estimate. The retirement benefit calculator on our Website 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 website to determine the monthly retirement benefit.

*.02875 for a State Policeman

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 \$58,000; 32 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 \$60,500.

1. Monthly retirement benefit:
 $\$58,000 \times 32 \times .020125^* \div 12 = \$3,112.67$

2. DROP contribution value including interest:
 $\$3,112.67 \times 51.98 = \$161,796.58$
 3. Member contributions including interest:
 $\$60,500 \times .2166 = \$13,104.30$
 4. Total DROP benefit:
 $\$161,796.58 + \$13,104.30 = \$174,900.88$
- *.02875 for State Policeman

All of the forms listed in this section are contained in the Forms section of this Manual and are available from ERS.

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RSA-1 DEFERRED COMPENSATION PLAN

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

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 website.

Deferral Limits

The 2015 deferral limits are \$18,000 if you are under the age of 50. If you are 50 or older, the limit is \$24,000. The catch-up deferral limit for 2015 is \$36,000.

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RSA PUBLICATIONS AND NOTIFICATIONS

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 ERS 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 ERS to contract with the ERS 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 Website (www.rsa-al.gov)

The RSA Website publishes RSA's Member Handbooks, Retirement Videos, 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.

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

Annual Statement of Account

The ERS 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.

Actuarial Valuations

Each agency participating under §36-37-6, *Code of Alabama, 1975*, will be sent an Actuarial Valuation each year. The valuation verifies the employer rate for retirement payroll matching.

Retirement Legislation

After the close of each legislative session and a legal interpretation of the law, the ERS 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 ERS 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

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 §36-27-24.

Agency

The state of Alabama or any department, commission, institution, or any other entity of and within the state by which an employee is paid, including employers as provided in §36-27-6.

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 (Tier 1) or highest five (Tier 2) annual salaries in the member’s last 10 years of creditable service for which the member made contributions to the ERS subsequent to §36-27-24.

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 who is 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 Participation Period

The period of time the member agrees to contract with the ERS under DROP. Election to participate in DROP must be in one-year increments 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.

Employee

Any regular employee of the state of Alabama whose salary is paid by state warrant by the state. Exceptions apply. See §36-27-1(2).

Employer

The state of Alabama or any department, commission, institution or any other agency of and within the state by which an employee is paid, including employers as provided in §36-27-6.

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 enforcement officer employed by a local unit of the Employees' 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 §36-27-4.

Medical Board

A medical board composed of three physicians not eligible to participate in the retirement system. The Medical Board shall arrange for a 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 as an employee 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.

Prior Service

Service rendered prior to the date of establishment of the retirement system for which credit is allowable under §36-27-11.

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:

- Tier 1 - age *60 with 10 or more years of creditable service or at any age with 25 or more years of creditable service.
*It is age 52 for State Police provided the agency has adopted 25 year retirement.
- Tier 2 – He or she has at least 10 years of service credit and has attained the age of 62 (age 56 for State Police and certified, full-time firefighter, correctional officer, and law enforcement officer).

Section 12 Agency (§36-27-6 Agency)

Public or quasi-public non-profit governmental organization/agency of the state of Alabama.

Service

Service as an employee paid for by an employer.

State Police

An employee in the classified service under the Merit System Act approved by the Personnel Board to perform the duties of highway patrolman or a beverage control agency or a crime investigator. The term shall not include a member employed as a policeman under §36-27-6.

Vesting

There is a 10-year vesting for ERS. 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

TRS

Teachers' Retirement System of Alabama

ERS FORMS

- ☐ Form 100, Enrollment Form: Member Information Record
- ☐ Form DMB PTR, Designation of Multiple Beneficiaries Prior to Retirement
- ☐ RSA ADDCHGF, Address Change Notification
- ☐ Form TRS TRF TR-1, Transfer of Membership From Teachers' Retirement System to ERS
- ☐ Form ERS TRF TR-2, Transfer of Membership From Employees' Retirement System to TRS
- ☐ RSA 100-C, Change of Beneficiary Prior to Retirement
- ☐ RSA 14 APAD, Acceptable Proof of Age Documents
- ☐ RSA 7, Notice of Final Deposit and Request for Refund
- ☐ Special Tax Notice Regarding Your Rollover Options
- ☐ ERS 7IR, Ineligible Member Refund Request
- ☐ RSA-SB PRDB, Application for Survivor Benefit
- ☐ ERS F SC, Service Calculation
- ☐ ERS FCFERS, Firefighter Certification (Act 2004-637)
- ☐ ERS LEOCERS, Law Enforcement Officer Certification Form (Act 2004-637)
- ☐ ERS MLWOP, Application to Obtain Service Credit for Maternity Leave Without Pay
- ☐ RSA-1 PURSVC, In-Service Transfer
- ☐ Part I: Retirement Application Packet – State Employees
- ☐ Part I: Retirement Application Packet – Non-State Employees
- ☐ Part II: Retirement Benefit Option Selection and Tax Forms Packet
- ☐ Report of Disability Packet
- ☐ ERS 10MB ATTCH, Multiple Beneficiaries Attachment
- ☐ RSA PRE EAIN, Employing Agency Initial Notice Postretirement Employment
- ☐ RSA PRE EAAC, Employing Agency Annual Certification Postretirement Employment
- ☐ RSA PRE RN, Retiree Notice of Postretirement Employment

The above forms may be downloaded from our website and are located in the ERS forms area.

Website: www.rsa-al.gov

DROP FORMS

- ☐ ERS 10 D-C, Request for DROP Termination Participation Period Completed
- ☐ ERS 10 D-D, DROP Request for Distribution
- ☐ RSA-DROP BEN, Application for Beneficiary Payment
- ☐ ERS 10 D-CCE, DROP Participation Period Completed/Continued Service
- ☐ ERS 10 D-CT, DROP Termination of Employment of Continued Service – Post DROP
- ☐ Direct Deposit Authorization
- ☐ DROP BEN, Change of Beneficiary DROP Account

The above forms may be downloaded from our website and are located in the ERS forms area.
Website: www.rsa-al.gov

RSA-1 FORMS

- 📄 RSA-1 EN, RSA-1 Enrollment RSA-1 Deferred Compensation Plan
- 📄 RSA-1 PEIRAF BEN, Beneficiary Designation RSA-1 & PEIRAF
- 📄 RSA-1 EN IOE New, Investment Option Election for New Accounts
- 📄 RSA-1 ADC, Authorization to Defer Compensation
- 📄 RSA-1 IOE Existing, Investment Option Election for Existing Accounts
- 📄 RSA-1 IOE Future, Investment Option Election for Future Deferrals
- 📄 RSA-1 IOE DROP or TRANSFER Existing, Investment Option Election for Existing DROP Rollover or 457
- 📄 RSA-1 CATCH UP, Special Catch-Up Election and Worksheet

The above forms may be downloaded from our website and are located in the ERS forms area.

Website: www.rsa-al.gov