



# Participating Agency Seminars

*Summer 2015*

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# The ERS Agency Manual

## **Introduction to the Agency Manual**

- Purpose of the Agency Manual
- Contents of the Agency Manual

## **Highlighted Sections**

- Member Participation and Eligibility
- Reporting Retirement Contributions
- Postretirement Employment

# Introduction to the Agency Manual

## Purpose of the Agency Manual

- To provide payroll and/or personnel officers of ERS employing agencies with an understanding of their responsibilities in reporting retirement wages and remitting retirement contributions.
- 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). All updates to this manual are available online at [www.rsa-al.gov](http://www.rsa-al.gov).
- To ensure soundness, each employer's plan is required by law to have an annual actuarial valuation of its assets and liabilities to determine, on the basis of actual experience, changes in the employer's annual contribution rate. Based on the actuarial valuation, the contribution rate of the employer is adjusted 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.

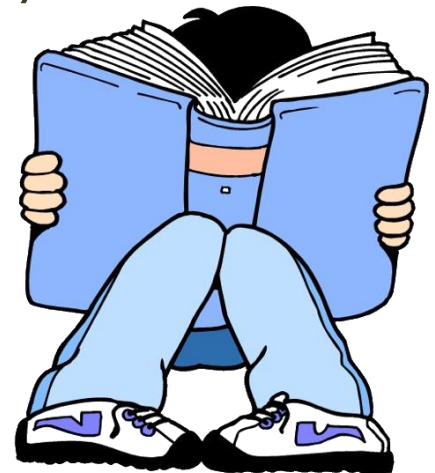
# Introduction to the Agency Manual

## Contents of the Agency Manual

- Member Participation and Eligibility
- Updating Information
- Reporting Retirement Contributions
- Firefighter, Correctional Officer and Law Enforcement Officer
- Termination of Service
- Retirement: Disability and Service
- Postretirement Employment
- Agency Options
- DROP
- RSA-1 Summary Plan Description
- RSA Publications and Notifications
- Glossary and Abbreviations
- ERS Forms
- DROP Forms
- RSA-1 Forms

# Highlighted Sections

1. Member Participation and Eligibility *(Tab 1)*
2. Reporting Retirement Contributions *(Tab 3)*
3. Postretirement Employment *(Tab 7)*



# Member Contributions and Eligibility

**Mandatory Participation** – if a person is employed in a non-temporary capacity on at least a half-time (50%) basis.

- **Tier 1** - member had service credit in the ERS or TRS prior to January 1, 2013. This includes a member who has withdrawn service or has purchased non-temporary error service that predates January 1, 2013.
- **Tier 2** - member who first began eligible employment with an ERS or TRS participating employer on or after January 1, 2013, and who had no eligible service in the ERS or TRS prior to January 1, 2013.

*\*More detail on page 2 of Tab 1*

# Tier I and Tier II Comparison

	Tier I	Tier II
Date of Employment	Prior to January 1, 2013	On or after January 1, 2013
Member Contribution Rate	<ul style="list-style-type: none"> <li>● 5% or 7.5% for Regular Employees</li> <li>● 6% or 8.5% for FLC Employees</li> <li>● 10.0% for State Police</li> </ul>	<ul style="list-style-type: none"> <li>● 6.0% for Regular Employees</li> <li>● 7.0% for FLC Employees</li> <li>● 10.0% for State Police</li> </ul>
Retirement Eligibility	<ul style="list-style-type: none"> <li>● 25 years of service at any age (30 years for agencies that have not adopted Act 88-548)</li> <li>● At least 10 years of service at age 60 (age 52 for State Police)</li> </ul>	<ul style="list-style-type: none"> <li>● No 25-year or 30-year retirement</li> <li>● At least 10 years of service at age 62 (age 56 for FLC employees and State Police)</li> </ul>
Retirement Factor	<ul style="list-style-type: none"> <li>● 2.0125% for Regular Employees</li> <li>● 2.875% for State Police</li> </ul>	<ul style="list-style-type: none"> <li>● 1.650% for Regular Employees</li> <li>● 2.375% for State Police</li> </ul>

# Tier I and Tier II Comparison

	Tier I	Tier II
Average Final Salary	Average of the highest three years of the last ten years	Average of the highest five years of the last ten years
Benefit Cap	None	80% of Average Final Salary ( <i>Approx. 48 yrs &amp; 6 mos to get to cap</i> )
Retirement Contributions on Overtime Pay	Contribute on overtime up to 20% of base pay	Contribute on overtime up to 25% of base pay
Sick Leave Conversion	Yes	No
FLC Bonus Year/State Police Bonus	Yes	No



# Member Contributions and Eligibility, continued

- **New Members** - 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.
- **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** - may not participate in the ERS unless covered by a local Constitutional Amendment to provide for coverage of elected officials.

*\*More detail on pages 2 and 3 of Tab 1*

# Member Contributions and Eligibility

## Not Eligible for ERS Participation

- Active TRS members
- Receiving ERS retirement benefits (*Postretirement Employment*)
- Retired TRS members employed part-time with an ERS member agency (*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 specific termination date not exceeding one year
- Employees specifically excluded from participation by resolution at the time the employer began ERS participation

*\*More detail on page 3 of Tab 1*

# Member Contributions and Eligibility

## Transfers from other ERS/TRS Agencies

- Members who previously worked for an agency covered under the TRS must complete a TR-1 form in order to transfer service credit. The TRS does not automatically transfer service credit to the ERS. The member must authorize this transfer.
- Members transferring from one ERS agency to another ERS agency should complete and submit a new Form 100.
- A withdrawn account under the TRS or ERS is not transferable.
- Members who previously participated in the ERS or TRS, withdrew contributions, and becomes a member again may restore the previously cancelled creditable service upon the completion of two years contributing membership 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.

*\*More detail on page 4 of Tab 1*

# Reporting Retirement Contributions

- Exceptions
- Reporting Method and Deadlines
- Status Change Reporting
- Correcting Reporting Errors
- Common Reporting Errors



# Reporting Retirement Contributions

## Reporting Specifications

- Member contributions must be based on the **compensation that is earned** in a reporting period.
- Earnable compensation consists of **all regular** compensation earned and overtime compensation up to:
  - 20% of base pay for Tier 1 member
  - 25% of base pay for Tier 2 member
- 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.

*\*More detail on page 2 of Tab 3*

# Reporting Retirement Contributions

## Exceptions

Do **not** remit retirement contributions on:

- 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

*\*More detail on page 2 of Tab 3*

# Reporting Retirement Contributions

## Reporting Method and Deadlines

- 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 10<sup>th</sup> of the month.**
- Detailed instructions for using the Contributions Reporting Application (CRA) software can be found on the RSA website at:

**[www.rsa-al.gov/index.php/employers/contributions-reporting-application](http://www.rsa-al.gov/index.php/employers/contributions-reporting-application)**

- The RSA is currently updating its computer system. A new, more detailed reporting system will be implemented with a target date of 2017.

# Reporting Retirement Contributions

## 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%



# Reporting Retirement Contributions

## Reporting Method and Deadlines, continued

- **For RSA-1**, a separate file must be generated 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.



# Reporting Retirement Contributions

## Status Change Reporting

### Part-time Employees

- If an ERS member is less than full-time or on a leave of absence with or without pay, contributions should be deducted and service credit should be given in proportion to the percent of time worked as compared to a full-time employee for that job classification.

### Temporary Employees

- Temporary employees who are employed longer than 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.
- Temporary service of less than one year is ineligible for service credit.

*\*More detail on pages 4 and 5 of Tab 3*

# Reporting Retirement Contributions

## Correcting Reporting Errors

### Eligible Employee

- When the agency fails to remit retirement contributions on an eligible employee, a ERS F SC, SERVICE CALCULATION FORM, must be completed.
- 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.

### 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.

*\*More detail on page 6 of Tab 3*

# Reporting Retirement Contributions

## Common Reporting Questions and Errors

- 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. Anyone participating as a Firefighter or Law Enforcement Officer who has other participating employment should make contributions on all compensation at the Firefighter or Law Enforcement Officer rate.
- 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 ERS 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.

# Reporting Retirement Contributions

## Common Reporting Questions and Errors, continued

- Anyone not working full-time throughout a contribution reporting period **must** have his or her monthly **retirement service credit prorated** for that contribution reporting period.
- 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.** 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.

# Postretirement Employment

- Postretirement Employment of ERS or TRS Retiree
- New Postretirement Form Requirements



# Postretirement Employment

## Postretirement Employment of ERS or TRS Retiree

### Employment Eligible for ERS or TRS Participation

- 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.
- If retiree is employed in a position eligible for ERS coverage, he or she may petition the ERS Board of Control to permit the resumption of participation in the ERS after a period of two years.
- Upon approval, the member would pay the contributions of the two-year period of noncontributing service and begin contributing on future compensation.
- Upon subsequent termination of employment, the retirement benefit will be recalculated to include service accrued since reemployment. The member would also be allowed to reselect a retirement option and beneficiary.

*\*More detail on page 2 of Tab 7*

# Postretirement Employment

## Postretirement Employment of ERS or TRS Retiree

### Employment Eligible for ERS or TRS Participation, continued

- Upon subsequent termination of employment, the retirement benefit will be recalculated to include service accrued since reemployment. The member would also be allowed to reselect a retirement option and beneficiary.
- An ERS DROP retiree who is employed with an ERS agency must have his or her retirement benefit suspended. The ERS DROP retiree should immediately be enrolled in the ERS, begin contributing as a Post DROP retiree, and start accruing an additional benefit. The ERS DROP retiree cannot be allowed to reselect a retirement option.

*\*More detail on page 2 of Tab 7*



# Postretirement Employment

## Postretirement Employment of ERS or TRS Retiree

### 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.

*\*More detail on page 2 of Tab 7*

# Postretirement Employment

## Postretirement Employment of ERS or TRS Retiree

### Exceptions from Retirement Benefit Suspension

1. The retiree must not be employed or under contract for permanent, full-time employment.
- and*
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 2015 calendar year 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.

*\*More detail on pages 2 and 3 of Tab 7*

# Postretirement Employment

## Postretirement Employment of ERS or TRS Retiree

- **Disability Retiree** – is subject to 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.
- **Contract Services** - Retirees providing services to ERS or TRS agencies on a contractual basis may be subject to the limitations on compensation.
- **Private Employment** - No limitations on earnings.
- **Elected Officials** - ERS retirees who are 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.

*\*More detail on pages 3 and 4 of Tab 7*

# Postretirement Employment

## New Postretirement Form Requirements

- New postretirement forms are included in the ERS Forms section as well as on the RSA website.
- 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.*
- 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).
- Retirees are also 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.

*\*More detail on pages 4 and 5 of Tab 7*

# Questions

