



EMPLOYEES' RETIREMENT SYSTEM



MEMBER HANDBOOK

TIER 1 | A member before January 1, 2013





EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA

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

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

WEBSITE **www.rsa-al.gov**

MEMBER ONLINE SERVICES (MOS LOGIN)

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

BUILDING LOCATION

201 South Union Street
Montgomery, Alabama

BUSINESS HOURS

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

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

ERS Tier 1 Member Handbook

(Member before January 1, 2013)

Introduction

The Retirement Systems of Alabama (RSA) is pleased to provide you with the Employees' Retirement System (ERS) Tier 1 Member Handbook. State Police should refer to the State Police Tier 1 Member Handbook. This handbook is an important part of our commitment to provide members with valuable information about their benefits and retirement. Please read this handbook thoroughly and keep it with your other benefit materials. Your member handbook is a very useful tool when you have questions about your benefits and retirement. If you need further information, please visit the RSA website at www.rsa-al.gov or contact the ERS with any questions you may have about your retirement benefit.

The information in this handbook is based on the Code of Alabama 1975, Title 36, Chapters 27, 27A, and 27B. This handbook 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 Chapters 27, 27A, and 27B. Furthermore, the laws summarized here are subject to change by the Alabama Legislature. Do not rely solely upon the information provided in this handbook to make any decision regarding your retirement, but contact the ERS with any questions you may have about your benefits and retirement.

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About ERS

Our Mission

The mission of the Retirement Systems of Alabama is to serve the interests of our members by preserving the excellent benefits and soundness of the Systems at the least expense to the state of Alabama and all Alabama taxpayers.

ERS Board of Control

Responsibility for the management and administration of the ERS is vested in a 13-member Board of Control. The board consists of the following members:

- ◆ Governor, Ex Officio
- ◆ State Treasurer, Ex Officio
- ◆ State Personnel Director, Ex Officio
- ◆ Director of Finance, Ex Officio
- ◆ Three members of the ERS, appointed by the governor
- ◆ Two vested state members elected by full-time state employees participating in the ERS
- ◆ Retired state employee elected by retired state members of the ERS
- ◆ Retired city, county, or public agency employee elected by retired city, county and public agency members of the ERS
- ◆ Two active employees of a city, town, public or quasi-public agency elected by full-time employees of a city, town, public or quasi-public agency

The Board of Control has full power to invest and reinvest the retirement funds through the Secretary-Treasurer. The Board elects the Secretary-Treasurer who serves as the Chief Executive Officer of the RSA and is responsible for the day-to-day management of the RSA.

Visit the RSA Website (www.rsa-al.gov)

The ERS strongly encourages its members and member agencies to browse this user-friendly site because of the tremendous amount of useful information and interactive tools available.

What you can find:

- ◆ Retirement Benefit Calculator
- ◆ ERS retirement videos
- ◆ The best ways of contacting the RSA
- ◆ View account statement online
- ◆ Rates of Return for RSA-1
- ◆ Investment performance
- ◆ Publications and forms
- ◆ Change address online
- ◆ Legislation affecting the RSA
- ◆ Agency information
- ◆ Retirement planning information
- ◆ Retiree information

Map and Directions

From the West

Follow Highway 80 to I-65. Follow I-65 North to Montgomery. Approaching Montgomery, stay in the right-hand lane and exit onto I-85 North to Atlanta. Continue in the right-hand lane; then take the first exit, which is Court Street. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right before Adams Avenue. Members may park for free in the Member Services parking lot in front of the parking deck.

From the East

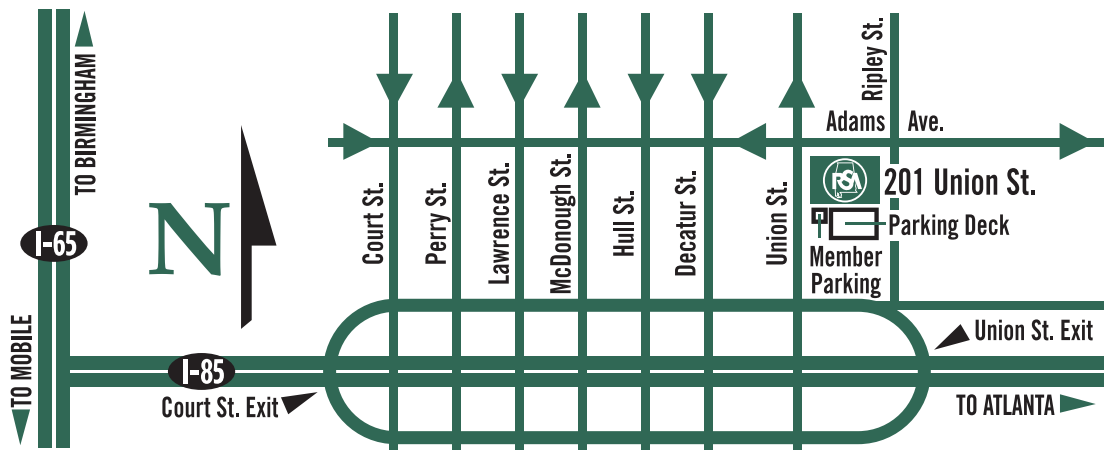
Follow I-85 South to downtown Montgomery and take the Union Street exit on the right. Take the first right on the service road onto Union Street. Continue on Union Street through one traffic light. The RSA Headquarters is on the right before Adams Avenue. Members may park for free in the Member Services parking lot in front of the parking deck.

From the South

Follow I-65 North to Montgomery. Approaching Montgomery, stay in the right-hand lane and exit onto I-85 North to Atlanta. Continue in the right-hand lane; then take the first exit, which is Court Street. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right before Adams Avenue. Members may park for free in the Member Services parking lot in front of the parking deck.

From the North

Follow I-65 South into Montgomery. Take the I-85 North exit to the right to Atlanta. Stay in the right-hand lane and take the first exit on I-85, which is the Court Street exit. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right before Adams Avenue. Members may park for free in the Member Services parking lot in front of the parking deck.



Membership

Defined Benefit Program

The ERS is a defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. Since its inception in 1945, the plan has provided disability and service retirement benefits to members and survivor benefits to qualified beneficiaries.

A defined benefit plan provides the employee with a specific benefit at retirement by calculating the retirement benefit based on a formula. Benefits are payable monthly for the lifetime of the member, possibly continuing for the lifetime of his or her beneficiary. The *Code of Alabama 1975*, Title 36, Chapter 27 contains the actual language governing the plan.

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 one-half time basis (at least 20 hours/week) earning at least the federal minimum wage**. Once enrolled, the member must continue participation until employment is terminated. Active members of the Teachers' Retirement System (TRS) are not eligible for ERS participation.

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

Temporary employees with a specific termination date not exceeding one year are ineligible. However, temporary employees employed longer than one year must begin participation in the ERS at the beginning of the second consecutive year of employment. The member will be given the opportunity to purchase the first year of temporary employment.

Tier 1 and Tier 2

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

Tier 2 plan member: Any member of the Retirement 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.

Contributions

Member Contributions

Member contributions are based on percentages of earnable compensation, but earnable compensation cannot exceed 120% of base pay. Member contribution rates are determined by statute and subject to change by the Alabama Legislature.

Regular State Employees	7.5%
Full-time, Certified State Firefighters Correctional Officers Law Enforcement Officers	8.5%

Local Units have the option of adopting the state employee rates above or remaining at 5.0% for regular employees and 6.0% for full-time certified firefighters, correctional officers, and law enforcement officers.

Employer Contributions

The employer's contribution rate is established after each annual actuarial valuation of participating agencies.

Member Online Services (<https://mso.rsa-al.gov>)

The RSA Member Online Services website offers members a quick way to view their ERS statement, RSA-1 statement, and change their address online.

Annual Statement of Account

Your personal Annual Statement of Account is mailed to your home address in early December. You may view your account statement online at our website. The purpose of the annual statement is to provide information pertaining to your beneficiary, member contributions, accumulated interest, creditable service, and earnings. This also provides you with the opportunity to verify your records and use the information for retirement planning.

The statement includes a Personal section where your beneficiary is indicated. Please check to make sure that this information is current. If not, contact the ERS and supply us with the updated information. The next section is Member Contributions. This section lists your previously taxed contributions, non-taxed member contributions, total interest, and the balance as of the end of the fiscal year, which is September 30.

The Creditable Service by Category section breaks out your service credit by membership, prior, purchased, and transferred service. This section also indicates if you are vested in the system or not. The Ten Year Service History section shows your calculated earnings based on actual contributions received for the period beginning October 1 and ending September 30 and will not necessarily agree with your contract salary or the salary reported on your W-2 form. Your contributions and service credit are also shown and are provided by your employer. **All statement information is subject to later audit and correction.**

The statement also contains a brief explanation of vesting, refunds, death benefits, disability retirement, and maximum monthly retirement benefits.

Designation of Beneficiary

It is very important for members to keep their beneficiary designations current. Failure to do so can result in possible loss of valuable benefits to your survivors. If you wish to change your beneficiary or in the event of marriage, divorce, or the beneficiary's death, file a new beneficiary designation with the ERS.

For non-retired members, the DESIGNATION OF BENEFICIARY PRIOR TO RETIREMENT form is available on our website or you may contact the ERS. You may name more than one beneficiary and designate them as contingent or co-beneficiaries. If at the member's death, there is no beneficiary; the member's estate will be paid the appropriate death benefit.

A retired member who is receiving a benefit under the provisions of Option 2, 3, or 4 retirement allowance may designate a replacement beneficiary for a monthly survivor benefit if the designated beneficiary predeceases the retired member or if the member and the designated beneficiary become divorced. See [Replacement Beneficiary](#).

Change of Address

Having your current home mailing address on file with the ERS is very important. Many important documents are mailed to each member such as your *Advisor*, ERS Board of Control Election ballots, Annual Statement of Account, and RSA-1 statement.

You may change your address through Member Online Services on our website. You will need to set up a User ID and Password to log in.

You may also change your address in writing, with signature, either by letter or ADDRESS CHANGE NOTIFICATION form. The change of address form can be downloaded from our website or requested from Member Services. Address changes cannot be made through email or over the phone.

Types of Creditable Service

Creditable service is the total service credit accrued to your account and is one part of the formula used to calculate your retirement benefit. It includes membership service, prior service, purchased service, and transferred service. Periods of part-time or less than full-time service should be prorated based on the percentage of time worked in relation to full time.

Membership Service

Membership service is service credit earned as an employee while a member of the ERS and making contributions to the ERS. Members can only earn a year's worth of service credit in a year's time. Service credit is calculated by your employer and reported to the ERS. Service credit is subject to review, audit, and correction by the ERS prior to retirement. Service credit is prorated based on hours worked versus hours for full-time employment.

Prior Service

Service credit earned prior to your agency's participation date in the ERS.

Purchased Service

Alabama state law allows active members to purchase service credit for certain types of past employment. Purchasing service credit may increase the amount of your retirement income or allow you to retire sooner. See [Purchasing Additional Service Credit](#).

Transferred Service

If a member previously worked for an agency covered under the TRS, the member must authorize a transfer of service credit to the ERS.

Leave of Absence

A member of the ERS who is on leave of absence without pay is not entitled to any service credit while on such leave. A member receiving workmen's compensation pay is also not entitled to any service credit for such pay.

Vesting

Vesting means the member has earned enough service credit to be eligible for a lifetime retirement benefit. Members have a vested status in the ERS after accumulating 10 years of creditable service. Members cannot convert unused sick leave to retirement credit in order to meet the minimum 10 years of service required for vesting.

Termination of Service

Ineligible for Retirement

Once a member terminates employment prior to retirement eligibility, he or she 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. The member may apply for service retirement to be effective the first of the month following attainment of age 60. If the member withdraws his or her contributions, the member will not be eligible for retirement benefits.
2. With less than 10 years of service, the member may leave contributions in the system for up to five years. If the member has not returned to employment as a participating member, the account will be terminated and contributions plus any refundable accrued interest will be payable to the member.
3. The member may withdraw all retirement contributions and refundable interest. Member contributions are only refunded at the request of the member upon termination of employment and application for refund.

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

To request a refund, contact the ERS and request a NOTICE OF FINAL DEPOSIT AND REQUEST FOR REFUND form and the SPECIAL TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS or download them from our website. Instructions for completing the form are located on the reverse side of the form.

Please read the Special Tax Notice for its valuable tax information. The taxable portion of the refund is subject to federal income tax withholding at the rate of 20 percent unless the taxable amount of the refund is transferred directly (rolled-over) from the RSA to the trustee of an Individual Retirement Account, Annuity, or Qualified Retirement Plan.

If the member elects to receive the refund directly, he or she will be refunded 80 percent of the taxable amount of the retirement contributions and refundable interest, if any. The taxable portion of the refund may also be subject to a 10 percent additional tax if the member is less than 59 ½ years old. No portion of the refund is subject to state of Alabama income tax.

In January following the calendar year in which a taxable refund is made, a 1099-R 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.

Refund of Contributions

A member's contributions are only refundable at the request of the member upon termination of employment and application for refund. There are no partial refunds; all contributions are refunded in full.

Interest on the account is only refunded if the member has at least three years of membership service. The employee is not entitled to the total interest credited to the account.

Upon withdrawal, all service credit established with the ERS is canceled. For vested members, the right to lifetime monthly retirement benefits at age 60 is forfeited. No employer contributions are included in refunds paid to the member.

Table of Refunds

Years of Membership Service	Amt of Interest Refunded	Contributions Refunded
Less than 3 yrs	None	All
3 yrs, but less than 16 yrs	50%	All
16 yrs, but less than 21 yrs	60%	All
21 yrs, but less than 26 yrs	70%	All
26 yrs or more	80%	All

By law, interest is credited on the previous year's average balance at the rate of four percent per annum. Refunds may be subject to a federal tax penalty.

Purchasing Additional Service Credit

Alabama state law allows active members to purchase service credit for certain types of past employment. Purchasing service credit may increase the amount of your retirement income or allow you to retire sooner.

To purchase service credit, the member must submit proper certification of the service. Request the appropriate certification form by contacting the ERS or download the form from our website. Have the form completed by an official record keeper where the service was performed. Then return the completed certification form to the ERS.

Military Service in the U.S. Armed Forces

- ◆ During an active member's **first year** of participation in the ERS, he or she may purchase up to four years of eligible military service provided the member has had no previous period of eligibility.

Eligible service includes honorable service in the U.S. Armed Forces for which the member is not currently receiving service retirement benefits from any branch of the U.S. Armed Forces, or from any source other than benefits received exclusively as payment for a service connected disability.

Weekend service and summer camp service with the National Guard and Reserves are not eligible to be purchased as creditable service.

Military documentation that verifies the periods of military service and character of service must be provided. Examples of documentation include DD Form 214 and discharge notification.

The cost to purchase military service in the first year is four percent of the average salary paid to a state employee during each year of claimed service plus eight percent interest compounded from the last date of service to the date of payment. The full amount must be paid in a lump-sum for all

active duty time up to four years.

To purchase this service, a STATEMENT OF MILITARY SERVICE form must be completed and submitted to the ERS.

- ◆ The next opportunity to purchase military service will be after accumulating **10 years of creditable service** and will cost substantially more.

Once an active member of the ERS has accrued 10 years of service, he or she may purchase up to four years of active military service if not purchased during the first year of participation.

Eligible service includes honorable service in the U.S. Armed Forces for which the member has not received credit for such service toward retirement status in the ERS, TRS, or any other public pension fund, including the U.S. Armed Forces.

Weekend service and summer camp service with the National Guard and Reserves are not eligible to be purchased as creditable service.

The cost of purchasing credit for military service after ten years of service will be the full actuarial cost. The full actuarial cost is based on the member's life expectancy, salary, and earliest date eligible to begin receiving retirement benefits. This service must be purchased prior to the member's retirement.

Noble Eagle Service (Act 02-430)

Noble Eagle Service applies to ERS contributing members who are called to active military duty.

Upon return from active duty, members are permitted to purchase credit for the retirement service credit that was missed during the period of military activation. The member must provide the ERS with a copy of his or her Form DD214. The employing agency must provide the ERS with

a record of the missed salary for the period. The member must submit the contributions that were missed during that period and the employer must submit the employer contributions that were missed during that period. No interest is charged.

The member has up to 3 times the length of the activation, up to a maximum of 5 years, to submit the contributions. For example, a member who was activated for 1 year will have 3 years to submit the missed contribution and establish retirement credit. A member who was activated for 6 months would have 18 months to submit the missed contributions.

Members cannot purchase Noble Eagle credit for a leave of absence for training.

Restoration of Withdrawn Service Credit from the RSA

After completing two years of contributing service, any member who previously participated in either the ERS or TRS and withdrew his or her contributions may restore the previously canceled creditable service. The withdrawn service cannot be service credit established with any other public retirement system.

The cost to purchase the withdrawn service is the amount previously withdrawn plus eight percent interest compounded from the date of withdrawal to the date of payment. The total withdrawn amount must be paid in a lump-sum and made prior to termination of employment. A STATEMENT OF WITHDRAWN SERVICE must be completed with the purchase. The STATEMENT OF WITHDRAWN SERVICE may be obtained from the ERS or downloaded from our website.

Maternity Leave Without Pay

An active member (male or female) of the ERS may purchase up to one year of credit for each period of maternity leave without pay. The member cannot purchase credit for any period of maternity leave that he or she already has credit for in the ERS. A member may request an APPLICATION TO OBTAIN SERVICE CREDIT FOR MATERNITY LEAVE WITHOUT PAY from the ERS or download the form from our website.

The cost to purchase this service is the full actuarially determined cost. Payment must be made no later than June 30 of the calendar year following the expiration of maternity leave without pay.

Previous Service with a City, County, Town, Public or Quasi-Public Organization, or Political Subdivision of the State of Alabama (Local Units)

- ◆ Any active member with at least five years of contributing service, exclusive of military service, may purchase up to eight years of eligible previous service with a city, county, town, public or quasi-public organization, or political subdivision of a city or county of the state of Alabama (Local Units). The cost of the service is the full actuarial cost. The service must be purchased in increments of one year unless total service is less than one year in which case the member must purchase the entire period.

Members who purchase this service will forfeit the service if they have credit or become entitled to benefits for the service with any other public retirement plan.

- ◆ An active member with at least five years of contributing service, exclusive of military service, may purchase up to ten years of eligible previous service with a city, county, town, public or quasi-public organization, or political subdivision of a city or county of the state of Alabama (Local Units). To be able to purchase this service the following conditions must be met:
 - ◇ the service must have occurred before October 1, 1996, and with an employer other than the employer as of October 1, 1996,
 - ◇ the member claiming credit for the service must have been on October 1, 1996, an officer or a regular employee of a city, county, town, public or quasi-public organization, or political subdivision of a city or county of the state of Alabama eligible to participate in the ERS, and

- ◇ the member must have been covered or eligible to be covered in the ERS on October 1, 1996.

The cost of the service for each year of service purchased is the greater of the sum of the current employee and employer contribution rates of the member's compensation earned during the fiscal year in which payment is made or the average of his or her current annual earnable compensation for the two fiscal years immediately prior to the purchase. The member must purchase all service up to 10 years.

Members who purchase this service will forfeit the service if they have credit or become entitled to benefits for the service with any other public retirement plan.

Out-of-State Public Service

Any active member with a minimum of 10 years contributing service, exclusive of purchased military service, may purchase up to ten years of out-of-state public service. The service to be purchased must have been credited under another public retirement plan, but cannot qualify the member for any benefits under any other public plan.

This service may be purchased in increments of one year. The cost of purchasing credit for out-of-state public service is the full actuarial cost. The purchase must be completed prior to the member's retirement. The APPLICATION AND CERTIFICATION FOR OUT-OF-STATE SERVICE is located on our website or you may request this form from the ERS.

Non-Participating Employer Service

Any active member of a city retirement system that participates in the ERS may purchase up to eight years of credit for service earned under a non-participating employer funded by a city and a county which was eligible to participate in the ERS. The cost is the full actuarial cost and payment must be made prior to retirement.

TRS Support Personnel, Teacher Aide, Job Corps, and Teacher Corps

This service may be purchased under the same conditions as out-of-state public service. However, a member can only purchase up to eight years of Alabama public service. The CERTIFICATION OF TEACHER AIDE SERVICE, TEACHER CORPS SERVICE, and JOB CORP SERVICE is located on our website or can be requested from the ERS.

Workers' Compensation (Act 2015-256)

Under certain circumstances, ERS members employed with local units can purchase up to two years of service credit if the member was absent from work and not receiving service credit because of job-related injury while receiving workers' compensation benefits.

To purchase this service, the member must:

- ◆ have returned to work with his or her covered employer within one year following cessation of workers' compensation benefits, and
- ◆ make the purchase within two years from the end of the disability period for which credit is sought.

The cost of the service is the full actuarial cost and must be purchased in a lump-sum. The ERS APPLICATION TO OBTAIN WORKERS' COMPENSATION CREDIT form is located on the RSA website or can be requested from the ERS.

Sources of Funds

Members of the ERS who are purchasing any type of permissible service as outlined previously in this section may do so by rolling funds from tax deferred savings plans such as tax sheltered annuities (IRC 403(b)), governmental deferred compensation plans (IRC 457) like RSA-1, IRAs (IRC 408), or qualified plans (IRC 401). **This includes funds in your RSA-1 account.**

The member can have these funds transferred directly from the other plan to the ERS and avoid paying tax at the time of transfer, any early distribution penalty, or required withholding. The necessary form will be provided to members when they are notified of the cost for any service purchases. The ERS accepts personal checks for purchasing service credit as well.

Note: Eligibility for and cost of all service purchases are based on the provisions of law in effect at the time of purchase.

Death of a Member Prior to Retirement

Preretirement Death Benefit

If a member dies prior to retirement, death benefits are calculated and paid to the beneficiary(ies) based on the member's age, service credit, employment status, and eligibility for retirement. The preretirement death benefits the beneficiary(ies) or estate will receive are outlined in the chart below.

Member Age	Years of Service Credit	Preretirement Death Benefit
<i>Ineligible to Retire</i>		
Under 60* or 60* and Older	Between 1 and 25** Between 1 and 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
<i>Eligible to Retire or 25 Years of Service**</i>		
Any Age* or 60* and Older	25 or more 10 or more	<i>Choice of:</i> (1) Option 3 monthly benefit (50% of member's retirement benefit) to the spouse or beneficiary (this choice is not available for multiple beneficiaries) <i>or</i> (2) Member contributions, total interest earned, plus an amount equal to the member's salary for the prior fiscal year (October 1 - September 30)

* If death occurs more than 180 calendar days after the member's last day in 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.

** 30 years for agencies who have not adopted 25-year retirement.

The designated beneficiary(ies) will receive the death benefit after the APPLICATION FOR SURVIVOR BENEFIT form and a certified death certificate have been submitted to the RSA. If there is no designated beneficiary, the death benefit will be paid to the member's estate.

Change of Beneficiary

When a new member joins the ERS, he or she designates a primary beneficiary(ies) and contingent beneficiary(ies) on the DESIGNATION OF BENEFICIARY PRIOR TO RETIREMENT form. It is very important for the member to maintain a current beneficiary on record. If the member wishes to change the beneficiary designation or designate multiple beneficiaries, the change must be made on the DESIGNATION OF BENEFICIARY PRIOR TO RETIREMENT form.

If the primary beneficiary predeceases the member, the ERS will pay the contingent beneficiary the death benefit. If at the member's death, there is no beneficiary designated, the estate of the member will receive the appropriate death benefit.

To make beneficiary changes, retired members must contact the ERS for the proper form. See [Replacement Beneficiary](#).

Reporting the Death of a Member

The beneficiary or family of a deceased active member should contact the Payroll/Personnel Officer of his or her place of employment for information and the appropriate forms. The ERS may be contacted if there are any questions about benefits or identity of beneficiaries.

The form to apply for the death benefit payable to the beneficiary of an active member is the APPLICATION FOR SURVIVOR BENEFIT form. A certified original death certificate must accompany the form before the death benefit can be processed.

If the estate is the beneficiary, either Letters of Testamentary or Letters of Administration are also required. If a minor child is the beneficiary, Letters of Conservatorship may be required.

Any additional information or forms will be provided to the beneficiary(ies) after receipt of the APPLICATION FOR SURVIVOR BENEFIT form.

Upon the death of a retired member, the beneficiary or family should contact the ERS for information and the appropriate forms.

Retirement Benefits

Service Retirement

Service retirement benefits are available to members who cease ERS-covered employment and meet minimum service and/or age requirements. The monthly retirement benefit is paid for life without interruption unless there is a return to full-time employment with an ERS or TRS agency, or to temporary employment in excess of the limits to be described in [Postretirement Employment](#).

A member is eligible to receive retirement benefits when:

- ◆ he or she has at least 10 years of service credit and has attained the age of 60 (age 52 for State Police)

Or

- ◆ after accumulating 25 years of service credit (30 years for agencies who have not adopted 25-year retirement) at any age.

A member is eligible to retire the first day of the month following attainment of age 60 with 10 years of creditable service or the first day of the month following attainment of 25 years of service credit (30 years for non-25-year retirement agencies). Members may only retire on the first day of any month they are eligible.

Eligible members may convert unused sick leave days to service credit to meet the minimum requirement for service retirement. Please see additional information on [Sick Leave Conversion](#).

Any member **convicted of a felony offense** related to their public position must forfeit their right to lifetime retirement benefits. The member will receive a refund of his or her retirement contributions.

To apply for retirement, request a RETIREMENT APPLICATION PACKET PART I from the ERS or download it from our website. This packet includes the APPLICATION FOR RETIREMENT, INSURANCE AUTHORIZATION FORM (state employees only), and DIRECT DEPOSIT AUTHORIZATION.

The application must be received no less than 30 days nor more than 90 days prior to the effective date of retirement. It is the responsibility of the member to notify the ERS in writing regarding intent to retire. Please include your full name and Social Security number or account number on all written correspondence.

Disability Retirement

If the career of an ERS member is cut short because of permanent disability, the member may qualify for monthly disability benefits. To qualify for a disability benefit, the member must meet **all** the following conditions:

1. The member must have at least 10 years of creditable service.
2. The member must be in-service. A member is considered in-service if currently working or on official leave of absence for one year, which may be extended for no more than one additional year. A member will not receive service credit for periods of leave without pay. **A member who terminates employment is not eligible to apply for disability retirement.**
3. The RSA 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.

Maximum monthly disability retirement benefits are calculated identically to those for service retirement, **except** that additional credit for sick leave cannot be converted to retirement credit.

To apply for disability retirement, request a REPORT OF DISABILITY PACKET and DISABILITY RETIREMENT APPLICATION PART I from the ERS. The STATEMENT BY EXAMINING PHYSICIAN (included in the REPORT OF DISABILITY PACKET) and the retirement application must be received by the ERS office no less than 30 days nor more than 90 days prior to the effective date of

retirement, which is the first day of a month. The member is responsible for notifying the ERS regarding disability retirement.

A disability retiree will be reviewed once each year for the first five years and once every three-year period thereafter until age 60 (age 52 for State Police) to determine whether the retired member remains eligible for disability benefits.

Three Easy Steps to Retirement

Making decisions about your retirement requires careful planning. Here are three easy steps to help guide you through the retirement process to ensure you receive the necessary information and receive the benefits in retirement that you are eligible.

What to do	When
Step 1 - Educate yourself about your ERS benefits	14 to 24 months before your retirement date
Step 2 - Plan to attend a Retirement Preparation Seminar and an Individual Counseling Session	12 to 24 months before your retirement date
Step 3 - Complete and submit your retirement documents	1 to 3 months before your retirement date

Contact Us

- ◆ *Online:* Visit the RSA website at www.rsa-al.gov for benefit information, seminars, publications, forms, videos, and calculators.
- ◆ *By Phone:* Call Member Services at 877.517.0020 or 334.517.7000 for any questions you may have about your benefits.

Step 1: Educate yourself about your ERS retirement benefits.

- ◆ If you haven't already, create an online account with RSA's Member Online Services (MOS) at www.rsa-al.gov. You can view your ERS and RSA-1 accounts online.
- ◆ While viewing your accounts online, check to ensure we have your proper address and the beneficiary information is correct and up-to-date.
- ◆ If you are unable to view your account online, please review your ERS and RSA-1 statements for this information.
- ◆ **Request an official retirement benefits estimate from the ERS.** You can certainly visit the retirement calculator on our website as well.
- ◆ If necessary, contact Medicare and Social Security.

Step 2: Plan to attend a Retirement Preparation Seminar and an Individual Counseling Appointment.

- ◆ At a seminar, you will learn about:
 - ◇ Making the transition to retirement
 - ◇ Social Security

- ◇ SEIB health insurance coverages and Medicare
- ◇ ERS retirement benefits
- ◇ RSA-1 Deferred Compensation Plan
- ◆ The registration form, dates, and locations are on our website.
- ◆ If needed, make an individual counseling appointment with our counselors either in Montgomery or various locations around the state. Information is on the RSA website. You can also speak to a counselor by phone.

Step 3: Complete and submit your retirement documents to the ERS.

Completing your retirement documents is a two-part process.

Your APPLICATION FOR RETIREMENT must be received by the ERS at least 30 days and not more than 90 days prior to your retirement date.

Part I

Includes:

- ◆ APPLICATION FOR RETIREMENT,
- ◆ INSURANCE AUTHORIZATION form, and
- ◆ DIRECT DEPOSIT AUTHORIZATION form.
- ◆ Non-state employees do not receive the INSURANCE AUTHORIZATION form.

Part II

Once the ERS receives your APPLICATION FOR RETIREMENT PART I, you will be mailed PART II which includes:

- ◆ RETIREMENT BENEFIT OPTION SELECTION form,
- ◆ WITHHOLDING CERTIFICATE FOR MONTHLY PENSION OR ANNUITY PAYMENTS,
- ◆ Retirement Benefit Estimate Report, and
- ◆ Postretirement Employment Information.

Sick Leave Conversion

Sick leave conversion **only** applies to state of Alabama employees and employees of public agencies that elected to adopt this provision.

An ERS member may convert unused sick leave toward meeting the minimum service requirement for retirement eligibility instead of receiving any payment the member may be entitled to receive. The converted sick leave will be used in calculating the retirement benefit.

The following chart is used by the ERS to convert accumulated sick leave days to months of service credit upon service retirement. The employing agency determines the maximum days that may be converted.

Members cannot convert unused sick leave to retirement credit in order to meet the 10-year vesting requirement unless otherwise eligible for retirement with the conversion of sick leave, such as age 60 or older with sick leave conversion putting you at 10 years or more of service credit.

Accumulated Sick Leave Days	Months of Service
0-10	0
11-30	1
31-50	2
51-70	3
71-90	4
91-110	5
111-130	6
131-150	7
151-170	8
171-190	9
191-210	10
211-230	11
231-250	12
251-270	13
271-290	14
291-310	15
311-330	16
331-350	17
351-370	18
371-390	19
391-410	20
411-430	21
431-450	22
451-470	23
471-490	24
491-510	25
511-530	26
531-550	27
551-570	28
571-590	29
591-610	30
611-630	31
631-650	32
651-670	33
671-690	34
691-710	35
711-730	36

Elected Officials

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.

The Elected Official must meet the same eligibility requirements as other participants of the ERS. The eligibility requirements may be reviewed in the [Membership](#) section of this handbook.

Elected Officials may purchase credit for their prior service as an Elected Official under the following conditions:

- ◆ Service must be in the same position that the Official is/was serving at time of ratification of the Constitutional Amendment.
- ◆ Public Official must pay an amount equal to the total contributions that would have been paid by the member had he or she been eligible to participate in the ERS during the period of claimed service plus eight percent (8%) interest compounded annually from the date of such service.
- ◆ Certification of Elected Official service must be provided to the ERS on the [SERVICE CALCULATION](#) form. The employer should certify the dates of service and compensation paid by fiscal year (October 1 through September 30).
- ◆ Public Official may purchase the service provided he or she has not received credit for the service in any other public pension fund.

Elected officials who are retired ERS or TRS members and are in office when the Constitutional Amendment is adopted may continue to receive their retirement benefits provided that they elect not to join the ERS.

Firefighters, Correctional Officers, & Law Enforcement Officers

Any **certified, full-time** firefighter, correctional officer, or law enforcement officer not covered under the State Police retirement plan may receive one additional year of retirement credit for every five years of employment for which the member has remitted the appropriate hazardous duty payment. The member must be certified by either 1) the Firefighters Personnel Standards and Education Commission as having a level one minimum standard certification, 2) the State Forester as having met the Wildland Firefighter Training Standard of the National Wildlife Coordinating Group, or 3) the Alabama Peace Officers Standards and Training Commission as a certified correctional officer or certified law enforcement officer.

Act 2004-637 permits eligible members participating in the ERS as employees of a city, county, public or quasi-public agency to purchase hazardous duty service credit, provided the member has **not** had a prior period of eligibility to purchase hazardous duty service credit. This provision does **not** apply to state employees.

To obtain the additional credit, the member must pay to the ERS one percent of the higher of his or her current salary or the previous year's salary for each year of claimed service. The service must be purchased in five-year increments unless the total service is less than five years, in which case the service must be purchased in its entirety. An eligible member must purchase service credit within one (1) year of his or her enrollment in the ERS.

The additional retirement credit purchased cannot be used to meet the service requirements for retirement eligibility. The credit will be granted upon attainment of the requisite years of creditable service or when the member qualifies for service or disability retirement. Prior service earned before certification as a full-time firefighter, correctional officer or law enforcement officer cannot be purchased.

Computing Your Retirement Benefit

A member's retirement benefit is calculated based on a retirement formula. The factors used in calculating this benefit include:

1. **Average Final Salary:** The average of the highest three fiscal years (October - September) out of the last 10 fiscal years the member made contributions. Partial years are included when calculating the average final salary.
2. **Years and Months of Creditable Service:** The total amount of creditable service to include membership service, prior service, purchased service, and transfer service.
3. **Benefit Factor:** The current benefit factor, as established by the Alabama Legislature, is 2.0125%.*

Retirement Formula for Maximum Monthly Benefit

Average Final Salary x Years and Months of Service x Benefit Factor ÷ 12 = Maximum Monthly Benefit

Example: Average Final Salary: \$35,000
Service Credit: 27 years and 6 months

$$\$35,000 \times 27.5 \times .020125 \div 12 = \$1,614.19 \text{ per month}$$

The member also has four options to choose from that are a reduction from the Maximum Monthly Benefit.

* 2.875% for State Police

Important: When a member submits a retirement application, the staff calculates the monthly benefit under the Maximum Monthly Benefit and the Optional Monthly Benefits. The ERS mails this information to the retiring member, along with the RETIREMENT APPLICATION PACKET PART II. This packet includes the RETIREMENT BENEFIT OPTION SELECTION form, WITHHOLDING CERTIFICATE FOR MONTHLY PENSION OR ANNUITY PAYMENTS, Retirement Benefit Estimate Report, and Postretirement Employment Information.

If no election of an option is made prior to the effective date of retirement, the law specifies that the member will receive the Maximum Monthly Benefit retirement allowance.

Maximum or Optional Monthly Benefit

The member must select either the Maximum Monthly Benefit or one of the Optional Monthly Benefits on the RETIREMENT BENEFIT OPTION SELECTION form. Failure to select either the Maximum Monthly Benefit or one of the Optional Monthly Benefits will, **by law**, result in the Maximum Monthly Benefit as the member's retirement benefit selection.

Maximum Monthly Benefit

The Maximum Monthly Benefit pays the highest monthly benefit to a retiring member of the ERS. This benefit is a lifetime benefit paid to the retiree on a monthly basis. At the death of the retiree, all monthly benefits cease. The designated beneficiary(ies) will only receive a one-time prorated monthly benefit covering the days of the month that the retiree was still living.

Optional Monthly Benefit

A member may provide a benefit for a beneficiary by selecting one of the following options.

Option 1

The monthly benefit under Option 1 is slightly less than the Maximum. This benefit is a lifetime benefit paid to the retiree on a monthly basis; however, if the retiree dies prior to receiving annuity payments exceeding his or her account balance, the remaining annuity balance will be paid to the designated beneficiary(ies). The annuity balance, if any, is the amount of unused contributions and interest remaining in the retiree's account.

Option 2 (100% Survivor Benefit)

Option 2 allows the retiree to receive a reduced benefit over the life of the retiree in return for allowing the designated beneficiary (only one beneficiary may be designated) to receive the same lifetime benefit after the retiree's death. The benefits are calculated based upon the joint life expectancy of the retiree and the beneficiary. Once the member retires, he or she cannot change their beneficiary unless the beneficiary predeceases the retiree or if the retiree and the beneficiary divorce. See [Replacement Beneficiary](#).

Option 3 (50% Survivor Benefit)

Option 3 allows the retiree to receive a reduced benefit over the life of the retiree in return for allowing the designated beneficiary (only one beneficiary may be designated) to receive one-half the retiree benefit over the beneficiary's lifetime after the retiree's death. The benefits are calculated based upon the joint life expectancy of the retiree and the beneficiary. Once the member retires, he or she cannot change their beneficiary unless the beneficiary predeceases the retiree or if the retiree and the beneficiary divorce. See [Replacement Beneficiary](#).

Option 4

Members may elect to receive a monthly benefit actuarially equivalent to the regular retirement benefit and must meet the ERS' actuarial assumptions. The monthly benefit paid to the beneficiary cannot exceed the limits determined by federal taxation laws. The ERS Board of Control must approve this option. See [Replacement Beneficiary](#).

Partial Lump Sum Option Plan (PLOP)

At retirement, in addition to selecting Options 1, 2, 3, or 4, you may also elect to receive a one-time lump-sum distribution (cash payment) in addition to your monthly retirement benefit. The PLOP distribution is based on your age and option at retirement.

A PLOP distribution will be made as a single payment at the time your first monthly benefit is paid. Based on the amount of the PLOP, your monthly retirement benefit is then reduced to be the actuarial equivalent of the retirement benefit without a lump-sum distribution.

Fast Facts

- ◆ The amount of lump-sum distribution you are eligible to receive is based on the maximum monthly benefit amount you are eligible to receive.

- ◆ The smallest lump-sum distribution available to you is the amount of one month of your maximum benefit. (Rounded up to the nearest \$1,000)
- ◆ The largest lump-sum distribution available to you is the sum of 24 months of your maximum benefit. (Rounded down to the nearest \$1,000)
- ◆ All lump-sum distributions will be provided in \$1,000 increments.
- ◆ Your monthly retirement benefit will be actuarially reduced due to the election of a PLOP distribution.

Who is Eligible?

You are eligible to participate in the Partial Lump-Sum Option Plan if you meet all the following criteria. You must:

- ◆ Have 25 years of creditable service or 10 years of creditable service and attain age 60 for Tier I members or 10 years of creditable service and attain age 62 for Tier II members;
- ◆ Retire on or after October 1, 2019; and
- ◆ Not retire with disability benefits.

Members who have participated in the Deferred Retirement Option Plan (“DROP”) are not eligible to participate in PLOP.

Distribution Options

If you are considering electing the PLOP option, check the box on the APPLICATION FOR RETIREMENT that you want service retirement with PLOP. When the RSA sends you your retirement estimate for each option, you will also receive estimates of PLOP for the minimum, midpoint, and the maximum amounts along with the reduction in the monthly benefit.

At retirement, you may elect a lump-sum distribution in an amount between 1 and 24 months of your monthly retirement benefit. This amount will be calculated under maximum retirement benefit and will be rounded to the nearest \$1,000.

If a PLOP distribution is elected, your monthly benefit is actuarially reduced to reflect the value of the PLOP distribution. The combination of both the PLOP distribution and the reduced benefit are the same actuarial value as the unreduced benefit alone.

To elect the PLOP option, check the box on the RETIREMENT BENEFIT OPTION SELECTION form, and write in the amount you want to receive. This amount must be in thousands (\$4,000, or \$10,000, or \$16,000, etc.)

A PLOP distribution can be rolled over to a financial institution or be paid by check. Generally, 20% of the lump-sum distribution will be withheld for federal income taxes.

To defer paying taxes on a lump-sum distribution, you may roll over all or a portion of the distribution to another qualified retirement plan, such as RSA-1. The RSA encourages you to seek advice from a tax professional.

Example:

A 60-year-old member with a \$3,300 maximum monthly retirement benefit elects to take a lump-sum distribution at retirement. The member is eligible to choose a PLOP distribution, in \$1,000 increments, from \$4,000 – \$79,000 ($1 \times \$3,300 = \$4,000$ rounded up to the nearest \$1,000; and $24 \times \$3,300 = \$79,000$ rounded down to the nearest \$1,000). This member chooses a \$50,000 lump-sum distribution.

If the member chooses the maximum retirement benefit, the cost per \$1,000 of the lump-sum distribution for a member retiring at age 60 is \$8.03 per month, as per the benefit reduction table (the benefit reduction will vary by system). This member’s monthly cost for a \$50,000 payment is \$401.50 ($50 \times \$8.03$).

To determine the reduced benefit, subtract \$401.50 from \$3,300. The member would receive \$2,898.50 per month as a result of electing the PLOP distribution.

Tax Implications

A PLOP distribution is subject to federal income tax withholding. Since these payments have been identified as eligible rollover distributions, the RSA must withhold 20 percent for income tax unless the eligible portion is rolled over into a qualified retirement plan.

To defer paying taxes on these payments, you may roll over all or a portion of the entire “eligible rollover distribution” amount to another qualified retirement plan.

For additional information on taxes, please contact a tax consultant or the IRS at 800.829.1040.

Reinstatement

If you received a PLOP distribution at retirement, returned to active service, were reinstated with ERS or TRS, your benefit will be actuarially-reduced when you retire again. This reduction will be based on your age at the time of the second retirement.

Replacement Beneficiary

Retirees who elected joint survivor options (Option 2, 3, or 4) at the time of retirement may name a new beneficiary under either of the two following conditions:

- ◆ If the named beneficiary dies before the retired member
- Or**
- ◆ There is a divorce between the retired member and the beneficiary

The retired member should contact the ERS for information and forms. There will be a recalculation of the benefit amount for the retired member and replacement beneficiary. The replacement beneficiary must be in place for at least two years for the monthly survivor benefits to become effective. If the retired member dies within this two year period, only a prorata payment for the portion of the month the retiree was alive will be paid to the beneficiary.

Benefit Reduction Table

The benefit reduction table identifies the amount a monthly benefit is reduced for each \$1,000 of a lump-sum distribution. Amounts shown in this table are based on the maximum retirement benefit. If you choose any of the other retirement options, the amounts shown will vary.

Age	Reduction per \$1,000
50	7.11
51	7.17
52	7.24
53	7.32
54	7.40
55	7.49
56	7.58
57	7.68
58	7.79
59	7.91
60	8.03
61	8.17
62	8.31
63	8.47
64	8.63
65	8.81
66	9.00
67	9.21
68	9.43
69	9.67
70	9.93
71	10.20
72	10.51
73	10.83
74	11.19
75	11.58

Table of Maximum Monthly Retirement Benefit

Average Final Salary	Years of Creditable Service							
	10	12	14	16	18	20	22	24
\$10,000	168	201	235	268	302	335	369	402
12,000	201	242	282	322	362	403	443	483
15,000	252	302	352	403	453	503	553	604
17,000	285	342	399	456	513	570	627	684
20,000	335	402	469	536	604	671	743	805
22,500	377	453	528	604	679	755	830	906
25,000	419	503	586	670	755	839	922	1,006
27,500	461	553	646	738	830	922	1,015	1,107
30,000	503	603	704	806	906	1,006	1,106	1,208
32,500	545	654	763	872	981	1,090	1,199	1,308
35,000	587	704	822	939	1,057	1,174	1,291	1,409
37,500	629	755	880	1,006	1,132	1,258	1,384	1,509
40,000	671	805	939	1,073	1,208	1,342	1,476	1,610
45,000	755	906	1,057	1,208	1,358	1,509	1,660	1,811
50,000	839	1,006	1,174	1,342	1,509	1,677	1,845	2,013
55,000	922	1,107	1,291	1,476	1,660	1,845	2,029	2,214
60,000	1,006	1,208	1,409	1,610	1,811	2,013	2,214	2,415
65,000	1,090	1,308	1,526	1,744	1,962	2,180	2,398	2,616
70,000	1,174	1,409	1,644	1,878	2,113	2,348	2,583	2,818
75,000	1,258	1,509	1,761	2,012	2,264	2,516	2,767	3,019
80,000	1,342	1,610	1,878	2,147	2,415	2,683	2,952	3,220
85,000	1,426	1,711	1,996	2,281	2,566	2,851	3,136	3,421
90,000	1,509	1,811	2,113	2,415	2,717	3,019	3,321	3,623

Note: Average Final Salary is the average of the highest three years (October - September) out of the last 10 years the member made contributions. Partial years are included when calculating the average final salary if they benefit the member.

To compute the maximum monthly retiree benefit, the following formula is used:

$$\text{Average Final Salary} \times \text{Years and Months of Service} \times \text{Benefit Factor } (.020125) \div 12$$

Table of Maximum Monthly Retirement Benefit

Average Final Salary	Years of Creditable Service							
	25	26	28	30	32	34	36	38
\$10,000	419	436	470	503	537	570	604	637
12,000	503	523	564	604	644	684	725	765
15,000	629	654	704	755	805	855	906	956
17,000	713	741	798	855	912	969	1,026	1,083
20,000	839	872	939	1,006	1,073	1,140	1,208	1,275
22,500	943	981	1,057	1,132	1,208	1,283	1,358	1,434
25,000	1,048	1,090	1,174	1,258	1,342	1,426	1,509	1,593
27,500	1,153	1,199	1,291	1,384	1,476	1,568	1,660	1,753
30,000	1,258	1,308	1,408	1,510	1,610	1,710	1,812	1,912
32,500	1,365	1,420	1,529	1,638	1,748	1,857	1,966	2,075
35,000	1,467	1,526	1,644	1,761	1,878	1,996	2,113	2,231
37,500	1,572	1,635	1,761	1,887	2,012	2,138	2,264	2,390
40,000	1,677	1,744	1,878	2,013	2,147	2,281	2,415	2,549
45,000	1,887	1,962	2,113	2,264	2,415	2,566	2,717	2,868
50,000	2,096	2,180	2,348	2,516	2,683	2,851	3,019	3,186
55,000	2,306	2,398	2,583	2,767	2,952	3,136	3,321	3,505
60,000	2,516	2,616	2,817	3,019	3,220	3,421	3,623	3,824
65,000	2,725	2,834	3,052	3,270	3,488	3,706	3,924	4,142
70,000	2,935	3,052	3,287	3,522	3,757	3,991	4,226	4,461
75,000	3,145	3,270	3,522	3,773	4,025	4,277	4,528	4,780
80,000	3,354	3,488	3,757	4,025	4,293	4,562	4,830	5,098
85,000	3,564	3,706	3,991	4,277	4,562	4,847	5,132	5,417
90,000	3,774	3,924	4,226	4,528	4,830	5,132	5,434	5,736

Deferred Retirement Option Plan (DRO)

Due to Act 2011-27, the ERS stopped accepting DRO applications March 24, 2011. However, members who have completed participation in DRO but continue to work and do not withdraw from service will experience a change in how interest is credited to their accounts. The interest will be the lesser of either 4% or what the RSA earned the previous year on its investments. This should have little impact on participants because it is only on extreme occasions that earnings fall below 4%.

The DRO Account

Service Credit

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

Purchasing Service Credit

Once a member entered DRO, service credit purchases were prohibited.

Contributions

Both the employer and the member continued making contributions as required by law to the ERS during the DRO participation period.

Retiree Cost-of-Living Adjustments (COLAs)

A member who participated in DRO was 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 Employee COLAs and Salary Increases

Participants in post DRO 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 post DRO continued to accrue sick and annual leave. See [Converting Accrued Sick Leave](#) for more information.

No Fees

DRO was not subject to fees, charges, or other similar expenses of any kind.

Employee Rights

Participation in DRO did **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 DRO was between the ERS and the member. In no way should it have been construed as a guarantee of continued employment for the DRO participation period, nor as a requirement that a participant terminate employment at the end of the DRO participation period. Continued employment and termination of employment are matters between the employer and employee.

Continued Service after the DRO Participation Period

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

Example:

If a member had 26 years of creditable service upon entering DRO and participated in DRO for five years; then worked two more years after completing his or her contractual obligation in DRO, the member would only have 28 years of total creditable service. There would be two separate retirement allowance calculations; one based on 26 years and the other based on two years of service.

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

1. The accumulated monthly retirement allowance contributions plus interest (4% while participating in DROP and at the lesser of either 4% or what the RSA earned on its investments post DROP). 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 applicable interest.

Converting Accrued Sick Leave

Accrued sick leave was **not** 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 service credit for accrued sick leave or the member may receive payment for the accrued sick leave subject to agency policies regarding payment for sick leave. In no event can the number of sick leave days converted to service credit exceed the total number of sick leave days the member had accrued upon entering 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.

The additional monthly retirement allowance may include sick leave that is in excess of any sick leave used in the calculation of the original monthly retirement allowance.

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

An additional monthly retirement allowance based on his or her additional service since the end of the DROP participation period will be calculated using the retirement formula (Average Final Salary x Additional Years and Months of

Service x 2.0125%*). The Average Final Salary will be calculated only on the additional service since the end of DROP participation. **This additional service can in no way be combined with service prior to participation in DROP. The retirement option will be the same option used in the original retirement allowance.**

If the member dies or becomes disabled during the period of additional service, he or she will be considered as having retired on the date of death or commencement of disability. No death before retirement benefits will be made.

**2.875% for a State Policeman*

Distribution of DROP Account

No distributions from a member's DROP account will be made until the member terminates employment. Upon termination, a member should notify the ERS how the member wants to receive the DROP distribution. **DROP accounts cease to accrue interest after 90 days from the termination of employment.** Interest on member contributions ceases at termination of the DROP period. A member generally receives DROP distributions within 30 days of receipt of the final contribution to the DROP account provided the distribution form has been submitted.

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 RSA DROP account.**

Read the SPECIAL TAX NOTICE REGARDING YOUR ROLLOVER OPTIONS prior to making your

selection. Request a DROP distribution brochure from the ERS or download it from our website.

To receive either a lump-sum payment or make a direct rollover of the DROP account, complete the REQUEST FOR DROP AND ROLLOVER ELECTION form and the REQUEST FOR DROP TERMINATION form and return both to the ERS.

Re-employment with the RSA after Withdrawal from Service

Any member who participated in DROP and withdrew from service may become re-employed with either the TRS or ERS. This additional service will be calculated based on information in Continued Service after the DROP Participation Period.

City, County, Town, Public or Quasi-Public Organization, or Political Subdivision (Local Units)

The governing body of Local Units must elect to come under the provisions of DROP and assume any costs associated with implementation of DROP. Once the Local 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.

Postretirement Employment

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

Private Employment

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

Contract Services

Retirees providing services to ERS or TRS agencies on a contractual basis are 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.

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 non-contributing 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 re-

employment. 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 re-employment. 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 2019 calendar year is \$31,000.**

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.

Form Requirements

Due to the passage of ACT 2014-297, all ERS and TRS retirees and the agencies where they are employed must submit new postretirement forms. One of the significant changes is the requirement that the retiree, in addition to the employing agency, notify the RSA of any postretirement employment with a participating ERS agency. Additionally, the new law specifically states that independent contractors are required to comply with restrictions to avoid suspension of retirement benefits.

The **retiree** will be required to notify the RSA of their employment by completing the RETIREE NOTICE OF POSTRETIREMENT EMPLOYMENT form.

When a retiree first begins performing services for an agency, the **agency** must complete the EMPLOYING AGENCY INITIAL NOTICE form. Annually thereafter, the agency must submit the EMPLOYING AGENCY ANNUAL CERTIFICATION form. This annual certification will only be required in **December of each calendar year.**

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*

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.

Retiree Information

Cost-of-Living Adjustments (COLAs)

Cost-of-Living Adjustments for retirees are made on an ad hoc basis by the State Legislature. The amount of the increase is based upon the provisions of the legislation.

Cost-of-Living Adjustments for retirees of local agencies (non-state member agencies) usually 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.

Direct Deposit

The ERS strongly encourages retirees to elect to have their retirement benefit checks sent directly to their bank by electronic funds transfer (EFT), also known as direct deposit. This service is free, secure, reliable, and convenient. Your retirement benefit will be electronically transferred to your account on the last working day of the month.

To obtain a DIRECT DEPOSIT AUTHORIZATION form, contact the ERS or download the form from our website.

If you do not elect direct deposit, you must apply for a Wells Fargo Prepaid Debit Card. Contact the ERS to obtain a DEBIT CARD APPLICATION.

Tax Information

- ◆ Retirement benefits from the ERS are subject to federal income tax.
- ◆ Previously taxed contributions, including payments made to purchase additional service credit using pre-taxed monies, are exempt from federal taxation over a period equal to the number of monthly benefit payments that the retiree is expected to receive.
- ◆ All retirees will receive a Form 1099-R Income Statement every January for use in filing a personal income tax return. The 1099-R will report the retirement benefits subject to federal income tax.

- ◆ If you reside in Alabama, RSA retirement benefits are not subject to state of Alabama income tax. If you reside in another state, check with that state's revenue department to determine your tax status.

Deductions from Your Retirement Benefit Check

The following amounts may be deducted from your retirement benefit check:

- ◆ Federal income taxes
- ◆ If you move to another state, your benefit will be subject to that state's tax laws. You can find information about other states' tax laws at www.kiplinger.com and www.retirementliving.com/taxes-by-state.
- ◆ Health insurance premiums if applicable

Your benefit is not subject to Alabama income tax.

RSA-1 Deferred Compensation Plan

The RSA-1 Deferred Compensation Plan was established to allow public employees to defer receipt of a portion of their salary until a later determined date, usually at retirement or termination of service. Because receipt of the income is deferred, the deferred income is not included in the employee's federal or state of Alabama gross taxable income.

The majority of people working today expect their retirement income to come from three sources: their pension plan, Social Security, and personal savings. With experts estimating that a person will require between 70 and 80 percent of his or her preretirement income, increasing your personal savings is a good retirement strategy to help supplement your retirement income.

One way for public employees in Alabama to increase their personal savings and add to their financial security is by investing in an Internal Revenue Code Section 457 Deferred Compensation Plan like RSA-1. RSA-1 offers an easy and flexible way to save for retirement through payroll deduction while providing tax relief today.

Employee Eligibility

Any public official or employee of the state of Alabama or any political subdivision thereof is eligible to participate in the RSA-1 Deferred Compensation Plan, regardless of age or participation in the RSA. Participation in RSA-1 is strictly voluntary.

Employee Enrollment

You can enroll in RSA-1 at any time. There are no administrative, membership, investment transaction, sales or commission fees for participating in RSA-1. All the money you defer and all investment earnings are placed into your account.

To participate in RSA-1:

1. An employee must complete the RSA-1 ENROLLMENT form, BENEFICIARY DESIGNATION form, and the INVESTMENT OPTION ELECTION FOR NEW ACCOUNTS form and submit the completed forms to the RSA-1 Deferred Compensation Plan office at the RSA to establish an account.
2. Initiate salary deferrals by filing an AUTHORIZATION TO DEFER COMPENSATION form **with your payroll officer**. Do not send the AUTHORIZATION TO DEFER COMPENSATION form to RSA-1 or the RSA. This form simply authorizes your payroll officer to defer money from your salary.

Easy to Make Deferrals

1. Deferrals may be in any amount desired by the participant as long as the participant does not exceed the maximum deferral allowable.
2. The amount of the participant's deferral may be increased, decreased, or suspended as often as the participant wishes, subject only to employer payroll requirements.
3. You can only defer contributions to RSA-1 through payroll deductions.

Rollovers

Members may defer taxes on their sick and annual leave pay by rolling over these payments to RSA-1 at termination of employment. RSA members may also rollover their RSA DROP account funds to RSA-1 at termination of employment. Rollover of RSA DROP account funds and sick and/or annual leave results in a direct tax savings to you.

RSA-1 accepts trustee-to-trustee transfers from other Section 457 plans. RSA members must establish an RSA-1 account prior to the transfer. Funds transferred from other Section 457 accounts must never have been from any source other than 457(b).

Tax Savings

The following is an example of how participation in RSA-1 can help you reduce current taxes:
Assume:

- ◆ An employee earning \$1,000 semimonthly
- ◆ Deferring \$100 into RSA-1 semimonthly
- ◆ Filing as single with one withholding allowance
- ◆ Retirement Contribution based on Tier 1 regular employees

Contributing to RSA-1		Not Contributing to RSA-1	
Semimonthly pay	\$1,000.00	Semimonthly pay	\$1,000.00
RSA-1 Deferral	\$100.00	RSA-1 Deferral	\$0.00
7.5% Retirement Contribution	\$75.00	7.5% Retirement Contribution	\$75.00
Federal Tax*	\$50.94	Federal Tax*	\$62.94
State Tax*	\$29.00	State Tax*	\$34.00
FICA	\$76.50	FICA	\$76.50
<u>Take-Home Pay</u>	<u>\$668.56</u>	<u>Take-Home Pay</u>	<u>\$751.56</u>

In this example, deferring \$100 only decreases your take-home pay by \$83 while saving \$17 on taxes.

**Based on 2019 tax tables*

Retirement Savings

Effect of Saving Over a 25 Year Period*				Effect of Saving Over a 30 Year Period*			
Monthly Deferral Amount	Assumed Earnings Rate			Monthly Deferral Amount	Assumed Earnings Rate		
	6%	7%	8%		6%	7%	8%
\$25	17,324.85	20,251.79	23,775.66	\$25	25,112.88	30,499.27	37,258.99
\$50	34,649.70	40,503.58	47,551.32	\$50	50,225.75	60,998.55	74,517.97
\$100	69,299.40	81,007.17	95,102.64	\$100	100,451.50	121,997.10	149,035.94
\$200	138,598.79	162,014.34	190,205.28	\$200	200,903.01	243,994.20	298,071.89
\$400	277,197.58	324,028.68	380,410.56	\$400	401,806.02	487,988.40	596,143.78

****These examples are provided for illustration purposes only and do not guarantee that the fund will perform at this level in the future.***

Contact RSA-1

For more information about RSA-1 and the forms necessary to enroll, contact RSA-1 at 877.517.0020; email RSA-1 at rsainfo@rsa-al.gov; or download the information from our website.

RSA Publications and Notifications

Member Handbooks

(ERS, TRS, State Police, and JRF)

Each Member Handbook presents an overview of mandatory participation, creditable service, vesting, disability and service retirement, preretirement death benefits, and postretirement employment. Each agency is sent a supply of the handbooks. Each new member is mailed a handbook upon receipt of an enrollment form from the employing agency. A handbook can be requested at any time.

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. The RSA will provide an RSA-1 Enrollment Packet at the request of the member or the agency.

Educational Opportunities

The RSA offers its members several opportunities for retirement education. Retirement Preparation Seminars are offered at various sites throughout Alabama. This program helps members to begin or continue their planning and preparation for retirement. The Ret Prep Seminars are full-day programs. Schedules for these seminars are released once a year. The registration packets including the schedule are mailed to Human Resource Offices and Payroll Offices. All schedules and forms are placed on the RSA website for our members' convenience.

The RSA also offers mid-career seminars for members with 1-19 years of service credit. They are called Early to Mid-Career Seminars. The half-day seminar will help you get and stay on track for retirement.

Individual counseling appointments are offered across the state as well. These are twenty-minute appointments with an ERS counselor. The counselor will answer your questions and review your estimate of benefits. Schedules are released once a year and are placed on the RSA website.

ERS members are always welcome to come to the RSA Headquarters Building on Union Street in Montgomery. To avoid long waiting times, schedule an appointment by calling Member Services at 877.517.0020.

RSA Annual Report

In April 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.

RSA Website (www.rsa-al.gov)

The RSA website publishes RSA's member handbooks, 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. The website also offers links to other state and federal agencies, as well as RSA's investments, such as the Robert Trent Jones Golf Trail and RSA-owned hotels.

Legislative Updates keep members informed about legislative news, current legislation, and archive legislation. The Retirement Benefit Estimate Calculator allows members to estimate retirement benefits under the Maximum allowance and Options 1, 2, and 3. Information about Retirement Preparation Seminars, Agency Seminars, and Individual Counseling Sessions is listed under Retirement Planning.

Annual Statement of Account

The ERS provides each member a Statement of Account for the year ending September 30. The statements are mailed directly to the member's current address on record in early December. You may view your account statement online at our website.

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 and mailing address as of September 30 are listed.

Members should verify the information on the Statement of Account and contact the ERS if any discrepancies are noticed.

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 member's designated beneficiary is listed. You may also view your statement online.

DROP Account Statement

Each DROP participant receives a statement shortly after the close of each fiscal year (September 30) detailing the preceding year's transactions and giving a year-end account balance.

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 ERS when a retired, RSA member is employed full-time. If the retired, RSA member is not employed full-time, the agency must notify the ERS when the retiree's earnings exceed the earnings limit.

Terminated Account Information Request

The ERS may request mailing address information from participating agencies about former employees whose retirement accounts have been terminated due to an absence of participation. The ERS 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.



THE
RETIREMENT SYSTEMS
OF
ALABAMA

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