

# An Overview of the Employees' Retirement System (ERS)

Fall 2015



# Eligibility



Participation in the ERS is mandatory provided the following conditions are satisfied:

- \* Work at least  $\frac{1}{2}$  time (at least 20 hours per week)
- \* Earn at least the prevailing minimum wage
- \* Not considered temporary



# 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>
Disability Retirement	No Change	New disability standard



# 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 (Approx. 48 yrs & 6 mos to get to cap)
Retirement Contributions on Overtime Pay	Earnable Compensation cannot exceed 120% of base pay	Earnable Compensation cannot exceed 125% of base pay
Sick Leave Conversion	Yes	No
FLC Bonus Year/State Police Bonus	Yes	No



# Using the CRA Application

The CRA application allows an employer to verify if an employee should be placed under Tier I or Tier II for retirement purposes. It is very important that employees hired on or after **January 1, 2013**, are entered in the payroll system with the correct retirement tier.

- \* To determine if a new employee is Tier I or Tier II status, you must visit the RSA website at <https://cra.rsa-al.gov> for verification.
  - \* **User Name:** CRA-Upload
  - \* **Password:** R\$@upLo@d (*that is the number “o”*)
- \* Enter the nine digit SSN for your employee. Based on current RSA records, the employee’s name and Tier status will be provided. You will be able to print the page for your records.
- \* If you believe the RSA records are incorrect, please contact the RSA to discuss the Tier status before initiating the first payroll deduction for the member



# Using the CRA Application

## CRA Login Page

- \* Enter the User Name and Password



### CRA Login

User Name:

Password:

[Site/Technical Questions](#)  
1-877-517-0020 Ext. 7411

To ensure our members have a positive online experience, the RSA recommends and has certified Microsoft Internet Explorer 7.0 or higher and Firefox 2.0 or higher with javascript enabled for use with our online services. Other browser platforms such as Safari or Opera may prove incompatible with portions of our site and are not supported at this time.

This secure site is intended for use by Authorized Users only. Transactions on this site are protected with up to 256-bit Secure Sockets Layer encryption. Any attempt to deny access to, hack into, pose as another RSA unit or member, and/or deface this site will result in criminal prosecution under local, state, federal and international law. If you have reached this website in error, please remove yourself by typing the correct URL name of the website intended. We reserve the right to monitor access to/from this website in accordance with agency policies.



# Using the CRA Application

- \* To verify if an employee should be placed under Tier I or Tier II, you will need to select the “**Check Employee Tier Status**” button at the bottom of the screen.

**RSA** | Contribution Reporting Application

[Logout](#)

Click the "Upload CRA File" button, select the RET or RSA file that you wish to upload and press the open button.

Note: The filename needs to be formatted as **P U U U Y Y M M . E X T :**

- P** Plan Code Type (E or T)
- UUU** Three character Unit Code
- YY** Last two digits of the payroll Year
- MM** Payroll Month (Pad single digit months with a leading zero)
- .EXT** **.RET** for Retirement or **.RSA** for RSA-1 contributions

RET and RSA Files can be generated by the [RSA CRA Application](#) or other third party software applications that generate the file in the necessary [format](#).



# Using the CRA Application

## Example #1

- \* Enter the SSN for the employee you wish to verify on the screen below.

**RSA** | Contribution Reporting Application

[Logout](#)

Enter the nine digit SSN for your employee below and click the "Submit" button to check his/her Tier status.

SSN

Submit





# Using the CRA Application

## Example #1

- \* The SSN was not found in the system. This employee should be placed under Tier II.

A screenshot of the RSA Contribution Reporting Application interface. The header shows the RSA logo and the title "Contribution Reporting Application". A "Logout" link is visible in the top right. Below the header, there is a form field for "SSN" containing the value "987654321". A red error message states: "The SSN you entered is not in our system. This employee will be treated as Tier II." Below the error message, a text line reads: "If you do not agree with this Tier assignment, call RSA at 877.517.0020 to resolve before proceeding with payroll." At the bottom, there are two buttons: "Print" and "Check Another Tier Status".

RSA | Contribution Reporting Application

[Logout](#)

SSN

The SSN you entered is not in our system. This employee will be treated as Tier II.

If you do not agree with this Tier assignment, call RSA at 877.517.0020 to resolve before proceeding with payroll.

[Print](#) [Check Another Tier Status](#)



# Using the CRA Application

## Example #2

- \* Enter the SSN for the employee you wish to verify on the screen below.

**RSA** | Contribution Reporting Application

[Logout](#)

Enter the nine digit SSN for your employee below and click the "Submit" button to check his/her Tier status.

SSN

Submit



# Using the CRA Application

## Example #2

- \* The SSN was found in the system. This employee should be placed under Tier I.

The screenshot shows the RSA Contribution Reporting Application interface. At the top left is the RSA logo, and to its right is the title "Contribution Reporting Application". A "Logout" link is in the top right corner. The main content area displays the following information: "SSN" followed by a text box containing "123456789", "Jane Smith" in green text, and "Tier I" in green text. Below this, a message reads: "If you do not agree with this Tier assignment, call RSA at 877.517.0020 to resolve before proceeding with payroll." At the bottom, there are two buttons: "Print" (highlighted with a red box) and "Check Another Tier Status".

- \* Always print a copy of the **Tier Status Report** and maintain a copy in the personnel file of the employee.

# 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.

# 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

# 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



## 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.

# Withdrawing Contributions



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.



# Table of Refunds



Yrs 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

# Types of Service Available to Purchase



- \* **Military Service** – may be purchased during first year or after 10 years of service
- \* **Withdrawn Service Credit** from RSA
- \* **Previous Service** with a city/county/town/public or quasi-public organization
- \* **Out-of-State Service**
- \* **TRS Support Personnel, Teacher Aide, Job Corps, and Teacher Corps**
- \* **Non-Participating Employer Service**

*More information is provided in your Member Handbook*



# Preretirement Death Benefit

## Tier I


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	<p style="text-align: center;"><i>Choice of:</i></p> <p>(1) Option 3 monthly benefit (50% of member's retirement benefit) to the spouse or beneficiary (this choice is not available for multiple beneficiaries)</p> <p style="text-align: center;"><i>Or</i></p> <p>(2) Member contributions, total interest earned, plus an amount equal to the member's salary for the prior fiscal year (October 1-September 30)</p>

*\*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.*



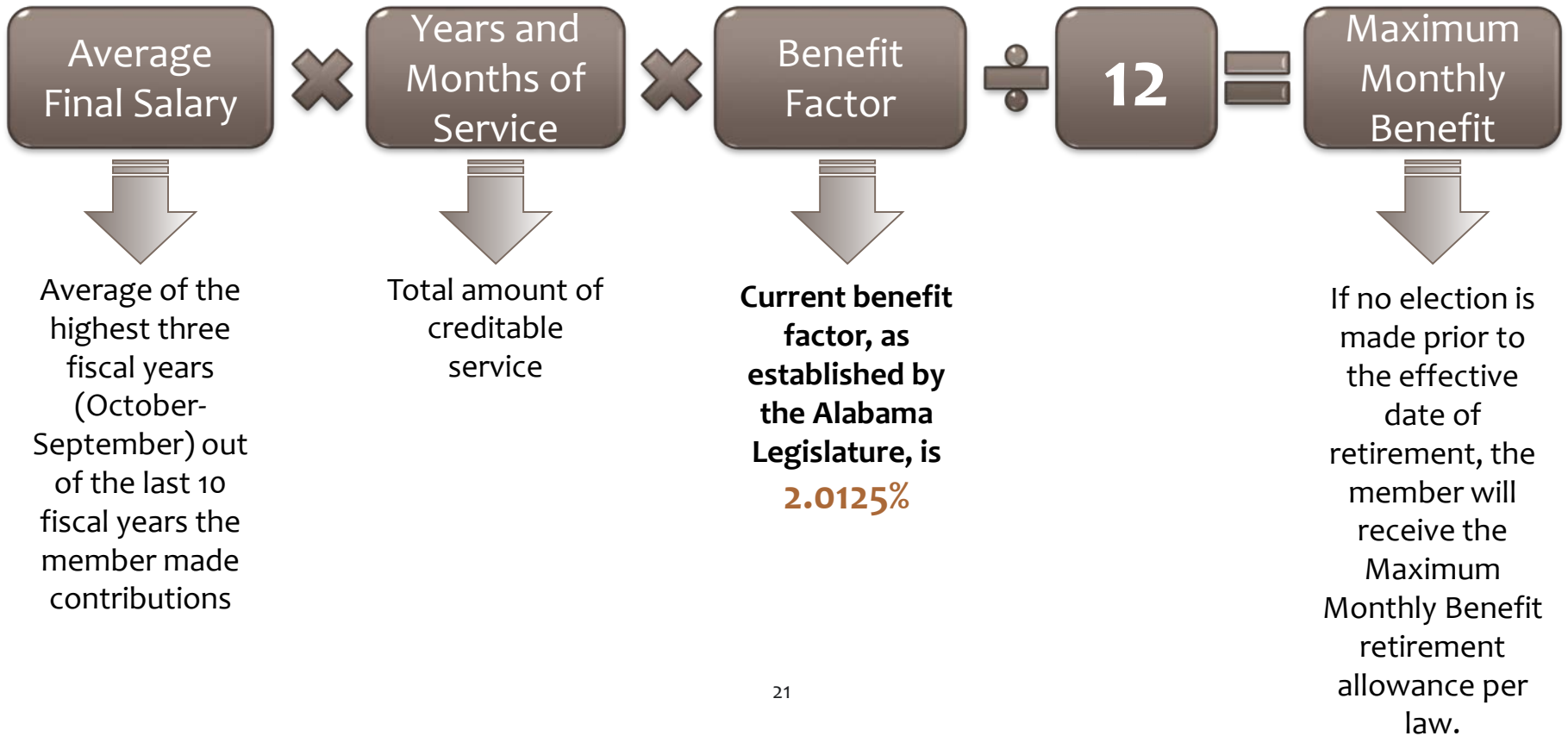
# Preretirement Death Benefit

## Tier 2

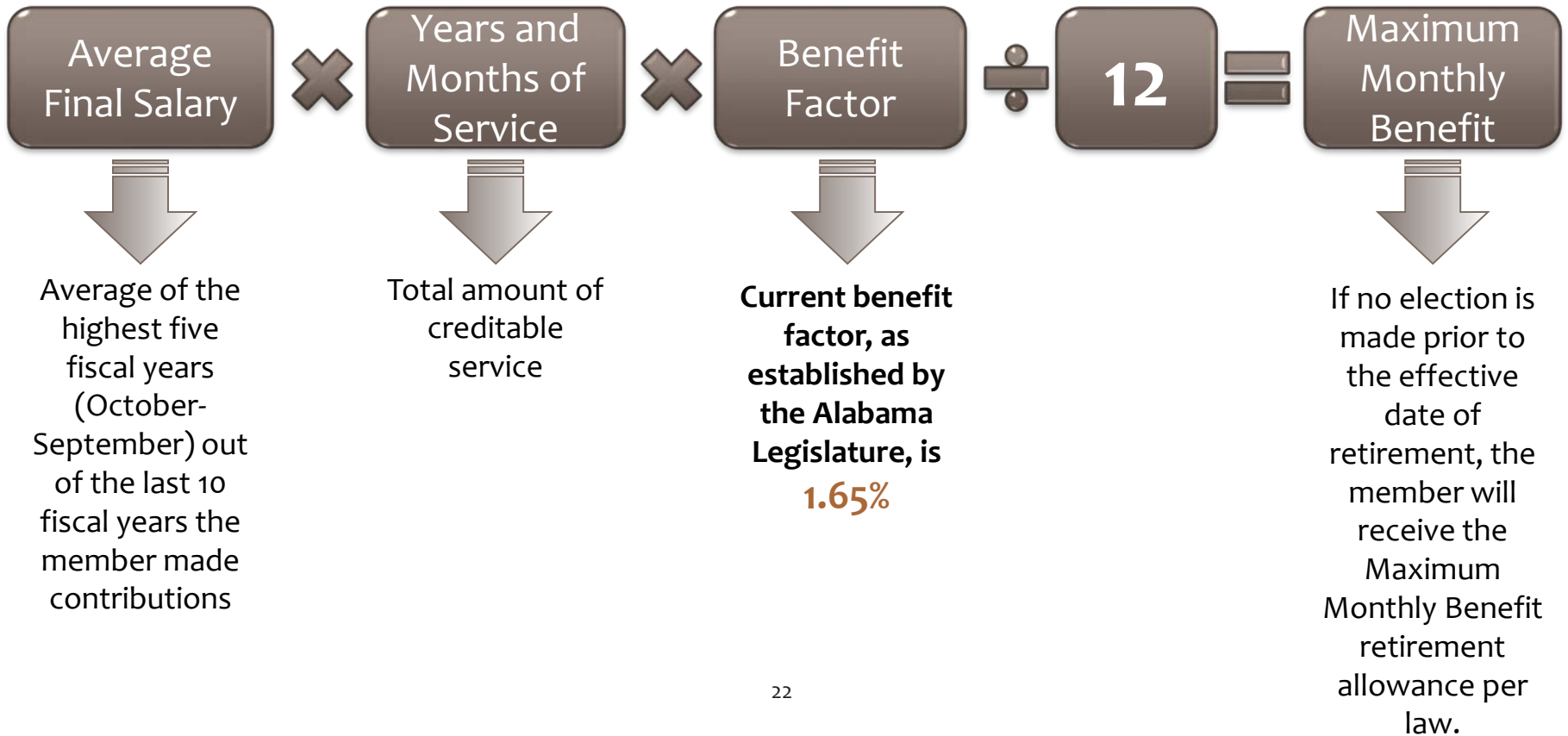
Member Age	Years of Service Credit	Preretirement Death Benefit
<i>Ineligible to Retire</i>		
Under 62* or 62* and Older	 Between 1 and 10	Member contributions, total interest earned, plus an amount equal to the member's salary for the prior fiscal year (October 1-September 30)
Any Age*	Less than 1 year, 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>		
62* and Older	10 or more	Choice of: (1) Option 3 monthly benefit (50% of member's retirement benefit) to the spouse or beneficiary (this choice is not available for multiple beneficiaries) Or (2) Member contributions, total interest earned, plus an amount equal to the member's salary for the prior fiscal year (October 1-September 30)

*\*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.*

# Calculation of Benefits – Tier I



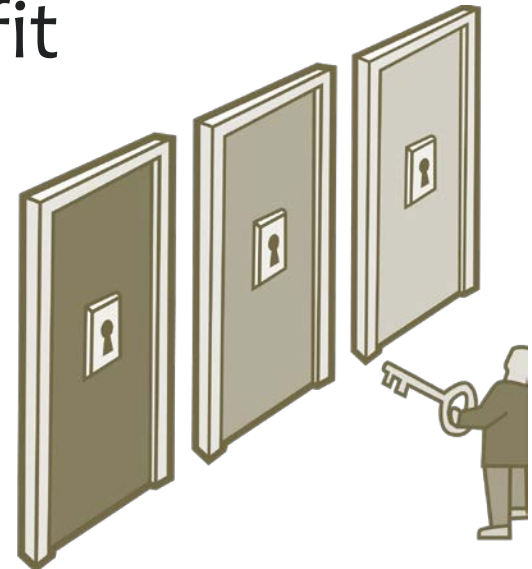
# Calculation of Benefits – Tier II



# Retirement Benefit Choices



1. Maximum Monthly Benefit
2. Option 1
3. Option 2
4. Option 3



Under each of these plans, the member will receive a lifetime benefit.

# Maximum Monthly Benefit



- \* Largest available monthly benefit.
- \* Lifetime benefit for retiree on a monthly basis.
- \* Benefits **cease completely** at time of retiree's death.
- \* The designated beneficiary(ies) will receive a one-time prorated monthly benefit covering the days of the month the retiree was alive.
- \* Multiple Beneficiaries allowed and may be changed at any time.



# Option 1



- \* Monthly benefit **slightly** less than the Maximum Benefit.
- \* Lifetime benefit for retiree on a monthly basis.
- \* If retiree dies prior to receiving annuity payments exceeding his or her account balance, the remaining balance will be paid to the designated beneficiary(ies).
- \* Multiple Beneficiaries allowed and may be changed at any time.

# Example for Tier 1 Member



## Profile of Member

Age: 57

Beneficiary's Age: 54

Years of Service: 26 years 7 months

Average Final Salary: \$41,000

## Remember the formula:

Average final salary  $\times$  years of service  $\times$  .020125 = Annual Benefit

Annual Benefit  $\div$  12 = Maximum Monthly Benefit

# Example (cont'd)



## Maximum

**\$1,827.88** - Per month for life of retiree. All payments cease at death of retiree.

## Option 1

**\$1,820.91** - Per month for life of retiree. At retiree's death, any remaining annuity will be paid to beneficiary(ies).

**\$38,000** - Annuity (or Account Balance). Total amount of what the employee has put into the account.

**\$294.76** - Rate at which annuity is decreased per month

**10 yrs, 9 mos** - Approximate length of time to totally deplete the annuity

# Option 2 (100% Survivor Benefit)



- \* A reduced monthly benefit over lifetime of retiree.
- \* **Only 1 beneficiary** may be designated to receive same lifetime benefit after the retiree's death.
- \* Benefits are based on ages of retiree and beneficiary.
- \* No change of beneficiary (to receive a monthly benefit) allowed after retirement, **unless** beneficiary predeceases retiree or a divorce between retiree and beneficiary.
- \* See *Replacement Beneficiary* information

# Option 3 (50% Survivor Benefit)



- \* A reduced benefit over lifetime of retiree.
- \* **Only 1 beneficiary** named to receive one-half of the retiree's benefit over their lifetime after retiree's death.
- \* Benefits are based on ages of retiree and beneficiary.
- \* No change of beneficiary (to receive a monthly benefit) allowed after retirement, **unless** beneficiary predeceases retiree or a divorce between retiree and beneficiary.
- \* See **Replacement Beneficiary** information

# Example (cont'd)



## Option 2 (100% Survivor Benefit Option)

**\$1,612.56** - Per month for life of retiree

**\$1,612.56** - Per month for life of beneficiary after death of retiree

## Option 3 (50% Survivor Benefit Option)

**\$1,713.45** - Per month for life of retiree

**\$856.73** - Per month for life of beneficiary after death of retiree

# Replacement Beneficiaries



A new beneficiary **may** be named under the joint survivor options (**Option 2 or 3**), but **only** under one of the following conditions:

1. If the named beneficiary dies before the retiree

**or**

2. There is a divorce between the retiree and the beneficiary.

# Replacement Beneficiaries (cont'd)



- \* The retiree should contact ERS for info and forms.
- \* Generally, there is a recalculation of the benefit amount for the retiree and beneficiary, which takes effect immediately.
- \* **There is a 2-year waiting period for the change to be effective.**
- \* Should the retiree die within this 2-year period, NO monthly survivor benefit is payable.

**This is the LAW!**



# 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, and \$30,000 for the 2016 calendar year.
- \* If a retiree's compensation exceeds the annual limitation on earnings, the retirement benefit will be suspended for the remainder of the calendar year.

# 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.

# 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.

# Postretirement Employment



The following formula is used to calculate the prorated earning limit for retired employees who return to work in the same calendar year in which they retired.

**Step 1:** Take the number of months left in the calendar year and divide by 12 (months)

**Step 2:** Multiply \$24,000 (yearly earnings limit for 2015) by the percentage from Step 1.

**Step 3:** The amount from Step 2 is the total earnings limit for the current calendar year.

# Postretirement Employment



## Example:

7 months left divided by 12 months = 58%

$$\$24,000 \times 58\% = \$14,000$$

(maximum earnings limit for  
the remainder of the calendar year)

# What is the RSA-1 Plan?



- \* An eligible 457 Deferred Compensation Plan
- \* A way to defer a portion of your salary until some later determined date – usually at retirement
- \* Earnings are also tax deferred



# Joining RSA-1 is Simple



To join, complete the following forms included in the RSA-1 Packet:

1. Enrollment Form (*send to RSA*)
2. Beneficiary Designation Form (*send to RSA*)
3. Investment Option Election Form (*send to RSA*)
4. Authorization To Defer Form – *this form goes to your agency's payroll officer*

# Investment Options



- \* **Bond Fund** - majority corporate & governmental bonds
- \* **Stock Fund** - majority S&P 500 Index Fund
- \* **Short Term Investment Fund** – high quality money market securities, U.S. Treasury bills, and U.S. Government agency notes with a maturity of one year or less





# Investment Options



- \* Members and beneficiaries may now change their investment options **once every 90 days** from the effective date of their last election.
- \* You may decide how you want your existing fund to be invested and invest differently for your future deferrals.
- \* You may split between the 3 options:  
**For example: 80% - 10% - 10% or 50% - 25% - 25% and so on.  
That is your decision.**

# Minimum Contributions



- \* There is no set minimum contribution.
- \* It may be as little as \$10 per pay period.

**Remember** - This contribution is made before taxes!

# Maximum Contributions



## Under age 50

\$18,000 for 2015

## Age 50 and over

\$24,000 for 2015



# Catch-Up Deferrals



## *Who is eligible to participate in “Catch-Up”?*

- \* Employees who **have not deferred the MAX each year** are allowed limited “catch-up” deferrals of unused eligible amounts.

# Catch-Up Deferrals (cont'd)



For 1 or more of the **last 3 consecutive taxable years** ending before the employee retires or attains normal retirement age (age 60), the employee **may** defer the lesser of:

- \* \$36,000, **OR**
- \* The normal allowable deferral for the current year **plus** the difference between the deferral limit and the employee's actual deferrals in previous years (the earliest year which may be calculated is 1986).

# Making Withdrawals from RSA-1



To make a withdrawal from your RSA-1 account, you must meet one of the following:

1. Separation from service through retirement or termination from employment, **OR**
2. Attainment of age 70-1/2, **OR**
3. Unforeseeable Emergency as defined by the Secretary of the Treasury in regulations.

# Withdrawal Options



## 1. **Lump Sum or Partial Lump Sum**

Distributed no later than April 1 of the calendar year following the calendar year the member attains age 70-1/2 or retires – whichever is later

# Withdrawal Options



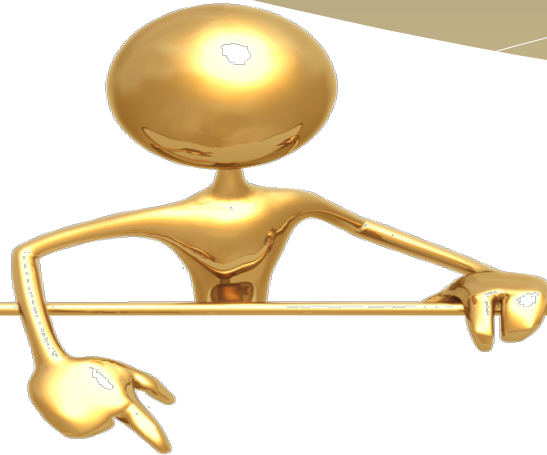
## 2. Equal Monthly Payments

Must be distributed beginning no later than April 1 of the later of the calendar year following the calendar year in which the employee either:

- \* Attains age 70-1/2, **OR**
- \* Retires



# RSA-1 is a great benefit for you!



Your RSA-1 funds may be  
used to purchase  
**permissible service credit.**

# Contact ERS



**Phone** 877.517.0020 **or** 334.517.7000

**Fax** 877.517.0021 **or** 334.517.7001

**Email** [ersinfo@rsa-al.gov](mailto:ersinfo@rsa-al.gov)

*Do not include confidential info!*

**Mail** The Employees' Retirement System  
P.O. Box 302150  
Montgomery, AL 36130-2150

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

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

**CRA Questions** 877.517.0020 **or** 334.517.7000  
*Ask for ITS 411 Service Desk*