

HB437 INTRODUCED



1 D7X1HN-1
2 By Representative Shedd
3 RFD: Ways and Means Education
4 First Read: 04-May-23
5
6 2023 Regular Session



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SYNOPSIS:

Under existing law, there is no formal procedure for funding an increase in the pension benefits earned by state and local government employees who have retired under the Retirement Systems of Alabama.

This bill would establish a procedure for the funding of benefit increases provided to retirees under the Employees' Retirement System and the Teachers' Retirement System by the Legislature by requiring the actual annual cost to be identified and provided for in the annual State General Fund Budget Act and the Education Trust Fund Budget Act.

In the event the amounts are not identified and appropriated or provided for, there will be no increased benefit provided for that fiscal year. This pay as you go procedure shall be considered a one year benefit adjustment that does not affect the unfunded liability of the Retirement Systems of Alabama as the benefit increase will only be paid if the actual cost is included in the annual appropriation acts and the funds collected from the covered entities in the same month that the increase is to be paid to the retiree each month.



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29 A BILL
30 TO BE ENTITLED
31 AN ACT

32
33 Relating to the Retirement Systems of Alabama; to
34 provide for an annualized benefit adjustment procedure for the
35 funding of future benefit increases to retirees of the State
36 Employees' Retirement System and the Teachers' Retirement
37 System which will not increase the unfunded liability of
38 either system due to the provisions which require the actual
39 annual cost of any increase to be authorized and funded one
40 year at a time with no authorization or liability for the
41 benefit increase beyond the fiscal year for which the
42 appropriations are made.

43 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

44 Section 1. (a) Beginning in the first fiscal year that
45 begins after the effective date of this act, no benefit
46 increase provided to retirees under the Employees' Retirement
47 System shall be paid unless the actual amount as estimated by
48 the actuary of the system is included in the appropriation
49 acts for that year. The required amounts shall be identified
50 in the appropriation acts with a separate employer rate
51 established to fund the actual cost as determined by the
52 actuary. The Retirement Systems of Alabama shall require any
53 entity whose appropriation is not included in the
54 appropriation acts to transfer to the Employees' Retirement
55 System of Alabama the amount required by the employer rate
56 established for the benefit increase in the same manner as



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57 normal employer contributions are made. In any year the
58 required amount is not identified and funding provided for in
59 the appropriation acts, the Retirement Systems of Alabama
60 shall not be required to pay nor shall they pay the amount of
61 the increase provided for that year. The increase provided may
62 be resumed in any subsequent year following a year where the
63 benefit increase was not funded if included in that years
64 appropriation acts. Any new benefit increase shall only be
65 pursuant to legislative act establishing the new benefit
66 increase.

67 (b) Local units under the Employees' Retirement System
68 which are authorized to provide benefit increases shall
69 provide for the actual costs of any increase for each year in
70 the same manner as provided in subsection (a) for state
71 employees. The actuary shall provide an annual estimate to
72 each system which granted the increase in time to be included
73 in the local systems funding plan. In any year that the
74 funding is not included, the increase shall not be paid but
75 may be resumed in subsequent years as provided in subsection
76 (a) for state employees.

77 Section 2. Beginning in the first fiscal year that
78 begins after the effective date of this act, no increase
79 provided to retirees under the Teachers' Retirement System
80 shall be paid unless the actual amount as estimated by the
81 actuary of the system is included in the appropriation acts
82 for that year. The required amounts shall be identified in the
83 appropriation acts with a separate employer rate established
84 to fund the actual cost as determined by the actuary. The



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85 Retirement Systems of Alabama shall require any entity whose
86 appropriation is not included in the appropriation acts to
87 transfer to the Teachers' Retirement System the employer rate
88 established for the benefit increase in the same manner as
89 normal employer contributions are made. In any year the
90 required amount is not identified and funding provided for in
91 the appropriation acts, the Retirement Systems of Alabama
92 shall not be required to pay nor shall they pay the amount of
93 the increase provided for that year. The increase provided may
94 be resumed in any subsequent year following a year where the
95 benefit increase was not funded if included in that years
96 appropriation acts. Any new increase in the benefits shall
97 only be pursuant to legislative act establishing the new
98 benefit increase.

99 Section 3. Any benefit increase provided to retirees
100 shall be by separate act which shall establish the amount and
101 the eligible retirees. Upon passage of such an act the
102 provisions of the act shall be applicable to fund that
103 increase.

104 Section 4. This act is not applicable to and shall not
105 affect any previous cost-of-living increase or one time bonus
106 provided to retirees under acts previously passed by the
107 Legislature.

108 Section 5. This act shall become effective immediately
109 following its passage and approval by the Governor, or its
110 otherwise becoming law.