



# THE RETIREMENT SYSTEMS OF ALABAMA

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## **RSA Statement Regarding the Implementation of Act 2019-132**

Act 2019-132 (the “Act”) allows local employers that participate in the Employees’ Retirement System (“ERS”) to provide Tier I retirement benefits to their Tier II members. Those Tier II members will pay the Tier I member contribution rates (7.5% for regular employees and 8.5% for firefighters and law enforcement officers). The local employers will pay an increased employer contribution rate, as calculated by RSA’s actuaries.

### **Election**

Local employers may elect to provide Tier I benefits to their Tier II employees by adopting a resolution and submitting such resolution to the ERS. Under the Act, local employers have until two years from enactment, or until May 8, 2021, to do so. Such election shall be irrevocable.

RSA’s actuaries are working on estimates for the employer costs for each local employer to increase benefits for Tier II members. There are almost 900 local employers that participate in ERS and each estimate must be calculated separately. The RSA will post the estimates for each local employer on the employer portal once all estimates are completed. The RSA will notify employers once these estimates are posted.

### **Denial of Election**

Under the Act, the ERS Board may deny a local employer’s election based upon historical compliance with ERS requirements and the local employer’s financial stability. The ERS Board intends to consider and adopt a policy governing its denial of elections at its next board meeting, currently scheduled for September 17, 2019. The ERS Board will not consider whether to deny elections until its December meeting.

### **Plan for Increasing Tier I Member Rates**

The Act also requires that local employers that have not raised the Tier I member contribution rates from 5% to 7.5% for regular employees and from 6% to 8.5% for firefighters and law enforcement officers as provided in Act 2011-676 must submit a plan to RSA for raising those rates before they will be allowed to make an election to provide Tier I benefits to Tier II members. The ERS Board intends to consider and adopt a policy governing the plans that must be submitted by such local employers at its next board meeting, currently scheduled for September 17, 2019.

The policies adopted by the ERS Board relating to the Act will be posted on the RSA website ([www.rsa-al.gov](http://www.rsa-al.gov)).

### **Effective Date of Election**

The election to provide Tier I benefits to Tier II members will be effective the fiscal year following the date the resolution is received by the ERS. This effective date will be the date that the local employer’s Tier II members will begin paying the higher member contribution rate, and the local employers will begin contributing a higher

employer contribution rate for such members. Every Tier II member employed by the local employer as of that date will have his or her past Tier II service converted to Tier I service.

The RSA will not be able to accept resolutions from local employers until after the actuaries have completed the cost estimates for all local employers, and the ERS Board has adopted policies governing the denial of election and plans for increasing the Tier I member contribution rate. Local employers and members will not be prejudiced by this delay as all Tier II service of current employees will be converted to Tier I service.