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THE RETIREMENT SYSTEMS OF ALABAMA

David G. Bronner, CEO
Donald L. Yancey, Deputy Director

August 14, 2014

MEMORANDUM

TO: Local Units Participating in the Employees' Retirement System of Alabama

FROM: William F. Kelley, Jr.
Director of Benefits
Employees' Retirement System

RE: Acts 2012-302 and 2012-377 - Retirement Contributions on Overtime Pay

Due to some misunderstandings regarding retirement contributions on overtime pay, I wanted to make sure everyone was aware of the current law on these contributions. Acts 2012-302 and 2012-377 amended §36-27-1(14), *Code of Alabama 1975*, to define earnable compensation as follows:

“For Tier I plan members, the term earnable compensation for retirement purposes shall not include subsistence payments that are made to a member and shall include overtime payments that are made to a member; however, earnable compensation shall not exceed one hundred twenty percent (120%) of any members' annual base compensation as certified by the employer. For Tier II plan members, earnable compensation shall include overtime payments that are made to the member but shall not include subsistence payments that are made to the member and shall not exceed one hundred twenty-five percent (125%) of the member's annual base compensation, as certified by the employer.”

You should submit retirement contributions on overtime pay up to the cap of 120% of annual base compensation for Tier I plan members and 125% of annual base compensation for Tier II plan members. It is the employer's responsibility to determine the base compensation and to ensure that retirement contributions do not exceed these limits.

WFK/wgd

cc: File