

THE LOCAL TIER I OPTION

*Bill Kelley, ERS Director
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ACT 2019-132: The Local Tier I Option

Act 2019-132 (codified at *Ala. Code* 36-27-6.5) allows a local employer that participates in ERS to elect to provide Tier I retirement benefits to the employer's Tier II employees.

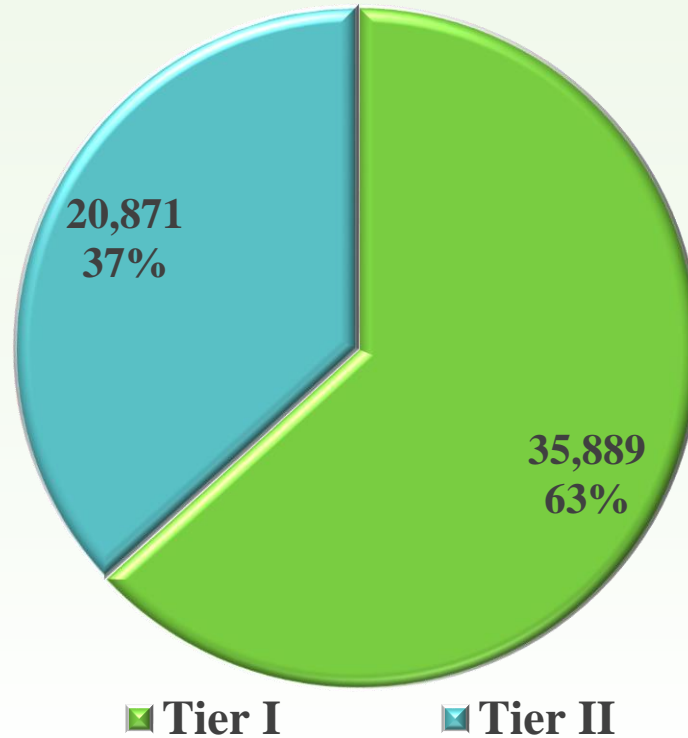
ERS Local Tier I and Tier II Benefit Comparison

| | 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"> • 5% or 7.5% for Regular Employees • 6% or 8.5% for FLC Employees | <ul style="list-style-type: none"> • 6.0% for Regular Employees • 7.0% for FLC Employees |
| Retirement Eligibility | <ul style="list-style-type: none"> • 25 years of service at any age (30 years for local units that have not adopted Act 88-548) • At least 10 years of service at age 60 | <ul style="list-style-type: none"> • No 25-year or 30-year retirement • At least 10 years of service at age 62 (age 56 for FLC Employees) |
| Retirement Factor | <ul style="list-style-type: none"> • 2.0125% | <ul style="list-style-type: none"> • 1.650% |
| Disability Retirement | No Change | New disability standard |

ERS Local Tier I and Tier II Benefit Comparison (*cont.*)

| | 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 <i>(Approx. 48 yrs & 6 mos to get to cap)</i> |
| 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 Bonus | Yes | No |

ERS Local Active Members by Tier as of 9/30/18



56 760 Total Active Members

MAKING AN ELECTION

Local employers may elect to provide Tier I benefits to Tier II employees by adopting a resolution to do so by May 8, 2021.

Such election is irrevocable.

PLAN TO INCREASE TIER I MEMBER RATES

If the employer making an election has not increased the Tier I member rates as provided by Act 2011-676 (from 5% to 7.5% for regular employees and from 6% to 8.5%), the employer must submit a plan to ERS to increase these rates.

ERS BOARD REVIEW OF ELECTIONS

The ERS Board may deny an employer's election based on a staff review of the employer's historical compliance with ERS requirements and the employer's financial stability.

EFFECTIVE DATE

An employer's election to provide Tier I benefits to Tier II employees will be effective the beginning of the fiscal year following the date the resolution is received by ERS.

All Tier II service of the employer's Tier II employees on that date will be converted to Tier I service.

EMPLOYER COST

An employer who elects to provide Tier I benefits to Tier II employees will be responsible for paying the increased employer rates for these benefits.

The cost for each local employer will vary.

RSA's actuaries are working on the cost estimates for each local employer. RSA will not accept elections from local employers until these estimates are complete and posted to the employer's portal.

TIER II MEMBER CONTRIBUTION RATE

Tier II employees of employers who make an election to provide Tier I benefits must contribute 7.5% (regular employees) or 8.5% (FLC employees).

QUESTIONS?

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