



The Local Tier 1 Option

The Local Tier 1 Option



2020

Retirement Systems of Alabama



The Local Tier 1 Option

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.

Retirement Systems of Alabama



The Local Tier 1 Option

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



The Local Tier 1 Option

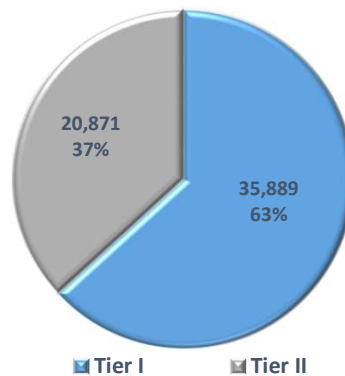
ERS Local Tier I and Tier II Benefit Comparison

	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 Bonus	Yes	No



The Local Tier 1 Option

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



56,760 Total Active Members

Retirement Systems of Alabama



The Local Tier 1 Option

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.
- Sample resolutions for employers are available on RSA's website.

Retirement Systems of Alabama



Plan to Increase Tier 1 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.
- The form for this plan is available on RSA's website.

Tier 1



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 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.
- Estimates of the cost for each employer have been posted to the Employer Self-Service (ESS) portal.



Employer Cost

- 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.



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?

