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

<table>
<thead>
<tr>
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<th>Tier I</th>
<th>Tier II</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date of Employment</strong></td>
<td>Prior to January 1, 2013</td>
<td>On or after January 1, 2013</td>
</tr>
</tbody>
</table>
| **Member Contribution Rate** | • 5% or 7.5% for Regular Employees  
• 6% or 8.5% for FLC Employees | • 6.0% for Regular Employees  
• 7.0% for FLC Employees |
| **Retirement Eligibility** | • 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 | • No 25-year or 30-year retirement  
• At least 10 years of service at age 62 (age 56 for FLC Employees) |
| **Retirement Factor** | • 2.0125%                                                             | • 1.650%                                                              |
| **Disability Retirement** | No Change                                                             | New disability standard                                                  |

### Additional Notes
- **Average Final Salary**: Average of the highest three years of the last ten years
- **Benefit Cap**: None
- **Retirement Contributions on Overtime Pay**: Earnable Compensation cannot exceed 120% of base pay
- **Sick Leave Conversion**: Yes
- **FLC Bonus Year Bonus**: Yes
ERS Local Active Members by Tier
As of 9/30/18

<table>
<thead>
<tr>
<th>Tier I</th>
<th>Tier II</th>
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<tbody>
<tr>
<td>20,871</td>
<td>35,889</td>
</tr>
<tr>
<td>37%</td>
<td>63%</td>
</tr>
</tbody>
</table>

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

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?