

1 SB338
2 216574-1
3 By Senators Marsh and Singleton
4 RFD: Finance and Taxation General Fund
5 First Read: 06-APR-22

8 SYNOPSIS: Under existing law, there is no formal
9 procedure for funding an increase in the pension
10 benefits earned by state and local government
11 employees who have retired under the Retirement
12 Systems of Alabama.

13 This bill would establish a procedure for
14 the funding of benefit increases provided to
15 retirees under the Employees' Retirement System and
16 the Teachers' Retirement System by the Legislature
17 by requiring the actual annual cost to be
18 identified and provided for in the annual State
19 General Fund Budget Act and the Education Trust
20 Fund Budget Act.

21 In the event the amounts are not identified
22 and appropriated or provided for, there will be no
23 increased benefit provided for that fiscal year.
24 This pay as you go procedure shall be considered a
25 one year benefit adjustment that does not affect
26 the unfunded liability of the Retirement Systems of
27 Alabama as the benefit increase will only be paid

1 if the actual cost is included in the annual
2 appropriation acts and the funds collected from the
3 covered entities in the same month that the
4 increase is to be paid to the retiree each month.

5
6 A BILL
7 TO BE ENTITLED
8 AN ACT

9
10 Relating to the Retirement Systems of Alabama; to
11 provide for an annualized benefit adjustment procedure for the
12 funding of future benefit increases to retirees of the State
13 Employees' Retirement System and the Teachers' Retirement
14 System which will not increase the unfunded liability of
15 either system due to the provisions which require the actual
16 annual cost of any increase to be authorized and funded one
17 year at a time with no authorization or liability for the
18 benefit increase beyond the fiscal year for which the
19 appropriations are made.

20 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

21 Section 1. (a) Beginning in the first fiscal year
22 that begins after the effective date of this act, no benefit
23 increase provided to retirees under the Employees' Retirement
24 System shall be paid unless the actual amount as estimated by
25 the actuary of the system is included in the appropriation
26 acts for that year. The required amounts shall be identified
27 in the appropriation acts with a separate employer rate

1 established to fund the actual cost as determined by the
2 actuary. The Retirement Systems of Alabama shall require any
3 entity whose appropriation is not included in the
4 appropriation acts to transfer to the Employees' Retirement
5 System of Alabama the amount required by the employer rate
6 established for the benefit increase in the same manner as
7 normal employer contributions are made. In any year the
8 required amount is not identified and funding provided for in
9 the appropriation acts, the Retirement Systems of Alabama
10 shall not be required to pay nor shall they pay the amount of
11 the increase provided for that year. The increase provided may
12 be resumed in any subsequent year following a year where the
13 benefit increase was not funded if included in that years
14 appropriation acts. Any new benefit increase shall only be
15 pursuant to legislative act establishing the new benefit
16 increase.

17 (b) Local units under the Employees' Retirement
18 System which are authorized to provide benefit increases shall
19 provide for the actual costs of any increase for each year in
20 the same manner as provided in subsection (a) for state
21 employees. The actuary shall provide an annual estimate to
22 each system which granted the increase in time to be included
23 in the local systems funding plan. In any year that the
24 funding is not included, the increase shall not be paid but
25 may be resumed in subsequent years as provided in subsection
26 (a) for state employees.

1 Section 2. Beginning in the first fiscal year that
2 begins after the effective date of this act, no increase
3 provided to retirees under the Teachers' Retirement System
4 shall be paid unless the actual amount as estimated by the
5 actuary of the system is included in the appropriation acts
6 for that year. The required amounts shall be identified in the
7 appropriation acts with a separate employer rate established
8 to fund the actual cost as determined by the actuary. The
9 Retirement Systems of Alabama shall require any entity whose
10 appropriation is not included in the appropriation acts to
11 transfer to the Teachers' Retirement System the employer rate
12 established for the cost-of-living increase in the same manner
13 as normal employer contributions are made. In any year the
14 required amount is not identified and funding provided for in
15 the appropriation acts, the Retirement Systems of Alabama
16 shall not be required to pay nor shall they pay the amount of
17 the increase provided for that year. The increase provided may
18 be resumed in any subsequent year following a year where the
19 benefit increase was not funded if included in that years
20 appropriation acts. Any new increase in the benefits shall
21 only be pursuant to legislative act establishing the new
22 benefit increase.

23 Section 3. Any benefit increase provided to retirees
24 shall be by separate act which shall establish the amount and
25 the eligible retirees. Upon passage of such an act the
26 provisions of the act shall be applicable to fund that
27 increase.

1 Section 4. This act is not applicable to and shall
2 not affect any previous cost-of-living increase or one time
3 bonus provided to retirees under acts previously passed by the
4 Legislature.

5 Section 5. This act shall become effective on the
6 first day of the third month following its passage and
7 approval by the Governor, or its otherwise becoming law.