

SB310 INTRODUCED



1 50Q463-1
2 By Senator Orr
3 RFD: Finance and Taxation Education
4 First Read: 11-May-23
5
6 2023 Regular Session



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SYNOPSIS:

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

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

In the event the amounts are not identified and appropriated or provided for, there will be no increased benefit provided for that fiscal year. This pay as you go procedure shall be considered a one year benefit adjustment that does not affect the unfunded liability of the Retirement Systems of Alabama as the benefit increase will only be paid if the actual cost is included in the annual appropriation acts and the funds collected from the covered entities in the same month that the increase is to be paid to the retiree each month.



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29 A BILL
30 TO BE ENTITLED
31 AN ACT

32
33 Relating to the Retirement Systems of Alabama; to
34 provide for an annualized benefit adjustment procedure for the
35 funding of future benefit increases to retirees of the State
36 Employees' Retirement System and the Teachers' Retirement
37 System which will not increase the unfunded liability of
38 either system due to the provisions which require the actual
39 annual cost of any increase to be authorized and funded one
40 year at a time with no authorization or liability for the
41 benefit increase beyond the fiscal year for which the
42 appropriations are made.

43 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

44 Section 1. (a) Beginning in the first fiscal year that
45 begins after the effective date of this act, no benefit
46 increase provided to retirees under the Employees' Retirement
47 System shall be paid unless the actual amount as estimated by
48 the actuary of the system is included in the appropriation
49 acts for that year. The required amounts shall be identified
50 in the appropriation acts with a separate employer rate
51 established to fund the actual cost as determined by the
52 actuary. The Retirement Systems of Alabama shall require any
53 entity whose appropriation is not included in the
54 appropriation acts to transfer to the Employees' Retirement
55 System the amount required by the employer rate established
56 for the benefit increase in the same manner as normal employer



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57 contributions are made. In any year the required amount is not
58 identified and funding provided for in the appropriation acts,
59 the Retirement Systems of Alabama shall not be required to pay
60 nor shall they pay the amount of the increase provided for
61 that year. The increase provided may be resumed in any
62 subsequent year following a year where the benefit increase
63 was not funded if included in that years appropriation acts.
64 Any new benefit increase shall only be pursuant to legislative
65 act establishing the new benefit increase.

66 (b) Local units under the Employees' Retirement System
67 which are authorized to provide benefit increases shall
68 provide for the actual costs of any increase for each year in
69 the same manner as provided in subsection (a) for state
70 employees. The actuary shall provide an annual estimate to
71 each system which granted the increase in time to be included
72 in the local systems funding plan. In any year that the
73 funding is not included, the increase shall not be paid but
74 may be resumed in subsequent years as provided in subsection
75 (a) for state employees.

76 Section 2. Beginning in the first fiscal year that
77 begins after the effective date of this act, no increase
78 provided to retirees under the Teachers' Retirement System
79 shall be paid unless the actual amount as estimated by the
80 actuary of the system is included in the appropriation acts
81 for that year. The required amounts shall be identified in the
82 appropriation acts with a separate employer rate established
83 to fund the actual cost as determined by the actuary. The
84 Retirement Systems of Alabama shall require any entity whose



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85 appropriation is not included in the appropriation acts to
86 transfer to the Teachers' Retirement System the employer rate
87 established for the benefit increase in the same manner as
88 normal employer contributions are made. In any year the
89 required amount is not identified and funding provided for in
90 the appropriation acts, the Retirement Systems of Alabama
91 shall not be required to pay nor shall they pay the amount of
92 the increase provided for that year. The increase provided may
93 be resumed in any subsequent year following a year where the
94 benefit increase was not funded if included in that years
95 appropriation acts. Any new increase in the benefits shall
96 only be pursuant to legislative act establishing the new
97 benefit increase.

98 Section 3. Any benefit increase provided to retirees
99 shall be by separate act which shall establish the amount and
100 the eligible retirees. Upon passage of such an act the
101 provisions of the act shall be applicable to fund that
102 increase.

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

107 Section 5. This act shall become effective immediately
108 following its passage and approval by the Governor, or its
109 otherwise becoming law.