HB201

CRDSJJJ-1

By Representatives Clouse, Reynolds

RFD: Ways and Means General Fund

First Read: 20-Feb-24

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 requiring the actual annual cost to be identified and provided for in the annual State General Fund appropriation act and the Education Trust Fund appropriation act.

This bill would provide that, in the event the annual amounts are not identified and appropriated or provided for, there will be no increased benefit provided for that fiscal year, and that this procedure shall be considered a one-year benefit increase that does not affect the unfunded liability of the Retirement Systems of Alabama because the benefit increase will only be paid if the actual annual cost is included in the annual appropriation acts.

This bill would also provide for legislative findings.

A BILL

TO BE ENTITLED

AN ACT

Relating to the Retirement Systems of Alabama; to provide for an annualized benefit increase procedure for the funding of future benefit increases to retirees of the State Employees' Retirement System and the Teachers' Retirement System in a manner that does not increase the unfunded liability of either system; and to provide for legislative findings.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. (a) Commencing in the fiscal year beginning October 1, 2024, no benefit increase provided to retirees and beneficiaries under the Employees' Retirement System shall be paid unless the increase is granted by a separate legislative act conforming to the requirements of this section. The separate legislative act shall set the amount of the increase and the class of eligible retirees and beneficiaries. Retirees and beneficiaries whose employers participate pursuant to Sections 36-27-6, 36-27-7, and 36-27-7.1, Code of Alabama 1975, may receive the increase only if the employers elect to come under the separate legislative act by official resolution. Any other benefit increases may be granted by an additional separate legislative act.

(b) The Employees' Retirement System shall pay the benefit increase to the eligible retirees and beneficiaries, except those whose employer participates in the Employees'

Retirement System pursuant to Sections 36-27-6, 36-27-7, and 36-27-7.1, Code of Alabama 1975, only if the annual cost of the increase as estimated by the actuary of the system is included and appropriated in the State General Fund appropriation act for that fiscal year by a separate employer rate. Participating employers, except those whose employer participates in the Employees' Retirement System pursuant to Sections 36-27-6, 36-27-7, and 36-27-7.1, Code of Alabama 1975, shall pay the separate employer rate to pay the benefit increase included in the State General Fund appropriation act in the same manner and from the same source of funds as salaries of active members are paid. In any fiscal year in which the required separate employer rate is not identified and appropriated in the appropriation act, eligible retirees and beneficiaries shall not receive, and the Employees' Retirement System shall not be required to pay, the increase in that fiscal year. The benefit increase may be resumed in any subsequent fiscal year if included in that year's appropriation act.

(c) The Employees' Retirement System shall pay the benefit increase to the eligible retirees and beneficiaries whose employer participates in the Employees' Retirement System pursuant to Sections 36-27-6, 36-27-7, and 36-27-7.1, Code of Alabama 1975, and elected to come under the separate legislative act by official resolution, only if the annual cost of the increase as estimated by the actuary of the system is paid by a separate employer rate to the Employees' Retirement System in the same manner and from the same source of funds as salaries of active members are paid. In any fiscal year in which the cost is not paid by separate employer rate, eligible retirees and beneficiaries shall not receive, and the Employees' Retirement System shall not be required to pay, the increase in that fiscal year. The benefit increase may be resumed in any subsequent fiscal year in which the cost is paid by separate employer rate.

Section 2. Commencing in the fiscal year that beginning October 1, 2024, no benefit increase provided to retirees and beneficiaries under the Teachers' Retirement System shall be paid unless the increase is granted by separate legislative act conforming to this section. The separate legislative act shall set the amount of the increase and the class of eligible retirees and beneficiaries. Any other benefit increases shall be granted by an additional separate legislative act. The Teachers' Retirement System shall pay the benefit increase to the eligible retirees and beneficiaries only if the annual cost of the increase as estimated by the actuary of the system is included and appropriated in the Education Trust Fund appropriation act for that fiscal year by a separate employer rate. Participating employers shall pay the separate employer rate to pay the benefit increase included in the Education Trust Fund appropriation act in the same manner and from the same source of funds as salaries of active members are paid. In any fiscal year in which the required separate employer rate is not identified and appropriated in the appropriation act, eligible retirees and beneficiaries shall not receive and the Teachers' Retirement System shall not be required to pay the increase in that fiscal year. The benefit increase may be resumed in any subsequent fiscal year if included in that year's appropriation act.

Section 3. (a) The Legislature finds and declares that any benefit increase provided for the retirees and beneficiaries of the Employees' Retirement System and the Teachers' Retirement System pursuant to this act shall not increase the unfunded liability of those retirement systems due to the annual authorization and full annual funding required by this act.

(b) Any accounting standards that may imply otherwise and that do not recognize the clear language of this act, declaring that no future liability shall be attributed to the Retirement Systems of Alabama pursuant to this act, shall be disregarded and any audits conducted of the finances of the Retirement Systems of Alabama shall clearly note that those accounting standards do not apply to a benefit increase granted under this act.

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

Section 5. This act shall become effective on June 1, 2024.