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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 education employees who have retired under the Retirement Systems of Alabama.

This bill would establish a procedure for the funding of benefit increases provided to state and education 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.



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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 state and education retirees of the 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. Commencing in the fiscal year beginning October 1, 2024, no benefit increase provided to retirees and beneficiaries under the Employees' Retirement System, except for retirees and beneficiaries whose employers participate pursuant to Sections 36-27-6, 36-27-7, and 36-27-7.1, Code of Alabama 1975, 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. Any other benefit increases may be granted by an additional separate legislative act. 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



57 estimated by the actuary of the system is included and  
58 appropriated in the State General Fund appropriation act for  
59 that fiscal year by a separate employer rate. Participating  
60 employers, except those whose employer participates in the  
61 Employees' Retirement System pursuant to Sections 36-27-6,  
62 36-27-7, and 36-27-7.1, Code of Alabama 1975, shall pay the  
63 separate employer rate to pay the benefit increase included in  
64 the State General Fund appropriation act in the same manner  
65 and from the same source of funds as salaries of active  
66 members are paid. In any fiscal year in which the required  
67 separate employer rate is not identified and appropriated in  
68 the appropriation act, eligible retirees and beneficiaries  
69 shall not receive, and the Employees' Retirement System shall  
70 not be required to pay, the increase in that fiscal year. The  
71 benefit increase may be resumed in any subsequent fiscal year  
72 if included in that year's appropriation act.

73 Section 2. Commencing in the fiscal year that beginning  
74 October 1, 2024, no benefit increase provided to retirees and  
75 beneficiaries under the Teachers' Retirement System shall be  
76 paid unless the increase is granted by separate legislative  
77 act conforming to this section. The separate legislative act  
78 shall set the amount of the increase and the class of eligible  
79 retirees and beneficiaries. Any other benefit increases shall  
80 be granted by an additional separate legislative act. The  
81 Teachers' Retirement System shall pay the benefit increase to  
82 the eligible retirees and beneficiaries only if the annual  
83 cost of the increase as estimated by the actuary of the system  
84 is included and appropriated in the Education Trust Fund



85 appropriation act for that fiscal year by a separate employer  
86 rate. Participating employers shall pay the separate employer  
87 rate to pay the benefit increase included in the Education  
88 Trust Fund appropriation act in the same manner and from the  
89 same source of funds as salaries of active members are paid.  
90 In any fiscal year in which the required separate employer  
91 rate is not identified and appropriated in the appropriation  
92 act, eligible retirees and beneficiaries shall not receive and  
93 the Teachers' Retirement System shall not be required to pay  
94 the increase in that fiscal year. The benefit increase may be  
95 resumed in any subsequent fiscal year if included in that  
96 year's appropriation act.

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

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

112           Section 4. This act is not applicable to and shall not



113 affect any previous cost-of-living increase or one-time bonus  
114 provided to retirees under acts previously passed by the  
115 Legislature.

116 Section 5. This act shall become effective on June 1,  
117 2024.