

HB201 INTRODUCED



1 HB201
2 CRDSJJJ-1
3 By Representatives Clouse, Reynolds
4 RFD: Ways and Means General Fund
5 First Read: 20-Feb-24



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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 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.



HB201 INTRODUCED

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 increase procedure for the
35 funding of future benefit increases to retirees of the State
36 Employees' Retirement System and the Teachers' Retirement
37 System in a manner that does not increase the unfunded
38 liability of either system; and to provide for legislative
39 findings.

40 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

41 Section 1. (a) Commencing in the fiscal year beginning
42 October 1, 2024, no benefit increase provided to retirees and
43 beneficiaries under the Employees' Retirement System shall be
44 paid unless the increase is granted by a separate legislative
45 act conforming to the requirements of this section. The
46 separate legislative act shall set the amount of the increase
47 and the class of eligible retirees and beneficiaries. Retirees
48 and beneficiaries whose employers participate pursuant to
49 Sections 36-27-6, 36-27-7, and 36-27-7.1, Code of Alabama
50 1975, may receive the increase only if the employers elect to
51 come under the separate legislative act by official
52 resolution. Any other benefit increases may be granted by an
53 additional separate legislative act.

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



HB201 INTRODUCED

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

76 (c) The Employees' Retirement System shall pay the
77 benefit increase to the eligible retirees and beneficiaries
78 whose employer participates in the Employees' Retirement
79 System pursuant to Sections 36-27-6, 36-27-7, and 36-27-7.1,
80 Code of Alabama 1975, and elected to come under the separate
81 legislative act by official resolution, only if the annual
82 cost of the increase as estimated by the actuary of the system
83 is paid by a separate employer rate to the Employees'
84 Retirement System in the same manner and from the same source



HB201 INTRODUCED

85 of funds as salaries of active members are paid. In any fiscal
86 year in which the cost is not paid by separate employer rate,
87 eligible retirees and beneficiaries shall not receive, and the
88 Employees' Retirement System shall not be required to pay, the
89 increase in that fiscal year. The benefit increase may be
90 resumed in any subsequent fiscal year in which the cost is
91 paid by separate employer rate.

92 Section 2. Commencing in the fiscal year that beginning
93 October 1, 2024, no benefit increase provided to retirees and
94 beneficiaries under the Teachers' Retirement System shall be
95 paid unless the increase is granted by separate legislative
96 act conforming to this section. The separate legislative act
97 shall set the amount of the increase and the class of eligible
98 retirees and beneficiaries. Any other benefit increases shall
99 be granted by an additional separate legislative act. The
100 Teachers' Retirement System shall pay the benefit increase to
101 the eligible retirees and beneficiaries only if the annual
102 cost of the increase as estimated by the actuary of the system
103 is included and appropriated in the Education Trust Fund
104 appropriation act for that fiscal year by a separate employer
105 rate. Participating employers shall pay the separate employer
106 rate to pay the benefit increase included in the Education
107 Trust Fund appropriation act in the same manner and from the
108 same source of funds as salaries of active members are paid.
109 In any fiscal year in which the required separate employer
110 rate is not identified and appropriated in the appropriation
111 act, eligible retirees and beneficiaries shall not receive and
112 the Teachers' Retirement System shall not be required to pay



HB201 INTRODUCED

113 the increase in that fiscal year. The benefit increase may be
114 resumed in any subsequent fiscal year if included in that
115 year's appropriation act.

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

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

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

135 Section 5. This act shall become effective on June 1,
136 2024.