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JUL 07 2011

MEMORANDUM

TO: Chief Executive Officers
TRS Member Agencies

FROM: *CPT* Christopher Townes, Director of TRS Benefits
Teachers' Retirement System of Alabama

DATE: June 30, 2011

SUBJECT: 2011 LEGISLATIVE UPDATE

BY:

The regular session of the 2011 Alabama Legislature adopted several Acts that directly impact the Teachers' Retirement System participating agencies and their employees. Attached you will find a summary of those Acts. You may duplicate this summary and disseminate it to your employees as you deem appropriate. The Legislative Update is now posted on our web site and may be viewed or printed as necessary. Also, please add this Legislative Update to your agency manual(s).

Beginning July 1, 2011, the Annual Compensation Limit imposed on members of the Teachers' Retirement System who became members on or after July 1, 1996, will remain at the current level of \$245,000.00 annually. Any employees who were members of the Teachers' Retirement System prior to July 1, 1996 are not subject to the cap on earnable compensation subject to TRS contributions and should contribute on total compensation.

The earnings limit for retired individuals who are employed on a part-time basis for a covered institution will remain at \$22,000.00 per year for the 2011 calendar year. Individuals who retire in 2011 will be subject to a prorated earnings limitation based on the number of months remaining in the year. Retirees who retire effective January 1 of a given year are subject to the annual earnings limitation amount. We have enclosed for your reference an updated post-retirement earnings limitation memorandum. A copy should be placed in your agency manual and should be provided to any retired employee seeking employment with your agency.

If we may provide additional information or assist you or your employees in any way, please contact our office at 1-877-517-0020.

CPT/cmp

2011 RETIREMENT LEGISLATION

Act 2011-27

Eliminated new enrollments in the Deferred Retirement Option Plan after March 24, 2011. Members currently participating in DROP will not be affected by the new law, unless they continue to work after their DROP participation period. At that time, the interest earned on their accounts will be the lesser of 4% or what the RSA earned the previous year on its investments.

Act 2011-655

Established the Education Budget that provides funding for TRS and PEEHIP and sets the TRS employer matching contribution rate at 10% of salaries and the PEEHIP allocation rate at \$714 per month for each full-time employee for the 2012 fiscal year.

Act 2011-676

Increased member contributions for teachers, state employees, law enforcement officers, correctional officers, firefighters, and judges by 2.25% by October 1, 2011, and an additional 0.25% by October 1, 2012 – for a total increase of 2.5%.

Act 2011-704

Establishes changes to PEEHIP. The new legislation will raise health care premiums for public education retirees who retire after December 31, 2011. Details of the changes under Act 2011-704 are outlined in the July 2011 PEEHIP Advisor and at www.rsa-al.gov under the PEEHIP section.

TEACHERS' RETIREMENT SYSTEM OF ALABAMA POST RETIREMENT EMPLOYMENT RESTRICTIONS

Retirees who are receiving retirement benefits from the TRS and are employed with an agency that participates in the TRS or ERS are subject to limitations on the compensation they can receive without an adverse impact on their retirement benefits. A retiree of the TRS who is restored to active service with a TRS or ERS member agency may continue to receive a full retirement benefit provided that the retired member meets **both of the following conditions:**

- 1) Retiree must not be employed in a full-time capacity.
- 2) The Retiree's compensation during the 2011 calendar year cannot exceed **\$22,000.00**. The limit may increase during subsequent calendar years depending on increases in the Consumer Price Index.

Compensation is defined as, but not limited to, **wages, salary, expenses**, other than reimbursement for expenses which are normally reimbursable employee expenses, **consulting fees, or contract payments**.

NOTE: Failure to adhere to both of the above restrictions will result in the suspension of retirement benefits.

During the year in which retirement is effective, retirees are subject to a prorated earnings limit based upon the number of months remaining in the calendar year. For example, a member who returns to work July 1 would have 50% of the earnings limit for the remainder of the year. ($\$22,000 \times .50 = \$11,000$). A member who returns to work October 1 would have 25% of the earnings limit for the remainder of the year. ($\$22,000 \times .25 = \$5,500$).

A **disability retiree's** earnings are subject to the same limitations set out above or the difference between his/her average final salary and annual retirement benefit, whichever is lower, if employed with a TRS or ERS participating agency. However, if employed with a non-participating agency, the retiree's earnings cannot exceed the difference between his/her annual retirement benefit and the average final salary. The average final salary is the salary used in the computation of the disability retirement benefit.

A TRS retiree who is employed with an ERS member agency in a permanent full time position eligible for retirement coverage must begin participation in the ERS and the member's TRS retirement account will be terminated and the remaining funds and creditable service will be transferred and credited to the account established in the ERS.

The earnings of retirees who provide services to participating agencies on a contractual or consulting basis, or who incorporate a business to provide such services, are also subject to the above stated limitations. If a retiree has entered into or is considering entering into a contract with a participating agency of the TRS or ERS, it is recommended that the retiree provide a copy of the contract or proposed contract to the Retirement System for determination of the effect the contract would have upon the retiree's benefit.

Employment with private industry, private education, or a non-participating agency will not affect a service retiree's benefit from TRS. However, a retiree who is receiving a Social Security benefit may wish to contact the Social Security Administration regarding the effect post retirement employment earnings may have upon his/her Social Security benefit.

A retiree should notify the TRS immediately if his/her earnings from a participating member agency exceed the maximum allowed or he/she is employed on a full time basis so that the appropriate benefit adjustment or benefit suspension may be accomplished. If a retiree has any questions regarding post retirement restrictions, he or she should contact the Teachers' Retirement System at 1-877-517-0020.

AUDIT INFORMATION

The enclosed calculation of retirement benefits provides you with benefit amounts based on information contained in our files as well as projected earnings, service and unused sick leave as certified by your employer.

Any changes in the components used to calculate your benefits will result in an adjustment in your monthly benefit. Ordinarily, your records are audited within six months of your retirement to determine that your benefits have been calculated correctly.

**PLEASE BE REMINDED THAT YOUR RETIREMENT ACCOUNT IS SUBJECT TO
AUDIT BOTH BEFORE AND AFTER RETIREMENT.**