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THE RETIREMENT SYSTEMS OF ALABAMA

David G. Bronner, CEO

University of Alabama Huntsville Payroll Dept-Madison Hall

301 Sparkman Drive 221

Huntsville, AL 35899

UAH

June 25, 2012

Dear Sir/Madam,

This letter contains important information related to your agency's fiscal year 2013 employer contribution rate and should be forwarded to your Accounting Department, specifically, those responsible for payroll and financial reporting.

As a result of new legislation and the recent experience study, the TRS employer contribution rate for the fiscal year beginning October 1, 2012 (FY 2013) has been revised. Therefore, your contribution factors should be changed for the October 2012 contributions report due November 1, 2012. The TRS Board of Control voted, on January 27, 2012, to adopt the recommended changes in the actuarial assumptions and methods from the recent experience study. Additionally, during the 2012 regular session of the Alabama Legislature, Act 2012-377 was adopted. This legislation created a new defined benefit plan tier for employees hired on or after January 1, 2013 with no previous creditable service ("Tier 2"). As shown below, TRS employers will be required to contribute at a rate of 10.08% for Tier 1 employees (employees hired prior to January 1, 2013) and at a rate of 9.44% on behalf of each Tier 2 employee (hired on or after January 1, 2013). Additional information regarding contribution reporting changes will be provided to all agencies at a later date.

FY 2013 TRS Employer Contribution Rate		
	Tier 1 Employees	Tier 2 Employees
Effective Date	10/1/2012 – 9/30/2013	1/1/2013 – 9/30/2013
Employer Contribution Rate	10.08%	9.44%
Employee Contribution Rate		
Regular Employee	7.50%	6.00%
FLC* Employee	8.50%	7.00%
Employer Contribution Factor		
Regular Employee	1.344000	1.573333
FLC* Employee	1.185882	1.348571
*FLC=Firefighters, Law Enforcement, and Correctional Officers		

Note: As required by Act 2011-676, the FY 2013 employee contribution rate for regular TRS employees and FLC employees (Firefighters, Law Enforcement, and Correctional Officers) will increase from 7.25% and 8.25% to 7.50% and 8.50%, respectively for Tier 1 employees.

For your convenience, we have provided a chart that summarizes the major changes that have been made to the retirement benefits of Tier 2 employees compared to Tier 1 employees as a result of this legislation.

New Hire Retirement Comparison (Act 2012-377)		
	Tier 1 Employee	Tier 2 Employee
Date of Employment	Prior to January 1, 2013	On or After January 1, 2013
Member Contribution Rate	7.5% for Regular Employees 8.5% for FLC Employee	6.0% for Regular Employees 7.0% for FLC Employees
Employer Contribution Rate	10.08 %	9.44%
Retirement Eligibility	25 years of service at any age 10 years of service at the age of 60	No 25 year retirement 10 years of service at the age of 62 (56 for FLC Employees)
Retirement Factor	2.0125%	1.6500%
Average Final Salary	Average of the highest three years out of the last ten years	Average of the highest five years out of the last ten years
Benefit Cap	None	80% of Average Final Salary
Retirement Contributions on Overtime Pay	Earnable Compensation cannot exceed 120% of base pay	Earnable Compensation cannot exceed 125% of base pay
Sick Leave Conversion	Yes	No
FLC Bonus Year	Yes	No

Should you have other questions, you may call 1-877-517-0020.

Sincerely,



Miller G. Wallace, CPA, MBA