

LEE COUNTY COMMISSION

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Granting Tier I Benefits to Tier II Employees and Contribution Rate Changes

Background

In 2012, the Alabama Legislature passed a bill to create a second tier of retirees to reduce the amount state agencies were contributing to the Retirement Systems of Alabama (RSA). The legislation required this second tier of employees to pay more and to work longer for about forty percent less in retirement benefits. Although the legislation was trying to reduce costs for state agencies, the change also applied to local governments without offering a choice for each local government to consider keeping the benefits base on their own financial capability.

The creation of this different category of employees hired after January 1, 2013 has greatly hampered local governments in the recruiting and retention of people hired into the workforce.

Over the last couple of years, efforts were made to pass an act providing local governments the option to provide original retirement benefits (Tier I) to those hired after January 1, 2013 (Tier II). The necessary legislation passed in the 2019 legislative session.

Action

At the July 13, 2020 Commission Meeting, the County Commission adopted a resolution providing the same retirement benefits to those hired after January 1, 2013 as those who were members of RSA prior to that date. In addition, the County Commission was required by the 2019 legislation to submit a plan for raising the contribution rates by 2.5% for Tier I employees. The current financial circumstances place the County Commission in a position to provide a 2.5% salary increase to offset the contribution rate increase this year. Since there is no guarantee of being in the same position in the future for such offset, the plan was submitted to increase the contribution rates this year .

What does this mean:

Starting October 1, 2020:

- Tier II employees will be eligible for the same benefits as Tier I employees (Be sure to read the important note at the end)
- All employees will contribute the same percentage for the same benefits
Regular 7.5% Public Safety 8.5%

- There will be a 2.5% pay adjustment to assist in offsetting the contribution increase
- More compensation credits will be earned towards retirement because of the 2.5% pay adjustment

IMPORTANT NOTE for employees hired after January 1, 2013 (Tier II): Although your contribution percentage and benefits are the same as the Tier I members while working for the Lee County Commission, you are still considered Tier II employees for RSA purposes. If you leave Lee County to work for another governmental entity which has not granted Tier I benefits to Tier II members, you will revert back to Tier II benefits in the RSA system.

If you have any questions about the Commission's action, please email me at RRendleman@leeco.us. If you have any questions about your benefits, contact Erica Norris at ENorris@leeco.us.