



## RESOLUTION NO. 2020-11

### PROVIDE TIER I BENEFITS TO TIER II PLAN MEMBERS

**WHEREAS**, under the provisions of Act 2019-132, employers who participate in the Employees' Retirement System pursuant to *Ala. Code* § 36-27-6 may elect to provide Tier I retirement benefits to Tier II plan members, and

**WHEREAS**, the Town of Magnolia Springs participates in the Employees' Retirement System pursuant to *Ala. Code* § 36-27-6 and wishes to improve retirement benefits for its Tier II plan members;

**NOW, THEREFORE, BE IT RESOLVED BY THE TOWN OF MAGNOLIA SPRINGS**, that the Town of Magnolia Springs elects to provide Tier I retirement benefits to its Tier II plan members, subject to approval by the Employees' Retirement System Board of Control; that, if approved, such election shall be effective the following fiscal year and is irrevocable.

**BE IT FURTHER RESOLVED** that the Town of Magnolia Springs has reviewed the actuarial cost estimates provided by the Employees' Retirement System for such election and agrees to pay any resulting increases in the employer contribution rate.

**BE IT FURTHER RESOLVED** that beginning in the month that such election is effective, the Town of Magnolia Springs Tier II plan members shall contribute 7.5% of their earnable compensation to the Employees' Retirement System and [the local government]'s Tier II plan members who are firefighters or law enforcement officers, as defined by *Ala. Code* § 36-27-59(a), shall contribute 8.5% of their earnable compensation to the Employees' Retirement System, as required by Act 2019-132.

**BE IT FURTHER RESOLVED** that the Town of Magnolia Springs has not increased the member contribution rates for its Tier I members as provided by Act 2011-676 and, as required by *Ala. Code* § 36-27-6.5, the Town of Magnolia Springs has submitted to the Employees' Retirement System a plan to increase such rates.

Passed by a majority vote of the Town of Magnolia Springs Town Council on the 23rd day of June 2020.

Adopted the 23rd day of June 2020



ATTEST:

A handwritten signature in blue ink that reads "Kim Koniar".

Kim Koniar, Mayor

A handwritten signature in blue ink that reads "Jenny Opal White".

Jenny Opal White, Town Clerk/Treasurer

## EMPLOYER PLAN FORM

**Name of Agency** Town of Magnolia Springs  
Full name, no initials please

**Unit Code** 2529 MGS

As required by that Act 2019-132, employer submits the following plan to the Employees' Retirement System (ERS) to increase the member contribution rates for its Tier I Plan members from 5% to 7.5% of earnable compensation, and for Tier I plan members who are firefighters or law enforcement officers, as defined by Ala. Code 36-27-59(a), from 6% to 8.5% of earnable compensation.

### Plan Options

<p>If an employer has not increased Tier I member contribution rates as provided by Act 2011-676 and has passed a resolution to elect to provide Tier I retirement benefits to Tier II plan members as provided by Act 2019-132, employer must complete the following section.</p>	<p>Employer shall increase the rates as set forth above if and when (Check One):</p> <p><input type="checkbox"/> Employer's funding level drops below _____%</p> <p><input type="checkbox"/> Employer's contribution rate increase above _____%</p> <p><input checked="" type="checkbox"/> Employer is unable to make its required employer contribution.</p> <p><input type="checkbox"/> On _____ (insert date).</p> <p><input type="checkbox"/> Other (insert other circumstances): _____</p> <p>_____</p>
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When the above conditions are met as provided by the plan, employer agrees to raise the Tier I plan member contribution rates by passing a resolution to do so as required by Act 2011-676 and provide such resolution to the ERS.



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**Act 2019-132 Analysis\***

**2529 EMGS Magnolia Springs, Town of**

The attached tables show the estimated impact of Act 2019-132 and optional election to increase Tier 1 member contribution rates of the above employer based on the September 30, 2018 actuarial valuation.

Item 1) shows the estimated increase in the Unfunded Actuarial Accrued Liability (UAAL) if the election is made to convert Tier 2 benefits as provided in Act 2019-132. Item 1) also shows the estimated UAAL amortization payment and the increase in the UAAL contribution rate for all members that would be in effect beginning 10/1/2020 – 9/30/2021 (FY 2021).

- The additional UAAL will be amortized over a closed 15-year period as a percentage of total payroll. This increase is due to the years of service of the Tier 2 members as of September 30, 2018 that will be converted to Tier 1 service.
- Please note that the amount shown as the increase in the UAAL and the corresponding increase in the employer contribution rate is expected to increase a greater amount until an election is made, due to service earned after September 30, 2018. At the time the unit elects the change, the increase in the UAAL will be measured and the increase in the UAAL rate will be amortized over a closed 15-year period as a percentage of total payroll.

Item 2) shows the estimated impact of Act 2019-132 on the normal cost rate that would be required for current Tier 2 members to fund the ongoing cost of the additional benefits that will be accruing if the benefit structure is changed.

Item 3) shows the estimated total impact on contributions and contribution rates for the election under Act 2019-132.

Items 4), 5), and 6) show the estimated impact of the unit opting to increase the member contribution rates under Act 2011-676 for current Tier 1 members from 5% for Non-FLC members and 6% for FLC members, to 7.50% for Non-FLC members and 8.5% for FLC members.

Item 7) shows a summary of the overall impact of electing Act 2019-132 and Act 2011-676 based on the September 30, 2018 valuation. Over time, as current Tier 1 members leave service and are replaced with members that would be classified as Tier 2, and the UAAL is fully amortized, the ultimate cost as a percentage of payroll is estimated to be 2.74% of payroll.

\*Amounts and percentages shown do not reflect the impact of expected increases due to assumption changes (for agencies with less than 25 active employees as of 9/30/2017) being phased in over a 4-year period. Your agency was notified by the RSA on May 22, 2018 of these assumption changes which began with the Actuarial Valuation as of 9/30/2017. These assumption changes are estimated to increase contribution rates by approximately .44% for Tier 1 members and .44% for Tier 2 members each year for FY 2022 and FY 2023. These estimates were calculated as of 9/30/2018 and are based upon expected economic/demographic assumptions occurring in the future. The actual increases in required contribution that will occur will vary based upon actual results in each fiscal year.

**Magnolia Springs, Town of EMGS Act 2019-132 Analysis**  
**Estimated Based on Valuation Results as of 9/30/2018 and 15 Year Amortization of Increase\***

**1) Increase in UAAL and UAAL contribution due to Act 2019-132**

Increase in UAAL	Yearly Amortization Payment in 1st Year	Increase in UAAL Rate as a % of Estimated Total Payroll
\$1,517	\$ 140	0.33%

**2) Change in Tier 2 Normal Cost as a % of Tier 2 Estimated Payroll due to Act 2019-132**

	Act 2019-132	9/30/2018 Valuation	Change
Total Tier 2 Normal Rate	13.42%	9.18%	4.24%
Blended Employee Rate**	7.50%	6.00%	1.50%
Net Employer Tier 2 Normal Rate	5.92%	3.18%	2.74%

**3) Overall Impact of Act 2019-132 as a % of Estimated Payroll**

	First Year Cost	Tier 1	Tier 2
Amortization of UAAL	\$ 140	0.33%	0.33%
Tier 2 Normal Cost Change	\$1,160	0.00%	2.74%
Total Impact	\$1,300	0.33%	3.07%

**4) Increase in UAAL and UAAL contribution due to Act 2011-676 (if Act 2011-676 Has NOT Already Been Adopted)**

Increase in UAAL	Yearly Amortization Payment in 1st Year	Increase in UAAL Rate as a % of Estimated Total Payroll
(\$ 1)	-	0.00%

**5) Change in Tier 1 Normal Cost as a % of Tier 1 Estimated Payroll due to Act 2011-676**

	Act 2011-676	9/30/2018 Valuation	Change
Total Tier 1 Normal Rate	10.68%	10.68%	0.00%
Blended Employee Rate**	7.50%	5.00%	2.50%
Net Employer Tier 1 Normal Rate	3.18%	5.68%	( 2.50%)

**6) Overall Impact of Act 2011-676 as a % of Estimated Payroll**

	First Year Cost/(Savings)	Tier 1	Tier 2
Amortization of UAAL	-	0.00%	0.00%
Tier 1 Normal Cost Change	\$ 0	( 2.50%)	0.00%
Total Impact	-	( 2.50%)	0.00%

**7) Estimated Impact Based Upon 9/30/2018 Data Assuming Act 2019-132 and Act 2011-676 Are Adopted Eff. 10/1/2020**

	First Year Cost/(Savings)	Tier 1	Tier 2
Amortization of UAAL	\$ 140	0.33%	0.33%
Tier 2 Normal Cost Change	\$1,160	0.00%	2.74%
Tier 1 Normal Cost Change	\$ 0	( 2.50%)	0.00%
Net Impact	\$1,300	( 2.17%)	3.07%

\*Amounts and percentages shown do not reflect the impact of expected increases due to assumption changes (for agencies with less than 25 active employees as of 9/30/2017) being phased in over a 4-year period. Your agency was notified by the RSA on May 22, 2018 of these assumption changes which began with the Actuarial Valuation as of 9/30/2017. These assumption changes are estimated to increase contribution rates by approximately .44% for Tier 1 members and .44% for Tier 2 members each year for FY 2022 and FY 2023. These estimates were calculated as of 9/30/2018 and are based upon expected economic/demographic assumptions occurring in the future. The actual increases in required contribution that will occur will vary based upon actual results in each fiscal year.

\*\*Employee rate is a blend of FLC employee contribution rates and non-FLC employee contribution rates.