

1 SB452
2 139619-3
3 By Senator Pittman
4 RFD: Finance and Taxation Education
5 First Read: 22-MAR-12

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8 SYNOPSIS: Under existing law enacted in 2010,
9 specified sums of money were appropriated over a
10 period of years from the Educational Trust Fund to
11 the Alabama Prepaid Affordable College Tuition
12 (PACT) Program to make the program fully
13 actuarially funded. Part of that law specifically
14 encouraged the PACT Board to make financially
15 beneficial changes to PACT rules, policies, and
16 procedures as long as those rules did not violate
17 the contractual relationship between a PACT
18 purchaser and the PACT Board. The Alabama Supreme
19 Court held that when it was subsequently determined
20 the 2010 changes did not make the PACT Program
21 fully actuarially funded, this provision prevented
22 the PACT Board from entering into an agreement with
23 PACT purchasers who were part of a class action
24 against the board that would have given the
25 purchaser the right to choose to have the benefits
26 paid under the program at the 2010 level or have
27 the amount they had contributed returned.

1 This bill would repeal that provision of the
2 2010 law and would also repeal related provisions
3 and would give the PACT Board specific authority to
4 resolve the actuarial deficit with PACT purchasers
5 and beneficiaries

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7 A BILL
8 TO BE ENTITLED
9 AN ACT

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11 Relating to the Prepaid Affordable College Tuition
12 (PACT) Program, to amend Sections 16-33C-16 and 16-33C-20 of
13 the Code of Alabama 1975; to add Section 16-33C-23 to the Code
14 of Alabama 1975; and to repeal Sections 16-33C-17 and
15 16-33C-19 of the Code of Alabama 1975, to encourage solutions
16 that address the actuarial deficit of the PACT Program; to
17 grant the PACT Board authority to pursue such solutions; and
18 to repeal any provisions potentially inconsistent with such
19 solutions.

20 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

21 Section 1. Sections 16-33C-16 and 16-33C-20 of the
22 Code of Alabama 1975, are amended to read as follows:

23 "§16-33C-16.

24 "~~(a)~~ In addition to the appropriations made in
25 Section 16-33C-14 and Section 16-33C-15, there is annually
26 appropriated from the Education Trust Fund to the PACT Trust
27 Fund the following amounts in the following fiscal years:

- 1 "(1) For the fiscal year ending 2016 -- \$10,000,000
- 2 "(2) For the fiscal year ending 2017 -- \$20,000,000
- 3 "(3) For the fiscal year ending 2018 -- \$20,000,000
- 4 "(4) For the fiscal year ending 2019 -- \$13,000,000

5 "~~(b) These appropriations, along with the~~
6 ~~appropriations made in Section 16-33C-14 and Section~~
7 ~~16-33C-15, will make the PACT Program 100 percent fully~~
8 ~~funded, according to the actuarial professional retained by~~
9 ~~the PACT board.~~

10 "§16-33C-20.

11 "In the event that the PACT Program's Board of
12 Directors receives an actuarial report certifying that any
13 appropriation made in Section 16-33C-14, Section 16-33C-15, or
14 Section 16-33C-16 is no longer necessary ~~for the PACT Program~~
15 ~~to be fully funded~~, the PACT Program's Board of Directors
16 shall certify to the Legislature that no future appropriations
17 are necessary."

18 Section 2. Section 16-33C-23 is added to the Code of
19 Alabama 1975, to read as follows:

20 §16-33C-23.

21 The Legislature strongly encourages the PACT Board
22 to pursue a resolution with PACT purchasers and beneficiaries
23 that would address the actuarial deficit that exists in the
24 PACT Trust Fund. Under the circumstances now facing the PACT
25 Program, the Legislature believes that such a resolution would
26 further the purposes of this chapter. The PACT Board is
27 expressly granted the powers necessary or convenient to

1 develop, implement, and carry out any financially viable
2 resolution with PACT purchasers and beneficiaries, and nothing
3 contained in this chapter should be construed as posing a
4 limitation to the contrary.

5 Section 3. Sections 16-33C-17 and 16-33C-19 of Code
6 of Alabama 1975, are repealed.

7 Section 4. This act shall become effective
8 immediately following its passage and approval by the
9 Governor, or its otherwise becoming law.