- 1 SB230
- 2 216781-1
- 3 By Senator Albritton
- 4 RFD: Finance and Taxation General Fund
- 5 First Read: 17-FEB-22

1	216781-1:n:01/31/2022:KMS/cr LSA2022-436
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8	SYNOPSIS: This bill would modify the retirement
9	benefits for Tier II plan members of the Employees'
10	Retirement System by providing 30-year service
11	retirement, allowing the conversion of sick leave
12	into creditable service, and, for firefighters, law
13	enforcement officers, and correctional officers,
14	providing hazardous duty time.
15	This bill would also increase the Tier II
16	plan member contribution rate.
17	
18	A BILL
19	TO BE ENTITLED
20	AN ACT
21	
22	To amend Sections 36-26-36.1, 36-27-16, as amended
23	by Act 2021-270, 2021 Regular Session, 36-27-24, and 36-27-59,
24	Code of Alabama 1975, relating to retirement benefits for
25	employees who are members of the Employees' Retirement System;
26	to modify the retirement benefits for Tier II plan members of
27	the system by providing 30-year service retirement, allowing

the conversion of sick leave into creditable service, and, for firefighters, law enforcement officers, and correctional officers, providing hazardous duty time; and to increase the Tier II plan member contribution rate.

5 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

6 Section 1. Sections 36-26-36.1, 36-27-16, as amended 7 by Act 2021-270, 2021 Regular Session, 36-27-24, and 36-27-59 8 of the Code of Alabama 1975, are amended to read as follows:

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"§36-26-36.1.

10 "(a) Any Tier I or Tier II plan member of the Teachers' or Employees' Retirement System of Alabama not 11 12 otherwise covered by a provision to convert unused sick leave 13 into membership service for purposes of service retirement may, at their option and in lieu of receiving payment for 50 14 15 percent of their accrued and unused sick leave at the time of their retirement as provided in Section 36-26-36, or any other 16 17 payment that may be provided for such unused sick leave, use 18 their accrued sick leave, up to a maximum number of 180 accrued sick leave days or as otherwise allowed by law, 19 20 whichever is greater, to be included as membership service in 21 determining the total years of creditable service in the 22 Employees' Retirement System of Alabama or the Teachers' 23 Retirement System of Alabama; provided that no employee of an 24 employer participating in the Employees' Retirement System 25 pursuant to Section 36-27-6 shall be entitled to the benefits 26 provided herein unless such employer shall elect to come under the provisions of this section and further elects to fund the 27

benefits provided herein. Unused sick leave may be converted 1 2 to membership service only for the purpose of applying for service retirement and may be considered in the determination 3 of eligibility for retirement. The conversion shall not apply 4 5 to eligibility for deferred retirement. It is further provided that if a Tier I or Tier II plan member eligible for service 6 7 retirement is also eligible for disability retirement the member may elect disability retirement and also receive credit 8 9 for accumulated sick leave pursuant to this section. No Tier I 10 or Tier II plan member shall receive both service credit provided for by this section and payment or partial payment 11 12 for accrued sick leave pursuant to any other provision of law.

"(b) The conversion of accrued sick leave into
 creditable service provided in this section shall not apply to
 any Tier II plan member.

"§36-27-16.

16

17 "(a) (1) RETIREMENT, ETC., OF EMPLOYEES GENERALLY;
18 ELIGIBILITY FOR SERVICE RETIREMENT BENEFITS.

"a. Any Tier I plan member who withdraws from 19 20 service upon or after attainment of age 60 and any Tier II 21 plan member who withdraws from service upon or after attainment of age 62 may retire upon written application to 22 23 the Board of Control setting forth at what time, not less than 24 30 days nor more than 90 days subsequent to the execution and 25 filing thereof, he or she desires to be retired; provided, that any such member who became a member on or after October 26 1, 1963, shall have completed 10 or more years of creditable 27

service; provided further, that a Tier I plan member employed 1 2 as a state policeman shall be eligible to file application for 3 service retirement upon attaining age 52 and a Tier II plan member employed as a state policeman or employed as a 4 5 correctional officer, firefighter, or law enforcement officer 6 as defined in Section 36-27-59 with at least ten 10 years of 7 creditable service as a correctional officer, firefighter, or 8 law enforcement officer shall be eligible to file application 9 for service retirement upon attaining age 56.

10 "b. Any Tier I plan member who has attained age 60, or age 52 in the case of a state policeman and any Tier II 11 12 plan member who has attained age 62, or age 56 in the case of 13 a state policeman or in the case of a correctional officer, firefighter, or law enforcement officer as defined in Section 14 15 36-27-59 who has at least ten 10 years of creditable service as a correctional officer, firefighter, or law enforcement 16 17 officer, and has previously withdrawn from service may retire 18 upon written application to the Board of Control setting forth at what time, not less than 30 days nor more than 90 days 19 20 subsequent to the execution and filing thereof, he or she 21 desires to be retired; provided, the member shall have at the time of his or her withdrawal from service completed the age 22 23 and service requirements established by the Board of Control 24 for eligibility for deferred benefits; provided, that such 25 minimum number of years of creditable service shall not be 26 less than 10 years nor more than 25 years.

"c. In addition to any law or part of law relating 1 2 to service retirement under the Employees' Retirement System of Alabama, any Tier I plan member of the Employees' 3 Retirement System who withdraws from service after completion 4 5 of not less than 25 years of creditable service, or any Tier II plan member who withdraws from service after completion of 6 not less than 30 years of creditable service, may retire 7 8 without a reduction in retirement allowance upon written 9 application to the Board of Control of the Employees' 10 Retirement System setting forth the first day of which month, not less than 30 days or more than 90 days subsequent to the 11 execution and filing thereof, he or she desires to be retired, 12 13 provided that no person whose employer participates in the 14 Employees' Retirement System under Section 36-27-6 shall be 15 entitled to the benefits provided in this paragraph for Tier I members unless such employer elects to come under the 16 provisions of the paragraph. Any employer making such election 17 18 must bear the cost of such benefit.

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"(2) AMOUNT OF SERVICE RETIREMENT ALLOWANCE.

20 "a. Upon retirement from service, a Tier I plan
21 member shall receive a service retirement allowance which
22 shall consist of:

"1. An annuity which shall be the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement; except, that in the case of a state policeman who has completed 20 years of creditable service as a state policeman who retires after age 56 but prior to age 1 60, the annuity shall be equal to the annuity that would have 2 been payable upon service retirement at age 60 had the member 3 continued in service to age 60 without change in compensation;

"2. A pension which shall be equal to the annuity 4 5 allowance at age of retirement, but not to exceed an annuity 6 allowable at age 65, computed on the basis of contributions 7 made prior to attainment of age 65; except, that in the case 8 of a state policeman who has completed 20 years of creditable 9 service as a state policeman who retires after age 56 but 10 prior to age 60, the pension shall be equal to the annuity that he or she would have received had he or she contributed 11 12 to age 60 without change in compensation; and

13 "3. An additional pension, if he or she has a prior service certificate in full force and effect, which shall be 14 equal to the annuity which would have been provided at the age 15 16 of retirement, but which shall not exceed an annuity allowable 17 at age 65 by twice the contributions which he or she would 18 have made during the period of prior service with which he or 19 she is credited had the system been in operation and had he or 20 she contributed thereunder; except, that in case of a state 21 policeman who has completed 20 years of creditable service as a state policeman who retired after age 56 but prior to age 22 23 60, an additional pension, if he or she has a prior service 24 certificate in full force and effect, which shall be equal to 25 the annuity which would have been provided at age 60, but which shall not exceed an annuity allowable at age 60 by twice 26 the contributions which he or she would have made during the 27

period of prior service with which he or she is credited had the system been in operation and had he or she contributed thereunder.

4 "b. Notwithstanding the provisions of subparagraphs
5 1., 2., and 3. of paragraph a. of this subdivision, a state
6 policeman who is a Tier I plan member and who has completed 20
7 years of service as a state policeman who retires after age 52
8 but prior to age 56 shall receive:

9 "1. An annuity which shall be equal to the annuity 10 that would have been payable had the member continued in 11 service for four years without change in compensation;

12 "2. A pension which shall be equal to the annuity 13 that he or she would have received had he or she contributed 14 for four years without change in compensation; and

"3. An additional pension, if he or she has a prior 15 service certificate in full force and effect, which shall be 16 17 equal to the annuity which would have been provided at the age 18 of retirement, but which shall not exceed an annuity allowable at the age of retirement plus four years by twice the 19 20 contributions which he or she would have made during the 21 period of prior service with which he or she is credited had 22 the system been in operation and had he or she contributed thereunder. In lieu of a determination of the actual 23 24 compensation of a member that was received during such prior 25 service, the Board of Control may use for the purpose of this article the compensation rate which, if it had progressed with 26 the rates of salary increase shown in the tables as prescribed 27

in subsection (n) of Section 36-27-23, would have resulted in the same average salary of the member for the five years immediately preceding the date of establishment as the records show the member actually received.

5 "c. The annual service retirement pension payable to 6 a Tier I plan member not employed as a state policeman 7 retiring on or after October 1, 1975, shall not be less than 8 an amount which, when added to his or her annuity, is equal to 9 the greater of the following two amounts:

10 "1. Two and one-eightieth percent of the member's 11 average final compensation multiplied by the number of years 12 of his or her creditable service; or

"2. If he or she became a member before October 1,
14 1965, \$72.00 seventy-two dollars (\$72) multiplied by the
number of years of his or her creditable service not in excess
of 25 years.

17 "d. The annual service retirement pension payable to 18 a Tier I plan member employed as a state policeman retiring on 19 or after October 1, 1975, shall not be less than an amount 20 which, when added to his or her annuity is equal to the 21 greater of the following two amounts:

"1. Two and seven-eighths percent of the member's average final compensation multiplied by the number of years of his or her creditable service. Creditable service for any state policeman under the age of 56 years who has completed 20 years of creditable service as a state policeman shall include a bonus equal to four additional years. Creditable service for 1 a state policeman 56 years or older shall include a bonus 2 equal to the years or portion thereof remaining until the 3 member reaches age 60; or

"2. If he or she became a member before October 1, 4 5 1965, \$86.40 eighty-six dollars forty cents (\$86.40) multiplied by the number of years of his or her creditable 6 7 service not in excess of 25 years; provided, however, that if such member has completed 20 years of creditable service as a 8 9 state policeman and has not attained age 60 at the time of 10 retirement, the pension shall be determined as provided in this subparagraph on the basis of the number of years of 11 creditable service which he or she would have had if he or she 12 13 had remained in service for four years, except that, in the case of those state policemen retiring at age 56 or after, the 14 15 number of years in determining the pension shall not exceed the number of years of creditable service which he or she 16 17 would have had if he or she had remained in service to age 60.

18 "e. Upon retirement from service, a Tier II plan member who is not employed as a state policeman shall receive 19 20 a service retirement allowance which shall consist of an 21 annuity which shall be the actuarial equivalent of the 22 member's accumulated contributions at the time of retirement 23 and a pension which, when added to the member's annuity, shall 24 be equal to one and sixty-five hundredths percent (1.65%) of 25 the member's average final compensation multiplied by the 26 number of years of creditable service. Notwithstanding the foregoing, the service retirement allowance shall not exceed 27

1 eighty percent (80%) of the member's average final
2 compensation.

"f. Upon retirement from service, a Tier II plan 3 member who is employed as a state policeman shall receive a 4 5 service retirement allowance which shall consist of an annuity which shall be the actuarial equivalent of the member's 6 7 accumulated contributions at the time of retirement and a pension which, when added to the member's annuity, shall be 8 equal to two and three-eighths percent (2.375%) of the 9 10 member's average final compensation multiplied by the member's number of years of creditable service. Notwithstanding the 11 12 foregoing, the service retirement allowance shall not exceed 13 eighty percent (80%) of the member's average final 14 compensation.

"q. Anything in this article to the contrary 15 16 notwithstanding, in the application of the foregoing 17 provisions of this subdivision to a member whose creditable 18 service includes a period of service as a state policeman and a period of service in another employment classification, the 19 20 benefit rates applicable to a member employed as a state 21 policeman shall apply to all creditable service as a state 22 policeman, and the benefit rates applicable to a member not 23 employed as a state policeman shall apply to all creditable 24 service, but in all other respects the pension under this subdivision shall be determined on the basis of the member's 25 26 employment classification at the time of his or her withdrawal 27 from service.

1 "h. The annual service retirement pension payable to 2 any state employee who had attained age 60 on or before October 1, 1945, who declined membership in the Employees' 3 Retirement System of Alabama in the manner prescribed in 4 5 Section 36-27-4 and who retires as a state employee after completing a minimum of 15 years' service shall be \$72.00 6 7 seventy-two dollars (\$72) multiplied by the number of years of his or her service not in excess of 25 years. 8

9 "(b)(1) RETIREMENT OF DISABLED EMPLOYEES;
10 ELIGIBILITY FOR DISABILITY RETIREMENT BENEFITS.

"a. Upon application of a Tier I plan member in 11 service or of his or her employer, any member who has had 10 12 13 or more years of creditable service who becomes disabled may be retired on a disability retirement allowance by the Board 14 15 of Control not less than 30 nor more than 90 days next following the date of filing of such application; provided, 16 that the medical board, after a medical examination of such 17 18 member, shall certify that such member is mentally or physically incapacitated for the further performance of duty, 19 20 that such incapacity is likely to be permanent and that such 21 member should be retired. Upon the application of a Tier II 22 plan member in service or his or her employer, any member who 23 has had 10 or more years of creditable service may be retired 24 by the Board of Control on a disability retirement allowance 25 not less than 30 nor more than 90 days next following the date 26 of filing such application; provided, that the medical board, after a medical examination of such member, shall certify that 27

the member is totally and permanently mentally or physically incapacitated from regular and substantial gainful employment, and that member should be retired.

"b. Without regard to the number of years of 4 5 creditable service, a member employed as a state policeman, a 6 municipal police officer or a deputy sheriff, or a member 7 employed as a state, municipal, or county firefighter who is 8 not covered through his or her current employer under the 9 United States Social Security Act, who as a result of his or 10 her employment, in the line of duty and not as a result of his or her own misconduct, shall become permanently and totally 11 disabled to the extent that he or she cannot perform his or 12 13 her duties or duties of a less strenuous nature, as an 14 employee of the State of Alabama or as an employee of an 15 employer participating under the provisions of Section 36-27-6, shall be retired on a disability retirement 16 17 allowance, not less than 30 nor more than 90 days next 18 following the date of filing of such application, provided that the medical board, after a medical examination of such 19 20 member shall certify that such member is mentally or 21 physically incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that such 22 member should be retired. 23

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"(2) AMOUNT OF DISABILITY RETIREMENT ALLOWANCE.

"a. Upon retirement for disability, a member shall
receive a service retirement allowance if he or she is a Tier
I plan member and he or she has attained age 60 or if he or

she is a Tier II plan member and he or she has attained age 1 2 62, or if any law or part of any law pertaining to retirement under the Employees' Retirement System of Alabama provides for 3 service retirement after the completion of 25 years of 4 5 creditable service or 30 years of creditable service without a reduction in the retirement allowance and the member has 6 7 completed 25 years of creditable service or 30 years of 8 creditable service, whichever is applicable, or, in the case of a state policeman, if he or she is a Tier I plan member and 9 10 he or she has attained age 52 or, in the case of a state policeman or a correctional officer, firefighter, or law 11 enforcement officer as defined in Section 36-27-59 with at 12 13 least ten 10 years of creditable service as a correctional 14 officer, firefighter, or law enforcement officer, if he or she 15 is a Tier II plan member and he or she has attained age 56; 16 otherwise, he or she shall receive a disability retirement allowance which shall consist of: 17

18 "1. An annuity which shall be the actuarial
19 equivalent of his or her accumulated contributions at the time
20 of his or her retirement;

"2. A pension which shall be equal to the pension that would have been payable under subparagraphs 2 and 3 of paragraph a. of subdivision (2) of subsection (a) of this section upon service retirement at age 65 had the member continued in service to that age without change in compensation. "b. The annual disability retirement pension payable to a Tier I plan member not employed as a state policeman retiring on or after October 1, 1975, shall not be less than an amount which when added to his or her annuity is equal to the greatest of the following two amounts:

6 "1. Two and one-eightieth percent of the member's 7 average final compensation multiplied by the number of years 8 of creditable service.

9 "2. If he or she became a member before October 1, 10 1965, \$54.00 <u>fifty-four dollars (\$54)</u> multiplied by the number 11 of years of his or her creditable service not in excess of 25 12 years.

13 "c. The annual disability retirement pension payable 14 to a Tier I plan member employed as a state policeman retiring 15 on or after October 1, 1975, shall not be less than an amount 16 which when added to his or her annuity is equal to the greater 17 of the following two amounts:

18 "1. Two and seven-eighths percent of the member's average final compensation multiplied by the number of years 19 20 of his or her creditable service. Creditable service for any 21 state policeman under the age of 56 years who has completed 20 years of creditable service as a state policeman shall include 22 23 a bonus equal to four additional years. Creditable service for 24 a state policeman 56 years or older shall include a bonus 25 equal to the years or portion thereof remaining until the member reaches age 60; or 26

"2. If he or she became a member before October 1,
 1965, \$64.80 sixty-four dollars eighty cents (\$64.80)
 multiplied by the number of years of his or her creditable
 service not in excess of 25 years.

5 "d. The annual disability retirement allowance
6 payable to a Tier II plan member not employed as a state
7 policeman shall be equal to one and sixty-five hundredths
8 percent (1.65%) of the member's average final compensation
9 multiplied by the number of years of creditable service.

10 "e. The annual disability retirement allowance 11 payable to a Tier II plan member employed as a state policeman 12 shall be equal to two and three-eighths percent (2.375%) of 13 the member's average final compensation multiplied by the 14 number of years of creditable service.

15 "f. Anything in this chapter to the contrary 16 notwithstanding in the application of the provisions of this 17 subdivision to a member whose creditable service includes a 18 period of service as a state policeman and a period of service in another employment classification the benefit rates 19 20 applicable to a member employed as a state policeman shall 21 apply to all creditable service as a state policeman, and the 22 benefit rates applicable to a member not employed as a state policeman shall apply to all other creditable service, but in 23 24 all other respects the pension under this subdivision shall be 25 determined on the basis of the member's employment classification at the time of his or her withdrawal from 26 service. 27

1 "(3) REEXAMINATION OF BENEFICIARIES RETIRED ON 2 ACCOUNT OF DISABILITY. Once each year during the first five years following the retirement of a member on a disability 3 retirement allowance and once every three-year period 4 5 thereafter, the Board of Control may, and upon his or her application shall, require any disability beneficiary who has 6 7 not yet attained age 60 if the beneficiary is a Tier I plan member or age 62 if the beneficiary is a Tier II plan member 8 to undergo a medical examination, such examination to be made 9 10 at the place of residence of such beneficiary or other place mutually agreed upon by a physician or physicians of $_{\it L}$ or 11 12 designated by, the medical board. Should any disability 13 beneficiary who has not yet attained age 60, if the beneficiary is a Tier I plan member or age 62 if the 14 beneficiary is a Tier II plan member, refuse to submit to such 15 16 medical examination, his or her allowance may be discontinued 17 until his or her withdrawal of such refusal, and, should his 18 or her refusal continue for one year, all his or her rights in 19 and to his or her pension may be revoked by the Board of 20 Control; provided, that these requirements relative to the 21 medical examination shall not apply in the case of a state policeman retired for disability and who has attained age 52 22 23 if he or she is a Tier I plan member or in the case of a state 24 policeman or a correctional officer, firefighter, or law 25 enforcement officer as defined in Section 36-27-59 with at 26 least ten 10 years of creditable service as a correctional 27 officer, firefighter, or law enforcement officer retired for

disability who has attained age 56 if he or she is a Tier II 1 2 plan member. Should the medical board report and certify to the Board of Control that a disability beneficiary who is a 3 Tier I plan member is engaged in or is able to engage in a 4 5 gainful occupation paying more than the difference between his or her retirement allowance and his or her average final 6 7 compensation and should the Board of Control concur in such report, then the amount of his or her pension shall be reduced 8 9 to an amount which, together with his or her annuity and the 10 amount earnable by him or her shall equal the amount of his or her average final compensation. Should his or her earning 11 capacity be later changed, the amount of his or her pension 12 13 may be further modified; provided, that the new pension shall 14 not exceed the amount of the pension originally granted nor an 15 amount which, when added to the amount earnable by the beneficiary, together with this annuity exceeds the amount of 16 17 his or her average final compensation.

18 "Should the medical board report and certify to the 19 Board of Control that a disability beneficiary who is a Tier 20 II plan member has the capacity to engage in regular and 21 substantial gainful employment, the Board of Control shall 22 discontinue the beneficiary's retirement allowance until the 23 beneficiary is otherwise eligible for service retirement.

24 "(c) Disposition of contributions and allowances25 upon death, etc., of member.

"(1) Should a member cease to be an employee exceptby death or by retirement under the provisions of this

1 article, the contributions standing to the credit of his or 2 her individual account in the Annuity Savings Fund shall be 3 paid to him or her upon demand and, in addition to such payment, there shall be paid five-tenths of the interest 4 5 accumulations standing to the credit of his or her individual account if he or she shall have not less than three but less 6 7 than 16 years of membership service, six-tenths of such interest accumulations if he or she shall have not less than 8 9 16 but less than 21 years of membership service, seven-tenths 10 of such interest accumulations if he or she shall have not less than 21 but less than 26 years of membership service and 11 eight-tenths of such interest accumulations if he or she shall 12 13 have not less than 26 years of membership service.

"(2) In case of the death of a member eligible for 14 15 service retirement pursuant to subsection (a) of this section, 16 an allowance shall be paid to the surviving spouse, or to such 17 other person who the member shall have designated, in an 18 amount that would have been payable if the member had retired 19 immediately prior to his or her death and had elected Option 20 3, as set forth in subsection (d) of this section or, 21 alternatively, if the surviving spouse or other designee desires, he or she may choose to receive, in lieu of the 22 allowance provided under Option 3, the accumulated 23 24 contributions of the member plus an amount equal to the 25 accumulated contributions of the member not to exceed $\frac{55,000.00}{5}$ five thousand dollars (\$5,000) or the accumulated 26

contributions of the member plus the benefit provided by Section 36-27B-3 if a benefit is payable under such section;

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"(3) In case of the death of a Tier I plan member 3 not eligible for service retirement, after completion of 25 4 5 years of creditable service, an allowance shall be paid to the surviving spouse, or to such other person who the member shall 6 7 have designated, in an amount that would have been payable if 8 the member had retired for disability immediately prior to his 9 or her death and had elected Option 3 as set forth in 10 subsection (d) of this section or, alternatively, if the surviving spouse or other designee desires, he or she may 11 choose to receive, in lieu of the allowance provided under 12 13 Option 3, the accumulated contributions of the member plus an amount equal to the accumulated contributions of the member 14 15 not to exceed \$5,000.00 five thousand dollars (\$5,000) or the accumulated contributions of the member plus the benefit 16 provided by Section 36-27B-3 if a benefit is payable under 17 18 such section. For purposes of this subsection only, hazardous duty time, as set forth in subdivision (b)(1) of Section 19 20 36-27-59, may be used in calculating the requisite years of 21 service for firefighters, law enforcement officers, and correctional officers even if the member has not otherwise 22 attained 25 years of creditable service; 23

"(4) Upon the death of a member on account of whom
no survivor allowance is payable under subdivisions (2) or (3)
of this subsection, the accumulated contributions of the
member plus an amount equal to the accumulated contributions

not to exceed \$5,000 five thousand dollars (\$5,000) or the accumulated contributions of the member plus the benefit provided by Section 36-27B-3 if a benefit is payable under such section shall be paid to his or her estate or to such person as he or she shall have nominated by written designation duly executed and filed with the Board of Control.

7 "(d) Optional allowances. With the provision that 8 the election of an option shall be effective on the effective 9 date of retirement, any member may elect prior to retirement 10 to receive, in lieu of his or her retirement allowance payable 11 throughout life, the actuarial equivalent, at that time, of 12 his or her retirement allowance in a reduced retirement 13 allowance payable throughout life with the provisions that:

"(1) OPTION 1. If he or she dies before he or she has received in annuity payments the present value of his or her annuity as it was at the time of his or her retirement, the balance shall be paid to his or her legal representatives or to the person as he or she shall nominate by written designation duly acknowledged and filed with the Board of Control;

"(2) OPTION 2. Upon his or her death, his or her reduced retirement allowance shall be continued throughout the life of and paid to the person as he or she shall nominate by written designation duly acknowledged and filed with the Board of Control at the time of his or her retirement;

26 "(3) OPTION 3. Upon his or her death, one half of27 his or her reduced allowance shall be continued throughout the

life of and paid to the person as he or she shall nominate by written designation duly acknowledged and filed with the Board of Control at the time of his or her retirement; or

"(4) OPTION 4. Some other benefit or benefits shall
be paid either to the member or to the person or persons as he
or she shall nominate; provided, that such other benefits,
together with the reduced retirement allowance, shall be
certified by the actuary to be of equivalent actuarial value
to his or her retirement allowance and shall be approved by
the Board of Control.

"(5) OPTION 5. At the time of retirement, he or she 11 12 shall receive a partial lump sum distribution as a single 13 payment not to exceed the sum of 24 months of the maximum 14 monthly retirement allowance the member could receive. This 15 option may be elected in addition to the election of another 16 option under this subsection and the further reduced monthly retirement allowance shall be calculated in accordance with 17 18 the selected option. This option shall not be available to a 19 member who is receiving a disability retirement.

20 "(e) Effect of return to active service. Should any 21 beneficiary be restored to active service, his or her 22 retirement allowance shall be suspended until he or she again 23 withdraws from service and he or she shall not again become a 24 member of the retirement system nor shall he or she make 25 contributions; except, that should such beneficiary who has been restored to active service continue in service for a 26 27 period of two or more years from the date of his or her

reentry into active service, he or she may request the Board 1 2 of Control to allow him or her to again become a member of the retirement system. The Board of Control may grant the request 3 for restoration to membership; provided, that such beneficiary 4 5 whose retirement allowance has been suspended shall repay to 6 the system all moneys monies received by him or her as 7 benefits during any periods subsequent to the date of his or 8 her reentry into active service and shall make a contribution equal to the amount he or she would have contributed had he or 9 10 she been a member during the period of his or her restoration to active service on a suspended allowance basis together with 11 the interest which would have been credited to the 12 13 contributions on account of such period of restoration up to 14 the date such contribution is made.

15 "(f)(1) REDETERMINATION, ETC., OF CERTAIN 16 ALLOWANCES. All retirement allowance payments due on or after October 1, 1975, to members who retired prior to that date 17 18 shall be redetermined as if the provisions of this section in effect on October 1, 1975, were in effect at the time the 19 20 member retired. Anything in this article to the contrary 21 notwithstanding, the annual retirement allowance of any member 22 not employed as a state policeman who retired on or before 23 January 1, 1956, shall not be less than \$79.20 seventy-nine 24 dollars twenty cents (\$79.20) multiplied by the number of 25 years of his or her creditable service not in excess of 30 26 years in the case of service retirement of \$59.40 fifty-nine dollars forty cents (\$59.40) multiplied by the number of years 27

1 of his or her creditable service not in excess of 30 years in 2 the case of disability retirement. Any increase provided in 3 the retirement allowance payment under this subdivision for a member who retired under the provisions of any optional 4 5 benefit elected pursuant to subsection (d) of this section 6 shall accrue only to the retired member, and no person designated to receive any payments after the death of a 7 8 retired member under the provisions of any such optional 9 benefit shall receive any increase in such payments under this 10 subdivision. Notwithstanding, any member who retired prior to October 1, 1975, and who chose either Option 2 or Option 3 may 11 elect to receive a reduced allowance and to stipulate that the 12 13 actuarial equivalent of the increase in his or her retirement 14 allowance, which became effective on that date, be ascribed to 15 his or her designated beneficiary; provided, that such member 16 shall clearly express this intention by filing a written 17 application to the effect with the Secretary-Treasurer of the 18 Employees' Retirement System of Alabama prior to October 1, 1976. 19

"(2) Any person who, prior to October 1, 1963, was in receipt of a benefit pursuant to Act No. 376, approved November 6, 1959, but was not a member of the system at the time of retirement, shall not be entitled to receive an annual retirement allowance from the system, effective October 1, 1971, as follows:

26 "a. If such person was retired on or before January
27 1, 1956, an amount equal to \$79.20 seventy-nine dollars twenty

1 <u>cents (\$79.20)</u> multiplied by the number of years of his or her 2 creditable service not in excess of 30 years.

3 "b. If such person was retired after January 1,
4 1956, an amount equal to \$72.00 seventy-two dollars (\$72)
5 multiplied by the number of years of his or her creditable
6 service not in excess of 25 years.

"(3) Prior to October 31, 1975, any beneficiary may 7 8 elect to leave on deposit with the system all or a specified 9 part of any increase in his or her monthly retirement 10 allowance payments arising in accordance with subdivisions (1) or (2) of this subsection over the monthly allowance which he 11 or she was receiving prior to October 1, 1975. The portion of 12 13 each monthly payment left in the system in accordance with such election shall be credited, together with regular 14 15 interest thereon, to the individual account of such beneficiary. Upon the death of such beneficiary the total 16 amount standing to his or her credit, including regular 17 18 interest to the date of death, shall be paid in a lump sum to his or her legal representatives or to such person as he or 19 20 she shall have nominated by written designation duly 21 acknowledged and filed with the Board of Control.

"(g) Notwithstanding any other provisions of this section to the contrary, when a designated beneficiary for a member predeceases the member who is receiving a monthly benefit allowance provided under Option 2, 3, or 4, the member may designate a replacement beneficiary for the deceased beneficiary to become effective two years after the date of

designation of the replacement beneficiary and an actuarial adjustment in the monthly benefit allowance of the member to cover any cost associated with designating a replacement beneficiary shall be reflected thereafter in the monthly benefit allowance received by the member, commencing with the first benefit allowance check received by the member following the date of designation of the replacement beneficiary.

"(h) Notwithstanding any provision of this section 8 9 to the contrary, if a retired member who is receiving a 10 monthly benefit allowance provided under Option 2, 3, or 4 divorces his or her designated beneficiary, the member may 11 12 designate a replacement beneficiary for the beneficiary to 13 become effective two years after the date of designation of the replacement beneficiary and an actuarial adjustment in the 14 15 monthly benefit allowance of the member to cover any cost associated with designating a replacement beneficiary shall be 16 17 reflected thereafter in the monthly benefit allowance received 18 by the member, commencing with the first benefit allowance check received by the member following the date of designation 19 20 of the replacement beneficiary.

"(i) Any future act to increase the retirement age for Tier II plan members above the age of 62 shall require a two-thirds vote of the elected membership of each house of the Legislature.

25 "\$36-27-24.

26 "(a) Effective October 1, 1997, all the assets of
27 the retirement system shall be credited according to the

purpose for which they are held among three funds, namely, the 1 2 Annuity Savings Fund, the Pension Accumulation Fund, and the Expense Fund. The operation of the former Pension Reserve Fund 3 and the Annuity Reserve Fund shall be discontinued as of such 4 5 date and the balance of the former Pension Reserve Fund shall be transferred to the Pension Accumulation Fund, and the 6 7 balance of the former Annuity Reserve Fund shall be transferred to the Pension Accumulation Fund. 8

9 "(b) Annuity Savings Fund. The Annuity Savings Fund 10 shall be a fund in which shall be accumulated contributions 11 from the compensation of members to provide for their 12 annuities.

13 "Contributions to and payments from the Annuity 14 Savings Fund shall be made as follows: Effective October 1, 15 1971, each employer shall cause to be deducted from the salary of each member on each and every payroll of such employer for 16 17 each and every payroll period five percent of his or her 18 earnable compensation; except, that in the case of a state policeman, the rate of 10 percent of earnable compensation 19 20 shall apply, and in computing all retirement benefits it shall 21 be assumed that a seven percent rate of contribution had 22 applied with respect to service as a state policeman prior to July 1, 1957. For all pay dates beginning on or after October 23 24 1, 2011, each employer, except those employers participating 25 pursuant to Section 36-27-6, shall cause to be deducted from 26 the salary of each member on each and every payroll of such employer for each and every payroll period seven and 27

one-quarter percent (7.25%) of his or her earnable 1 2 compensation; except, that in the case of a state policeman, the rate of ten percent (10%) of earnable compensation shall 3 apply. For all pay dates beginning on or after October 1, 4 5 2012, each employer, except those employers participating pursuant to Section 36-27-6, shall cause to be deducted from 6 7 the salary of each Tier I plan member on each and every payroll of such employer for each and every payroll period 8 seven and one-half percent (7.5%) of his or her earnable 9 10 compensation; except, that in the case of a state policeman, the rate of ten percent (10%) of earnable compensation shall 11 apply. For all pay dates beginning on or after January 1, 12 13 2013, each employer shall cause to be deducted from the salary of each Tier II plan member on each and every payroll period 14 15 six percent (6%) of his or her earnable compensation; except that in the case of a state policeman, the rate of ten percent 16 17 (10%) shall apply and in the case of a correctional officer, 18 firefighter, or law enforcement officer as defined in Section 36-27-59, the rate of seven percent (7%) shall apply. For all 19 20 pay dates beginning on or after October 1, 2022, for all 21 employers, each employer shall cause to be deducted from the 22 salary of each Tier II plan member on each and every payroll period six and one-half percent (6.5%) of his or her earnable 23 24 compensation. Any employer participating under Section 25 36-27-6, by adoption of a resolution, may elect for the 26 increases in employee contributions provided by Act 2011-676 27 to be withheld from the earnable compensation of employees of

the employer. In determining the amount earnable by a member 1 2 in a payroll period, the Board of Control may consider the rate of annual compensation payable to such member on the 3 first day of the payroll period as continuing through such 4 5 payroll period, and it may omit deductions from compensation for any period less than a full payroll period if an employee 6 7 was not a member on the first day of the payroll period, and, to facilitate the making of deductions, it may modify the 8 9 deductions required of any member by such an amount as shall 10 not exceed one tenth of one percent of the annual compensation upon the basis of which such deductions are made. 11

"The deductions provided for in this subsection 12 13 shall be made notwithstanding that the minimum compensation 14 provided for by law for any member shall be reduced thereby. 15 Every member shall be deemed to consent and agree to the 16 deduction made and provided for in this subsection and shall 17 receipt for his or her full salary or compensation and payment 18 of salary or compensation less such deductions shall be a full and complete discharge and acquittance of all claims and 19 20 demands whatsoever for the services rendered by such person 21 during the period covered by such payment, except as to the 22 benefits provided under this article. The employer shall 23 certify to the Board of Control in each and every payroll or 24 in such other manner as the board may prescribe the amounts to 25 be deducted, and each of the amounts shall be deducted and, 26 when deducted, shall be paid into the Annuity Savings Fund and shall be credited, together with regular interest thereon, to 27

1 the individual account of the member from whose compensation 2 the deduction was made.

"In addition to the contributions deducted from 3 compensation as provided in this subsection, subject to the 4 5 approval of the Board of Control, any member may deposit in the Annuity Savings Fund by a single payment or by an 6 7 increased rate of contribution an amount computed to be sufficient to purchase an additional annuity which, together 8 9 with his or her prospective retirement allowance, will provide 10 for him or her a total retirement allowance not to exceed one half of his or her average final compensation at age 60. Such 11 12 additional amounts so deposited shall become a part of his or 13 her accumulated contributions, except in the case of 14 retirement, when they shall be treated as excess contributions 15 returnable to the member in cash or as an annuity of 16 equivalent actuarial value and shall not be considered in 17 computing his or her pension.

18 "The contributions and interest credits of a member withdrawn by him or her or paid to his or her estate or to his 19 20 or her designated beneficiary in event of his or her death 21 shall be paid from the Annuity Savings Fund. Should a member 22 cease to be a member other than by retirement under the 23 provisions of this article, an amount equivalent to the 24 difference, if any, between his or her accumulated 25 contributions and the amount then paid shall be transferred to 26 the Expense Fund. Upon the retirement of a member or the death of an eligible member where an allowance to a surviving spouse 27

or other designated beneficiary is payable, his or her
 accumulated contributions shall be transferred from the
 Annuity Savings Fund to the Pension Accumulation Fund.

4 "Notwithstanding the preceding provisions, no
5 deductions shall be made from any member's salary on account
6 of which the employer's contributions are in default.

7 "The State Personnel Board, with the approval of the 8 Governor, may provide that the state shall pick up member 9 contributions to the Employees' Retirement System of Alabama 10 as required by this subsection on behalf of all state employees who participate in the Employees' Retirement System 11 by a corresponding reduction in the salary of the member, such 12 13 pick-up to be mandatory for all such employees, and the contributions so picked up shall be treated as employer 14 15 contributions in determining tax treatment under the Internal Revenue Code. These contributions shall be paid from the same 16 17 source of funds which is used in paying earnings to the 18 employee. If employee contributions are so picked up they shall be treated for all other purposes of state law in the 19 20 same manner and to the same extent as employee contributions 21 made prior to the date picked up.

"(c) Pension Accumulation Fund. The Pension Accumulation Fund shall be the fund in which shall be accumulated all reserves other than the amounts held in the Annuity Savings Fund for the payment of all pensions, all allowances granted to surviving spouses or other designated beneficiaries and other benefits payable from contributions 1 made by the employer and from which shall be paid all 2 pensions, all allowances granted to surviving spouses or other 3 designated beneficiaries and other benefits on account of 4 members with prior service credit.

5 "Contributions to and payments from the Pension Accumulation Fund shall be made as follows: On account of each 6 7 member there shall be paid monthly by the employer an amount 8 equal to a certain percentage of the earnable compensation of each member to be known as the "normal contribution" and an 9 10 additional amount equal to a percentage of his or her earnable compensation to be known as the "accrued liability 11 contribution," and these two amounts shall be paid monthly 12 13 into the Pension Accumulation Fund; provided, that in the case 14 of a state policeman, such percentage rates of contributions 15 shall be calculated separately. The percentage rate of such contributions shall be fixed for each fiscal year on the basis 16 17 of the liabilities of the retirement system as shown by the 18 last annual actuarial valuation, and such percentage rate as established by such valuation shall take effect the following 19 20 October 1 and continue in effect for the fiscal year.

"On the basis of regular interest and of such mortality and other tables as shall be adopted by the Board of Control, the actuary engaged by the board to make such valuation required by this article during the period over which the accrued liability contribution is payable shall, immediately after making such valuation, determine the uniform and constant percentage of the earnable compensation of the

average new entrant which, if contributed on the basis of his or her compensation throughout his or her entire period of active service, would be sufficient to provide for the payment of any pension payable on his or her account. The percentage rate so determined shall be known as the "normal contribution" rate. The normal rate of contributions shall be determined by the actuary after each valuation.

8 "The accrued liability contribution rate shall be 9 computed by the actuary on the basis of each valuation as the 10 percentage rate of the total annual compensation of all 11 members which is sufficient to liquidate the accrued liability 12 over a period to be determined by the Board of Control which 13 shall be not less than 10 nor more than 30 years.

14 "The unfunded accrued liability shall be computed by 15 the actuary as the total liabilities of the system which are 16 not dischargeable by the assets of the Annuity Savings Fund 17 and the Pension Accumulation Fund and the present value of the 18 aforesaid normal contributions.

19 "For purposes of computing the unfunded accrued20 liability the assets shall be determined as follows:

"On September 30, 1997, the assets shall be determined by using the market value of such assets. For subsequent years the value of the assets shall be determined by the system's actuary using a five year smoothed market value.

26 "The total amount payable in each year to the27 Pension Accumulation Fund shall be not less than the sum of

the percentage rates known as the normal contribution rate and the accrued liability contribution rate of the total compensation earnable by all members during the preceding year.

5 "All interest and dividends earned on the funds of the retirement system shall be credited to the Pension 6 7 Accumulation Fund. The amounts needed to allow a regular interest on the reserves in the Annuity Savings Fund shall be 8 transferred in accordance with this article from the Pension 9 10 Accumulation Fund. The Board of Control, in its discretion, may transfer to and from the Pension Accumulation Fund the 11 amounts of any surplus or deficit which may develop in the 12 13 Annuity Savings Fund, or the Expense Fund.

"Upon the death of a member on account of whom no
survivor allowance is payable under subdivisions (2) and (3)
of subsection (c) of Section 36-27-16, the death benefit as
provided in subdivision (4) of subsection (c) of Section
36-27-16 equal to the accumulated contributions, not to exceed
\$5,000.00 five thousand dollars (\$5,000), shall be payable
from the Pension Accumulation Fund.

"(d) Expense Fund. The Expense Fund shall be the fund from which the expenses of the administration of the retirement system shall be paid, exclusive of amounts payable as retirement allowances and as other benefits provided in this chapter. In addition thereto and on account of each member of the retirement system, there shall be paid monthly by the employer an amount equal to a certain percentage of the

earnable compensation of each member for the administrative 1 2 expenses of the retirement system. The percentage rate of such contribution shall be fixed by the Board of Control on the 3 basis of the cost exclusive of that provided by interest not 4 5 returnable. Any amounts credited to the accounts of the members withdrawing before retirement and not returnable under 6 7 the provisions of subsection (c) of Section 36-27-16 shall be 8 credited to the Expense Fund.

9 "(e) Employer's contributions. For each biennium 10 beginning October 1, 1965, each employer shall pay to the retirement system the rates provided in this section and 11 thereafter, at least 30 days preceding October 1 of each 12 13 fiscal year, the Board of Control shall certify to the chief 14 fiscal officer of each employer the percentage rates of 15 earnable compensation of the members required to be paid to 16 the retirement system in accordance with subsections (c) and 17 (d) of this section.

18 "The employer's contribution on account of the membership of employees whose salaries are paid in whole or in 19 20 part from funds derived from federal grants shall be paid from 21 funds derived from the federal grants in accordance with 22 statutes governing the administration of the grants and in 23 proportion to salaries paid therefrom. At such time and in 24 such manner as may be required, the Board of Control shall 25 certify to each department of state receiving a federal grant 26 the amount due and payable from the grant as the employer's contribution to the retirement system on account of the 27

1 membership of the department whose salaries are paid in whole 2 or in part from funds derived from such federal grants. The 3 fiscal agent of the department shall authorize the state 4 Comptroller to draw a warrant or warrants in payment of the 5 amount certified as due and payable from federal grants.

6 "(f) Appropriations. There is hereby appropriated 7 annually from the fund from which salaries of the employees of 8 each employer are paid the amounts sufficient to carry out the 9 provisions of this section. In the case of those departments 10 supported wholly by transfers from other state funds, there is hereby appropriated from the supporting funds such additional 11 12 amounts as may be necessary to pay the employer contribution 13 of each department so supported in the same proportion as the other state funds contribute to the support and maintenance of 14 15 such department.

16 "(g) Employer cost provided for in this article 17 together with member contributions required under this article 18 shall be paid to the Employees' Retirement System on the first day of the month following the month in which the related 19 20 member salary is earned. Delinguent accounts shall accrue 21 interest at the actuarial assumed investment rate beginning 30 22 days after the original due date. The member contributions for 23 each member shall be reported to the Employees' Retirement 24 System in a format prescribed by the Employees' Retirement 25 System.

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"§36-27-59.

1 "(a) When used in this section, the following terms 2 shall have the following meanings, unless the context clearly 3 indicates otherwise:

4 "(1) CORRECTIONAL OFFICER. A full-time correctional
5 officer who is certified as a correctional officer by the
6 Alabama Peace Officers' Standards and Training Commission.

7 "(2) FIREFIGHTER. A full-time firefighter employed with the State of Alabama, a municipal fire department, or a 8 fire district who has a level one minimum standard 9 10 certification by the Firefighters Personnel Standards and Education Commission, or a firefighter employed by the Alabama 11 Forestry Commission who has been certified by the State 12 13 Forester as having met the wild land firefighter training standard of the National Wildfire Coordinating Group. 14

15 "(3) LAW ENFORCEMENT OFFICER. A full-time law enforcement officer, not covered as a state policeman, 16 employed with any state agency, department, board, commission, 17 18 or institution or a full-time law enforcement officer employed by a local unit of the Employees' Retirement System under 19 20 Section 36-27-6 who is certified as a law enforcement officer 21 by the Alabama Peace Officers' Standards and Training 22 Commission.

"(b)(1) Any firefighter, law enforcement officer, or correctional officer covered under the Employees' Retirement System or the Teachers' Retirement System as a Tier I plan member, upon attainment of the requisite years of creditable service or who otherwise qualifies for service or disability 1 retirement, shall be awarded one year of hazardous duty time 2 for every five years of service as a firefighter, a law enforcement officer, or a correctional officer provided that 3 the person has made the additional contribution provided in 4 5 subdivision (2) or paid the additional contribution required 6 in subsection (c) for each year of service used in determining 7 hazardous duty time for the person. Proportional credit shall be awarded for any period of service less than five years. 8

"(2) Effective January 1, 2001, and each pay period 9 10 thereafter, each active employee who is a firefighter, law enforcement officer, or correctional officer, as defined in 11 subsection (a), shall contribute to the Teachers' or 12 13 Employees' Retirement System of Alabama six percent of his or 14 her earnable compensation. For all pay dates beginning on or after October 1, 2011, each active employee who is a 15 firefighter, law enforcement officer, or correctional officer, 16 as defined in subsection (a), except those employees 17 18 participating pursuant to Section 36-27-6, shall contribute to the Teachers' or Employees' Retirement System of Alabama eight 19 20 and one-quarter percent (8.25%) of his or her earnable 21 compensation. For all pay dates beginning on or after October 1, 2012, each active employee who is a Tier I plan member and 22 who is a firefighter, law enforcement officer, or correctional 23 24 officer, as defined in subsection (a), except those employees 25 participating pursuant to Section 36-27-6, shall contribute to the Teachers' or Employees' Retirement System of Alabama eight 26 and one-half percent (8.5%) of his or her earnable 27

compensation. For all pay dates beginning on or after October 1 2 1, 2022, each active employee who is a Tier II plan member and who is a firefighter, law enforcement officer, or correctional 3 officer, as defined in subsection (a), shall contribute to the 4 5 Teachers' or Employees' Retirement Systems of Alabama seven and one-half percent (7.50%) of his or her earnable 6 7 compensation. Any employer participating under Section 36-27-6, by adoption of a resolution, may elect for the 8 increases in employee contributions provided by Act 2011-676 9 10 to be withheld from the earnable compensation of employees of the employer. 11

"(c) Any member of the Employees' Retirement System 12 13 or the Teachers' Retirement System eligible under subsection 14 (b) may receive credit for his or her eligible prior service 15 provided the member pays to the Secretary-Treasurer of the 16 Employees' Retirement System or the Secretary-Treasurer of the Teachers' Retirement System one percent of his or her current 17 18 annual earnable compensation or previous year's annual earnable compensation, whichever is higher, for each year of 19 20 claimed credit within two years of January 1, 2001, except 21 that any firefighter employed by the Alabama Forestry 22 Commission shall make such payment within two years of December 28, 2001. Any member participating in the Employees' 23 24 Retirement System under Section 36-27-6, who has eligible 25 prior service under this section and who also had no prior eligibility to purchase prior service credit under this 26 subsection, may purchase prior service credit under this 27

section at the same rate provided in subsection (b) within one 1 year of the effective date of his or her enrollment with the 2 Employees' Retirement System or within one year of August 1, 3 2004. The member may purchase his or her claimed credit in 4 5 increments of five years, unless the total service credit is less than five years, in which case the service shall be 6 7 purchased in its entirety. The member shall provide certification from each employing agency, on forms prescribed 8 by the Teachers' or Employees' Retirement System, of each year 9 10 of claimed service, as a prerequisite to payment under this section. 11

12 "(d) The provisions of this section shall not apply
 13 to any Tier II plan member."

14 Section 2. This act shall become effective 15 immediately following its passage and approval by the 16 Governor, or its otherwise becoming law.