

1 HB466
2 175689-1
3 By Representatives Williams (P), Greer and Ball
4 RFD: State Government
5 First Read: 23-MAR-16

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8 SYNOPSIS: Currently, members of the Retirement Systems
9 of Alabama are allowed to make contributions to
10 individual retirement accounts administered by the
11 Retirement Systems of Alabama. This bill would
12 require all new employees, beginning January 1,
13 2017, to contribute monthly to such individual
14 retirement accounts and provides opt-out
15 provisions.

16
17 A BILL
18 TO BE ENTITLED
19 AN ACT

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21 Relating to individual retirement accounts; to amend
22 Section 36-27A-5, Code of Alabama 1975, relating to
23 contributions to individual retirement accounts administered
24 by the Retirement Systems of Alabama to require public
25 employees first employed by a participating employer of the
26 Teachers' Retirement System, Employees' Retirement System, or
27 Judicial Retirement Fund on or after January 1, 2017 to make

1 contributions to such individual retirement accounts and to
2 provide opt-out provisions.

3 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

4 Section 1. Section 36-27A-5, Code of Alabama 1975,
5 is hereby amended to read as follows:

6 "§36-27A-5.

7 "(a) The PEIRAF shall be available to all public
8 employees in the State of Alabama who are members of the
9 Teachers' Retirement System, the Employees' Retirement System
10 or the Judicial Retirement Fund. In addition, any employee of
11 an employer eligible to participate in the Employees'
12 Retirement System pursuant to the provisions of Section
13 36-27-6, or any public official or employee of the State of
14 Alabama or any political subdivision thereof, shall be
15 eligible to participate under the provisions of this chapter.
16 Participation in this fund shall be on a strictly voluntary
17 basis under such rules and regulations as shall be adopted by
18 the board of control and in accordance with the provisions
19 contained in the Internal Revenue Code as it relates to
20 individual retirement accounts for public employees. Any
21 person who shall become ineligible for participation in the
22 PEIRAF due to the termination of his employment with an
23 eligible employer may leave his contributions on account with
24 the PEIRAF; however, no further contributions may be accepted
25 on his account unless such person shall become reemployed by
26 an eligible employer.

1 "(b) (1) All public employees in the State of
2 Alabama, except those who participate in the Employees'
3 Retirement System pursuant to the provisions of Section
4 36-27-6 and those who participate in the Teachers' Retirement
5 System as employees of public colleges and universities, who
6 first begin employment with a participating employer of the
7 Teachers' Retirement System, the Employees' Retirement System,
8 or the Judicial Retirement Fund on or after January 1, 2017
9 shall be automatically enrolled in this fund under such rules
10 and regulations as shall be adopted by the board of control
11 and in accordance with the provisions contained in the
12 Internal Revenue Code as it relates to individual retirement
13 accounts for public employees. All employers participating in
14 the Employees' Retirement System pursuant to the provisions of
15 Section 36-27-6 may elect to participate in the automatic
16 enrollment program, except that only those counties
17 participating in the Employees' Retirement System that have
18 adopted the higher employee contribution rate provided for in
19 Act No. 2011-676 shall be eligible to elect to participate in
20 the automatic enrollment program.

21 "(2) A public employee enrolled in the fund pursuant
22 to this subsection may elect to opt out of the fund and
23 withdraw without any penalty his or her contributions within
24 90 days after the date of the public employee's first
25 contribution to the fund. A public employee may instead opt to
26 enroll in any other deferred compensation plan offered by the
27 public employee's employer provided that the employer

1 discloses whether fees or any other expenses are to be charged
2 to participating employees in the other plan offered by the
3 employer and also discloses that employees who participate in
4 this plan do so at no cost to the participating employee
5 pursuant to the provisions of this chapter. The default
6 contribution amount for a public employee automatically
7 enrolled in the fund pursuant to this subsection shall be one
8 and one-half percent (1.5%) of the public employee's pre-tax
9 includible compensation to the public employee's account in
10 the same manner as otherwise provided for the operation of the
11 fund. At the time of enrollment, a public employee may adjust
12 the public employee's contribution amount, subject to any
13 limitations on contributions established by the board of
14 control or mandated by state or federal law.

15 "(3) For employers who participate in the automatic
16 enrollment program, the board of control may adopt an
17 auto-escalation program through which the contributions of
18 employees enrolled in the fund would automatically increase as
19 the employee's salary increases, under such rules and
20 regulations as shall be adopted by the board of control. Such
21 program, if adopted by the board of control, shall be optional
22 for participating employees. Any employer participating in the
23 Employees' Retirement System pursuant to the provisions of
24 Section 36-27-6 that has elected to participate in the
25 automatic enrollment program may also elect to participate in
26 any auto-escalation program adopted by the board of control.

1 "(4) All other terms of participation in the fund
2 will be governed by the rules and regulations adopted by the
3 board of control.

4 "(5) The employer of the public employee shall
5 provide notice in writing to a public employee automatically
6 enrolled in the fund. The notice shall include information on
7 the right of the public employee to opt out of the fund during
8 the 90-day opt out period.

9 "(6) Participation in the fund pursuant to this
10 subsection shall be in addition to participation in the
11 Retirement Systems of Alabama pursuant to Chapter 18 of Title
12 12, Chapter 25 of Title 16, and Chapter 27 of Title 36."

13 Section 2. This act shall become effective on the
14 first day of the third month following its passage and
15 approval by the Governor, or its otherwise becoming law.