

1 SB387  
2 176199-1  
3 By Senators Stutts, Bussman and Pittman  
4 RFD: Fiscal Responsibility and Economic Development  
5 First Read: 05-APR-16

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8 SYNOPSIS: This bill provides certain governance  
9 provisions that shall apply to the Boards of  
10 Control of the Teachers' Retirement System and the  
11 Employees' Retirement System.

12  
13 A BILL  
14 TO BE ENTITLED  
15 AN ACT

16  
17 Relating to retirement; to amend Sections 16-25-19,  
18 16-25-20, 36-27-23, and 36-27-25, Code of Alabama 1975, to  
19 specify certain governance provisions that shall apply to the  
20 Boards of Control of the Teachers' Retirement System and the  
21 Employees' Retirement System.

22 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

23 Section 1. Sections 16-25-19, 16-25-20, 36-27-23,  
24 and 36-27-25, Code of Alabama 1975, are hereby amended to read  
25 as follows:

26 "§16-25-19.

1           "(a) The general administration and responsibility  
2 for the proper operation of the retirement system and for  
3 making effective the provisions of this chapter are hereby  
4 vested in a board of trustees which shall be known as the  
5 Board of Control and shall be organized immediately after a  
6 majority of the trustees provided for in this section shall  
7 have qualified and taken the oath of office.

8           "(b) The board shall consist of 15 trustees as  
9 follows:

10           "(1) The State Superintendent of Education, ex  
11 officio.

12           "(2) The State Treasurer, ex officio.

13           "(3) The state Director of Finance, ex officio.

14           "(4) Twelve elected members of the retirement  
15 system. Those 12 members shall consist of representatives  
16 elected from each of the following categories: two shall be  
17 retired members, one shall be a city or county superintendent,  
18 one shall be a principal, one shall be a member from an  
19 institution of postsecondary education that is part of the  
20 Alabama Community College System, two shall be members from a  
21 public four-year institution of higher education, three shall  
22 be teachers who are actively instructing students in grades  
23 K-12, and two shall be educational support personnel from a  
24 grade K-12 school. Each of the elected members shall be  
25 elected only by members from the same category of the  
26 retirement system. The 12 elected members shall be elected in  
27 a statewide election conducted by a third party entity that is

1 not a participant of or affiliated with the Teachers'  
2 Retirement System. All such elections shall be conducted in  
3 accordance with accepted principles of fair election  
4 practices. The third party entity shall be responsible for the  
5 distribution and collection of ballots and tallying election  
6 results. Other aspects of the election shall be handled  
7 pursuant to such rules and regulations as the Board of Control  
8 may adopt to assure that members will be eligible to vote for  
9 the applicable elected position as follows:

10 "a. Teacher Place #1 for a term of three years  
11 beginning July 1, 1974.

12 "b. Teacher Place #2 for a term of three years  
13 beginning July 1, 1974.

14 "c. Teacher Place #3 for a term of two years  
15 beginning July 1, 1974.

16 "d. Educational Support Personnel Place #1 for a  
17 term of three years beginning July 1, 1986.

18 "e. Educational Support Personnel Place #2 for a  
19 term of two years beginning July 1, 1986.

20 "f. Retired Place #1 for a term of three years  
21 beginning July 1, 1974.

22 "g. Retired Place #2 for a term of three years  
23 beginning July 1, 1987.

24 "h. Superintendents' Place for a term of two years  
25 beginning July 1, 1976.

26 "i. Principals' Place for a term of three years  
27 beginning July 1, 1976.

1           "j. Postsecondary Place for a term of three years  
2 beginning July 1, 2016, to be filled by the member elected  
3 from an institution of postsecondary education that is part of  
4 the Alabama Community College System.

5           "k. Higher Education Place #1 for a term of three  
6 years beginning July 1, 2013, to be filled by a member elected  
7 from a public four-year institution of higher education.

8           "l. Higher Education Place #2 for a term of three  
9 years beginning July 1, 2015, to be filled by a member elected  
10 from a public four-year institution of higher education. This  
11 higher education position shall replace the Educational  
12 Support Personnel Place #2 at the conclusion of the  
13 incumbent's term June 30, 2015.

14           "Thereafter each member according to place number  
15 shall be elected for three-year terms, according to such rules  
16 and regulations as the Board of Control shall adopt to govern  
17 such elections. The terms of these officers shall begin after  
18 they have qualified and taken the oath of office.

19           "(c) The Board of Control of the Teachers'  
20 Retirement System shall provide for annual elections to fill  
21 the position of any trustee whose term has expired.

22           "(d) If a vacancy occurs in the office of a trustee,  
23 the vacancy shall be filled for the remainder of the unexpired  
24 term through appointment by the Governor.

25           "(e) The trustees shall serve without compensation  
26 for their services as trustees, but they shall be reimbursed

1 from the expense fund for all necessary expenses that they may  
2 incur through service on the Board of Control.

3 "(f) Each trustee shall, within 10 days after his or  
4 her appointment or election, take an oath of office that, so  
5 far as it devolves upon the trustee, the trustee will  
6 diligently and honestly administer the affairs of the Board of  
7 Control and will not knowingly violate or willingly permit to  
8 be violated any of the provisions of law applicable to the  
9 retirement system. Such oath shall be subscribed to by the  
10 member making it, certified by the officer before whom it is  
11 taken and immediately filed in the office of the Secretary of  
12 State.

13 "(g) Each trustee shall be entitled to one vote in  
14 the Board of Control. Eight votes shall be necessary for a  
15 decision by the trustees at any meeting of the board. In case  
16 of a tied vote the decision shall fail.

17 "(h) Subject to the limitations of this chapter, the  
18 Board of Control shall from time to time establish rules and  
19 regulations for the administration of the funds created by  
20 this chapter and for the transaction of its business.

21 "(i) The Board of Control shall elect from its  
22 membership a chairman and by a majority vote of all the  
23 members shall elect a Secretary-Treasurer, who shall serve as  
24 chief executive officer of the retirement system. In addition  
25 thereto, the Board of Control may engage such actuarial and  
26 administrative officers and other special services as shall be  
27 deemed necessary to transact the business of the retirement

1 system. The compensation and expenses of these actuarial and  
2 administrative officers and other special services shall be  
3 paid at such rates and in such amounts as the Board of Control  
4 shall approve. All other employees not in these categories of  
5 employment shall be employed under the provisions of the Merit  
6 System Act.

7 "(j) The Board of Control shall keep in convenient  
8 form such data as shall be necessary for actuarial valuation  
9 of the various funds of the retirement system and for checking  
10 the experience of the system.

11 "(k) The Board of Control shall keep a record of all  
12 its proceedings which shall be open to public inspection. It  
13 shall publish annually a report showing the fiscal  
14 transactions of the retirement system for the preceding school  
15 year, the amount of the accumulated cash and securities of the  
16 system and the last balance sheet showing the financial  
17 condition of the system by means of an actuarial valuation of  
18 the assets and liabilities of the retirement system.

19 "(l) The Attorney General of the state shall be the  
20 legal adviser of the Board of Control.

21 "(m) The Board of Control shall designate a medical  
22 board to be composed of three physicians not eligible to  
23 participate in the retirement system. If required, other  
24 physicians may be employed to report on special cases. The  
25 medical board shall arrange for and pass upon all medical  
26 examinations required under this chapter, shall investigate  
27 all essential statements and certificates by or on behalf of a

1 member in connection with an application for disability  
2 retirement and shall report in writing to the Board of Control  
3 its conclusions and recommendations upon all matters referred  
4 to it.

5 "(n) The Board of Control shall designate an actuary  
6 who shall be the technical adviser of the Board of Control on  
7 matters regarding the operation of the funds created by the  
8 provisions of this chapter and who shall perform such other  
9 duties as are required in connection therewith.

10 "(o) Immediately after the establishment of the  
11 retirement system, the actuary shall make such investigation  
12 of the mortality, service and compensation experience of the  
13 members of the system as he shall recommend and the Board of  
14 Control shall authorize, and on the basis of such  
15 investigation he shall recommend for adoption by the Board of  
16 Control such tables and such rates as are required in  
17 subdivisions (1) and (2) of subsection (p) of this section.  
18 The Board of Control shall adopt tables and certify rates;  
19 and, as soon as practicable thereafter, the actuary shall make  
20 a valuation based on such tables and rates, of the assets and  
21 liabilities of the funds created by this chapter.

22 "(p) In the year 1943, and at least once in each  
23 five-year period thereafter, the actuary shall make an  
24 actuarial investigation into the mortality, service, and  
25 compensation experience of the members and beneficiaries of  
26 the retirement system and shall make a valuation of the assets  
27 and liabilities of the funds of the system; and, taking into



1 account the results of such investigation and valuation, the  
2 Board of Control shall:

3 "(1) Adopt for the retirement system such mortality,  
4 service, and other tables as shall be deemed necessary; and

5 "(2) Certify the rates of contributions payable by  
6 the state under the provisions of this chapter.

7 "(q) On the basis of such tables as the Board of  
8 Control shall adopt, the actuary shall make an annual  
9 valuation of the assets and liabilities of the funds of the  
10 system created by this chapter.

11 "(r) Subsection (a) of Section 19-3B-802 of the  
12 Alabama Uniform Trust Code shall apply to the Board of Control  
13 and its actions.

14 "§16-25-20.

15 "(a) (1) The Board of Control shall be the trustees  
16 of the several funds of the Teachers' Retirement System  
17 created by this chapter as provided in Section 16-25-21, and  
18 shall have full power to invest and reinvest the funds,  
19 through its Secretary-Treasurer, in the classes of bonds,  
20 mortgages, common and preferred stocks, shares of investment  
21 companies or mutual funds, or other investments as the Board  
22 of Control may approve, with the care, skill, prudence, and  
23 diligence under the circumstances then prevailing that a  
24 prudent man acting in a like capacity and familiar with the  
25 matters would use in the conduct of an enterprise of a like  
26 character and with like aims; and, subject to like terms,  
27 conditions, limitations, and restrictions, the Board of

1 Control, through its Secretary-Treasurer, shall have full  
2 power to hold, purchase, sell, assign, transfer, and dispose  
3 of any investments in which the funds created herein shall  
4 have been invested, as well as the proceeds of the investments  
5 and any moneys belonging to the funds. Among circumstances  
6 which the Board of Control, through its Secretary-Treasurer,  
7 may consider in investing and managing the funds of the  
8 Teachers' Retirement System are such of the following as are  
9 relevant to the fund or its beneficiaries, including rates of  
10 return, volatility, security, diversification, general  
11 economic conditions, the effects of inflation or deflation,  
12 the role each investment would play within the overall  
13 investment portfolio, the need for liquidity, the need for  
14 regularity of income and preservation or appreciation of  
15 capital, an asset's special relationship or special value, if  
16 any, to the purposes of the trust or to one or more of the  
17 beneficiaries, the size of the portfolio, and the purposes and  
18 duration of the fund.

19 "(2) The Secretary-Treasurer shall have the  
20 authority and it shall be his or her duty to carry out the  
21 investment policies fixed by the Board of Control, and  
22 pursuant thereto he or she shall examine all offers of  
23 investments made to the funds, shall initiate inquiries as to  
24 available investments therefor, shall review periodically the  
25 investment quality and desirability of retention of  
26 investments held, and shall make purchases and sales of  
27 investments as he or she shall deem to the best interests of

1 the funds and as the investment committee hereinafter provided  
2 for, and as the consultant to the Secretary-Treasurer, if any,  
3 appointed by the Board of Control hereunder, to the extent of  
4 the purpose for which it is appointed, shall approve. The  
5 Teachers' Retirement System shall have full authority to  
6 employ its own legal counsel and to conduct and control any  
7 litigation in which it is involved through such counsel.

8 "(3) The Board of Control shall elect an investment  
9 committee which shall consist of three members of the board,  
10 one of whom shall be the Director of Finance. The investment  
11 committee shall act as agent for the board and shall consider  
12 all investment recommendations made by the Secretary-Treasurer  
13 and shall either approve or disapprove the same in accordance  
14 with policies set by the board. The investment committee may  
15 act through the affirmative vote of any two of its members.  
16 Approvals may be secured informally in advance but shall in  
17 any event be confirmed by written authorization to be attached  
18 to the invoice of the transaction.

19 "(4) The Board of Control may appoint and employ as  
20 consultant to the Secretary-Treasurer, in the purchase, sale,  
21 and review of investments of the funds, to the extent the  
22 board may designate, a bank having its principal office in the  
23 State of Alabama, having capital, surplus, and undivided  
24 profits of not less than three hundred million dollars  
25 (\$300,000,000), and having an organized investment department.  
26 The bank so appointed shall not sell securities to the  
27 retirement system, other than United States government

1 securities, or repurchase agreements for which no commission  
2 shall be charged.

3 "(5) The Secretary-Treasurer shall report to the  
4 Board of Control all purchases and sales of investments made  
5 by him or her pursuant hereto at least once semiannually.

6 "(b) The Board of Control shall allow annually  
7 regular interest on the mean amount for the preceding year in  
8 each of the funds, with the exception of the Expense Fund. The  
9 amounts so allowed shall be due and payable to the funds and  
10 shall be credited annually thereto by the Board of Control  
11 from interest and other earnings on the moneys of the  
12 retirement system. Any additional amount required to meet the  
13 interest on the funds of the retirement system shall be paid  
14 from the Pension Accumulation Fund, and any excess of earnings  
15 over the amount required shall be paid to the Pension  
16 Accumulation Fund. Regular interest shall mean the percent  
17 rate or rates to be compounded annually as shall be set by the  
18 Board of Control, the rate or rates to be limited to a minimum  
19 of three percent and a maximum of four and three-fourths  
20 percent.

21 "(c) Moneys accruing to the Annuity Savings Fund,  
22 the Annuity Reserve Fund, the Pension Accumulation Fund, and  
23 the Pension Reserve Funds shall be certified by the  
24 Secretary-Treasurer for deposit in the State Treasury to the  
25 credit of the Teachers' Retirement System. All moneys provided  
26 in accordance with this chapter for administrative expense  
27 shall be certified for deposit in the State Treasury to the

1 credit of the Teachers' Retirement System Expense Fund. All  
2 payments from the funds shall be made by the State Treasurer  
3 on warrants drawn by the state Comptroller upon vouchers  
4 signed by two persons designated by the Board of Control. A  
5 duly attested copy of a resolution of the Board of Control  
6 designating the persons and bearing on its face specimen  
7 signatures of the persons shall be filed with the state  
8 Comptroller as his or her authority for drawing warrants upon  
9 the vouchers.

10 "(d) Except as otherwise herein provided, no member  
11 of the Board of Control and no employee of the board shall  
12 have any direct interest in the gains or profits of any  
13 investment made by the board, nor as such receive any pay or  
14 emolument for his or her services. No member or employee of  
15 the Board of Control shall, directly or indirectly, for  
16 himself or herself or as an agent, in any manner use the same,  
17 except to make the current and necessary payments as are  
18 authorized by the board; nor shall any member or employee of  
19 the Board of Control become an endorser or surety or in any  
20 manner an obligor for moneys loaned or borrowed from the  
21 board.

22 "§36-27-23.

23 "(a) The general administration and responsibility  
24 for the proper operation of the retirement system and for  
25 making effective the provisions of this article are hereby  
26 vested in a board of trustees which shall be known as the  
27 Board of Control.

1           "(b) The board shall consist of 13 trustees as  
2 follows:

3           "(1) The Governor, ex officio, who shall be  
4 chairman.

5           "(2) The State Treasurer, ex officio.

6           "(3) The State Personnel Director, ex officio.

7           "(4) The Director of Finance, ex officio.

8           "(5) Three members of the retirement system, to be  
9 appointed by the Governor, no two of whom shall be from the  
10 same department of the state government nor from any  
11 department of which an ex officio trustee is the head. The  
12 state employees appointed pursuant to this section shall be  
13 Merit System employees with at least ten years of creditable  
14 state service and shall not be a department head or an  
15 assistant department head. The terms of office of the three  
16 members appointed by the Governor shall begin immediately  
17 after they have qualified and taken the oath of office.

18           "(6) Two members of the State Employees' Retirement  
19 System who shall be vested in the system and elected by a  
20 majority vote of the participating full-time state employees  
21 who are members of the system, through the use of a statewide  
22 ballot conducted by the Secretary-Treasurer under rules  
23 promulgated by the Board of Control. For their original terms,  
24 one shall serve for a two-year term and one shall serve for a  
25 three-year term. Thereafter, their successors each shall serve  
26 for a four-year term.

1            "At the expiration of terms of office of the  
2        respective original trustees elected under this subdivision  
3        and every four years thereafter, their successors shall be  
4        elected in the same manner as provided by this subdivision.

5            "(7) One member from the ranks of retired state  
6        employees and one member from the ranks of retired employees  
7        of a city, a county, or a public agency each of whom is an  
8        active beneficiary of the system shall be elected by a  
9        majority vote of the participating retired beneficiaries of  
10       the system. The retired state employee member shall serve for  
11       a four-year term beginning October 1, 1984, the member who is  
12       a retired employee of a city, a county or a public agency  
13       shall serve for a three-year term, beginning October 1, 1984,  
14       provided after the expiration date of the initial terms  
15       provided in this subdivision each term shall be for a period  
16       of three years.

17           "The retired members shall be elected in a statewide  
18       ballot conducted by the Secretary-Treasurer under rules  
19       promulgated by the Board of Control. The Board of Directors of  
20       the Alabama Retired State Employees' Association shall submit  
21       no more than two nominations for each retired member position.  
22       The Board of Control shall determine the procedure for  
23       selecting additional candidates. The ballots shall be  
24       conducted prior to October 1, 1984, and each applicable year  
25       thereafter in order that the trustees can take office by  
26       October 1, next following such election.

1           "(8) Two members of the retirement system who shall  
2 be employed by an employer participating pursuant to Section  
3 36-27-6, who shall be elected by a majority vote of the  
4 full-time employees of employers participating pursuant to  
5 Section 36-27-6, and who are members of the system. For their  
6 original terms one shall serve a three-year term and one shall  
7 serve a four-year term. Thereafter, their successors each  
8 shall serve for a four-year term.

9           "The election shall be conducted by the  
10 Secretary-Treasurer through use of a statewide ballot in  
11 accordance with rules promulgated by the Board of Control,  
12 which shall include a nomination petition of not less than 50  
13 eligible voters. The election provided herein shall be  
14 conducted prior to October 1, 1991, and each applicable year  
15 thereafter in order that the trustees can take office October  
16 1, next following such election.

17           "(c) If a vacancy occurs in the office of a trustee,  
18 the vacancy shall be filled for the unexpired term in the same  
19 manner as the office was previously filled, except that of the  
20 trustees elected under subdivision (7) of subsection (b). In  
21 that event the vacancy for the unexpired term shall be filled  
22 by an appointment by the Board of Control of the Employees'  
23 Retirement System from a list of three retired employees  
24 furnished him by the Board of Directors of the Alabama Retired  
25 State Employees' Association.

26           "(d) The trustees shall serve without compensation  
27 for their services as trustees, but they shall be reimbursed



1 from the Expense Fund for all necessary expenses that they may  
2 incur through service on the Board of Control.

3 "(e) Each trustee shall, within 10 days after his  
4 appointment, take an oath of office that, so far as it  
5 devolves upon him, he will diligently and honestly administer  
6 the affairs of the Board of Control and that he will not  
7 knowingly violate or willingly permit to be violated any of  
8 the provisions of law applicable to the retirement system.  
9 Such oath shall be subscribed to by the member making it,  
10 certified by the officer before whom it is taken and  
11 immediately filed in the office of the Secretary of State.

12 "(f) Each trustee shall be entitled to one vote in  
13 the Board of Control. Seven votes in favor of any decision  
14 shall be necessary for a decision by the trustees at any  
15 meeting of said board.

16 "(g) Subject to the limitations of this article, the  
17 Board of Control shall, from time to time, establish rules and  
18 regulations for the administration of the funds created by  
19 this article and for the transaction of its business.

20 "(h) The Board of Control, by a majority vote of all  
21 trustees, shall elect a Secretary-Treasurer who shall serve as  
22 the chief executive officer of the retirement system. The  
23 Board of Control shall engage such actuarial and other special  
24 services as shall be required to transact the business of the  
25 retirement system. The compensation of all persons engaged by  
26 the board, with the exception of clerical employees who shall  
27 be employed under the provisions of the Merit System Act, and

1 all other expenses of the board necessary for the operation of  
2 the retirement system shall be paid at such rates and in such  
3 amounts as the board shall approve.

4 "(i) The Board of Control shall keep in convenient  
5 form such data as shall be necessary for actuarial valuation  
6 of the various funds of the retirement system and for checking  
7 the experience of the system.

8 "(j) The Board of Control shall keep a record of all  
9 its proceedings which shall be open to public inspection. It  
10 shall publish annually a report showing the fiscal  
11 transactions of the retirement system for the preceding year,  
12 the amount of the accumulated cash and securities of the  
13 system and the last balance sheet showing the financial  
14 condition of the system by means of an actuarial valuation of  
15 the assets and liabilities of the retirement system.

16 "(k) The Attorney General of the state shall be the  
17 legal adviser of the Board of Control.

18 "(l) The Board of Control shall designate a medical  
19 board to be composed of three physicians not eligible to  
20 participate in the retirement system. If required, other  
21 physicians may be employed to report on special cases. The  
22 medical board shall arrange for and pass upon all medical  
23 examinations required under the provisions of this chapter and  
24 shall investigate all essential statements and certificates by  
25 or on behalf of a member in connection with an application for  
26 disability retirement and shall report in writing to the Board

1 of Control its conclusions and recommendations upon all  
2 matters referred to it.

3 "(m) The Board of Control shall designate an actuary  
4 who shall be the technical adviser of the Board of Control on  
5 matters regarding the operation of the funds created by the  
6 provisions of this article and shall perform such other duties  
7 as are required in connection therewith.

8 "(n) Immediately after the establishment of the  
9 retirement system the actuary shall make such investigation of  
10 the mortality, service and compensation experience of the  
11 members of the system as he shall recommend and the Board of  
12 Control shall authorize, and, on the basis of such  
13 investigation, he shall recommend for adoption by the Board of  
14 Control such tables and such rates as are required in  
15 subsection (o) of this section. The Board of Control shall  
16 adopt tables and certify rates and, as soon as practicable  
17 thereafter, the actuary shall make a valuation based on such  
18 tables and rates of the assets and liabilities of the funds  
19 created by this article.

20 "(o) In 1948, and at least once in each five-year  
21 period thereafter, the actuary shall make an actuarial  
22 investigation into mortality, service, and compensation  
23 experience of the members and beneficiaries of the retirement  
24 system and shall make a valuation of the assets and  
25 liabilities of the funds of the system and, taking into  
26 account the results of such investigation and valuation, the  
27 Board of Control shall adopt for the retirement system such

1 mortality, service, and other tables as shall be deemed  
2 necessary and certify the rates of contribution payable by the  
3 state under the provisions of this article.

4 "(p) On the basis of such tables as the Board of  
5 Control shall adopt, the actuary shall make an annual  
6 valuation of the assets and liabilities of the funds of the  
7 system created by this article.

8 "(q) Subsection (a) of Section 19-3B-802 of the  
9 Alabama Uniform Trust Code shall apply to the Board of Control  
10 and its actions.

11 "§36-27-25.

12 "(a) The Board of Control shall be the trustees of  
13 the several funds of the Employees' Retirement System created  
14 by this article as provided in Section 36-27-24 and shall have  
15 full power to invest and reinvest the funds, through its  
16 Secretary-Treasurer in the classes of bonds, mortgages, common  
17 and preferred stocks, shares of investment companies or mutual  
18 funds, or other investments as the Board of Control may  
19 approve, with the care, skill, prudence, and diligence under  
20 the circumstances then prevailing that a prudent person acting  
21 in a like capacity and familiar with such matters would use in  
22 the conduct of an enterprise of a like character and with like  
23 aims. Subject to like terms, conditions, limitations and  
24 restrictions, the Board of Control, through its  
25 Secretary-Treasurer, shall have full power to hold, purchase,  
26 sell, assign, transfer, and dispose of any investments in  
27 which the funds created in Section 36-27-24 shall have been

1 invested as well as the proceeds of the investments and any  
2 moneys belonging to the funds. Among circumstances which the  
3 Board of Control, through its Secretary-Treasurer, may  
4 consider in investing and managing the funds of the Employees'  
5 Retirement System are such of the following as are relevant to  
6 the fund or its beneficiaries, including rates of return,  
7 volatility, security, diversification, general economic  
8 conditions, the effects of inflation or deflation, the role  
9 each investment would play within the overall investment  
10 portfolio, the need for liquidity, the need for regularity of  
11 income and preservation or appreciation of capital, an asset's  
12 special relationship or special value, if any, to the purposes  
13 of the trust or to one or more of the beneficiaries, the size  
14 of the portfolio, and the purposes and duration of the fund.

15 "(b) The Governor ex officio, shall be the Chair of  
16 the Board of Control. At the board meeting when the new  
17 positions created by Acts 1994, No. 94-616 are sworn into  
18 office, the Board of Control shall elect from its membership a  
19 vice-chair who shall have at least three years of service  
20 experience on the board. The vice-chair shall serve a term  
21 concurrent with that of the position of Investment Committee  
22 Place No. 1.

23 "(c) The Secretary-Treasurer shall have the  
24 authority and it shall be his or her duty to carry out the  
25 investment policies fixed by the Board of Control and,  
26 pursuant thereto, he or she shall examine all offers of  
27 investments made to the funds, shall initiate inquiries as to

1 available investments therefor, shall review periodically the  
2 investment quality and desirability of retention of  
3 investments held and shall make purchases and sales of  
4 investments as he or she shall deem to the best interests of  
5 the funds and as the Investment Committee provided for in  
6 subsection (d) of this section and as the consultant to the  
7 Secretary-Treasurer, if any, appointed by the Board of Control  
8 under subsection (e) of this section, to the extent of the  
9 purpose for which it is appointed, shall approve. The  
10 Employees' Retirement System shall have full authority to  
11 employ its own legal counsel and to conduct and control any  
12 litigation in which it is involved through such counsel.

13 "(d) The Board of Control shall provide for an  
14 investment committee which shall consist of three members of  
15 the board, one of whom shall be the Director of Finance. At  
16 the first board meeting held after April 26, 1994, two members  
17 of the board, who individually have at least three years of  
18 service experience on the board, shall be elected to serve on  
19 the Investment Committee in positions designated as Places No.  
20 1 and No. 2. The person elected to serve in Place No. 1 shall  
21 serve for an initial term of one year while the person elected  
22 to serve in Place No. 2 shall serve for an initial term of two  
23 years. Successor terms for both places on the committee shall  
24 be for two years and successor candidates for the elected  
25 places shall meet the aforementioned board service experience  
26 requirement. The Investment Committee shall act as agent for  
27 the board and shall consider all investment recommendations

1 made by the Secretary-Treasurer and shall either approve or  
2 disapprove the same in accordance with policies set by the  
3 board. The Investment Committee may act through the  
4 affirmative vote of any two of its members. Approvals may be  
5 secured informally in advance but shall in any event be  
6 confirmed by written authorization to be attached to the  
7 invoice for the transaction.

8 "(e) The Board of Control may appoint and employ as  
9 consultant to the Secretary-Treasurer in the purchase, sale,  
10 and review of investments of the funds, to the extent as the  
11 board may designate, a bank having its principal office in the  
12 State of Alabama, having capital, surplus and undivided  
13 profits of not less than three hundred million dollars  
14 (\$300,000,000) and having an organized investment department.  
15 The bank so appointed shall not sell securities to the  
16 retirement system other than U.S. government securities, or  
17 repurchase agreements for which no commission shall be  
18 charged.

19 "(f) The Secretary-Treasurer shall report to the  
20 Board of Control all purchases and sales of investments made  
21 by him or her pursuant to this section at least once  
22 semiannually.

23 "(g) The Board of Control shall allow annually  
24 regular interest on the mean amount for the preceding year in  
25 each of the funds, with the exception of the Expense Fund. The  
26 amounts so allowed shall be due and payable to the funds and  
27 shall be credited annually to the funds by the Board of

1 Control from interest and other earnings on the moneys of the  
2 retirement system. Any additional amount required to meet the  
3 interest on the funds of the retirement system shall be paid  
4 from the Pension Accumulation Fund, and any excess of earnings  
5 over the amount required shall be paid to the Pension  
6 Accumulation Fund. Regular interest shall mean the percentage  
7 rate or rates to be compounded annually as shall be set by the  
8 Board of Control, the rate or rates to be limited to a minimum  
9 of three percent and a maximum of four and three-fourths  
10 percent.

11 "(h) Funds accruing to the Annuity Savings Fund, the  
12 Annuity Reserve Fund, the Pension Accumulation Fund, and the  
13 Pension Reserve Fund shall be certified by the  
14 Secretary-Treasurer for deposit in the State Treasury to the  
15 credit of the Employees' Retirement System. All moneys  
16 provided in accordance with this chapter for administrative  
17 expenses shall be certified for deposit in the State Treasury  
18 to the credit of the Employees' Retirement System Expense  
19 Fund. All payments from the funds shall be made by the State  
20 Treasurer on warrants drawn by the State Comptroller upon  
21 vouchers signed by two persons designated by the Board of  
22 Control. A duly attested copy of the resolution of the Board  
23 of Control designating the persons and bearing on its face  
24 specimen signatures of the persons shall be filed with the  
25 State Comptroller as his or her authority for drawing warrants  
26 upon the voucher.



1           "(i) Except as otherwise provided in this article,  
2 no member of the Board of Control and no employee of the board  
3 shall have any direct interest in the gains or profits of any  
4 investment made by the board nor as such receive any pay or  
5 emolument for his or her services. No member or employee of  
6 the Board of Control shall, directly or indirectly, for  
7 himself or herself or as an agent in any manner use the same,  
8 except to make the current and necessary payments authorized  
9 by the board, nor shall any member or employee of the Board of  
10 Control become an endorser or surety or in any manner an  
11 obligor for moneys loaned to or borrowed from the board."

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