

1 HB510
2 162921-6
3 By Representative Poole (N & P)
4 RFD: Tuscaloosa County Legislation
5 First Read: 21-APR-15

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ENROLLED, An Act,

Relating to the City of Tuscaloosa in Tuscaloosa County; to amend Act 99-568 of the 1999 Regular Session (Acts 1999, p. 1220), as amended, providing for a retirement system for police officers and firefighters; to amend Section 4.01 relating to age and years of service at which plan members acquire a nonforfeitable right to receive a monthly pension benefit, by adding subsection (g); Section 6.03 relating to Member Contributions; Section 6.05 relating to City Contributions (non picked-up); and Section 7.14 relating to the Deferred Retirement Option Plan (DROP); to provide for certain benefits for persons becoming members of the plan after the effective date of this amendatory act; to provide an increase in the percentage of contributions; and to increase the DROP period to five years.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 4.01 of Act 99-568 of the 1999 Regular Session (Acts 1999, p. 1220) is amended to read as follows:

"4.01 Retirement.

"~~A~~ Subject to subsection (g), a member who terminates his or her employment as a police officer or firefighter after he or she has (i) completed 20 years of service (25 years of service or attained age 60 with 20 years

1 of service prior to the effective date) or (ii) attained age
2 65, shall have a nonforfeitable right to receive a monthly
3 benefit. His or her monthly benefit shall be equal to the
4 greater of (a) and (b), subject to the minimum benefit
5 provisions of (c) and (d), the special transition rule of (e),
6 and the optional form of payment provision of (f), as follows:

7 "(a) Four and four-tenths percent (4.4%) of the
8 amount of his or her "pension base" multiplied by service,
9 adjusted by the following for members who retire on or after
10 the effective date:

11 "(I) Reduced by six percent (6%) for every year of
12 service (and proportionately for any fraction of a year,
13 thereof) less than 25, except no reduction shall apply for any
14 member whose membership began before the effective date of
15 this act provided that he or she retires after attaining age
16 60, and

17 "(II) Increased by six percent (6%) for every year
18 of service (and proportionately for any fraction of a year,
19 thereof) greater than 25, up to a maximum of 5 years.

20 "(b) One and one-half percent (1.5%) of his or her
21 final average salary multiplied by his or her service, if
22 payable no earlier than age 65. If the benefit commences prior
23 to age 65, such benefit shall be the equivalent actuarial
24 value of the benefit payable at age 65. The member shall have
25 the right to make an election under 5.03 of the single life

1 annuity form provided for in 5.02(b) to commence no later than
2 his or her attainment of age 65. This provision shall not be
3 subject to 4.05.

4 "(c) Subject to the requirements for benefit
5 eligibility under 4.01, any persons under the coverage of the
6 pension plan who have contributed to the fund for at least 15
7 years shall receive a monthly benefit of at least eight
8 hundred forty-eight dollars and twenty-eight cents (\$848.28).

9 "(d) Any individuals who are receiving benefits
10 created by Act 187, S. 339, 1951 Regular Session (Acts 1951,
11 p. 438), as amended, shall receive a benefit of at least three
12 hundred dollars (\$300).

13 "(e) Notwithstanding the above provisions of 4.01,
14 if a member retires before having completed 5 years of service
15 following the effective date of this act, such member shall be
16 given the opportunity to elect for his or her benefit to be
17 determined between Options I and II as follows:

18 "(I) The benefit otherwise determined under the
19 provisions of 4.01 except that the service used in the
20 calculation of adjustments in 4.01(a)(I) and 4.01(a)(II)
21 ("adjusted service") shall reflect the member's actual service
22 limited to 30 years, decreased by the excess (including
23 fractions thereof) of 5 years over the service that the member
24 completed following the effective date of this act. Provided,
25 however, that (i) if the member completed at least 25 years of

1 service, the adjusted service would not be less than 25 years;
2 and (ii) if the member's adjusted service is less than 20
3 years, the member would not be eligible to receive a benefit
4 based on 4.01(a) under this option.

5 "(II) The benefit otherwise determined under the
6 provisions of 4.01, except that no benefit shall be paid from
7 the plan until the sum of foregone benefits would equal the
8 amount of 4% of the member's pension base multiplied by the
9 excess, if any, (including fractions thereof) of (i) the
10 service over 25 years or under 25 years as applicable, up to a
11 limit of 5 years, completed by the member at retirement; over
12 (ii) the service that the member completed following the
13 effective date of this act.

14 "(f) The benefit otherwise provided in 4.01 shall be
15 subject to the member's election of an optional form of
16 payment under 5.02.

17 "The term "pension base" means the member's average
18 monthly salary for the 12-month period immediately preceding
19 retirement, unless he or she has been demoted in the five
20 years immediately preceding his or her retirement, in which
21 case his or her "pension base" shall be the average monthly
22 salary for the 60-month period immediately preceding
23 retirement, if greater.

1 "The term "final average salary" as used in 4.01(b)
 2 above means the member's average monthly salary for the
 3 36-month period immediately preceding retirement.

4 "(g) Notwithstanding the foregoing, and subject to
 5 the requirements for benefit eligibility under 4.01, any
 6 firefighter or police officer hired after the effective date
 7 of the act adding this subsection who becomes a member of the
 8 plan after that effective date shall be entitled to begin
 9 drawing monthly pension benefits only upon attaining age 52 or
 10 if determined by the Board to be eligible for disability
 11 benefits under 4.02 of the act."

12 Section 2. Section 6.03 of Act 99-568 of the 1999
 13 Regular Session (Acts 1999, p. 1220), as amended by Act
 14 2001-900 and Act 2012-450, respectively, is amended to read as
 15 follows:

16 "6.03 Member Contributions.

17 "(a) Prior to the effective date of Act 99-568, from
 18 the salary of each firefighter and police officer there shall
 19 be deducted and paid into the fund an amount equal to seven
 20 percent (7%) of the amount of such salary.

21 "(b) Beginning with the effective date of ~~the last~~
 22 ~~act amending this subsection~~ this amendatory act, or as soon
 23 thereafter as practical, from the salary of each firefighter
 24 and police officer the city shall agree to assume and pay
 25 "picked up" member contributions to the fund in lieu of direct

1 contributions by the member in an amount equal to ~~eleven and~~
2 ~~twenty-five hundredths percent (11.25%)~~ eleven and fifty
3 hundredths percent (11.50%) of the amount of such salary
4 (excluding bonuses and other extra pay and benefits) with such
5 contributions being paid into the fund on behalf of the
6 member.

7 "Member contributions picked up by the city shall be
8 payable from the same source of funds used to pay compensation
9 to a member. A deduction shall be made from a member's salary
10 equal to the amount of contributions picked up by the city.
11 This deduction shall not reduce the member's salary, pension
12 base, or final average salary. No member shall have the option
13 of choosing to receive the contributed amounts directly
14 instead of having them paid by the city directly to the fund.
15 All such contributions by the city shall be deemed and
16 considered as part of the member's accumulated contributions
17 and subject to all provisions of this plan pertaining to
18 accumulated contributions of members, but treated as city
19 contributions in determining tax treatment under the Code. The
20 intent of this language is to comply with Section 414(h)(2) of
21 the Internal Revenue Code of 1986, as amended.

22 "(c) Notwithstanding the provisions of 6.03(a) and
23 6.03(b), whenever a member of the fire or police department of
24 the city is ineligible for membership in the fund by reason of
25 the provisions of this act, neither such ineligible member nor

1 his or her salary nor other compensation shall be subject to
 2 any assessment for the benefit of this fund."

3 Section 3. Section 6.05 of Act 99-568 of the 1999
 4 Regular Session (Acts 1999, p. 1220), as last amended by Act
 5 2012-450, is amended to read as follows:

6 "6.05 City Contributions (non picked-up).

7 "The governing body of the city shall cause to be
 8 paid into the fund out of the treasury of the city an amount
 9 equal to ~~thirteen and twenty-five hundredths percent (13.25%)~~
 10 thirteen and fifty hundredths percent (13.50%) of the salary
 11 (excluding bonuses) of each member of the fire and police
 12 department who is eligible for membership in this fund, such
 13 payment to be made to the fund as and when such salary becomes
 14 payable, and deduction therefrom is made as provided in this
 15 section."

16 Section 4. Section 7.14 of Act 99-568 of the 1999
 17 Regular Session (Acts 1999, p. 1220), as amended by Act
 18 2001-900 and Act 2012-450, respectively, is amended to read as
 19 follows:

20 "7.14 Deferred Retirement Option Plan ("DROP").

21 "(a) A member shall become eligible for the "DROP"
 22 upon completing 25 years of service. A member eligible for the
 23 DROP can prospectively elect a "DROP period" of ~~1 year, 2~~
 24 ~~years, or 3~~ not more than five years in accordance with the
 25 rules established by the board under 7.05. The member must

1 also make any election of options under 5.03 at the same time
2 as electing the DROP. A member electing the DROP cannot elect
3 the "Back DROP" under 7.15. Any death benefit payable under
4 the plan other than the distribution of the "DROP account"
5 shall be determined as if the member had retired on the date
6 that the DROP was elected. Any active member who is
7 participating in the DROP on the effective date of the act
8 adding this language may choose to increase his or her DROP
9 period to not more than five years from his or her original
10 effective DROP date.

11 "(b) Any member electing the DROP shall have his or
12 her retirement benefit determined under the provisions of 4.01
13 and 4.05 in effect as of the date of such election as if the
14 member had retired on such date, except that the adjustment
15 made under 4.01(a)(II) and the corresponding adjustment under
16 4.05 shall not apply. Subsequent to the member's actual
17 retirement, his or her benefit shall be treated in the same
18 manner as the benefit for a retired member. All member
19 contributions under 6.03 and city contributions under 6.05
20 shall continue during the DROP period.

21 "(c) Any member who elects the DROP shall have the
22 lesser of (i) his or her benefit as determined under 7.14(b),
23 and (ii) the amount in effect under 4.05 at his or her
24 retirement without the adjustment of 4.01(a)(II), but subject
25 to an optional form of payment elected under 5.02, deposited

1 monthly into a "DROP account" (instead of paid directly) in
2 the member's name under the plan's fund during the DROP
3 period. The DROP account shall be credited with interest at an
4 annual percentage rate (APR) equal to one-third of the
5 actuarial return of investment in effect during each plan year
6 as provided by the actuarial study, not to exceed four
7 percent, compounded on a monthly basis.

8 "(d) Any member who elects the DROP and retires no
9 later than the end of the DROP period chosen under 7.14(a)
10 shall elect a distribution form of his or her DROP account
11 payable at retirement from the following options:

12 "(I) Lump sum distribution of the balance of his or
13 her DROP account at retirement.

14 "(II) Distribution of the balance of his or her DROP
15 account at retirement payable monthly over a period of 3
16 years, 5 years, or 10 years as selected by the member. The
17 residual balance of his or her DROP account will continue to
18 be credited with interest under the method prescribed in
19 7.14(c) during the period of distribution.

20 "(e) Any member who elects the DROP and does not
21 retire from active service by the end of the DROP period
22 chosen under 7.14(a) shall (i) forfeit the balance of his or
23 her DROP account at the end of the DROP period and not have
24 any additional benefits deposited into the DROP account, and
25 (ii) have his or her benefit determined at actual retirement

1 without regard to service or salary earned during the DROP
2 period.

3 "(f) If a member who elects the DROP dies during the
4 DROP period chosen under 7.14(a), the member's beneficiary
5 shall receive the balance of the member's DROP account subject
6 to a distribution election made by the beneficiary under
7 7.14(d).

8 "(g) If a member who elects the DROP dies during the
9 DROP period of distribution under 7.14(d), any undistributed
10 balance of his or her DROP account shall be paid to the
11 member's beneficiary in accordance with the member's election
12 under 7.14(d).

13 "(h) Any DROP election made by a member under
14 7.14(a) will be irrevocable unless the member subsequently
15 becomes permanently disabled under 4.02(c). In such case, the
16 member would be given a one-time election between (i) the
17 disability benefit provided under 4.02 as if the DROP election
18 had never been made, and (ii) the benefit provided under the
19 DROP.

20 "(i) Notwithstanding the provisions of this section,
21 any firefighter or police officer hired after the effective
22 date of the act adding this subsection who becomes a member of
23 the plan after that effective date shall be eligible to draw
24 his or her monthly pension benefit and any distribution from

1 his or her DROP account only subject to the age restriction in
2 subsection (g) of Section 4.01."

3 Section 5. Severability. The provisions of this act
4 are severable. If any part of this act is declared invalid or
5 unconstitutional, that declaration shall not affect the part
6 which remains.

7 Section 6. This act shall become effective on the
8 first day of the third month following its passage and
9 approval by the Governor, or its otherwise becoming law.

