

1 HB278  
2 148515-1  
3 By Representatives Ford, Bracy, Robinson (J), Black, Burdine,  
4 Jackson, Buskey, Warren, Howard, Boyd, Grimsley, Bandy,  
5 Melton, Colston, Knight, McClammy, Morrow, Beech, Hall,  
6 Coleman-Evans, McAdory, Scott, Robinson (O) and Rogers  
7 RFD: Ways and Means Education  
8 First Read: 14-FEB-13

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8 SYNOPSIS: Currently, members of the Teachers'  
9 Retirement System and the Employees' Retirement  
10 System may not be new participants in the DROP  
11 Program after April 1, 2011, which also imposes  
12 limits on interest that could be paid on DROP  
13 accounts.

14 This bill would reestablish DROP and would  
15 remove limits on interest that could be paid on  
16 DROP accounts.

17  
18 A BILL  
19 TO BE ENTITLED  
20 AN ACT

21  
22 To amend Sections 16-25-150 and 36-27-170, Code of  
23 Alabama 1975, relating to the Deferred Retirement Option Plan,  
24 to allow new participation in the plan and remove limits on  
25 interests paid on the accounts.

26 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

1           Section 1. Sections 16-25-150 and 36-27-170, Code of  
2 Alabama 1975, are amended to read as follows:

3           "§16-25-150.

4           "(a) As governed by this subsection, there exists as  
5 a part of this retirement system an optional account known as  
6 the Deferred Retirement Option Plan, which may be cited as  
7 "DROP." The purpose of DROP is to allow, contractually, in  
8 lieu of immediate withdrawal from service and receipt of a  
9 retirement allowance, continued employment for a specific  
10 period of time, coupled with the deferral of receipt of a  
11 retirement allowance until the end of the period of  
12 participation, at which time the member shall withdraw from  
13 service.

14           "(b) Participation in DROP is an option available to  
15 any member of this retirement system who meets all of the  
16 following requirements:

17           "(1) Has at least 25 years of creditable service  
18 exclusive of sick leave.

19           "(2) Is at least 55 years of age.

20           "(3) Is eligible for service retirement.

21           "(4) Has an annual salary of ninety-nine thousand  
22 dollars (\$99,000) or less.

23           "(c) An election to participate in DROP may be made  
24 in one year increments not to exceed five years, nor to be  
25 less than three years. A member may participate in DROP only  
26 one time. Any voluntary termination within the first three  
27 years in DROP will result in a forfeiture of the portion of

1 his or her DROP account that constitutes the retirement  
2 allowance. However, member contributions will not be  
3 forfeited, nor will any interest attributable to the  
4 retirement allowance. There will be no penalty forfeiture if  
5 the participation period is interrupted due to an involuntary  
6 dismissal, disability, involuntary transfer of his or her  
7 spouse, or death of the participant. After five years, the  
8 employee shall withdraw from active service upon completion of  
9 DROP. The employee shall not participate in full or part-time  
10 employment with the local school system upon completion of  
11 DROP.

12 "(d) A member who chooses to participate in DROP may  
13 elect an option allowance set out for members of the Teachers'  
14 Retirement System in subsection (h) of Section 16-25-14 at the  
15 beginning of the participation period. Otherwise, he or she  
16 shall receive the maximum benefit. Such election shall be  
17 irrevocable once the participation period begins except as  
18 otherwise provided in this chapter.

19 "(e) For purposes of DROP, sick leave may not be  
20 converted for purposes of establishing retirement eligibility,  
21 nor used in the calculation of the original retirement  
22 allowance except as provided in Section 16-25-151.

23 "(f) The election to participate in DROP shall be  
24 made in accordance with procedures set forth in a uniform and  
25 nondiscriminatory election and application form adopted by the  
26 Board of Control. The election to participate in DROP may be  
27 made at any time on or after the date the member becomes

1 eligible to participate as set out in subsection (b). Such  
2 application must be made at least 30 days, but not more than  
3 90 days, before the effective date of participation in DROP,  
4 and shall be made no later than March 24, 2011. A member must  
5 be eligible to participate, as provided above at the time the  
6 application is made.

7 "(g) Upon the effective date of the commencement in  
8 DROP, the member's service shall remain as it existed on that  
9 date for the duration of DROP. Once a member enters DROP,  
10 service credit purchases are prohibited. Both the employer and  
11 employee member contribution shall continue to be made. The  
12 monthly retirement allowance that would have been payable, had  
13 the person elected to withdraw from service and receive a  
14 retirement allowance, shall be paid into a DROP account that  
15 reflects the credits attributed to the person in DROP.  
16 However, the monies shall remain a part of the regular  
17 retirement fund until disbursed to the participating member in  
18 accordance with this section. Any monies paid into this  
19 account are subject to the exemptions set out in Section  
20 16-25-23.

21 "(h) ~~(i)~~ The DROP account shall earn interest at the  
22 same rate that interest is posted to active member accounts as  
23 defined in subdivision (15) of Section 16-25-1. A person who  
24 participates in this plan shall not be eligible to receive a  
25 retiree cost-of-living increase while participating in DROP,  
26 and shall not be eligible for a retiree cost-of-living  
27 increase until participation in the plan ceases and he or she

1 withdraws from service and has been receiving a retirement  
2 allowance for at least one full year.

3 ~~"(2) Notwithstanding any other provision of this~~  
4 ~~chapter, for any member who has fulfilled his or her~~  
5 ~~obligation under DROP and does not withdraw from service and~~  
6 ~~any member who begins participation in DROP on or before April~~  
7 ~~1, 2011, and fulfills his or her obligation under DROP and~~  
8 ~~does not withdraw from service, the amount of interest payable~~  
9 ~~on benefit deposits after March 24, 2011, shall be the lesser~~  
10 ~~of (1) the investment performance of the immediately preceding~~  
11 ~~fiscal year but no less than \$0, or (2) as provided in~~  
12 ~~subdivision (1) of subsection (d) of Section 16-25-151.~~

13 "(i) DROP shall not be subject to any fees, charges,  
14 or other similar expenses of any kind for any purpose.

15 "(j) Participation in DROP shall not affect the  
16 rights of any education employee including, but not limited  
17 to, the Fair Dismissal Act, Section 36-26-100 et seq., the  
18 tenure law, Section 16-24-1, et seq., or any other fringe  
19 benefit.

20 "(k) Participation in DROP shall not affect the  
21 accrual of annual and sick leave by the participant.

22 "(l) Participants in DROP may receive salary  
23 cost-of-living adjustments and salary increases.

24 "§36-27-170.

25 "(a) As governed by this subsection, there exists as  
26 a part of this retirement system, an optional account known as  
27 the Deferred Retirement Option Plan, which may be cited as

1 "DROP." The purpose of DROP is to allow, contractually, in  
2 lieu of immediate withdrawal from service and receipt of a  
3 retirement allowance, continued employment for a specific  
4 period of time, coupled with the deferral of receipt of a  
5 retirement allowance until the end of such period of  
6 participation, at which time the member shall withdraw from  
7 service.

8 "(b) Participation in DROP is an option available to  
9 any member of this retirement system who meets all of the  
10 following:

11 "(1) Has at least 25 years of creditable service  
12 exclusive of sick leave.

13 "(2) Is at least 55 years of age, or in the case of  
14 a state police member, is at least 52 years of age.

15 "(3) Is eligible for service retirement.

16 "(4) Has an annual salary of ninety-nine thousand  
17 dollars (\$99,000) or less.

18 "(c) An election to participate in DROP may be made  
19 in one year increments not to exceed five years, nor to be  
20 less than three years. A member may participate in DROP only  
21 one time. Any voluntary termination within the first three  
22 years in DROP will result in a forfeiture of a portion of his  
23 or her DROP account that constitutes the retirement allowance.  
24 However, member contributions will not be forfeited nor will  
25 any interest attributable to the retirement allowance. There  
26 will be no forfeiture if the participation period is  
27 interrupted due to an involuntary dismissal, disability,

1 involuntary transfer of his or her spouse, or death of the  
2 participant. After five years, the employee shall withdraw  
3 from active service upon completion of DROP. The employee  
4 shall not participate in full or part-time employment with the  
5 state upon completion of DROP.

6 "(d) A member who chooses to participate in DROP may  
7 elect an option allowance set out for members of the  
8 Employees' Retirement System in subsection (d) of Section  
9 36-27-16 at the beginning of the participation period.  
10 Otherwise, he or she shall receive the maximum benefit. Such  
11 election shall be irrevocable once the participation period  
12 begins except as otherwise provided in this chapter.

13 "(e) For purposes of DROP, sick leave may not be  
14 converted for purposes of establishing retirement eligibility,  
15 nor used in the calculation of the original retirement  
16 allowance except as provided in Section 36-27-171. A person  
17 electing to enter the DROP program is not eligible for a  
18 lump-sum payment for any annual or sick leave until withdrawal  
19 from service.

20 "(f) The election to participate in DROP shall be  
21 made in accordance with procedures set forth in a uniform and  
22 nondiscriminatory election and application form adopted by the  
23 Board of Control. The election to participate in DROP may be  
24 made at any time on or after the date the member becomes  
25 eligible to participate as set out in subsection (b). Such  
26 application must be made at least 30 days, but not more than  
27 90 days, before the effective date of participation in DROP,



1 and shall be made no later than March 24, 2011. A member must  
2 be eligible to participate, as provided above, at the time the  
3 application is made.

4 "(g) Upon the effective date of the commencement in  
5 DROP, the member's service shall remain as it existed on that  
6 date for the duration of DROP. Once a member enters DROP,  
7 service credit purchases are prohibited. Both the employer and  
8 employee member contribution shall continue to be made. The  
9 monthly retirement allowance that would have been payable, had  
10 the person elected to withdraw from service and receive a  
11 retirement allowance, shall be paid into a DROP account that  
12 reflects the credits attributed to the person in DROP.  
13 However, the monies shall remain a part of the regular  
14 retirement fund until disbursed to the participating member in  
15 accordance with this section. Any monies paid into this  
16 account are subject to the exemptions set out in Section  
17 36-27-28.

18 "(h) ~~(i)~~ The DROP account shall earn interest at the  
19 same rate that interest is posted to active member accounts as  
20 defined in subdivision (12) of Section 36-27-1. A person who  
21 participates in this plan shall not be eligible to receive a  
22 retiree cost-of-living increase while participating in DROP,  
23 and shall not be eligible for a retiree cost-of-living  
24 increase until participation in the plan ceases and he or she  
25 withdraws from service and has been receiving a retirement  
26 allowance for at least one full year.

1           ~~"(2) Notwithstanding any other provision of this~~  
2 ~~chapter, for any member who has fulfilled his or her~~  
3 ~~obligation under DROP and does not withdraw from service and~~  
4 ~~any member who begins participation in DROP on or before April~~  
5 ~~1, 2011, and fulfills his or her obligation under DROP and~~  
6 ~~does not withdraw from service, the amount of interest payable~~  
7 ~~on benefit deposits after March 24, 2011, shall be the lesser~~  
8 ~~of (1) the investment performance of the immediately preceding~~  
9 ~~fiscal year but no less than \$0, or (2) as provided in~~  
10 ~~subdivision (1) of subsection (d) of Section 36-27-171.~~

11           "(i) DROP shall not be subject to any fees, charges,  
12 or other similar expenses of any kind for any purpose.

13           "(j) Participation in DROP shall not affect the  
14 rights of any state employee under the state personnel system,  
15 including, but not limited to, his or her rights to longevity  
16 pay.

17           "(k) Participation in DROP shall not affect the  
18 accrual of annual and sick leave by the participant.

19           "(l) Participants in DROP may receive salary  
20 cost-of-living adjustments and salary increases."

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