

1 HB93
2 208363-2
3 By Representatives Baker, Collins, Moore (P), Robertson,
4 Estes, Meadows, Stringer, Brown (C), Marques and Wheeler
5 RFD: Ways and Means Education
6 First Read: 02-FEB-21
7 PFD: 12/17/2020

ENGROSSED

A BILL

TO BE ENTITLED

AN ACT

To amend Sections 16-25-11.1, 16-25-14, as amended by Acts 2019-221 and 2019-316 of the 2019 Regular Session, and 16-25-21, Code of Alabama 1975, relating to retirement benefits for employees who are members of the Teachers' Retirement System, to modify the retirement benefits for Tier II plan members of the Teachers' Retirement System by providing 30-year service retirement and allowing the conversion of sick leave into creditable service and increasing the member contribution rate.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Sections 16-25-11.1, 16-25-14, as amended by Acts 2019-221 and 2019-316 of the 2019 Regular Session, and 16-25-21, Code of Alabama 1975, are amended to read as follows:

"§16-25-11.1.

"~~(a)~~ Teachers, as defined in subdivision (3) of Section 16-25-1 or subsection (d) of Section 16-25-5, as amended may use their accrued sick leave, up to a maximum number of accrued sick leave days allowed by law, to be included as membership service in determining the total years

1 of creditable service in the Teachers' Retirement System of
2 Alabama; provided, any teacher not authorized by law to
3 receive sick leave may use any accrued sick leave provided by
4 his or her employer, provided, that employer is lawfully
5 empowered to grant such leave, which cannot be without pay;
6 and provided further that the amount of such accrued leave
7 shall not exceed the maximum number of accrued sick leave days
8 allowed by law for a classroom teacher employed by a city or
9 county board of education. Unused sick leave may be converted
10 to membership service only for the purpose of applying for
11 service retirement. The conversion shall not apply to
12 eligibility for deferred retirement; provided that a person
13 eligible for service retirement, if also eligible for
14 disability retirement, may elect disability retirement and
15 also receive credit for accumulated sick leave pursuant to
16 this section. This section shall not be applicable to any
17 person who is eligible to receive partial payment for accrued
18 sick leave pursuant to Section 36-26-36.

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

22 "§16-25-14.

23 "(a) (1) Any Tier I plan member who withdraws from
24 service upon or after attainment of age 60 and any Tier II
25 plan member who withdraws from service upon or after
26 attainment of age 62, or in the case of a Tier II plan member
27 who is a correctional officer, firefighter, or law enforcement

1 officer as defined in Section 36-27-59, who withdraws from
2 service upon or after attainment of age 56 with at least ~~ten~~
3 10 years of creditable service as a correctional officer,
4 firefighter, or law enforcement officer may retire upon
5 written application to the Board of Control setting forth at
6 what time, not less than 30 days nor more than 90 days
7 subsequent to the execution and filing thereof, he or she
8 desires to be retired; provided, that any such member who
9 became a member on or after October 1, 1963, shall have
10 completed 10 or more years of creditable service.

11 "(2) Any Tier I plan member who has attained age 60
12 and any Tier II plan member who has attained age 62, or in the
13 case of a Tier II plan member who is a correctional officer,
14 firefighter, or law enforcement officer as defined in Section
15 36-27-59, who has attained age 56 with at least ~~ten~~ 10 years
16 of creditable service as a correctional officer, firefighter,
17 or law enforcement officer and has previously withdrawn from
18 service may retire upon written application to the Board of
19 Control setting forth at what time, not less than 30 days nor
20 more than 90 days subsequent to the execution and filing
21 thereof, he or she desires to be retired; provided, that the
22 member shall have completed at the time for his or her
23 withdrawal from service the requirements established by the
24 Board of Control for eligibility for deferred benefits
25 pursuant to Section 16-25-3.

26 "(3) Any person who is presently covered or is
27 eligible to be covered under the Employees' Retirement System

1 of Alabama or the Teachers' Retirement System of Alabama and
2 who, prior to such coverage or eligibility for coverage,
3 served as head of any Alabama county's public library service
4 department shall have credited to him or her one year of
5 creditable service for each year served as such head, not to
6 exceed 12 years; provided, that such person shall pay into the
7 retirement system the employee's part of the cost or
8 contribution based on the salary paid to such person during
9 the time of his or her service in the above capacity, with
10 such cost or contribution to be calculated at the percent or
11 rate in effect on October 1, 1973.

12 "(4) Any Tier I plan member of the Teachers'
13 Retirement System of Alabama, who withdraws from service after
14 the completion of at least 25 years of creditable service, or
15 any Tier II plan member, who withdraws from service after the
16 completion of at least 30 years of creditable service, may
17 retire upon written application to the Board of Control of the
18 Teachers' Retirement System setting forth at what time, not
19 less than 30 days nor more than 90 days subsequent to the
20 execution and filing thereof, he or she desires to be retired;
21 provided, that any such member who became a Tier I or Tier II
22 plan member on or after October 1, 1963, shall have completed
23 10 or more years of creditable service.

24 "(b) Upon retirement from service, a Tier I plan
25 member shall receive a service retirement allowance which
26 shall consist of:

1 "(1) An annuity which shall be the actuarial
2 equivalent of his or her accumulated contributions at the time
3 of his or her retirement;

4 "(2) A pension which shall be equal to the annuity
5 allowable at the age of retirement, but not to exceed an
6 annuity allowable at age 65 computed on the basis of
7 contributions made prior to the attainment of age 65; and

8 "(3) If he or she has a prior service certificate in
9 full force and effect, an additional pension which shall be
10 equal to the annuity which would have been provided at age of
11 retirement, but not to exceed an annuity allowable at age 65
12 by twice the contributions which he or she would have made
13 during the period of prior service with which he or she is
14 credited had the system been in operation and had he or she
15 contributed thereunder. In lieu of a determination of the
16 actual compensation of the members that was received during
17 such prior service, the Board of Control may use for the
18 purposes of this chapter the compensation rates which, if they
19 had progressed with the rates of salary increase shown in the
20 tables as prescribed in subsection (o) of Section 16-25-19,
21 would have resulted in the same average salary of the member
22 for the five years immediately preceding the date of
23 establishment as the records show the member actually
24 received.

25 "(c) The annual service retirement pension payable
26 to a Tier I plan member retiring on or after October 1, 1975,
27 shall not be less than an amount which when added to his or

her annuity is equal to the greater of the following two amounts:

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

"(2) If he or she became a member before October 1, 1971, \$72 seventy-two dollars (\$72) multiplied by the number of years of his or her creditable service not in excess of 25 years.

"Notwithstanding, a member who retired prior to October 1, 1971, under service retirement shall receive \$120 one hundred twenty dollars (\$120) multiplied by the number of years of his or her creditable service not in excess of 25 years.

"(d) Upon retirement from service, a Tier II plan member shall receive a service retirement allowance which shall consist of an annuity which shall be the actuarial equivalent of the member's accumulated contributions at the time of retirement and a pension which, when added to the member's annuity, shall be equal to one and sixty-five hundredths percent (1.65%) of the member's average final compensation multiplied by the number of years of creditable service. Notwithstanding the foregoing, the service retirement allowance shall not exceed eighty percent (80%) of the member's average final compensation.

"(e) Upon the application of a Tier I plan member in service or of his or her employer, any member who has had 10

1 or more years of creditable service may be retired by the
2 Board of Control on a disability retirement allowance not less
3 than 30 nor more than 90 days next following the date of
4 filing such an application; provided, that the medical board,
5 after a medical examination of such member, shall certify that
6 such member is mentally or physically incapacitated for
7 further performance of duty, that such incapacity is likely to
8 be permanent, and that such member should be retired. Upon the
9 application of a Tier II plan member in service or of his or
10 her employer, any member who has had 10 or more years of
11 creditable service may be retired by the Board of Control on a
12 disability retirement allowance not less than 30 nor more than
13 90 days next following the date of filing such an application;
14 provided, that the medical board, after a medical examination
15 of such member, shall certify that the member is totally and
16 permanently mentally or physically incapacitated from regular
17 and substantial gainful employment, and that such member
18 should be retired.

19 "(f) Upon retirement for disability, a Tier I plan
20 member shall receive a service retirement allowance if he or
21 she has attained age 60 or if any law or part of any law
22 pertaining to retirement under the Teachers' Retirement System
23 of Alabama provides for service retirement after the
24 completion of 25 years of creditable service and the member
25 has completed 25 years of creditable service; otherwise, he or
26 she shall receive a disability retirement allowance which
27 shall consist of:

1 "(1) An annuity which shall be the actuarial
2 equivalent of his or her accumulated contributions at the time
3 of retirement; and

4 "(2) A pension which shall be equal to the pension
5 that would have been payable under subdivisions (2) and (3) of
6 subsection (b) of this section upon service retirement at age
7 60 had the member continued in service to that age without
8 change in compensation.

9 "The annual disability retirement pension shall not
10 be less than an amount which when added to his or her annuity
11 is equal to the greater of the following amounts:

12 "a. Two and one-eightieth percent of the member's
13 average final compensation multiplied by the number of years
14 of creditable service.

15 "b. If he or she became a member before October 1,
16 1971, ~~\$54 fifty-four dollars (\$54)~~ multiplied by the number of
17 years of his or her creditable service not in excess of 25
18 years.

19 "Notwithstanding, a member who retired prior to
20 October 1, 1971, for disability shall receive ~~\$90 ninety~~
21 dollars (\$90) multiplied by the number of years of his or her
22 creditable service not in excess of 25 years.

23 "(g) Upon retirement for disability, a Tier II plan
24 member shall receive a service retirement allowance if the
25 member has attained age 62, or in the case of a Tier II plan
26 member who is a correctional officer, firefighter, or law
27 enforcement officer as defined in Section 36-27-59, if the

1 member has attained age 56 with at least ~~ten~~ 10 years of
2 creditable service as a correctional officer, firefighter, or
3 law enforcement officer, or if the member has completed 30
4 years of creditable service, otherwise, the member shall
5 receive a disability retirement allowance which shall be equal
6 to one and sixty-five hundredths percent (1.65%) of the
7 member's average final compensation multiplied by the number
8 of years of creditable service.

9 "(h) (1) Once each year during the first five years
10 following the retirement of a member on a disability
11 retirement allowance and once in every three-year period
12 thereafter, the Board of Control may and upon his or her
13 application shall require any disability beneficiary who has
14 not yet attained age 60 for a Tier I plan member or age 62 for
15 a Tier II plan member to undergo a medical examination, such
16 examination to be made at the place of residence of such
17 beneficiary or other place mutually agreed upon by a physician
18 of or designated by the medical board. Should any disability
19 beneficiary who has not yet attained age 60 for a Tier I plan
20 member or age 62 for a Tier II plan member refuse to submit to
21 such medical examination, his or her pension may be
22 discontinued until his or her withdrawal of such refusal, and
23 should his refusal continue for one year, all his or her
24 rights in and to his or her pension may be revoked by the
25 Board of Control; provided, that these requirements relative
26 to the medical examination shall not apply in the case of a
27 Tier II plan member who is a correctional officer,

1 firefighter, or law enforcement officer as defined in Section
2 36-27-59 retired for disability and who has attained age 56
3 with at least ~~ten~~ 10 years of creditable service as a
4 correctional officer, firefighter, or law enforcement officer.

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

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

"(i) (1) Should a member cease to be a teacher, except by death or by retirement under the provisions of this chapter, the contributions standing to the credit of his or her individual account in the Annuity Savings Fund shall be paid to him or her upon demand, and in addition to such payment there shall be paid five-tenths of the interest accumulations standing to the credit of his or her individual account if he or she shall have not less than three but less than 16 years of membership service, six-tenths of such interest accumulations if he or she shall have not less than 16 but less than 21 years of membership service, seven-tenths of such interest accumulations if he or she shall have not less than 21 but less than 26 years of membership service, and eight-tenths of such interest accumulations if he or she shall have not less than 26 years of membership service.

"(2) In case of the death of a member eligible for service retirement pursuant to subsection (a) of this section, an allowance shall be paid to the surviving spouse, or to such other person who the member shall have designated, in an amount that would have been payable if the member had retired immediately prior to his or her death and had elected ~~Option 3~~ ~~2~~ Option 3, as set forth in subsection (j) of this section or, alternatively, if the surviving spouse or other designee desires, he or she may choose to receive, in lieu of the allowance provided under ~~Option 3-2~~ Option 3, the accumulated contributions of the member plus an amount equal to the accumulated contributions of the member not to exceed \$5,000

1 five thousand dollars (\$5,000) or the accumulated
2 contributions of the member plus the benefit provided by
3 Section 36-27B-3 if a benefit is payable under such section.

4 "(3) Upon the death of a member on account of whom
5 no survivor allowance is payable under subdivision (2) of this
6 subsection, the accumulated contributions of the member plus
7 an amount equal to the accumulated contributions not to exceed
8 \$5,000 five thousand dollars (\$5,000) or the accumulated
9 contributions of the member plus the benefit provided by
10 Section 36-27B-3 if a benefit is payable under such section
11 shall be paid to his or her estate or to such person as he
12 shall have nominated by written designation duly executed and
13 filed with the Board of Control.

14 "(j) With the provision the election of an option
15 shall be effective on the effective date of retirement, any
16 member may elect prior to retirement to receive, in lieu of
17 his or her retirement allowance payable throughout life, the
18 actuarial equivalent at that time of his or her retirement
19 allowance in a reduced retirement allowance payable throughout
20 life with the provision that:

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

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

6 "(3) OPTION 3. Upon his or her death, one half of
7 his or her reduced retirement allowance shall be continued
8 throughout the life of and paid to the person as he or she
9 shall nominate by written designation duly acknowledged and
10 filed with the Board of Control at the time of his or her
11 retirement; or

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

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

"(6) Where the person designated by the member under this subsection to receive a continued retirement allowance is a beneficiary of a special needs trust established under Title 42, United States Code, Section 1396p(d)(4)(A) or (C), as amended, the retirement allowance payable to the person may be paid by the retirement system to the special needs trust upon written direction to the retirement system by the member or, after the member is deceased, by the designated person or by his or her legal representative if the designated person is a minor or is incapacitated.

"(k) Should any beneficiary be restored to active service, his or her retirement allowance shall be suspended until he or she again withdraws from service and, he or she shall not again become a member, nor shall he or she make contributions; except, that should such beneficiary who has been restored to active service continue in service for a period of two or more years from the date of his or her reentry into active service, he or she may request the Board of Control to allow him or her to again become a member of the retirement system. The Board of Control may grant the request for restoration to membership; provided, that such beneficiary whose retirement allowance has been suspended shall repay to the system all ~~money~~ monies received by him or her as benefits during any period subsequent to the date of his or her reentry into active service; provided further, that he or she shall make a contribution equal to the amount he or she would have contributed had he or she been a member during the

1 period of his or her restoration to active service on a
2 suspended allowance basis, together with the interest which
3 would have been credited to the contributions on account of
4 such period of restoration up to the date such contribution is
5 made.

6 "(1) (1) All retirement allowance payments due on or
7 after October 1, 1975, to members who retired prior to October
8 1, 1975, shall be redetermined as if the provisions of
9 subsections (b) and (e) of this section which became effective
10 on the date were in effect at the time the member retired;
11 provided, that the annual retirement allowance of any member
12 who retired on or before January 1, 1956, shall be not less
13 than ~~\$132~~ one hundred thirty-two dollars (\$132) multiplied by
14 the number of years of his or her creditable service not in
15 excess of 30 years in the case of service retirement or ~~\$99~~
16 ninety-nine dollars (\$99) multiplied by the number of years
17 of creditable service not in excess of 30 years in the case of
18 disability retirements. Any increase provided in the
19 retirement allowance payment under this subsection for a
20 member who retired under the provisions of any optional
21 benefit elected pursuant to subsection (j) shall accrue only
22 to the retired member, and no person designated to receive any
23 payments after the death of a retired member under the
24 provisions of any such optional benefit shall receive any
25 increase in such payments under this subsection.

26 "(2) Any person who served at least 30 years as a
27 teacher in the public schools of Alabama and was never a

1 member of the system and who, prior to October 1, 1963, was in
2 receipt of a benefit for old age assistance pursuant to
3 subsections (1) and (2) of Section 1 of Act 116, approved
4 August 24, 1959, shall be entitled to receive an annual
5 retirement allowance of ~~\$3,960~~ three thousand nine hundred
6 sixty dollars (\$3,960) from the system, effective as of
7 October 1, 1973.

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

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

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

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

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

25 "§16-25-21.

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

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

9 "(1) The Annuity Savings Fund shall be a fund in
10 which shall be accumulated contributions from the compensation
11 of members to provide for their annuities. Contributions to
12 and payments from the Annuity Savings Fund shall be made as
13 follows:

14 "a. Each employer shall cause to be deducted from
15 the salary of each member on each and every payroll of such
16 employer for each and every payroll period five percent of his
17 or her earnable compensation. For all pay dates beginning on
18 or after October 1, 2011, each employer shall cause to be
19 deducted from the salary of each member on each and every
20 payroll of such employer for each and every payroll period
21 seven and one-quarter percent (7.25%) of his or her earnable
22 compensation. For all pay dates beginning on or after October
23 1, 2012, each employer shall cause to be deducted from the
24 salary of each Tier I plan member on each and every payroll of
25 such employer for each and every payroll period seven and
26 one-half percent (7.5%) of his or her earnable compensation.
27 For all pay dates beginning on or after January 1, 2013, each

1 employer shall cause to be deducted from the salary of each
2 Tier II plan member on each and every payroll period six
3 percent (6%) of his or her earnable compensation; except in
4 the case of a Tier II plan member who is a correctional
5 officer, firefighter, or law enforcement officer as defined in
6 Section 36-27-59, the rate of seven percent (7%) shall apply.

7 For all pay dates beginning on or after October 1, 2021, each
8 employer shall cause to be deducted from the salary of each
9 Tier II plan member on each and every payroll period six and
10 three-quarters percent (6.75%) of his or her earnable
11 compensation; except in the case of a Tier II plan member who
12 is a correctional officer, firefighter, or law enforcement
13 officer as defined in Section 36-27-59, the rate of seven and
14 three-quarters percent (7.75%) shall apply. In determining the
15 amount earnable by a member in a payroll period, the Board of
16 Control may consider the rate of annual compensation payable
17 to such member on the first day of the payroll period as
18 continuing throughout such payroll period, and it may omit
19 deductions from compensation for any period less than a full
20 payroll period if a teacher was not a member on the first day
21 of the payroll period, and to facilitate the making of
22 deductions it may modify the deduction required of any member
23 by such an amount as shall not exceed one tenth of one percent
24 of the annual compensation upon the basis of which such
25 deduction is to be made.

26 "b. The deductions provided for herein shall be made
27 notwithstanding that the minimum compensation provided for by

1 law for any member shall be reduced thereby. Every member
2 shall be deemed to consent and agree to the deduction made and
3 provided for herein and shall receipt for his or her full
4 salary or compensation, and payment of salary or compensation
5 less such deduction shall be a full and complete discharge and
6 acquittance of all claims and demands whatsoever for the
7 service rendered by such person during the period covered by
8 such payment, except as to the benefits provided under this
9 chapter. The employer shall certify to the Board of Control on
10 each and every payroll or in such other manner as the board
11 may prescribe the amount to be deducted; and each of the
12 amounts shall be deducted, and when deducted shall be paid
13 into the Annuity Savings Fund and shall be credited, together
14 with regular interest thereon, to the individual account of
15 the member from whose compensation the deduction was made.

16 "c. In addition to the contributions deducted from
17 compensation as hereinbefore provided, subject to the approval
18 of the Board of Control, any member may deposit in the Annuity
19 Savings Fund by a single payment or by an increased rate of
20 contribution an amount computed to be sufficient to purchase
21 an additional annuity which, together with his or her
22 prospective retirement allowance, will provide for him or her
23 a total retirement allowance not to exceed one half of his or
24 her average final compensation at age 60. Such additional
25 amounts so deposited shall become a part of his or her
26 accumulated contributions except in the case of retirement,
27 when they shall be treated as excess contributions returnable

1 to the member in cash or as an annuity of equivalent actuarial
2 value and shall not be considered in computing his or her
3 pension. The contributions and interest credits of a member
4 withdrawn by him or her, or paid to his or her estate or to
5 his or her designated beneficiary in event of his or her
6 death, shall be paid from the Annuity Savings Fund. Should a
7 member cease to be a member other than by retirement under the
8 provisions of this title, an amount equivalent to the
9 difference, if any, between his or her accumulated
10 contributions and the amount then paid shall be transferred to
11 the Expense Fund. Upon the retirement of a member or the death
12 of an eligible member where an allowance to the surviving
13 spouse is payable, his or her accumulated contributions shall
14 be transferred from the Annuity Savings Fund to the Pension
15 Accumulation Fund.

16 "d. Notwithstanding the preceding provisions, no
17 deductions shall be made from any member's salary on account
18 of which the employer's contribution is in default.

19 " (2) The Pension Accumulation Fund shall be the fund
20 in which shall be accumulated all reserves, other than amounts
21 held in the Annuity Savings Fund for the payment of all
22 pensions and other benefits. Contributions to and payments
23 from the Pension Accumulation Fund shall be made as follows:

24 "a. On account of each member there shall be paid
25 monthly by the employer an amount equal to a certain
26 percentage of the earnable compensation of each member to be
27 known as the "normal contribution" and an additional amount

1 equal to a percentage of his or her earnable compensation to
2 be known as the "accrued liability contribution," and these
3 two amounts shall be paid monthly into the Pension
4 Accumulation Fund. The Teachers' Retirement System shall
5 recommend to the Legislature on or before the first
6 legislative day of each regular session of the Legislature the
7 rate for the following fiscal year. The Legislature shall set
8 the rate in the annual appropriation bill.

9 "b. On the basis of regular interest and of such
10 mortality and other tables as shall be adopted by the Board of
11 Control, the actuary engaged by the board to make such
12 valuation required by this title shall, immediately after
13 making such valuation, determine the uniform and constant
14 percentage of the earnable compensation of the average new
15 entrant which, if contributed on the basis of his or her
16 compensation throughout his or her entire period of active
17 service, would be sufficient to provide for the payment of any
18 pension payable on his or her account. The rate per centum so
19 determined shall be known as the "normal contribution" rate.
20 The normal contribution rate shall be determined by the
21 actuary after each valuation.

22 "c.1. The accrued liability contribution rate shall
23 be computed by the actuary on the basis of each valuation as
24 the per centum rate of the total annual compensation of all
25 members which is sufficient to liquidate the unfunded accrued
26 liability over a period to be determined by the Board of

1 Control which shall be not less than 10 nor more than 30
2 years.

3 "2. The unfunded accrued liability shall be computed
4 by the actuary as the total liabilities of the system which
5 are not dischargeable by the assets of the Annuity Savings
6 Fund and the Pension Accumulation Fund and the present value
7 of the aforesaid normal contributions. For purposes of
8 computing the unfunded accrued liability the assets shall be
9 determined as follows:

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

14 "d. The total amount payable in each year to the
15 Pension Accumulation Fund shall be not less than the sum of
16 the per centum rates known as the normal contribution rate and
17 the accrued liability contribution rate of the total
18 compensation earnable by all members during the year.

19 "e. All interest and dividends earned on the funds
20 of the retirement system shall be credited to the Pension
21 Accumulation Fund. The amounts needed to allow regular
22 interest on the reserves in the Annuity Savings Fund shall be
23 transferred in accordance with the provisions of this chapter
24 from the Pension Accumulation Fund. The Board of Control, in
25 its discretion, may transfer to and from the Pension
26 Accumulation Fund the amount of any surplus or deficit which
27 may develop in the Annuity Savings Fund or the Expense Fund.

"f. Upon the death of a member on account of whom no survivor allowance is payable under subdivision (2) of subsection (i) of Section 16-25-14, the death benefit as provided in subdivision 2 of subsection (i) of such section equal to the accumulated contributions not to exceed ~~\$5,000~~ five thousand dollars (\$5,000) shall be payable from the Pension Accumulation Fund.

"(3) 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 herein. Any amounts credited to the accounts of members withdrawing before retirement and not returnable under the provisions of subsection (i) of Section 16-25-14 shall be credited to the Expense Fund. Any additional contributions required to meet the expenses of the retirement system shall be made as provided in paragraphs c., d., and e. of subdivision (4) of this section.

"(4)a. On or before October 1 of each year, each local board of education, the State Board of Education, the governing boards of the University of Alabama, Auburn University, and the University of Montevallo and the Executive Committee of the Alabama Education Association shall file with the Board of Control of the retirement system a certified statement containing the following information concerning the members of the retirement system employed by such boards for the scholastic year beginning on July first preceding the

1 date: Name, address, monthly salary, annual salary, and such
2 other information as the Board of Control may require. On or
3 before July 31 of each year, each local board of education;
4 the State Board of Education; the governing boards of the
5 University of Alabama, Auburn University, and the University
6 of Montevallo and the Executive Committee of the Alabama
7 Education Association shall file with the Board of Control of
8 the retirement system a certified statement containing the
9 following information concerning members of the retirement
10 system employed by such boards during the scholastic year
11 ending on June 30 preceding the date: Name, address, monthly
12 salary actually paid, total annual salary actually paid, and
13 such other information as the Board of Control may require.

14 "b. The collection of members' contributions shall
15 be as follows: Each local board of education, the State Board
16 of Education, the governing boards of the University of
17 Alabama, Auburn University, and the University of Montevallo
18 and the Executive Committee of the Alabama Education
19 Association shall cause to be deducted on each and every
20 payroll period subsequent to the date of the establishment of
21 the retirement system the contributions payable by each member
22 as provided in this chapter. Each employer shall transmit
23 monthly, or at such time as the Board of Control shall
24 designate, the total amount so deducted to the
25 Secretary-Treasurer of the Board of Control accompanied by an
26 itemized statement of the contributions of each individual
27 member of the retirement system. The Secretary-Treasurer of

1 the Board of Control after making a record of all such
2 receipts shall transmit the same to the State Treasurer to be
3 held for use according to the provisions of this chapter.

4 Notwithstanding anything in this section, the Board of Control
5 may modify the form of reports required of employers and may
6 modify the method of collecting the contributions of members
7 so that employers may retain the amounts so deducted and have
8 a corresponding amount deducted from funds otherwise payable
9 to them.

10 "c. The employer's contributions shall be made from
11 the same funds used to pay salaries based on the employer cost
12 rate determined under paragraph a. of subdivision (2).

13 "d. Where member contributions are made from
14 salaries paid from federal funds, the employer shall pay from
15 federal funds to the Teachers' Retirement System the amount
16 calculated as a percentage of the salaries of those teachers
17 to be contributed by the employer in accordance with
18 subdivisions (2) and (3) of this section. Such amounts shall
19 be paid at the same time as the member contributions are made
20 to the retirement system. The provisions of this paragraph
21 shall not apply to funds received under the provisions of the
22 Hatch Act of 1887, as amended in 1955, and the
23 McIntyre-Stennis Act (Cooperative Forestry Research Act of
24 1962) of the Congress of the United States, for the support of
25 agriculturally related research.

26 "e. Where member contributions are made from
27 salaries paid by the Alabama Education Association, the

1 Alabama Education Association shall pay the employer costs
2 calculated as a percentage of the salaries of those employees
3 to be contributed as employer in accordance with subdivisions
4 (2) and (3) of this section. Such amounts shall be paid
5 monthly and at the same time as the member contributions are
6 made to the Teachers' Retirement System.

7 "f. To the extent that employer cost is collected
8 for any increase in benefits payable to retired employees of
9 local boards of education and state institutions of higher
10 education who are retired under the Employees' Retirement
11 System, there shall be a transfer of funds from these funds to
12 the Employees' Retirement System for each year such benefits
13 are payable.

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

24 Section 2. This act shall become effective
25 immediately following its passage and approval by the
26 Governor, or its otherwise becoming law.

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House of Representatives

4 Read for the first time and re-
5 ferred to the House of Representa-
6 tives committee on Ways and Means
7 Education..... 02-FEB-21

8

9 Read for the second time and placed
10 on the calendar 1 amendment 10-FEB-21

11

12 Read for the third time and passed
13 as amended..... 11-FEB-21

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Jeff Woodard
Clerk