

1 HB468
2 176199-1
3 By Representatives Williams (P), Greer and Ball
4 RFD: State Government
5 First Read: 23-MAR-16

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8 SYNOPSIS: 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.