

1 SB302
2 205899-1
3 By Senators Chesteen, Marsh, Holley, Reed and Smitherman
4 RFD: Finance and Taxation Education
5 First Read: 12-MAR-20

SYNOPSIS: This bill would 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. This bill would also increase the member contribution rate.

A BILL
TO BE ENTITLED
AN ACT

To amend Sections 16-25-11.1, 16-25-14, 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:

1 Section 1. Sections 16-25-11.1, 16-25-14, as amended
2 by Acts 2019-221 and 2019-316 of the 2019 Regular Session, and
3 16-25-21, Code of Alabama 1975, are amended to read as
4 follows:

5 "§16-25-11.1.

6 "~~(a)~~ Teachers, as defined in subdivision (3) of
7 Section 16-25-1 or subsection (d) of Section 16-25-5, as
8 amended may use their accrued sick leave, up to a maximum
9 number of accrued sick leave days allowed by law, to be
10 included as membership service in determining the total years
11 of creditable service in the Teachers' Retirement System of
12 Alabama; provided, any teacher not authorized by law to
13 receive sick leave may use any accrued sick leave provided by
14 his or her employer, provided, that employer is lawfully
15 empowered to grant such leave, which cannot be without pay;
16 and provided further that the amount of such accrued leave
17 shall not exceed the maximum number of accrued sick leave days
18 allowed by law for a classroom teacher employed by a city or
19 county board of education. Unused sick leave may be converted
20 to membership service only for the purpose of applying for
21 service retirement. The conversion shall not apply to
22 eligibility for deferred retirement; provided that a person
23 eligible for service retirement, if also eligible for
24 disability retirement, may elect disability retirement and
25 also receive credit for accumulated sick leave pursuant to
26 this section. This section shall not be applicable to any

1 person who is eligible to receive partial payment for accrued
2 sick leave pursuant to Section 36-26-36.

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

6 "§16-25-14.

7 "(a) (1) Any Tier I plan member who withdraws from
8 service upon or after attainment of age 60 and any Tier II
9 plan member who withdraws from service upon or after
10 attainment of age 62, or in the case of a Tier II plan member
11 who is a correctional officer, firefighter, or law enforcement
12 officer as defined in Section 36-27-59, who withdraws from
13 service upon or after attainment of age 56 with at least ten
14 years of creditable service as a correctional officer,
15 firefighter, or law enforcement officer may retire upon
16 written application to the Board of Control setting forth at
17 what time, not less than 30 days nor more than 90 days
18 subsequent to the execution and filing thereof, he or she
19 desires to be retired; provided, that any such member who
20 became a member on or after October 1, 1963, shall have
21 completed 10 or more years of creditable service.

22 "(2) Any Tier I plan member who has attained age 60
23 and any Tier II plan member who has attained age 62, or in the
24 case of a Tier II plan member who is a correctional officer,
25 firefighter, or law enforcement officer as defined in Section
26 36-27-59, who has attained age 56 with at least ten years of
27 creditable service as a correctional officer, firefighter, or

1 law enforcement officer and has previously withdrawn from
2 service may retire upon written application to the Board of
3 Control setting forth at what time, not less than 30 days nor
4 more than 90 days subsequent to the execution and filing
5 thereof, he or she desires to be retired; provided, that the
6 member shall have completed at the time for his or her
7 withdrawal from service the requirements established by the
8 Board of Control for eligibility for deferred benefits
9 pursuant to Section 16-25-3.

10 "(3) Any person who is presently covered or is
11 eligible to be covered under the Employees' Retirement System
12 of Alabama or the Teachers' Retirement System of Alabama and
13 who, prior to such coverage or eligibility for coverage,
14 served as head of any Alabama county's public library service
15 department shall have credited to him or her one year of
16 creditable service for each year served as such head, not to
17 exceed 12 years; provided, that such person shall pay into the
18 retirement system the employee's part of the cost or
19 contribution based on the salary paid to such person during
20 the time of his or her service in the above capacity, with
21 such cost or contribution to be calculated at the percent or
22 rate in effect on October 1, 1973.

23 "(4) Any Tier I plan member of the Teachers'
24 Retirement System of Alabama, who withdraws from service after
25 the completion of at least 25 years of creditable service, or
26 any Tier II plan member, who withdraws from service after the
27 completion of at least 30 years of creditable service, may

1 retire upon written application to the Board of Control of the
2 Teachers' Retirement System setting forth at what time, not
3 less than 30 days nor more than 90 days subsequent to the
4 execution and filing thereof, he or she desires to be retired;
5 provided, that any such member who became a Tier I or Tier II
6 plan member on or after October 1, 1963, shall have completed
7 10 or more years of creditable service.

8 "(b) Upon retirement from service, a Tier I plan
9 member shall receive a service retirement allowance which
10 shall consist of:

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

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

18 "(3) If he or she has a prior service certificate in
19 full force and effect, an additional pension which shall be
20 equal to the annuity which would have been provided at age of
21 retirement, but not to exceed an annuity allowable at age 65
22 by twice the contributions which he or she would have made
23 during the period of prior service with which he or she is
24 credited had the system been in operation and had he or she
25 contributed thereunder. In lieu of a determination of the
26 actual compensation of the members that was received during
27 such prior service, the Board of Control may use for the

1 purposes of this chapter the compensation rates which, if they
2 had progressed with the rates of salary increase shown in the
3 tables as prescribed in subsection (o) of Section 16-25-19,
4 would have resulted in the same average salary of the member
5 for the five years immediately preceding the date of
6 establishment as the records show the member actually
7 received.

8 "(c) The annual service retirement pension payable
9 to a Tier I plan member retiring on or after October 1, 1975,
10 shall not be less than an amount which when added to his or
11 her annuity is equal to the greater of the following two
12 amounts:

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

16 "(2) If he or she became a member before October 1,
17 1971, \$72 multiplied by the number of years of his or her
18 creditable service not in excess of 25 years.

19 "Notwithstanding, a member who retired prior to
20 October 1, 1971, under service retirement shall receive \$120
21 multiplied by the number of years of his or her creditable
22 service not in excess of 25 years.

23 "(d) Upon retirement from service, a Tier II plan
24 member shall receive a service retirement allowance which
25 shall consist of an annuity which shall be the actuarial
26 equivalent of the member's accumulated contributions at the
27 time of retirement and a pension which, when added to the

1 member's annuity, shall be equal to one and sixty-five
2 hundredths percent (1.65%) of the member's average final
3 compensation multiplied by the number of years of creditable
4 service. Notwithstanding the foregoing, the service retirement
5 allowance shall not exceed eighty percent (80%) of the
6 member's average final compensation.

7 "(e) Upon the application of a Tier I plan member in
8 service or of his or her employer, any member who has had 10
9 or more years of creditable service may be retired by the
10 Board of Control on a disability retirement allowance not less
11 than 30 nor more than 90 days next following the date of
12 filing such an application; provided, that the medical board,
13 after a medical examination of such member, shall certify that
14 such member is mentally or physically incapacitated for
15 further performance of duty, that such incapacity is likely to
16 be permanent, and that such member should be retired. Upon the
17 application of a Tier II plan member in service or of his or
18 her employer, any member who has had 10 or more years of
19 creditable service may be retired by the Board of Control on a
20 disability retirement allowance not less than 30 nor more than
21 90 days next following the date of filing such an application;
22 provided, that the medical board, after a medical examination
23 of such member, shall certify that the member is totally and
24 permanently mentally or physically incapacitated from regular
25 and substantial gainful employment, and that such member
26 should be retired.

1 "(f) Upon retirement for disability, a Tier I plan
2 member shall receive a service retirement allowance if he or
3 she has attained age 60 or if any law or part of any law
4 pertaining to retirement under the Teachers' Retirement System
5 of Alabama provides for service retirement after the
6 completion of 25 years of creditable service and the member
7 has completed 25 years of creditable service; otherwise, he or
8 she shall receive a disability retirement allowance which
9 shall consist of:

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

13 "(2) A pension which shall be equal to the pension
14 that would have been payable under subdivisions (2) and (3) of
15 subsection (b) of this section upon service retirement at age
16 60 had the member continued in service to that age without
17 change in compensation.

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

21 "a. Two and one-eightieth percent of the member's
22 average final compensation multiplied by the number of years
23 of creditable service.

24 "b. If he or she became a member before October 1,
25 1971, \$54 multiplied by the number of years of his or her
26 creditable service not in excess of 25 years.

1 "Notwithstanding, a member who retired prior to
2 October 1, 1971, for disability shall receive \$90 multiplied
3 by the number of years of his or her creditable service not in
4 excess of 25 years.

5 "(g) Upon retirement for disability, a Tier II plan
6 member shall receive a service retirement allowance if the
7 member has attained age 62, or in the case of a Tier II plan
8 member who is a correctional officer, firefighter, or law
9 enforcement officer as defined in Section 36-27-59, if the
10 member has attained age 56 with at least ten years of
11 creditable service as a correctional officer, firefighter, or
12 law enforcement officer, or if the member has completed 30
13 years of creditable service, otherwise, the member shall
14 receive a disability retirement allowance which shall be equal
15 to one and sixty-five hundredths percent (1.65%) of the
16 member's average final compensation multiplied by the number
17 of years of creditable service.

18 "(h) (1) Once each year during the first five years
19 following the retirement of a member on a disability
20 retirement allowance and once in every three-year period
21 thereafter, the Board of Control may and upon his or her
22 application shall require any disability beneficiary who has
23 not yet attained age 60 for a Tier I plan member or age 62 for
24 a Tier II plan member to undergo a medical examination, such
25 examination to be made at the place of residence of such
26 beneficiary or other place mutually agreed upon by a physician
27 of or designated by the medical board. Should any disability

1 beneficiary who has not yet attained age 60 for a Tier I plan
2 member or age 62 for a Tier II plan member refuse to submit to
3 such medical examination, his or her pension may be
4 discontinued until his or her withdrawal of such refusal, and
5 should his refusal continue for one year, all his or her
6 rights in and to his or her pension may be revoked by the
7 Board of Control; provided, that these requirements relative
8 to the medical examination shall not apply in the case of a
9 Tier II plan member who is a correctional officer,
10 firefighter, or law enforcement officer as defined in Section
11 36-27-59 retired for disability and who has attained age 56
12 with at least ten years of creditable service as a
13 correctional officer, firefighter, or law enforcement officer.

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

1 beneficiary together with his or her annuity, equals the
2 amount of his or her average final compensation.

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

9 "(i) (1) Should a member cease to be a teacher,
10 except by death or by retirement under the provisions of this
11 chapter, the contributions standing to the credit of his or
12 her individual account in the Annuity Savings Fund shall be
13 paid to him or her upon demand, and in addition to such
14 payment there shall be paid five-tenths of the interest
15 accumulations standing to the credit of his or her individual
16 account if he or she shall have not less than three but less
17 than 16 years of membership service, six-tenths of such
18 interest accumulations if he or she shall have not less than
19 16 but less than 21 years of membership service, seven-tenths
20 of such interest accumulations if he or she shall have not
21 less than 21 but less than 26 years of membership service, and
22 eight-tenths of such interest accumulations if he or she shall
23 have not less than 26 years of membership service.

24 "(2) In case of the death of a member eligible for
25 service retirement pursuant to subsection (a) of this section,
26 an allowance shall be paid to the surviving spouse, or to such
27 other person who the member shall have designated, in an

1 amount that would have been payable if the member had retired
2 immediately prior to his or her death and had elected Option
3 3, as set forth in subsection (j) of this section or,
4 alternatively, if the surviving spouse or other designee
5 desires, he or she may choose to receive, in lieu of the
6 allowance provided under Option 3, the accumulated
7 contributions of the member plus an amount equal to the
8 accumulated contributions of the member not to exceed \$5,000
9 or the accumulated contributions of the member plus the
10 benefit provided by Section 36-27B-3 if a benefit is payable
11 under such section.

12 "(3) Upon the death of a member on account of whom
13 no survivor allowance is payable under subdivision (2) of this
14 subsection, the accumulated contributions of the member plus
15 an amount equal to the accumulated contributions not to exceed
16 \$5,000 or the accumulated contributions of the member plus the
17 benefit provided by Section 36-27B-3 if a benefit is payable
18 under such section shall be paid to his or her estate or to
19 such person as he shall have nominated by written designation
20 duly executed and filed with the Board of Control.

21 "(j) With the provision the election of an option
22 shall be effective on the effective date of retirement, any
23 member may elect prior to retirement to receive, in lieu of
24 his or her retirement allowance payable throughout life, the
25 actuarial equivalent at that time of his or her retirement
26 allowance in a reduced retirement allowance payable throughout
27 life with the provision that:

1 "(1) OPTION 1. If he or she dies before he or she
2 has received in annuity payments the present value of his or
3 her annuity as it was at the time of his or her retirement,
4 the balance shall be paid to his or her legal representatives
5 or to the person as he or she shall nominate by written
6 designation duly acknowledged and filed with the Board of
7 Control;

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

13 "(3) OPTION 3. Upon his or her death, one half of
14 his or her reduced retirement allowance shall be continued
15 throughout the life of and paid to the person as he or she
16 shall nominate by written designation duly acknowledged and
17 filed with the Board of Control at the time of his or her
18 retirement; or

19 "(4) OPTION 4. Some other benefit or benefits shall
20 be paid either to the member or to the person or persons as he
21 or she shall nominate; provided, that such other benefit or
22 benefits, together with the reduced retirement allowance,
23 shall be certified by the actuary to be of equivalent
24 actuarial value to his or her retirement allowance and shall
25 be approved by the Board of Control.

26 "(5) OPTION 5. At the time of retirement, he or she
27 shall receive a partial lump sum distribution as a single

1 payment not to exceed the sum of 24 months of the maximum
2 monthly retirement allowance the member could receive. This
3 option may be elected in addition to the election of another
4 option under this subsection and the further reduced monthly
5 retirement allowance shall be calculated in accordance with
6 the selected option. This option shall not be available to a
7 member who is receiving a disability retirement.

8 "(6) Where the person designated by the member under
9 this subsection to receive a continued retirement allowance is
10 a beneficiary of a special needs trust established under Title
11 42, United States Code, Section 1396p(d)(4)(A) or (C), as
12 amended, the retirement allowance payable to the person may be
13 paid by the retirement system to the special needs trust upon
14 written direction to the retirement system by the member or,
15 after the member is deceased, by the designated person or by
16 his or her legal representative if the designated person is a
17 minor or is incapacitated.

18 "(k) Should any beneficiary be restored to active
19 service, his or her retirement allowance shall be suspended
20 until he or she again withdraws from service and, he or she
21 shall not again become a member, nor shall he or she make
22 contributions; except, that should such beneficiary who has
23 been restored to active service continue in service for a
24 period of two or more years from the date of his or her
25 reentry into active service, he or she may request the Board
26 of Control to allow him or her to again become a member of the
27 retirement system. The Board of Control may grant the request

1 for restoration to membership; provided, that such beneficiary
2 whose retirement allowance has been suspended shall repay to
3 the system all moneys received by him or her as benefits
4 during any period subsequent to the date of his or her reentry
5 into active service; provided further, that he or she shall
6 make a contribution equal to the amount he or she would have
7 contributed had he or she been a member during the period of
8 his or her restoration to active service on a suspended
9 allowance basis, together with the interest which would have
10 been credited to the contributions on account of such period
11 of restoration up to the date such contribution is made.

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

1 payments after the death of a retired member under the
2 provisions of any such optional benefit shall receive any
3 increase in such payments under this subsection.

4 "(2) Any person who served at least 30 years as a
5 teacher in the public schools of Alabama and was never a
6 member of the system and who, prior to October 1, 1963, was in
7 receipt of a benefit for old age assistance pursuant to
8 subsections (1) and (2) of Section 1 of Act 116, approved
9 August 24, 1959, shall be entitled to receive an annual
10 retirement allowance of \$3,960 from the system, effective as
11 of October 1, 1973.

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

26 "(m) Notwithstanding any other provisions of this
27 section to the contrary, when a designated beneficiary for a

1 member predeceases the member who is receiving a monthly
2 benefit allowance provided under Option 2, 3, or 4, the member
3 may designate a replacement beneficiary for the deceased
4 beneficiary to become effective two years after the date of
5 designation of the replacement beneficiary and an actuarial
6 adjustment in the monthly benefit allowance of the member to
7 cover any cost associated with designating a replacement
8 beneficiary shall be reflected thereafter in the monthly
9 benefit allowance received by the member, commencing with the
10 first benefit allowance check received by the member following
11 the date of designation of the replacement beneficiary.

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

25 "(o) Any future act to increase the retirement age
26 for Tier II plan members above the age of 62 shall require a

1 two-thirds vote of the elected membership of each house of the
2 Legislature.

3 "§16-25-21.

4 "Effective October 1, 1997, all the assets of the
5 retirement system shall be credited according to the purpose
6 for which they are held among three funds, namely: The Annuity
7 Savings Fund, the Pension Accumulation Fund, and the Expense
8 Fund. The operation of the former Pension Reserve Fund and the
9 Annuity Reserve Fund shall be discontinued as of such date,
10 the balance of the former Pension Reserve Fund shall be
11 transferred to the Pension Accumulation Fund, and the balance
12 of the former Annuity Reserve Fund shall be transferred to the
13 Pension Accumulation Fund.

14 "(1) The Annuity Savings Fund shall be a fund in
15 which shall be accumulated contributions from the compensation
16 of members to provide for their annuities. Contributions to
17 and payments from the Annuity Savings Fund shall be made as
18 follows:

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

1 1, 2012, each employer shall cause to be deducted from the
2 salary of each Tier I plan member on each and every payroll of
3 such employer for each and every payroll period seven and
4 one-half percent (7.5%) of his or her earnable compensation.
5 For all pay dates beginning on or after January 1, 2013, each
6 employer shall cause to be deducted from the salary of each
7 Tier II plan member on each and every payroll period six
8 percent (6%) of his or her earnable compensation; except in
9 the case of a Tier II plan member who is a correctional
10 officer, firefighter, or law enforcement officer as defined in
11 Section 36-27-59, the rate of seven percent (7%) shall apply.
12 For all pay dates beginning on or after October 1, 2020, each
13 employer shall cause to be deducted from the salary of each
14 Tier II plan member on each and every payroll period six and
15 three-quarters percent (6.75%) of his or her earnable
16 compensation; except in the case of a Tier II plan member who
17 is a correctional officer, firefighter, or law enforcement
18 officer as defined in Section 36-27-59, the rate of seven and
19 three-quarters percent (7.75%) shall apply. In determining the
20 amount earnable by a member in a payroll period, the Board of
21 Control may consider the rate of annual compensation payable
22 to such member on the first day of the payroll period as
23 continuing throughout such payroll period, and it may omit
24 deductions from compensation for any period less than a full
25 payroll period if a teacher was not a member on the first day
26 of the payroll period, and to facilitate the making of
27 deductions it may modify the deduction required of any member

1 by such an amount as shall not exceed one tenth of one percent
2 of the annual compensation upon the basis of which such
3 deduction is to be made.

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

21 "c. In addition to the contributions deducted from
22 compensation as hereinbefore provided, subject to the approval
23 of the Board of Control, any member may deposit in the Annuity
24 Savings Fund by a single payment or by an increased rate of
25 contribution an amount computed to be sufficient to purchase
26 an additional annuity which, together with his or her
27 prospective retirement allowance, will provide for him or her

1 a total retirement allowance not to exceed one half of his or
2 her average final compensation at age 60. Such additional
3 amounts so deposited shall become a part of his or her
4 accumulated contributions except in the case of retirement,
5 when they shall be treated as excess contributions returnable
6 to the member in cash or as an annuity of equivalent actuarial
7 value and shall not be considered in computing his or her
8 pension. The contributions and interest credits of a member
9 withdrawn by him or her, or paid to his or her estate or to
10 his or her designated beneficiary in event of his or her
11 death, shall be paid from the Annuity Savings Fund. Should a
12 member cease to be a member other than by retirement under the
13 provisions of this title, an amount equivalent to the
14 difference, if any, between his or her accumulated
15 contributions and the amount then paid shall be transferred to
16 the Expense Fund. Upon the retirement of a member or the death
17 of an eligible member where an allowance to the surviving
18 spouse is payable, his or her accumulated contributions shall
19 be transferred from the Annuity Savings Fund to the Pension
20 Accumulation Fund.

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

24 "(2) The Pension Accumulation Fund shall be the fund
25 in which shall be accumulated all reserves, other than amounts
26 held in the Annuity Savings Fund for the payment of all

1 pensions and other benefits. Contributions to and payments
2 from the Pension Accumulation Fund shall be made as follows:

3 "a. On account of each member there shall be paid
4 monthly by the employer an amount equal to a certain
5 percentage of the earnable compensation of each member to be
6 known as the "normal contribution" and an additional amount
7 equal to a percentage of his or her earnable compensation to
8 be known as the "accrued liability contribution," and these
9 two amounts shall be paid monthly into the Pension
10 Accumulation Fund. The Teachers' Retirement System shall
11 recommend to the Legislature on or before the first
12 legislative day of each regular session of the Legislature the
13 rate for the following fiscal year. The Legislature shall set
14 the rate in the annual appropriation bill.

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

1 "c.1. The accrued liability contribution rate shall
2 be computed by the actuary on the basis of each valuation as
3 the per centum rate of the total annual compensation of all
4 members which is sufficient to liquidate the unfunded accrued
5 liability over a period to be determined by the Board of
6 Control which shall be not less than 10 nor more than 30
7 years.

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

15 "On June 30, 1997, the assets shall be determined by
16 using the market value of such assets. For subsequent years
17 the value of the assets shall be determined by the system's
18 actuary using a five year smoothed market value.

19 "d. The total amount payable in each year to the
20 Pension Accumulation Fund shall be not less than the sum of
21 the per centum rates known as the normal contribution rate and
22 the accrued liability contribution rate of the total
23 compensation earnable by all members during the year.

24 "e. All interest and dividends earned on the funds
25 of the retirement system shall be credited to the Pension
26 Accumulation Fund. The amounts needed to allow regular
27 interest on the reserves in the Annuity Savings Fund shall be

1 transferred in accordance with the provisions of this chapter
2 from the Pension Accumulation Fund. The Board of Control, in
3 its discretion, may transfer to and from the Pension
4 Accumulation Fund the amount of any surplus or deficit which
5 may develop in the Annuity Savings Fund or the Expense Fund.

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

12 "(3) The Expense Fund shall be the fund from which
13 the expenses of the administration of the retirement system
14 shall be paid, exclusive of amounts payable as retirement
15 allowances and as other benefits provided herein. Any amounts
16 credited to the accounts of members withdrawing before
17 retirement and not returnable under the provisions of
18 subsection (i) of Section 16-25-14 shall be credited to the
19 Expense Fund. Any additional contributions required to meet
20 the expenses of the retirement system shall be made as
21 provided in paragraphs c., d., and e. of subdivision (4) of
22 this section.

23 "(4)a. On or before October 1 of each year, each
24 local board of education, the State Board of Education, the
25 governing boards of the University of Alabama, Auburn
26 University, and the University of Montevallo and the Executive
27 Committee of the Alabama Education Association shall file with

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

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

1 designate, the total amount so deducted to the
2 Secretary-Treasurer of the Board of Control accompanied by an
3 itemized statement of the contributions of each individual
4 member of the retirement system. The Secretary-Treasurer of
5 the Board of Control after making a record of all such
6 receipts shall transmit the same to the State Treasurer to be
7 held for use according to the provisions of this chapter.
8 Notwithstanding anything in this section, the Board of Control
9 may modify the form of reports required of employers and may
10 modify the method of collecting the contributions of members
11 so that employers may retain the amounts so deducted and have
12 a corresponding amount deducted from funds otherwise payable
13 to them.

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

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

1 1962) of the Congress of the United States, for the support of
2 agriculturally related research.

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

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

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

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