

1 HB414  
2 128825-3  
3 By Representative Love  
4 RFD: Ways and Means Education  
5 First Read: 31-MAR-11

1 ENGROSSED

2  
3  
4 A BILL

5 TO BE ENTITLED

6 AN ACT

7  
8 To amend Sections 12-18-5, 12-18-52, 12-18-82,  
9 16-25-21, 36-27-24, and 36-27-59, Code of Alabama 1975, to  
10 provide for increases in employee contributions for  
11 retirement.

12 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

13 Section 1. Sections 12-18-5, 12-18-52, 12-18-82,  
14 16-25-21, 36-27-24, and 36-27-59, Code of Alabama 1975, are  
15 amended as follows:

16 "§12-18-5.

17 (a) Every justice of the Supreme Court, judge of the  
18 Court of Civil Appeals, judge of the Court of Criminal  
19 Appeals, and judge of the circuit court of the state holding  
20 office on September 18, 1973, shall have the right of election  
21 to come under this article. Each justice or judge holding  
22 office on September 18, 1973, shall have the right, within  
23 three years from September 18, 1973, to file with the clerk of  
24 the Supreme Court of Alabama, an instrument in writing  
25 electing to come under this article. Each justice or judge of  
26 such courts elected or appointed to office after September 18,  
27 1973, shall come under this article as a matter of law. After

1 September 18, 1973, each justice and each judge who has  
2 elected to come under this article as provided by this section  
3 or who comes under this article by operation of law shall  
4 contribute to the Judicial Retirement Fund four and one-half  
5 percent of his earnable compensation; provided, that after  
6 February 1, 1977, the rate of contribution to be paid by the  
7 justices and judges shall be six percent of their salary  
8 derived from the State of Alabama, but the increased rate of  
9 contribution shall not be effective until February 1, 1977.  
10 For all pay periods beginning on or after May 1, 2011, the  
11 rate of contribution to be paid by the justices and judges  
12 shall be seven and two-tenths percent (7.2%) of their salary.  
13 For all pay dates beginning on or after October 1, 2011, the  
14 contribution to be paid by the justices and judges shall be  
15 eight and four-tenths percent (8.4%) of their salary. For all  
16 pay dates beginning on or after October 1, 2012, the rate of  
17 contribution to be paid by the justices and judges shall be  
18 nine percent (9%) of their salary. The percentages shall be  
19 deducted by the State Comptroller from each justice's or  
20 judge's salary and paid into the Judicial Retirement Fund in  
21 the State Treasury and credited to the individual account of  
22 the justice or judge from whose salary it was deducted.

23 (b) Members of the retirement fund who heretofore,  
24 during a term for which they had been appointed or elected to  
25 a judicial office covered by this article for which prior  
26 service credit toward retirement under this article is given,  
27 entered the military services of the United States, and

1 judicial officers covered by this article hereafter entering  
2 the armed forces of the United States who return to service as  
3 a justice or judge shall be given full credit for the time of  
4 such military service; provided, that a contribution shall be  
5 made into the Judicial Retirement Fund in an amount equal to  
6 that which would have been contributed had the member remained  
7 and served in the judicial office to which he had been duly  
8 elected or appointed. Request for the service credit must be  
9 made within 90 days after returning to service as the justice  
10 or judge or the service credit shall be forfeited forever.  
11 When requests for the service credit have been approved by the  
12 Board of Control of the Judicial Retirement Fund and the Chief  
13 Justice of the Supreme Court, contributions as required shall  
14 commence within 60 days and be made in equal payments within  
15 the following 12 months. Military service credit granted to a  
16 justice or a judge shall include credit for service during  
17 World War II, but, in computing any service with the armed  
18 forces for credit after World War II, service credit granted  
19 shall be limited to service for a period not to exceed five  
20 years, provided that the justice or judge was on official  
21 leave of absence from his or her judicial position and further  
22 provided that the length of service so granted shall not  
23 exceed the term of office for which the justice or judge had  
24 been appointed or elected prior to his or her entering  
25 military service.

26 (c) The Supreme Court of Alabama may provide that  
27 the state shall pick-up member contributions to the Judicial

1 Retirement Fund, as required by this section and Section  
2 12-18-52, on behalf of all appellate justices or judges,  
3 circuit, and district judges who participate in the Judicial  
4 Retirement Fund and that the counties shall pick-up member  
5 contributions to the Judicial Retirement Fund, as required by  
6 Section 12-18-81, on behalf of all probate judges who  
7 participate in the Judicial Retirement Fund, by a  
8 corresponding reduction in the salary of the member, the  
9 pick-up to be mandatory for all the judges, and the  
10 contributions so picked up shall be treated as employer  
11 contributions in determining tax treatment under the Internal  
12 Revenue Code. These contributions shall be paid from the same  
13 source of funds which is used in paying earnings to the  
14 member. If member contributions are so picked up they shall be  
15 treated for all other purposes of state law in the same manner  
16 and to the same extent as member contributions made prior to  
17 the date picked up.

18 "§12-18-52.

19 After January 16, 1977, each district judge who  
20 comes under the provisions of Article 1 of this chapter by  
21 election or by operation of law shall contribute to the  
22 Judicial Retirement Fund annually, payable in equal monthly  
23 installments, four and one-half percent of his annual  
24 compensation paid by the State of Alabama; provided, that  
25 after February 1, 1977, the rate of contribution to be paid by  
26 such judge shall be six percent of his salary derived from the  
27 State of Alabama, but such increased rate of contribution

1 shall not be effective until February 1, 1977. For all pay  
2 periods beginning on or after May 1, 2011, the rate of  
3 contribution to be paid by the judges shall be seven and  
4 two-tenths percent (7.2%) of their salary. For all pay dates  
5 beginning on or after October 1, 2011, the contribution to be  
6 paid by the judges shall be eight and four-tenths percent  
7 (8.4%) of their salary. For all pay dates beginning on or  
8 after October 1, 2012, the rate of contribution to be paid by  
9 the judges shall be nine percent (9%) of their salary. Such  
10 percentages shall be deducted by the State Comptroller from  
11 each such judge's salary and paid into the Judicial Retirement  
12 Fund in the State Treasury and credited to the individual  
13 account of the judge from whose salary it was deducted.

14           The Supreme Court of Alabama may provide that the  
15 state shall pick-up member contributions to the judicial  
16 retirement fund, as required by Section 12-18-5 and this  
17 section, on behalf of all appellate justices or judges,  
18 circuit and district judges who participate in the Judicial  
19 Retirement Fund and that the counties shall pick-up member  
20 contributions to the Judicial Retirement Fund, as required by  
21 Section 12-18-81, on behalf of all probate judges who  
22 participate in the Judicial Retirement Fund, by a  
23 corresponding reduction in the salary of the member, such  
24 pick-up to be mandatory for all such judges, and the  
25 contributions so picked up shall be treated as employer  
26 contributions in determining tax treatment under the Internal  
27 Revenue Code. These contributions shall be paid from the same

1 source of funds which is used in paying earnings to the  
2 member. If member contributions are so picked up they shall be  
3 treated for all other purposes of state law in the same manner  
4 and to the same extent as member contributions made prior to  
5 the date picked up.

6 "§12-18-82.

7 (a) Judges on fees. - After October 1, 1976, each  
8 probate judge compensated by fees who elects to come under the  
9 provisions of Article 1 of this chapter or who comes under the  
10 provisions of Article 1 of this chapter by operation of law  
11 shall contribute to the Judicial Retirement Fund annually,  
12 payable in equal monthly installments, four and one-half  
13 percent of a sum, hereinafter referred to as the "base sum,"  
14 that is, 90 percent of the annual state compensation now  
15 authorized by law to be paid to circuit judges in Alabama;  
16 provided, that, after February 1, 1977, the rate of  
17 contribution to be paid by such judge shall be six percent of  
18 his salary derived from the State of Alabama, but such  
19 increased rate of contribution shall not be effective until  
20 February 1, 1977. For all pay periods beginning on or after  
21 May 1, 2011, the rate of contribution to be paid by the judges  
22 shall be seven and two-tenths percent (7.2%) of their salary.  
23 For all pay dates beginning on or after October 1, 2011, the  
24 contribution to be paid by the judges shall be eight and  
25 four-tenths percent (8.4%) of their salary. For all pay dates  
26 beginning on or after October 1, 2012, the rate of  
27 contribution to be paid by the judges shall be nine percent

1     (9%) of their salary. The base sum shall be adjusted up or  
2     down in accordance with and equal to future changes that are  
3     made in the state compensation of such circuit judges. Such  
4     percentage shall be paid by each such probate judge into the  
5     Judicial Retirement Fund in the State Treasury and credited to  
6     the individual account of the probate judge from whose fees it  
7     was paid.

8             (b) Judges on salary. - After October 1, 1976, each  
9     probate judge compensated by salary who elects to come under  
10    the provisions of Article 1 of this chapter or who comes under  
11    the provisions of Article 1 of this chapter by operation of  
12    law shall contribute to the Judicial Retirement Fund annually,  
13    payable in equal monthly installments, four and one-half  
14    percent of his salary; provided, that, after February 1, 1977,  
15    the rate of contribution to be paid by such judge shall be six  
16    percent of his salary derived from the State of Alabama, but  
17    such increased rate of contribution shall not be effective  
18    until February 1, 1977. For all pay periods beginning on or  
19    after May 1, 2011, the rate of contribution to be paid by the  
20    judges shall be seven and two-tenths percent (7.2%) of their  
21    salary. For all pay dates beginning on or after October 1,  
22    2011, the contribution to be paid by the judges shall be eight  
23    and four-tenths percent (8.4%) of their salary. For all pay  
24    dates beginning on or after October 1, 2012, the rate of  
25    contribution to be paid by the judges shall be nine percent  
26    (9%) of their salary. Such percentage shall be paid into the  
27    Judicial Retirement Fund in the State Treasury and credited to



1 the individual account of the probate judge from whose salary  
2 it was deducted.

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 the  
20 salary of each member on each and every payroll of such  
21 employer for each and every payroll period five percent of his  
22 earnable compensation. For all pay periods beginning on or  
23 after May 1, 2011, each employer shall cause to be deducted  
24 from the salary of each member on each and every payroll of  
25 such employer for each and every payroll period six percent  
26 (6%) of his or her earnable compensation. For all pay dates  
27 beginning on after October 1, 2011, each employer shall cause

1 to be deducted from the salary of each member on each and  
2 every payroll of such employer for each and every payroll  
3 period seven percent (7%) of his or her earnable compensation.  
4 For all pay dates beginning on after October 1, 2012, each  
5 employer shall cause to be deducted from the salary of each  
6 member on each and every payroll of such employer for each and  
7 every payroll period seven and one-half percent (7.5%) of his  
8 or her earnable compensation. In determining the amount  
9 earnable by a member in a payroll period, the Board of Control  
10 may consider the rate of annual compensation payable to such  
11 member on the first day of the payroll period as continuing  
12 throughout such payroll period, and it may omit deductions  
13 from compensation for any period less than a full payroll  
14 period if a teacher was not a member on the first day of the  
15 payroll period, and to facilitate the making of deductions it  
16 may modify the deduction required of any member by such an  
17 amount as shall not exceed one tenth of one percent of the  
18 annual compensation upon the basis of which such deduction is  
19 to be made.

20 b. The deductions provided for herein shall be made  
21 notwithstanding that the minimum compensation provided for by  
22 law for any member shall be reduced thereby. Every member  
23 shall be deemed to consent and agree to the deduction made and  
24 provided for herein and shall receipt for his full salary or  
25 compensation, and payment of salary or compensation less such  
26 deduction shall be a full and complete discharge and  
27 acquittance of all claims and demands whatsoever for the

1 service rendered by such person during the period covered by  
2 such payment, except as to the benefits provided under this  
3 chapter. The employer shall certify to the Board of Control on  
4 each and every payroll or in such other manner as the board  
5 may prescribe the amount to be deducted; and each of said  
6 amounts shall be deducted, and when deducted shall be paid  
7 into the Annuity Savings Fund and shall be credited, together  
8 with regular interest thereon, to the individual account of  
9 the member from whose compensation said deduction was made.

10 c. In addition to the contributions deducted from  
11 compensation as hereinbefore provided, subject to the approval  
12 of the Board of Control, any member may deposit in the Annuity  
13 Savings Fund by a single payment or by an increased rate of  
14 contribution an amount computed to be sufficient to purchase  
15 an additional annuity which, together with his prospective  
16 retirement allowance, will provide for him a total retirement  
17 allowance not to exceed one half of his average final  
18 compensation at age 60. Such additional amounts so deposited  
19 shall become a part of his accumulated contributions except in  
20 the case of retirement, when they shall be treated as excess  
21 contributions returnable to the member in cash or as an  
22 annuity of equivalent actuarial value and shall not be  
23 considered in computing his pension. The contributions and  
24 interest credits of a member withdrawn by him, or paid to his  
25 estate or to his designated beneficiary in event of his death,  
26 shall be paid from the Annuity Savings Fund. Should a member  
27 cease to be a member other than by retirement under the

1 provisions of this title, an amount equivalent to the  
2 difference, if any, between his accumulated contributions and  
3 the amount then paid shall be transferred to the Expense Fund.  
4 Upon the retirement of a member or the death of an eligible  
5 member where an allowance to the surviving spouse is payable,  
6 his accumulated contributions shall be transferred from the  
7 Annuity Savings Fund to the Pension Accumulation Fund.

8 d. Notwithstanding the preceding provisions, no  
9 deductions shall be made from any member's salary on account  
10 of which the employer's contribution is in default.

11 (2) The Pension Accumulation Fund shall be the fund  
12 in which shall be accumulated all reserves, other than amounts  
13 held in the Annuity Savings Fund for the payment of all  
14 pensions and other benefits. Contributions to and payments  
15 from the Pension Accumulation Fund shall be made as follows:

16 a. On account of each member there shall be paid  
17 monthly by the employer an amount equal to a certain  
18 percentage of the earnable compensation of each member to be  
19 known as the "normal contribution" and an additional amount  
20 equal to a percentage of his earnable compensation to be known  
21 as the "accrued liability contribution," and these two amounts  
22 shall be paid monthly into the Pension Accumulation Fund. The  
23 Teachers' Retirement System shall recommend to the Legislature  
24 on or before the first legislative day of each regular session  
25 of the Legislature the rate for the following fiscal year. The  
26 Legislature shall set the rate in the annual appropriation  
27 bill.

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

14                   c.1. The accrued liability contribution rate shall  
15 be computed by the actuary on the basis of each valuation as  
16 the per centum rate of the total annual compensation of all  
17 members which is sufficient to liquidate the unfunded accrued  
18 liability over a period to be determined by the Board of  
19 Control which shall be not less than 10 nor more than 20  
20 years.

21                   2. The unfunded accrued liability shall be computed  
22 by the actuary as the total liabilities of the system which  
23 are not dischargeable by the assets of the Annuity Savings  
24 Fund and the Pension Accumulation Fund and the present value  
25 of the aforesaid normal contributions. For purposes of  
26 computing the unfunded accrued liability the assets shall be  
27 determined as follows:

1           On June 30, 1997, the assets shall be determined by  
2 using the market value of such assets. For subsequent years  
3 the value of the assets shall be determined by the system's  
4 actuary using a five year smoothed market value.

5           d. The total amount payable in each year to the  
6 Pension Accumulation Fund shall be not less than the sum of  
7 the per centum rates known as the normal contribution rate and  
8 the accrued liability contribution rate of the total  
9 compensation earnable by all members during the year.

10           e. All interest and dividends earned on the funds of  
11 the retirement system shall be credited to the Pension  
12 Accumulation Fund. The amounts needed to allow regular  
13 interest on the reserves in the Annuity Savings Fund shall be  
14 transferred in accordance with the provisions of this chapter  
15 from the Pension Accumulation Fund. The Board of Control, in  
16 its discretion, may transfer to and from the Pension  
17 Accumulation Fund the amount of any surplus or deficit which  
18 may develop in the Annuity Savings Fund or the Expense Fund.

19           f. Upon the death of a member on account of whom no  
20 survivor allowance is payable under subdivisions (2) and (3)  
21 of subsection (g) of Section 16-25-14, the death benefit as  
22 provided in subdivision (3) of subsection (g) of such section  
23 equal to the accumulated contributions not to exceed \$5,000  
24 shall be payable from the Pension Accumulation Fund.

25           (3) The Expense Fund shall be the fund from which  
26 the expenses of the administration of the retirement system  
27 shall be paid, exclusive of amounts payable as retirement

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

9 (4) a. On or before October 1 of each year, each  
10 local board of education, the State Board of Education, the  
11 governing boards of the University of Alabama, Auburn  
12 University and the University of Montevallo and the Executive  
13 Committee of the Alabama Education Association shall file with  
14 the Board of Control of the retirement system a certified  
15 statement containing the following information concerning the  
16 members of the retirement system employed by such boards for  
17 the scholastic year beginning on July first preceding said  
18 date: Name, address, monthly salary, annual salary and such  
19 other information as the Board of Control may require. On or  
20 before July 31 of each year, each local board of education;  
21 the State Board of Education; the governing boards of the  
22 University of Alabama, Auburn University, and the University  
23 of Montevallo and the Executive Committee of the Alabama  
24 Education Association shall file with the Board of Control of  
25 the retirement system a certified statement containing the  
26 following information concerning members of the retirement  
27 system employed by such boards during the scholastic year

1 ending on June 30 preceding said date: name, address, monthly  
2 salary actually paid, total annual salary actually paid and  
3 such other information as the Board of Control may require.

4 b. The collection of members' contributions shall be  
5 as follows: Each local board of education, the State Board of  
6 Education, the governing boards of the University of Alabama,  
7 Auburn University and the University of Montevallo and the  
8 Executive Committee of the Alabama Education Association shall  
9 cause to be deducted on each and every payroll period  
10 subsequent to the date of the establishment of the retirement  
11 system the contributions payable by each member as provided in  
12 this chapter. Each employer shall transmit monthly, or at such  
13 time as the Board of Control shall designate, the total amount  
14 so deducted to the Secretary-Treasurer of the Board of Control  
15 accompanied by an itemized statement of the contributions of  
16 each individual member of the retirement system. The  
17 Secretary-Treasurer of the Board of Control after making a  
18 record of all such receipts shall transmit the same to the  
19 State Treasurer to be held for use according to the provisions  
20 of this chapter. Notwithstanding anything in this section, the  
21 Board of Control may modify the form of reports required of  
22 employers and may modify the method of collecting the  
23 contributions of members so that employers may retain the  
24 amounts so deducted and have a corresponding amount deducted  
25 from funds otherwise payable to them.



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

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

17           e. Where member contributions are made from salaries  
18 paid by the Alabama Education Association, the Alabama  
19 Education Association shall pay the employer costs calculated  
20 as a percentage of the salaries of those employees to be  
21 contributed as employer in accordance with subdivisions (2)  
22 and (3) of this section. Such amounts shall be paid monthly  
23 and at the same time as the member contributions are made to  
24 the Teachers' Retirement System.

25           f. To the extent that employer cost is collected for  
26 any increase in benefits payable to retired employees of local  
27 boards of education and state institutions of higher education

1 who are retired under the Employees' Retirement System, there  
2 shall be a transfer of funds from these funds to the  
3 Employees' Retirement System for each year such benefits are  
4 payable.

5 g. Employer cost provided for in this article  
6 together with member contributions required under this article  
7 shall be paid to the Teachers' Retirement System on the first  
8 day of the month following the month in which the related  
9 member salary is earned. Delinquent accounts shall accrue  
10 interest at the actuarial assumed investment rate beginning 30  
11 days after the original due date. The member contributions for  
12 each member shall be reported to the Teachers' Retirement  
13 System in a format prescribed by the Teachers' Retirement  
14 System.

15 "§36-27-24.

16 (a) Effective October 1, 1997, all the assets of the  
17 retirement system shall be credited according to the purpose  
18 for which they are held among three funds, namely, the  
19 Annuity Savings Fund, the Pension Accumulation Fund, and the  
20 Expense Fund. The operation of the former Pension Reserve Fund  
21 and the Annuity Reserve Fund shall be discontinued as of such  
22 date and the balance of the former Pension Reserve Fund shall  
23 be transferred to the Pension Accumulation Fund, and the  
24 balance of the former Annuity Reserve Fund shall be  
25 transferred to the Pension Accumulation Fund.

26 (b) Annuity Savings Fund. The Annuity Savings Fund  
27 shall be a fund in which shall be accumulated contributions

1 from the compensation of members to provide for their  
2 annuities.

3 Contributions to and payments from the Annuity  
4 Savings Fund shall be made as follows: Effective October 1,  
5 1971, each employer shall cause to be deducted from the salary  
6 of each member on each and every payroll of such employer for  
7 each and every payroll period five percent of his earnable  
8 compensation; except, that in the case of a state policeman,  
9 the rate of 10 percent of earnable compensation shall apply,  
10 and in computing all retirement benefits it shall be assumed  
11 that a seven percent rate of contribution had applied with  
12 respect to service as a state policeman prior to July 1, 1957.  
13 For all pay periods beginning on or after May 1, 2011, each  
14 employer shall cause to be deducted from the salary of each  
15 member on each and every payroll of such employer for each and  
16 every payroll period six percent (6%) of his or her earnable  
17 compensation; except, that in the case of a state policeman,  
18 the rate of ten percent (10%) of earnable compensation shall  
19 apply. For all pay dates beginning on or after October 1,  
20 2011, each employer shall cause to be deducted from the salary  
21 of each member on each and every payroll of such employer for  
22 each and every payroll period seven percent (7%) of his or her  
23 earnable compensation; except, that in the case of a state  
24 policeman, the rate of ten percent (10%) of earnable  
25 compensation shall apply. For all pay dates beginning on or  
26 after October 1, 2012, each employer shall cause to be  
27 deducted from the salary of each member on each and every

1 payroll of such employer for each and every payroll period  
2 seven and one-half percent (7.5%) of his or her earnable  
3 compensation; except, that in the case of a state policeman,  
4 the rate of ten percent (10%) of earnable compensation shall  
5 apply. In determining the amount earnable by a member in a  
6 payroll period, the Board of Control may consider the rate of  
7 annual compensation payable to such member on the first day of  
8 the payroll period as continuing through such payroll period,  
9 and it may omit deductions from compensation for any period  
10 less than a full payroll period if an employee was not a  
11 member on the first day of the payroll period, and, to  
12 facilitate the making of deductions, it may modify the  
13 deductions required of any member by such an amount as shall  
14 not exceed one tenth of one percent of the annual compensation  
15 upon the basis of which such deductions are made.

16           The deductions provided for in this subsection shall  
17 be made notwithstanding that the minimum compensation provided  
18 for by law for any member shall be reduced thereby. Every  
19 member shall be deemed to consent and agree to the deduction  
20 made and provided for in this subsection and shall receipt for  
21 his full salary or compensation and payment of salary or  
22 compensation less such deductions shall be a full and complete  
23 discharge and acquittance of all claims and demands whatsoever  
24 for the services rendered by such person during the period  
25 covered by such payment, except as to the benefits provided  
26 under this article. The employer shall certify to the Board of  
27 Control in each and every payroll or in such other manner as

1 the board may prescribe the amounts to be deducted, and each  
2 of said amounts shall be deducted and, when deducted, shall be  
3 paid into the Annuity Savings Fund and shall be credited,  
4 together with regular interest thereon, to the individual  
5 account of the member from whose compensation said deduction  
6 was made.

7 In addition to the contributions deducted from  
8 compensation as provided in this subsection, subject to the  
9 approval of the Board of Control, any member may deposit in  
10 the Annuity Savings Fund by a single payment or by an  
11 increased rate of contribution an amount computed to be  
12 sufficient to purchase an additional annuity which, together  
13 with his prospective retirement allowance, will provide for  
14 him a total retirement allowance not to exceed one half of his  
15 average final compensation at age 60. Such additional amounts  
16 so deposited shall become a part of his accumulated  
17 contributions, except in the case of retirement, when they  
18 shall be treated as excess contributions returnable to the  
19 member in cash or as an annuity of equivalent actuarial value  
20 and shall not be considered in computing his pension.

21 The contributions and interest credits of a member  
22 withdrawn by him or paid to his estate or to his designated  
23 beneficiary in event of his death shall be paid from the  
24 Annuity Savings Fund. Should a member cease to be a member  
25 other than by retirement under the provisions of this article,  
26 an amount equivalent to the difference, if any, between his  
27 accumulated contributions and the amount then paid shall be

1 transferred to the Expense Fund. Upon the retirement of a  
2 member or the death of an eligible member where an allowance  
3 to a surviving spouse or other designated beneficiary is  
4 payable, his accumulated contributions shall be transferred  
5 from the Annuity Savings Fund to the Pension Accumulation  
6 Fund.

7 Notwithstanding the preceding provisions, no  
8 deductions shall be made from any member's salary on account  
9 of which the employer's contributions are in default.

10 The State Personnel Board, with the approval of the  
11 Governor, may provide that the state shall pick up member  
12 contributions to the Employees' Retirement System of Alabama  
13 as required by this subsection on behalf of all state  
14 employees who participate in the Employees' Retirement System  
15 by a corresponding reduction in the salary of the member, such  
16 pick-up to be mandatory for all such employees, and the  
17 contributions so picked up shall be treated as employer  
18 contributions in determining tax treatment under the Internal  
19 Revenue Code. These contributions shall be paid from the same  
20 source of funds which is used in paying earnings to the  
21 employee. If employee contributions are so picked up they  
22 shall be treated for all other purposes of state law in the  
23 same manner and to the same extent as employee contributions  
24 made prior to the date picked up.

25 (c) Pension Accumulation Fund. The Pension  
26 Accumulation Fund shall be the fund in which shall be  
27 accumulated all reserves other than the amounts held in the

1 Annuity Savings Fund for the payment of all pensions, all  
2 allowances granted to surviving spouses or other designated  
3 beneficiaries and other benefits payable from contributions  
4 made by the employer and from which shall be paid all  
5 pensions, all allowances granted to surviving spouses or other  
6 designated beneficiaries and other benefits on account of  
7 members with prior service credit.

8 Contributions to and payments from the Pension  
9 Accumulation Fund shall be made as follows: On account of each  
10 member there shall be paid monthly by the employer an amount  
11 equal to a certain percentage of the earnable compensation of  
12 each member to be known as the "normal contribution" and an  
13 additional amount equal to a percentage of his earnable  
14 compensation to be known as the "accrued liability  
15 contribution," and these two amounts shall be paid monthly  
16 into the Pension Accumulation Fund; provided, that in the case  
17 of a state policeman, such percentage rates of contributions  
18 shall be calculated separately. The percentage rate of such  
19 contributions shall be fixed for each fiscal year on the basis  
20 of the liabilities of the retirement system as shown by the  
21 last annual actuarial valuation, and such percentage rate as  
22 established by such valuation shall take effect the following  
23 October 1 and continue in effect for the fiscal year.

24 On the basis of regular interest and of such  
25 mortality and other tables as shall be adopted by the Board of  
26 Control, the actuary engaged by the board to make such  
27 valuation required by this article during the period over

1 which the accrued liability contribution is payable shall,  
2 immediately after making such valuation, determine the uniform  
3 and constant percentage of the earnable compensation of the  
4 average new entrant which, if contributed on the basis of his  
5 compensation throughout his entire period of active service,  
6 would be sufficient to provide for the payment of any pension  
7 payable on his account. The percentage rate so determined  
8 shall be known as the "normal contribution" rate. The normal  
9 rate of contributions shall be determined by the actuary after  
10 each valuation.

11 The accrued liability contribution rate shall be  
12 computed by the actuary on the basis of each valuation as the  
13 percentage rate of the total annual compensation of all  
14 members which is sufficient to liquidate the accrued liability  
15 over a period to be determined by the Board of Control which  
16 shall be not less than 10 nor more than 20 years.

17 The unfunded accrued liability shall be computed by  
18 the actuary as the total liabilities of the system which are  
19 not dischargeable by the assets of the Annuity Savings Fund  
20 and the Pension Accumulation Fund and the present value of the  
21 aforesaid normal contributions.

22 For purposes of computing the unfunded accrued  
23 liability the assets shall be determined as follows:

24 On September 30, 1997, the assets shall be  
25 determined by using the market value of such assets. For  
26 subsequent years the value of the assets shall be determined



1 by the system's actuary using a five year smoothed market  
2 value.

3 The total amount payable in each year to the Pension  
4 Accumulation Fund shall be not less than the sum of the  
5 percentage rates known as the normal contribution rate and the  
6 accrued liability contribution rate of the total compensation  
7 earnable by all members during the preceding year.

8 All interest and dividends earned on the funds of  
9 the retirement system shall be credited to the Pension  
10 Accumulation Fund. The amounts needed to allow a regular  
11 interest on the reserves in the Annuity Savings Fund shall be  
12 transferred in accordance with this article from the Pension  
13 Accumulation Fund. The Board of Control, in its discretion,  
14 may transfer to and from the Pension Accumulation Fund the  
15 amounts of any surplus or deficit which may develop in the  
16 Annuity Savings Fund, or the Expense Fund.

17 Upon the death of a member on account of whom no  
18 survivor allowance is payable under subdivisions (2) and (3)  
19 of subsection (c) of Section 36-27-16, the death benefit as  
20 provided in subdivision (4) of subsection (c) of Section  
21 36-27-16 equal to the accumulated contributions, not to exceed  
22 \$5,000.00, shall be payable from the Pension Accumulation  
23 Fund.

24 (d) Expense Fund. The Expense Fund shall be the fund  
25 from which the expenses of the administration of the  
26 retirement system shall be paid, exclusive of amounts payable  
27 as retirement allowances and as other benefits provided in

1 this chapter. In addition thereto and on account of each  
2 member of the retirement system, there shall be paid monthly  
3 by the employer an amount equal to a certain percentage of the  
4 earnable compensation of each member for the administrative  
5 expenses of the retirement system. The percentage rate of such  
6 contribution shall be fixed by the Board of Control on the  
7 basis of the cost exclusive of that provided by interest not  
8 returnable. Any amounts credited to the accounts of the  
9 members withdrawing before retirement and not returnable under  
10 the provisions of subsection (c) of Section 36-27-16 shall be  
11 credited to the Expense Fund.

12 (e) Employer's contributions. For each biennium  
13 beginning October 1, 1965, each employer shall pay to the  
14 retirement system the rates provided in this section and  
15 thereafter, at least 30 days preceding October 1 of each  
16 fiscal year, the Board of Control shall certify to the chief  
17 fiscal officer of each employer the percentage rates of  
18 earnable compensation of the members required to be paid to  
19 the retirement system in accordance with subsections (c) and  
20 (d) of this section.

21 The employer's contribution on account of the  
22 membership of employees whose salaries are paid in whole or in  
23 part from funds derived from federal grants shall be paid from  
24 funds derived from said federal grants in accordance with  
25 statutes governing the administration of said grants and in  
26 proportion to salaries paid therefrom. At such time and in  
27 such manner as may be required, the Board of Control shall

1 certify to each department of state receiving a federal grant  
2 the amount due and payable from said grant as the employer's  
3 contribution to the retirement system on account of the  
4 membership of said department whose salaries are paid in whole  
5 or in part from funds derived from such federal grants. The  
6 fiscal agent of the department shall authorize the State  
7 Comptroller to draw a warrant or warrants in payment of the  
8 amount certified as due and payable from federal grants.

9 (f) Appropriations. There is hereby appropriated  
10 annually from the fund from which salaries of the employees of  
11 each employer are paid the amounts sufficient to carry out the  
12 provisions of this section. In the case of those departments  
13 supported wholly by transfers from other state funds, there is  
14 hereby appropriated from the supporting funds such additional  
15 amounts as may be necessary to pay the employer contribution  
16 of each department so supported in the same proportion as the  
17 other state funds contribute to the support and maintenance of  
18 such department.

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

1 System in a format prescribed by the Employees' Retirement  
2 System.

3 "§36-27-59.

4 (a) When used in this section, the following terms  
5 shall have the following meanings, unless the context clearly  
6 indicates otherwise:

7 (1) CORRECTIONAL OFFICER. A full-time correctional  
8 officer who is certified as a correctional officer by the  
9 Alabama Peace Officers' Standards and Training Commission.

10 (2) FIREFIGHTER. A full-time firefighter employed  
11 with the State of Alabama, a municipal fire department, or a  
12 fire district who has a level one minimum standard  
13 certification by the Firefighters Personnel Standards and  
14 Education Commission, or a firefighter employed by the Alabama  
15 Forestry Commission who has been certified by the State  
16 Forester as having met the wild land firefighter training  
17 standard of the National Wildfire Coordinating Group.

18 (3) LAW ENFORCEMENT OFFICER. A full-time law  
19 enforcement officer, not covered as a state policeman,  
20 employed with any state agency, department, board, commission,  
21 or institution or a full-time law enforcement officer employed  
22 by a local unit of the Employees' Retirement System under  
23 Section 36-27-6 who is certified as a law enforcement officer  
24 by the Alabama Peace Officers' Standards and Training  
25 Commission.

26 (b) (1) Any firefighter, law enforcement officer, or  
27 correctional officer covered under the Employees' Retirement

1 System or the Teachers' Retirement System, upon attainment of  
2 the requisite years of creditable service or who otherwise  
3 qualifies for service or disability retirement, shall be  
4 awarded one year of hazardous duty time for every five years  
5 of service as a firefighter, a law enforcement officer, or a  
6 correctional officer provided that the person has made the  
7 additional contribution provided in subdivision (2) or paid  
8 the additional contribution required in subsection (c) for  
9 each year of service used in determining hazardous duty time  
10 for the person. Proportional credit shall be awarded for any  
11 period of service less than five years.

12 (2) Effective January 1, 2001, and each pay period  
13 thereafter, each active employee who is a firefighter, law  
14 enforcement officer, or correctional officer, as defined in  
15 subsection (a), shall contribute to the Teachers' or  
16 Employees' Retirement System of Alabama six percent of his or  
17 her earnable compensation. For all pay periods beginning on or  
18 after May 1, 2011, each active employee who is a firefighter,  
19 law enforcement officer, or correctional officer, as defined  
20 in subsection (a), shall contribute to the Teachers' or  
21 Employees' Retirement System of Alabama seven and two-tenths  
22 percent (7.2%) of his or her earnable compensation. For all  
23 pay dates beginning on or after October 1, 2011, each active  
24 employee who is a firefighter, law enforcement officer, or  
25 correctional officer, as defined in subsection (a), shall  
26 contribute to the Teachers' or Employees' Retirement System of  
27 Alabama eight and four-tenths (8.4%) of his or her earnable

1 compensation. For all pay dates beginning on or after October  
2 1, 2012, each active employee who is a firefighter, law  
3 enforcement officer, or correctional officer, as defined in  
4 subsection (a), shall contribute to the Teachers' or  
5 Employees' Retirement system of Alabama nine (9%) percent of  
6 his or her earnable compensation.

7 (c) Any member of the Employees' Retirement System  
8 or the Teachers' Retirement System eligible under subsection  
9 (b) may receive credit for his or her eligible prior service  
10 provided the member pays to the Secretary-Treasurer of the  
11 Employees' Retirement System or the Secretary-Treasurer of the  
12 Teachers' Retirement System one percent of his or her current  
13 annual earnable compensation or previous year's annual  
14 earnable compensation, whichever is higher, for each year of  
15 claimed credit within two years of January 1, 2001, except  
16 that any firefighter employed by the Alabama Forestry  
17 Commission shall make such payment within two years of  
18 December 28, 2001. Any member participating in the Employees'  
19 Retirement System under Section 36-27-6, who has eligible  
20 prior service under this section and who also had no prior  
21 eligibility to purchase prior service credit under this  
22 subsection, may purchase prior service credit under this  
23 section at the same rate provided in subsection (b) within one  
24 year of the effective date of his or her enrollment with the  
25 Employees' Retirement System or within one year of August 1,  
26 2004. The member may purchase his or her claimed credit in  
27 increments of five years, unless the total service credit is

1 less than five years, in which case the service shall be  
2 purchased in its entirety. The member shall provide  
3 certification from each employing agency, on forms prescribed  
4 by the Teachers' or Employees' Retirement System, of each year  
5 of claimed service, as a prerequisite to payment under this  
6 section.

7 Section 2. Following the effective date of this act,  
8 the boards of control of the Teachers' Retirement System and  
9 Employees' Retirement System shall adjust the recommended  
10 employer contribution rates for fiscal years ending September  
11 30, 2011 and September 30, 2012 in order to reflect the  
12 actuarially determined savings resulting from (1) the  
13 increases in the employee contribution rates provided in this  
14 act effective for pay periods beginning on or after May 1,  
15 2011 and October 1, 2011 and (2) any other changes in benefit  
16 obligations enacted during the 2011 Regular Session, including  
17 Act 2011-27.

18 Section 3. All laws or parts of laws which conflict  
19 with this act are repealed.

20 Section 4. This bill shall become effective May 1,  
21 2011.

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House of Representatives

Read for the first time and re-  
ferred to the House of Representa-  
tives committee on Ways and Means  
Education..... . . . . . 31-MAR-11

Read for the second time and placed  
on the calendar with 1 substitute  
and..... . . . . . 06-APR-11

Read for the third time and passed  
as amended..... . . . . . 12-APR-11

Yeas 54, Nays 41, Abstains 0

Greg Pappas  
Clerk