

1 HB603  
2 139619-2  
3 By Representatives Love and McClurkin  
4 RFD: Ways and Means Education  
5 First Read: 22-MAR-12

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8 SYNOPSIS: Under existing law enacted in 2010,  
9 specified sums of money were appropriated over a  
10 period of years from the Educational Trust Fund to  
11 the Alabama Prepaid Affordable College Tuition  
12 (PACT) Program to make the program fully  
13 actuarially funded. Part of that law specifically  
14 encouraged the PACT Board to make financially  
15 beneficial changes to PACT rules, policies, and  
16 procedures as long as those rules did not violate  
17 the contractual relationship between a PACT  
18 purchaser and the PACT Board. The Alabama Supreme  
19 Court held that when it was subsequently determined  
20 the 2010 changes did not make the PACT Program  
21 fully actuarially funded, this provision prevented  
22 the PACT Board from entering into an agreement with  
23 PACT purchasers who were part of a class action  
24 against the board that would have given the  
25 purchaser the right to choose to have the benefits  
26 paid under the program at the 2010 level or have  
27 the amount they had contributed returned.

1                   This bill would repeal that provision of the  
2                   2010 law and would also repeal related provisions  
3                   and would give the PACT Board specific authority to  
4                   resolve the actuarial deficit with PACT purchasers  
5                   and beneficiaries

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7                   A BILL  
8                   TO BE ENTITLED  
9                   AN ACT

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11                   Relating to the Prepaid Affordable college Tuition  
12                   (PACT) Program, to amend Sections 16-33C-16 and 16-33C-20 of  
13                   the Code of Alabama 1975; to add Section 16-33C-23 to the Code  
14                   of Alabama 1975; and to repeal Sections 16-33C-17 and  
15                   16-33C-19 of the Code of Alabama 1975, to encourage solutions  
16                   that address the actuarial deficit of the PACT Program; to  
17                   grant the PACT Board authority to pursue such solutions; and  
18                   to repeal any provisions potentially inconsistent with such  
19                   solutions.

20                   BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

21                   Section 1. Sections 16-33C-16 and 16-33C-20 of the  
22                   Code of Alabama 1975, are amended to read as follows:

23                   "§16-33C-16.

24                   "~~(a)~~ In addition to the appropriations made in  
25                   Section 16-33C-14 and Section 16-33C-15, there is annually  
26                   appropriated from the Education Trust Fund to the PACT Trust  
27                   Fund the following amounts in the following fiscal years:

- 1           "(1) For the fiscal year ending 2016 -- \$10,000,000
- 2           "(2) For the fiscal year ending 2017 -- \$20,000,000
- 3           "(3) For the fiscal year ending 2018 -- \$20,000,000
- 4           "(4) For the fiscal year ending 2019 -- \$13,000,000

5           "~~(b) These appropriations, along with the~~  
6 ~~appropriations made in Section 16-33C-14 and Section~~  
7 ~~16-33C-15, will make the PACT Program 100 percent fully~~  
8 ~~funded, according to the actuarial professional retained by~~  
9 ~~the PACT board.~~

10           "§16-33C-20.

11           "In the event that the PACT Program's Board of  
12 Directors receives an actuarial report certifying that any  
13 appropriation made in Section 16-33C-14, Section 16-33C-15, or  
14 Section 16-33C-16 is no longer necessary ~~for the PACT Program~~  
15 ~~to be fully funded~~, the PACT Program's Board of Directors  
16 shall certify to the Legislature that no future appropriations  
17 are necessary."

18           Section 2. Section 16-33C-23 is added to the Code of  
19 Alabama 1975, to read as follows:

20           §16-33C-23.

21           The Legislature strongly encourages the PACT Board  
22 to pursue a resolution with PACT purchasers and beneficiaries  
23 that would address the actuarial deficit that exists in the  
24 PACT Trust Fund. Under the circumstances now facing the PACT  
25 Program, the Legislature believes that such a resolution would  
26 further the purposes of this chapter. The PACT Board is  
27 expressly granted the powers necessary or convenient to

1 develop, implement, and carry out any financially viable  
2 resolution with PACT purchasers and beneficiaries, and nothing  
3 contained in this chapter should be construed as posing a  
4 limitation to the contrary.

5 Section 3. Sections 16-33C-17 and 16-33C-19 of Code  
6 of Alabama 1975, are repealed.

7 Section 4. This act shall become effective  
8 immediately following its passage and approval by the  
9 Governor, or its otherwise becoming law.