

1 SB500
2 135692-2
3 By Senator Brewbaker (N & P)
4 RFD: Local Legislation No. 1
5 First Read: 10-APR-12

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9 A BILL
10 TO BE ENTITLED
11 AN ACT
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13 Relating to the Employees' Retirement System of the
14 City of Montgomery; to amend Section 7 of Act 2009-473, 2009
15 Regular Session (Acts 2009, p. 839), to authorize the mayor to
16 raise the current employee contribution with board approval.

17 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

18 Section 1. Section 7 of Act 2009-473, 2009 Regular
19 Session (Acts 2009, p. 839), is amended to read as follows:

20 "Section 7. All of the assets of the system shall be
21 credited, according to the purpose for which they are held,
22 among three accounts, namely, the Members' Account, the
23 Accumulation Account and the Expenses Account.

24 "(1) Members' Account.

25 "(a) The Members' Account shall be the account in
26 which shall be held the accumulated contributions of members.

1 "(b) The board shall cause to be deducted from the
2 compensation of each member on each and every payroll six
3 percent of the member's earnable compensation. Notwithstanding
4 the foregoing, the mayor may increase the member contribution
5 amount by up to one percent annually not to exceed eight
6 percent of the member's earnable compensation with approval of
7 the board. In determining the amount earnable by a member in a
8 payroll period, the board may consider the rate of
9 compensation payable to such member on the first day of a
10 payroll period as continuing throughout the payroll period,
11 and it may omit deduction from compensation of any period less
12 than a full payroll period.

13 "(c) The deductions provided for herein shall be
14 made notwithstanding that the minimum compensation provided by
15 law for any member shall be reduced thereby. Every member
16 shall be deemed to consent and agree to the deductions made
17 and provided for herein and shall receipt for his full salary
18 or compensation, and payment of salary or compensation less
19 said deduction shall be a full and complete discharge and
20 acquittance of all claims and demands whatsoever for the
21 services rendered by such person during the period covered by
22 such payment, except as to the benefits provided under this
23 act.

24 "(d) The proper authority or officer responsible for
25 making up the payroll shall certify to the board the amounts
26 deducted on each and every payroll, and each of such amounts

1 shall be paid into the Members' Account and credited to the
2 individual account of the member from whose compensation the
3 deduction was made.

4 "(e) The accumulated contributions of a member paid
5 upon his death or withdrawn by him, as provided in this act,
6 shall be paid from the Members' Account. Upon the retirement
7 of a member, his accumulated contributions shall be
8 transferred from the Members' Account to the Accumulation
9 Account.

10 "(2) Accumulation Account.

11 "(a) The Accumulation Account shall be the account
12 in which shall be accumulated all contributions made by the
13 city to provide benefits under the system and from which shall
14 be paid all retirement allowances and other benefits under the
15 system, other than those payable from the Members' Account.

16 "Regular Contributions by the City

17 "(b) On account of each member there shall be paid
18 annually into the Accumulation Account a certain percentage of
19 the compensation of each member to be known as the normal
20 contribution, and an additional percentage of his compensation
21 to be known as the accrued liability contribution. The rates
22 per centum of such contribution shall be fixed on the basis of
23 the liabilities of the system as shown by actuarial valuation.

24 "(c) The normal rates of contribution shall be
25 determined after each actuarial valuation. During the period
26 over which the accrued liability contributions are payable,

1 the normal rates of contribution shall be determined, on the
2 basis of regular interest and the tables last adopted by the
3 board, as the uniform and constant percentages of the
4 compensation of the average new entrant Group I and Group I-A,
5 or Group II member, as the case may be, which, if contributed
6 on the basis of the prospective compensation of such new
7 entrant throughout his entire period of active service, would
8 be sufficient to provide for the payment of the portion of any
9 retirement allowance or other benefit payable on his account
10 not provided by his own contributions. After the accrued
11 liability contributions have ceased to be payable, the normal
12 contribution rate shall be the rate per centum of the
13 compensation of all members obtained by deducting from the
14 total liabilities of the Accumulation Account the amount of
15 the funds in hand standing to the credit of the Accumulation
16 Account, and dividing the remainder by one per centum of the
17 present value of the future compensations of all members, as
18 computed at regular interest on the basis of the tables last
19 adopted by the board.

20 "(d) The accrued liability contribution rates shall
21 be computed as the rate per centum of the total annual
22 compensation of all Group I and Group I-A, or Group II
23 members, as the case may be, which is equivalent to 4 3/4% of
24 the amount of the total liabilities of the Accumulation
25 Account on account of such members and their beneficiaries in
26 excess of the funds in hand held on their account in the

1 Accumulation Account, which is not dischargeable by the
2 aforesaid normal contributions made on account of such members
3 during the remainder of their active service.

4 "(e) The total amount payable by the city in each
5 year to the Accumulation Account shall be not less than the
6 sum of the rates per centum known as the normal contribution
7 rate and the accrued liability contribution rate, of the total
8 compensation of all members in Group I, I-A, and in Group II,
9 respectively, during the preceding year; provided, however,
10 that the amount of each annual accrued liability contribution
11 shall be at least 3% greater than the preceding annual accrued
12 liability contributions, and that the aggregate payment shall
13 be sufficient, when combined with the amount in the account,
14 to provide the retirement allowances and other benefits
15 payable to members and beneficiaries during the year then
16 current.

17 "(f) The accrued liability contributions shall be
18 discontinued as soon as the amount of the funds standing to
19 the credit of the Accumulation Account shall equal the present
20 value, as actuarially computed and approved by the board, of
21 the total liabilities of the account on account of all members
22 and beneficiaries less the present value of the normal
23 contributions to be received at the normal rates then in force
24 on account of persons who are at that time members.

25 "Interest

1 "(g) All interest and dividends earned on the funds
2 of the system shall be credited to the Accumulation Account.

3 "(h) Regular interest shall mean interest at the per
4 centum rate or rates compounded annually as shall be
5 determined by the board from time to time.

6 "Benefits payable from Accumulation Account

7 "(i) All retirement allowances to beneficiaries, and
8 benefits in lieu thereof, shall be paid from the Accumulation
9 Account.

10 "(3) Expense Account

11 "The Expense Account shall be the account from which
12 shall be paid all the expenses necessary in connection with
13 the administration and operation of the system. Persons
14 assigned to and working for the Retirement System shall be
15 employees of the City of Montgomery, and their salaries and
16 other accrued benefits for such employees shall be paid
17 proportionately by the City of Montgomery, and the City of
18 Montgomery Airport Authority, based upon each organization's
19 relative percentage of covered member payroll. All other
20 expenses and costs incurred in connection with the
21 administration and operation of the retirement system,
22 including, but not limited to, the fees and costs paid to the
23 retirement system's investment trustees and advisors, shall be
24 the sole responsibility of, and shall be paid by, the
25 retirement system itself from its investment income.

26 "(4) Appropriations

1 "On or before the first day of June of each year the
2 board shall file with the council its certification of the
3 amount of the appropriation necessary to pay the normal and
4 accrued liability contributions to the retirement fund for the
5 ensuing year, and the amount of appropriation required to
6 cover the expenses necessary in connection with the
7 administration and operation of the system, and such amounts
8 shall be included in the budget, in accordance with legal
9 budget procedure.

10 "(5) Member Contributions

11 "(a) Contributions which the board causes pursuant
12 to Section 7(1) to be deducted from the compensation of each
13 member employee and contributed to the member's account under
14 the act shall be treated for purposes of Section 414(h) (2) of
15 the Internal Revenue Code as being paid by the city in lieu of
16 contributions by any such member employee.

17 "(b) The member employee contributions which are
18 picked up will continue to be designated employee compensation
19 for determining the amount of the contribution to be so picked
20 up; the total amount of the contribution of each member
21 employee to the Employees' Retirement System of the City of
22 Montgomery shall not be reduced by this section; the amount of
23 the retirement allowance of each member shall not be affected
24 by this section, no other changes in the method of computation
25 and transmittal of these picked up employee contributions
26 shall be affected by this section; and the total amount paid

1 to and on behalf of each member employee will not be increased
2 or decreased by this section.

3 "(c) The procedure whereby the member employees
4 contribution to the Employees' Retirement System of the City
5 of Montgomery is picked up shall apply equally to each and
6 every such employee who participates in the Employees'
7 Retirement System of the City of Montgomery; no employee shall
8 be given any option concerning this pick up; and this
9 procedure of pick up shall be mandatory on all member
10 employees.

11 "(d) Forfeitures, if any, arising from severance of
12 employment, death, or for any other reason, may not be used to
13 increase benefits for employee members or their beneficiaries
14 who would otherwise receive under the Employees' Retirement
15 System of the City of Montgomery at any time prior to
16 termination of the Employees' Retirement System of the City of
17 Montgomery or the complete discontinuance of city
18 contributions. Forfeitures, if any, are to be used as soon as
19 possible to reduce subsequent city contributions."

20 Section 2. This act shall become effective on the
21 first day of the third month following its passage and
22 approval by the Governor, or its otherwise becoming law.