

1 HB356
2 183263-1
3 By Representative Patterson
4 RFD: State Government
5 First Read: 02-MAR-17

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8 SYNOPSIS: This bill would create an option for certain
9 retirees of the Teachers' Retirement System and the
10 Employees' Retirement System to elect to receive a
11 lump-sum cash payment equal to and in lieu of a
12 portion of his or her retirement allowance, not to
13 exceed 50 percent.

14 This bill would require the Director of
15 Finance to certify to the Board of Control, the
16 Governor, and the presiding officer of each house
17 of the Legislature whether or not available funds
18 are sufficient and economic conditions are
19 satisfactory to support the financial viability of
20 the lump-sum retirement allowance option and would
21 delay the offering of the option for a period of 12
22 months if economic conditions do not support the
23 viability of the lump-sum option.

24 This bill would also create the Alabama
25 Pension Authority and would authorize the authority
26 to issue bonds to fund the lump-sum retirement
27 allowance option to be repaid based on savings

1 accrued from the decreased annual required
2 contribution obligations of the state to the
3 Teachers' Retirement System and the Employees'
4 Retirement System.

5 This bill would also provide for the
6 formation of the authority, the powers and duties
7 of the authority, bond requirements, and the
8 dissolution of the authority.

9
10 A BILL

11 TO BE ENTITLED

12 AN ACT

13
14 Relating to retirement; to amend Sections 16-25-14,
15 16-25-21, 36-27-16, and 36-27-24, Code of Alabama 1975, to
16 allow certain retirees of the Teachers' Retirement System and
17 the Employees' Retirement System to elect to receive a
18 lump-sum cash payment equal to a specified portion of their
19 retirement allowance under certain conditions; to require the
20 Director of Finance to certify to the Board of Control, the
21 Governor, and the presiding officer of each House of the
22 Legislature whether there are sufficient funds and whether
23 economic conditions support the viability of the lump-sum
24 option; to provide for the creation of the Alabama Pension
25 Authority; to provide for the duties and powers of the
26 authority; to authorize the authority to issue bonds; to

1 provide for the bond requirements; and to provide for the
2 dissolution of the authority under certain conditions.

3 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

4 Section 1. Sections 16-25-14 and 16-25-21, Code of
5 Alabama 1975, are amended to read as follows:

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, may
26 retire upon written application to the Board of Control of the
27 Teachers' Retirement System setting forth at what time, not

1 less than 30 days nor more than 90 days subsequent to the
2 execution and filing thereof, he or she desires to be retired;
3 provided, that any such member who became a Tier I plan member
4 on or after October 1, 1963 shall have completed 10 or more
5 years of creditable service.

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

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

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

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

1 tables as prescribed in subsection (o) of Section 16-25-19,
2 would have resulted in the same average salary of the member
3 for the five years immediately preceding the date of
4 establishment as the records show the member actually
5 received.

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

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

14 "(2) If he or she became a member before October 1,
15 1971, \$72 multiplied by the number of years of his or her
16 creditable service not in excess of 25 years.

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

21 "(d) Upon retirement from service, a Tier II plan
22 member shall receive a service retirement allowance which
23 shall consist of an annuity which shall be the actuarial
24 equivalent of the member's accumulated contributions at the
25 time of retirement and a pension which, when added to the
26 member's annuity, shall be equal to one and sixty-five
27 hundredths percent (1.65%) of the member's average final

1 compensation multiplied by the number of years of creditable
2 service. Notwithstanding the foregoing, the service retirement
3 allowance shall not exceed eighty percent (80%) of the
4 member's average final compensation.

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

25 "(f) Upon retirement for disability, a Tier I plan
26 member shall receive a service retirement allowance if he or
27 she has attained age 60 or if any law or part of any law

1 pertaining to retirement under the Teachers' Retirement System
2 of Alabama provides for service retirement after the
3 completion of 25 years of creditable service and the member
4 has completed 25 years of creditable service; otherwise, he or
5 she shall receive a disability retirement allowance which
6 shall consist of:

7 "(1) An annuity which shall be the actuarial
8 equivalent of his or her accumulated contributions at the time
9 of retirement; and

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

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

18 "a. Two and one-eightieth percent of the member's
19 average final compensation multiplied by the number of years
20 of creditable service.

21 "b. If he or she became a member before October 1,
22 1971, \$54 multiplied by the number of years of his or her
23 creditable service not in excess of 25 years.

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

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

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

1 rights in and to his or her pension may be revoked by the
2 Board of Control; provided, that these requirements relative
3 to the medical examination shall not apply in the case of a
4 Tier II plan member who is a correctional officer,
5 firefighter, or law enforcement officer as defined in Section
6 36-27-59 retired for disability and who has attained age 56
7 with at least ten years of creditable service as a
8 correctional officer, firefighter, or law enforcement officer.

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

25 "(3) Should the medical board report and certify to
26 the Board of Control that a disability beneficiary who is a
27 Tier II plan member has the capacity to engage in regular and

1 substantial gainful employment, the Board of Control shall
2 discontinue the beneficiary's retirement allowance until the
3 beneficiary is otherwise eligible for service retirement.

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

19 "(2) In case of the death of a member eligible for
20 service retirement pursuant to subsection (a) of this section,
21 an allowance shall be paid to the surviving spouse, or to such
22 other person who the member shall have designated, in an
23 amount that would have been payable if the member had retired
24 immediately prior to his or her death and had elected Option
25 3, as set forth in subsection (j) of this section or,
26 alternatively, if the surviving spouse or other designee
27 desires, he or she may choose to receive, in lieu of the

1 allowance provided under Option 3, the accumulated
2 contributions of the member plus an amount equal to the
3 accumulated contributions of the member not to exceed \$5,000
4 or the accumulated contributions of the member plus the
5 benefit provided by Section 36-27B-3 if a benefit is payable
6 under such section.

7 "(3) Upon the death of a member on account of whom
8 no survivor allowance is payable under subdivision (2) of this
9 subsection, the accumulated contributions of the member plus
10 an amount equal to the accumulated contributions not to exceed
11 \$5,000 or the accumulated contributions of the member plus the
12 benefit provided by Section 36-27B-3 if a benefit is payable
13 under such section shall be paid to his or her estate or to
14 such person as he shall have nominated by written designation
15 duly executed and filed with the Board of Control.

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

23 "(1) OPTION 1. If he or she dies before he or she
24 has received in annuity payments the present value of his or
25 her annuity as it was at the time of his or her retirement,
26 the balance shall be paid to his or her legal representatives
27 or to such person as he or she shall nominate by written

1 designation duly acknowledged and filed with the Board of
2 Control;

3 "(2) OPTION 2. Upon his or her death, his or her
4 reduced retirement allowance shall be continued throughout the
5 life of and paid to such person as he or she shall nominate by
6 written designation duly acknowledged and filed with the Board
7 of Control at the time of his or her retirement;

8 "(3) OPTION 3. Upon his or her death, one half of
9 his or her reduced retirement allowance shall be continued
10 throughout the life of and paid to such person as he or she
11 shall nominate by written designation duly acknowledged and
12 filed with the Board of Control at the time of his or her
13 retirement; ~~or~~

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

21 "(5) OPTION 5. Upon retirement, the member may elect
22 to receive a lump-sum cash payment equal to and in lieu of a
23 portion of his or her retirement allowance, not to exceed 50
24 percent, provided that such benefit, together with the reduced
25 retirement allowance, shall be equal to the present value
26 equivalent of the actuarial value of his or her retirement

1 allowance and provided that such benefit shall be certified by
2 the actuary and approved by the Board of Control.

3 "(k) The Retirement Systems of Alabama shall make
4 available and provide financial counseling to any member that
5 elects Option 5 as provided in subsection (j).

6 "(l) Prior to the close of each fiscal year, the
7 Director of Finance shall certify to the Board of Control, the
8 Governor, and the presiding officer of each house of the
9 Legislature whether or not available funds are sufficient and
10 economic conditions are satisfactory to support the financial
11 viability of the retirement allowance provided in Option 5 in
12 subdivision (5) of subsection (j). In the event that
13 conditions are not satisfactory, Option 5, provided in
14 subdivision (5) of subsection (j), shall be suspended for 12
15 months from the certification.

16 "(m) It is expressly provided that any benefits
17 under this section shall be in addition to any other benefits
18 provided by law for any employees of the state, and this
19 section is specifically made supplemental to and shall be
20 construed in pari materia with the employees' retirement law
21 of the state.

22 ~~(k)~~ (n) Should any beneficiary be restored to
23 active service, his or her retirement allowance shall be
24 suspended until he or she again withdraws from service and, he
25 or she shall not again become a member, nor shall he or she
26 make contributions; except, that should such beneficiary who
27 has been restored to active service continue in service for a

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

16 "~~(1)~~(o) (1) All retirement allowance payments due on
17 or after October 1, 1975, to members who retired prior to
18 October 1, 1975, shall be redetermined as if the provisions of
19 subsections (b) and (e) of this section which became effective
20 on said date were in effect at the time the member retired;
21 provided, that the annual retirement allowance of any member
22 who retired on or before January 1, 1956, shall be not less
23 than \$132 multiplied by the number of years of his or her
24 creditable service not in excess of 30 years in the case of
25 service retirement or \$99 multiplied by the number of years of
26 creditable service not in excess of 30 years in the case of
27 disability retirements. Any increase provided in the

1 retirement allowance payment under this subsection for a
2 member who retired under the provisions of any optional
3 benefit elected pursuant to subsection (j) of this section
4 shall accrue only to the retired member, and no person
5 designated to receive any payments after the death of a
6 retired member under the provisions of any such optional
7 benefit shall receive any increase in such payments under this
8 subsection.

9 "(2) Any person who served at least 30 years as a
10 teacher in the public schools of Alabama and was never a
11 member of the system and who, prior to October 1, 1963, was in
12 receipt of a benefit for old age assistance pursuant to
13 subsections (1) and (2) of Section 1 of 116, approved August
14 24, 1959, shall be entitled to receive an annual retirement
15 allowance of \$3,960 from the system, effective as of October
16 1, 1973.

17 "(3) Prior to October 31, 1975 any beneficiary may
18 elect to leave on deposit with the system all or a specified
19 part of any increase in his or her monthly retirement
20 allowance payments arising in accordance with subdivision (1)
21 or (2) of this subsection. The portion of each monthly payment
22 left in the system in accordance with such election shall be
23 credited, together with regular interest thereon, to the
24 individual account of such beneficiary. Upon the death of such
25 beneficiary, the total amount standing to his or her credit,
26 including regular interest to the date of death, shall be paid
27 in a lump sum to his or her legal representative or to such

1 person as he or she shall have nominated by written
2 designation duly acknowledged and filed with the Board of
3 Control.

4 ~~(m)~~ (p) Notwithstanding any other provisions of this
5 section to the contrary, when a designated beneficiary for a
6 member predeceases the member who is receiving a monthly
7 benefit allowance provided under Option 2, 3, ~~or~~ 4, or 5, the
8 member may designate a replacement beneficiary for the
9 deceased beneficiary to become effective two years after the
10 date of designation of the replacement beneficiary and an
11 actuarial adjustment in the monthly benefit allowance of the
12 member to cover any cost associated with designating a
13 replacement beneficiary shall be reflected thereafter in the
14 monthly benefit allowance received by the member, commencing
15 with the first benefit allowance check received by the member
16 following the date of designation of the replacement
17 beneficiary.

18 "~~(n)~~ (q) Notwithstanding any provision of this
19 section to the contrary, if a retired member who is receiving
20 a monthly benefit allowance provided under Option 2, 3, ~~or~~ 4, or
21 or 5 divorces his or her designated beneficiary, the member
22 may designate a replacement beneficiary for the beneficiary to
23 become effective two years after the date of designation of
24 the replacement beneficiary and an actuarial adjustment in the
25 monthly benefit allowance of the member to cover any cost
26 associated with designating a replacement beneficiary shall be
27 reflected thereafter in the monthly benefit allowance received

1 by the member, commencing with the first benefit allowance
2 check received by the member following the date of designation
3 of the replacement beneficiary.

4 "~~(o)~~ (r) Any future act to increase the retirement
5 age for Tier II plan members above the age of 62 shall require
6 a two-thirds vote of the elected membership of each house of
7 the Legislature.

8 "§16-25-21.

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

19 "(1) The Annuity Savings Fund shall be a fund in
20 which shall be accumulated contributions from the compensation
21 of members to provide for their annuities. Contributions to
22 and payments from the Annuity Savings Fund shall be made as
23 follows:

24 "a. Each employer shall cause to be deducted from
25 the salary of each member on each and every payroll of such
26 employer for each and every payroll period five percent of his
27 or her earnable compensation. For all pay dates beginning on

1 or after October 1, 2011, each employer shall cause to be
2 deducted from the salary of each member on each and every
3 payroll of such employer for each and every payroll period
4 seven and one-quarter percent (7.25%) of his or her earnable
5 compensation. For all pay dates beginning on or after October
6 1, 2012, each employer shall cause to be deducted from the
7 salary of each Tier I plan member on each and every payroll of
8 such employer for each and every payroll period seven and
9 one-half percent (7.5%) of his or her earnable compensation.
10 For all pay dates beginning on or after January 1, 2013, each
11 employer shall cause to be deducted from the salary of each
12 Tier II plan member on each and every payroll period six
13 percent (6%) of his or her earnable compensation; except in
14 the case of a Tier II plan member who is a correctional
15 officer, firefighter, or law enforcement officer as defined in
16 Section 36-27-59, the rate of seven percent (7%) shall apply.
17 In determining the amount earnable by a member in a payroll
18 period, the Board of Control may consider the rate of annual
19 compensation payable to such member on the first day of the
20 payroll period as continuing throughout such payroll period,
21 and it may omit deductions from compensation for any period
22 less than a full payroll period if a teacher was not a member
23 on the first day of the payroll period, and to facilitate the
24 making of deductions it may modify the deduction required of
25 any member by such an amount as shall not exceed one tenth of
26 one percent of the annual compensation upon the basis of which
27 such deduction is to be made.

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

18 "c. In addition to the contributions deducted from
19 compensation as hereinbefore provided, subject to the approval
20 of the Board of Control, any member may deposit in the Annuity
21 Savings Fund by a single payment or by an increased rate of
22 contribution an amount computed to be sufficient to purchase
23 an additional annuity which, together with his or her
24 prospective retirement allowance, will provide for him or her
25 a total retirement allowance not to exceed one half of his or
26 her average final compensation at age 60. Such additional
27 amounts so deposited shall become a part of his or her

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

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

21 "(2) The Pension Accumulation Fund shall be the fund
22 in which shall be accumulated all reserves, other than amounts
23 held in the Annuity Savings Fund for the payment of all
24 pensions and other benefits. Contributions to and payments
25 from the Pension Accumulation Fund shall be made as follows:

26 "a. On account of each member there shall be paid
27 monthly by the employer an amount equal to a certain

1 percentage of the earnable compensation of each member to be
2 known as the "normal contribution," ~~and an additional~~ amount
3 equal to a percentage of his or her earnable compensation to
4 be known as the "accrued liability contribution," and these
5 two amounts shall be paid monthly into the Pension
6 Accumulation Fund. Notwithstanding any other provision of law
7 to the contrary, additionally, an amount equal to a certain
8 percentage of earnable compensation as determined by the
9 Director of Finance and certified to the Board of Control to
10 support the debt service payment of the retirement allowance
11 provided in Option 5 in subdivision (5) of subsection (j) of
12 Section 16-25-14, to be known as the "lump-sum option
13 contribution" shall be paid monthly to a designated fund
14 within the State Treasury. An amount equal to the lump-sum
15 option contribution shall be transferred from the designated
16 fund to the Alabama Pension Authority to pay for the
17 corresponding debt service related to those retirement
18 benefits. The Teachers' Retirement System shall recommend to
19 the Legislature on or before the first legislative day of each
20 regular session of the Legislature the rate for the following
21 fiscal year. The Legislature shall set the rate in the annual
22 appropriation bill.

23 "b. On the basis of regular interest and of such
24 mortality and other tables as shall be adopted by the Board of
25 Control, the actuary engaged by the board to make such
26 valuation required by this title shall, immediately after
27 making such valuation, determine the uniform and constant

1 percentage of the earnable compensation of the average new
2 entrant which, if contributed on the basis of his or her
3 compensation throughout his or her entire period of active
4 service, would be sufficient to provide for the payment of any
5 pension payable on his or her account. The rate per centum so
6 determined shall be known as the "normal contribution" rate.
7 The normal contribution rate shall be determined by the
8 actuary after each valuation.

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

16 "2. The unfunded accrued liability shall be computed
17 by the actuary as the total liabilities of the system which
18 are not dischargeable by the assets of the Annuity Savings
19 Fund and the Pension Accumulation Fund and the present value
20 of the aforesaid normal contributions. For purposes of
21 computing the unfunded accrued liability the assets shall be
22 determined as follows:

23 "On June 30, 1997, the assets shall be determined by
24 using the market value of such assets. For subsequent years
25 the value of the assets shall be determined by the system's
26 actuary using a five year smoothed market value.

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

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

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

21 "(3) The Expense Fund shall be the fund from which
22 the expenses of the administration of the retirement system
23 shall be paid, exclusive of amounts payable as retirement
24 allowances and as other benefits provided herein. Any amounts
25 credited to the accounts of members withdrawing before
26 retirement and not returnable under the provisions of
27 subsection (i) of Section 16-25-14 shall be credited to the

1 Expense Fund. Any additional contributions required to meet
2 the expenses of the retirement system shall be made as
3 provided in paragraphs c., d., and e. of subdivision (4) of
4 this section.

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

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

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

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

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

22 "f. To the extent that employer cost is collected
23 for any increase in benefits payable to retired employees of
24 local boards of education and state institutions of higher
25 education who are retired under the Employees' Retirement
26 System, there shall be a transfer of funds from these funds to

1 the Employees' Retirement System for each year such benefits
2 are payable.

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

13 Section 2. (a) Notwithstanding any other provision
14 of law to the contrary, within 12 months of the effective date
15 of this act or within 12 months of separation from state
16 service, a Tier I or Tier II plan member under the Teachers'
17 Retirement System who has 10 or more years of creditable
18 service, who is no longer in service of this state, and who
19 has not attained the age and years of service requirements to
20 be eligible for retirement, may elect to receive a lump-sum
21 cash payment equal to the present value equivalent of the
22 actuarial value of his or her retirement allowance in lieu of
23 his or her retirement allowance; provided that such benefit
24 shall be certified by the actuary and shall be approved by the
25 Board of Control.

26 (b) Prior to the close of each fiscal year, the
27 Director of Finance shall certify to the Board of Control, the

1 Governor, and the presiding officer of each house of the
2 Legislature whether or not available funds are sufficient and
3 economic conditions are satisfactory to support the financial
4 viability of the lump-sum retirement allowance option provided
5 under subsection (a). In the event that conditions are not
6 satisfactory, the lump-sum retirement allowance option
7 provided under subsection (a) shall be suspended for 12 months
8 from date of certification.

9 Section 3. A retiree who has elected to take a
10 lump-sum retirement allowance option as provided under Section
11 16-25-14, Code of Alabama 1975, or Section 2, may not elect to
12 purchase prior service credit for which a lump-sum allowance
13 was distributed, but may purchase service credit for any new
14 retirement benefits earned after the distribution of the
15 lump-sum allowance.

16 Section 4. Sections 36-27-16 and 36-27-24, Code of
17 Alabama 1975, are amended to read as follows:

18 "§36-27-16.

19 "(a) (1) RETIREMENT, ETC., OF EMPLOYEES GENERALLY;
20 ELIGIBILITY FOR SERVICE RETIREMENT BENEFITS.

21 "a. Any Tier I plan member who withdraws from
22 service upon or after attainment of age 60 and any Tier II
23 plan member who withdraws from service upon or after
24 attainment of age 62 may retire upon written application to
25 the Board of Control setting forth at what time, not less than
26 30 days nor more than 90 days subsequent to the execution and
27 filing thereof, he or she desires to be retired; provided,

1 that any such member who became a member on or after October
2 1, 1963, shall have completed 10 or more years of creditable
3 service; provided further, that a Tier I plan member employed
4 as a state policeman shall be eligible to file application for
5 service retirement upon attaining age 52 and a Tier II plan
6 member employed as a state policeman or employed as a
7 correctional officer, firefighter, or law enforcement officer
8 as defined in Section 36-27-59 with at least ten years of
9 creditable service as a correctional officer, firefighter, or
10 law enforcement officer shall be eligible to file application
11 for service retirement upon attaining age 56.

12 "b. Any Tier I plan member who has attained age 60,
13 or age 52 in the case of a state policeman and any Tier II
14 plan member who has attained age 62, or age 56 in the case of
15 a state policeman or in the case of a correctional officer,
16 firefighter, or law enforcement officer as defined in Section
17 36-27-59 who has at least ten years of creditable service as
18 a correctional officer, firefighter, or law enforcement
19 officer, and has previously withdrawn from service may retire
20 upon written application to the Board of Control setting forth
21 at what time, not less than 30 days nor more than 90 days
22 subsequent to the execution and filing thereof, he or she
23 desires to be retired; provided, the member shall have at the
24 time of his or her withdrawal from service completed the age
25 and service requirements established by the Board of Control
26 for eligibility for deferred benefits; provided, that such

1 minimum number of years of creditable service shall not be
2 less than 10 years nor more than 25 years.

3 "c. In addition to any law or part of law relating
4 to service retirement under the Employees' Retirement System
5 of Alabama, any Tier I plan member of the Employees'
6 Retirement System who withdraws from service after completion
7 of not less than 25 years of creditable service may retire
8 without a reduction in retirement allowance upon written
9 application to the Board of Control of the Employees'
10 Retirement System setting forth the first day of which month,
11 not less than 30 days or more than 90 days subsequent to the
12 execution and filing thereof, he or she desires to be retired,
13 provided that no person whose employer participates in the
14 Employees' Retirement System under Section 36-27-6 shall be
15 entitled to the benefits provided in this paragraph unless
16 such employer elects to come under the provisions of the
17 paragraph. Any employer making such election must bear the
18 cost of such benefit.

19 "(2) AMOUNT OF SERVICE RETIREMENT ALLOWANCE.

20 "a. Upon retirement from service a Tier I plan
21 member shall receive a service retirement allowance which
22 shall consist of:

23 "1. An annuity which shall be the actuarial
24 equivalent of his or her accumulated contributions at the time
25 of his or her retirement; except, that in the case of a state
26 policeman who has completed 20 years of creditable service as
27 a state policeman who retires after age 56 but prior to age

1 60, the annuity shall be equal to the annuity that would have
2 been payable upon service retirement at age 60 had the member
3 continued in service to age 60 without change in compensation;

4 "2. A pension which shall be equal to the annuity
5 allowance at age of retirement, but not to exceed an annuity
6 allowable at age 65, computed on the basis of contributions
7 made prior to attainment of age 65; except, that in the case
8 of a state policeman who has completed 20 years of creditable
9 service as a state policeman who retires after age 56 but
10 prior to age 60, the pension shall be equal to the annuity
11 that he or she would have received had he or she contributed
12 to age 60 without change in compensation; and

13 "3. An additional pension, if he or she has a prior
14 service certificate in full force and effect, which shall be
15 equal to the annuity which would have been provided at the age
16 of retirement, but which shall not exceed an annuity allowable
17 at age 65 by twice the contributions which he or she would
18 have made during the period of prior service with which he or
19 she is credited had the system been in operation and had he or
20 she contributed thereunder; except, that in case of a state
21 policeman who has completed 20 years of creditable service as
22 a state policeman who retired after age 56 but prior to age
23 60, an additional pension, if he or she has a prior service
24 certificate in full force and effect, which shall be equal to
25 the annuity which would have been provided at age 60, but
26 which shall not exceed an annuity allowable at age 60 by twice
27 the contributions which he or she would have made during the

1 period of prior service with which he or she is credited had
2 the system been in operation and had he or she contributed
3 thereunder.

4 "b. Notwithstanding the provisions of subparagraphs
5 1, 2, and 3 of paragraph a. of this subdivision, a state
6 policeman who is a Tier I plan member and who has completed 20
7 years of service as a state policeman who retires after age 52
8 but prior to age 56 shall receive:

9 "1. An annuity which shall be equal to the annuity
10 that would have been payable had the member continued in
11 service for four years without change in compensation;

12 "2. A pension which shall be equal to the annuity
13 that he or she would have received had he or she contributed
14 for four years without change in compensation; and

15 "3. An additional pension, if he or she has a prior
16 service certificate in full force and effect, which shall be
17 equal to the annuity which would have been provided at the age
18 of retirement, but which shall not exceed an annuity allowable
19 at the age of retirement plus four years by twice the
20 contributions which he or she would have made during the
21 period of prior service with which he or she is credited had
22 the system been in operation and had he or she contributed
23 thereunder. In lieu of a determination of the actual
24 compensation of a member that was received during such prior
25 service, the Board of Control may use for the purpose of this
26 article the compensation rate which, if it had progressed with
27 the rates of salary increase shown in the tables as prescribed

1 in subsection (n) of Section 36-27-23, would have resulted in
2 the same average salary of the member for the five years
3 immediately preceding the date of establishment as the records
4 show the member actually received.

5 "c. The annual service retirement pension payable to
6 a Tier I plan member not employed as a state policeman
7 retiring on or after October 1, 1975, shall not be less than
8 an amount which, when added to his or her annuity, is equal to
9 the greater of the following two amounts:

10 "1. Two and one-eightieth percent of the member's
11 average final compensation multiplied by the number of years
12 of his or her creditable service; or

13 "2. If he or she became a member before October 1,
14 1965, \$72.00 multiplied by the number of years of his or her
15 creditable service not in excess of 25 years.

16 "d. The annual service retirement pension payable to
17 a Tier I plan member employed as a state policeman retiring on
18 or after October 1, 1975, shall not be less than an amount
19 which, when added to his or her annuity is equal to the
20 greater of the following two amounts:

21 "1. Two and seven-eighths percent of the member's
22 average final compensation multiplied by the number of years
23 of his or her creditable service. Creditable service for any
24 state policeman under the age of 56 years who has completed 20
25 years of creditable service as a state policeman shall include
26 a bonus equal to four additional years. Creditable service for
27 a state policeman 56 years or older shall include a bonus

1 equal to the years or portion thereof remaining until the
2 member reaches age 60; or

3 "2. If he or she became a member before October 1,
4 1965, \$86.40 multiplied by the number of years of his or her
5 creditable service not in excess of 25 years; provided,
6 however, that if such member has completed 20 years of
7 creditable service as a state policeman and has not attained
8 age 60 at the time of retirement, the pension shall be
9 determined as provided in this subparagraph on the basis of
10 the number of years of creditable service which he or she
11 would have had if he or she had remained in service for four
12 years, except that, in the case of those state policemen
13 retiring at age 56 or after, the number of years in
14 determining the pension shall not exceed the number of years
15 of creditable service which he or she would have had if he or
16 she had remained in service to age 60.

17 "e. Upon retirement from service, a Tier II plan
18 member who is not employed as a state policeman shall receive
19 a service retirement allowance which shall consist of an
20 annuity which shall be the actuarial equivalent of the
21 member's accumulated contributions at the time of retirement
22 and a pension which, when added to the member's annuity, shall
23 be equal to one and sixty-five hundredths percent (1.65%) of
24 the member's average final compensation multiplied by the
25 number of years of creditable service. Notwithstanding the
26 foregoing, the service retirement allowance shall not exceed

1 eighty percent (80%) of the member's average final
2 compensation.

3 "f. Upon retirement from service, a Tier II plan
4 member who is employed as a state policeman shall receive a
5 service retirement allowance which shall consist of an annuity
6 which shall be the actuarial equivalent of the member's
7 accumulated contributions at the time of retirement and a
8 pension which, when added to the member's annuity, shall be
9 equal to two and three-eighths percent (2.375%) of the
10 member's average final compensation multiplied by the member's
11 number of years of creditable service. Notwithstanding the
12 foregoing, the service retirement allowance shall not exceed
13 eighty percent (80%) of the member's average final
14 compensation.

15 "g. Anything in this article to the contrary
16 notwithstanding, in the application of the foregoing
17 provisions of this subdivision to a member whose creditable
18 service includes a period of service as a state policeman and
19 a period of service in another employment classification, the
20 benefit rates applicable to a member employed as a state
21 policeman shall apply to all creditable service as a state
22 policeman, and the benefit rates applicable to a member not
23 employed as a state policeman shall apply to all creditable
24 service, but in all other respects the pension under this
25 subdivision shall be determined on the basis of the member's
26 employment classification at the time of his or her withdrawal
27 from service.

1 "h. The annual service retirement pension payable to
2 any state employee who had attained age 60 on or before
3 October 1, 1945, who declined membership in the Employees'
4 Retirement System of Alabama in the manner prescribed in
5 Section 36-27-4 and who retires as a state employee after
6 completing a minimum of 15 years' service shall be \$72.00
7 multiplied by the number of years of his or her service not in
8 excess of 25 years.

9 "(b) (1) RETIREMENT OF DISABLED EMPLOYEES;
10 ELIGIBILITY FOR DISABILITY RETIREMENT BENEFITS.

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

1 the member is totally and permanently mentally or physically
2 incapacitated from regular and substantial gainful employment,
3 and that such member should be retired.

4 "b. Without regard to the number of years of
5 creditable service, a member employed as a state policeman, a
6 municipal police officer or a deputy sheriff, or a member
7 employed as a state, municipal, or county firefighter who is
8 not covered through his or her current employer under the
9 United States Social Security Act, who as a result of his or
10 her employment, in the line of duty and not as a result of his
11 or her own misconduct, shall become permanently and totally
12 disabled to the extent that he or she cannot perform his or
13 her duties or duties of a less strenuous nature, as an
14 employee of the State of Alabama or as an employee of an
15 employer participating under the provisions of Section
16 36-27-6, shall be retired on a disability retirement
17 allowance, not less than 30 nor more than 90 days next
18 following the date of filing of such application, provided
19 that the medical board, after a medical examination of such
20 member shall certify that such member is mentally or
21 physically incapacitated for the further performance of duty,
22 that such incapacity is likely to be permanent, and that such
23 member should be retired.

24 "(2) AMOUNT OF DISABILITY RETIREMENT ALLOWANCE.

25 "a. Upon retirement for disability a member shall
26 receive a service retirement allowance if he or she is a Tier
27 I plan member and he or she has attained age 60 or if he or

1 she is a Tier II plan member and he or she has attained age
2 62, or if any law or part of any law pertaining to retirement
3 under the Employees' Retirement System of Alabama provides for
4 service retirement after the completion of 25 years of
5 creditable service without a reduction in the retirement
6 allowance and the member has completed 25 years of creditable
7 service, or, in the case of a state policeman, if he or she is
8 a Tier I plan member and he or she has attained age 52 or, in
9 the case of a state policeman or a correctional officer,
10 firefighter, or law enforcement officer as defined in Section
11 36-27-59 with at least ten years of creditable service as a
12 correctional officer, firefighter, or law enforcement officer,
13 if he or she is a Tier II plan member and he or she has
14 attained age 56; otherwise, he or she shall receive a
15 disability retirement allowance which shall consist of:

16 "1. An annuity which shall be the actuarial
17 equivalent of his or her accumulated contributions at the time
18 of his or her retirement;

19 "2. A pension which shall be equal to the pension
20 that would have been payable under subparagraphs 2 and 3 of
21 paragraph a. of subdivision (2) of subsection (a) of this
22 section upon service retirement at age 65 had the member
23 continued in service to that age without change in
24 compensation.

25 "b. The annual disability retirement pension payable
26 to a Tier I plan member not employed as a state policeman
27 retiring on or after October 1, 1975, shall not be less than

1 an amount which when added to his or her annuity is equal to
2 the greatest of the following two amounts:

3 "1. Two and one-eightieth percent of the member's
4 average final compensation multiplied by the number of years
5 of creditable service.

6 "2. If he or she became a member before October 1,
7 1965, \$54.00 multiplied by the number of years of his or her
8 creditable service not in excess of 25 years.

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

14 "1. Two and seven-eighths percent of the member's
15 average final compensation multiplied by the number of years
16 of his or her creditable service. Creditable service for any
17 state policeman under the age of 56 years who has completed 20
18 years of creditable service as a state policeman shall include
19 a bonus equal to four additional years. Creditable service for
20 a state policeman 56 years or older shall include a bonus
21 equal to the years or portion thereof remaining until the
22 member reaches age 60; or

23 "2. If he or she became a member before October 1,
24 1965, \$64.80 multiplied by the number of years of his or her
25 creditable service not in excess of 25 years.

26 "d. The annual disability retirement allowance
27 payable to a Tier II plan member not employed as a state

1 policeman shall be equal to one and sixty-five hundredths
2 percent (1.65%) of the member's average final compensation
3 multiplied by the number of years of creditable service.

4 "e. The annual disability retirement allowance
5 payable to a Tier II plan member employed as a state policeman
6 shall be equal to two and three-eighths percent (2.375%) of
7 the member's average final compensation multiplied by the
8 number of years of creditable service.

9 "f. Anything in this chapter to the contrary
10 notwithstanding in the application of the provisions of this
11 subdivision to a member whose creditable service includes a
12 period of service as a state policeman and a period of service
13 in another employment classification the benefit rates
14 applicable to a member employed as a state policeman shall
15 apply to all creditable service as a state policeman, and the
16 benefit rates applicable to a member not employed as a state
17 policeman shall apply to all other creditable service, but in
18 all other respects the pension under this subdivision shall be
19 determined on the basis of the member's employment
20 classification at the time of his or her withdrawal from
21 service.

22 "(3) REEXAMINATION OF BENEFICIARIES RETIRED ON
23 ACCOUNT OF DISABILITY. Once each year during the first five
24 years following the retirement of a member on a disability
25 retirement allowance and once every three-year period
26 thereafter, the Board of Control may, and upon his or her
27 application shall, require any disability beneficiary who has

1 not yet attained age 60 if the beneficiary is a Tier I plan
2 member or age 62 if the beneficiary is a Tier II plan member
3 to undergo a medical examination, such examination to be made
4 at the place of residence of such beneficiary or other place
5 mutually agreed upon by a physician or physicians of or
6 designated by the medical board. Should any disability
7 beneficiary who has not yet attained age 60 if the beneficiary
8 is a Tier I plan member or age 62 if the beneficiary is a Tier
9 II plan member refuse to submit to such medical examination,
10 his or her allowance may be discontinued until his or her
11 withdrawal of such refusal, and, should his or her refusal
12 continue for one year, all his or her rights in and to his or
13 her pension may be revoked by the Board of Control; provided,
14 that these requirements relative to the medical examination
15 shall not apply in the case of a state policeman retired for
16 disability and who has attained age 52 if he or she is a Tier
17 I plan member or in the case of a state policeman or a
18 correctional officer, firefighter, or law enforcement officer
19 as defined in Section 36-27-59 with at least ten years of
20 creditable service as a correctional officer, firefighter, or
21 law enforcement officer retired for disability who has
22 attained age 56 if he or she is a Tier II plan member. Should
23 the medical board report and certify to the Board of Control
24 that a disability beneficiary who is a Tier I plan member is
25 engaged in or is able to engage in a gainful occupation paying
26 more than the difference between his or her retirement
27 allowance and his or her average final compensation and should

1 the Board of Control concur in such report, then the amount of
2 his or her pension shall be reduced to an amount which,
3 together with his or her annuity and the amount earnable by
4 him or her shall equal the amount of his or her average final
5 compensation. Should his or her earning capacity be later
6 changed, the amount of his or her pension may be further
7 modified; provided, that the new pension shall not exceed the
8 amount of the pension originally granted nor an amount which,
9 when added to the amount earnable by the beneficiary, together
10 with this annuity exceeds the amount of his or her average
11 final compensation.

12 "Should the medical board report and certify to the
13 Board of Control that a disability beneficiary who is a Tier
14 II plan member has the capacity to engage in regular and
15 substantial gainful employment, the Board of Control shall
16 discontinue the beneficiary's retirement allowance until the
17 beneficiary is otherwise eligible for service retirement.

18 "(c) Disposition of contributions and allowances
19 upon death, etc., of member.

20 "(1) Should a member cease to be an employee except
21 by death or by retirement under the provisions of this
22 article, the contributions standing to the credit of his or
23 her individual account in the Annuity Savings Fund shall be
24 paid to him or her upon demand and, in addition to such
25 payment, there shall be paid five-tenths of the interest
26 accumulations standing to the credit of his or her individual
27 account if he or she shall have not less than three but less

1 than 16 years of membership service, six-tenths of such
2 interest accumulations if he or she shall have not less than
3 16 but less than 21 years of membership service, seven-tenths
4 of such interest accumulations if he or she shall have not
5 less than 21 but less than 26 years of membership service and
6 eight-tenths of such interest accumulations if he or she shall
7 have not less than 26 years of membership service.

8 "(2) In case of the death of a member eligible for
9 service retirement pursuant to subsection (a) of this section,
10 an allowance shall be paid to the surviving spouse, or to such
11 other person who the member shall have designated, in an
12 amount that would have been payable if the member had retired
13 immediately prior to his or her death and had elected Option
14 3, as set forth in subsection (d) of this section or,
15 alternatively, if the surviving spouse or other designee
16 desires, he or she may choose to receive, in lieu of the
17 allowance provided under Option 3, the accumulated
18 contributions of the member plus an amount equal to the
19 accumulated contributions of the member not to exceed
20 \$5,000.00 or the accumulated contributions of the member plus
21 the benefit provided by Section 36-27B-3 if a benefit is
22 payable under such section;

23 "(3) In case of the death of a Tier I plan member
24 not eligible for service retirement, after completion of 25
25 years of creditable service, an allowance shall be paid to the
26 surviving spouse, or to such other person who the member shall
27 have designated, in an amount that would have been payable if

1 the member had retired for disability immediately prior to his
2 or her death and had elected Option 3 as set forth in
3 subsection (d) of this section or, alternatively, if the
4 surviving spouse or other designee desires, he or she may
5 choose to receive, in lieu of the allowance provided under
6 Option 3, the accumulated contributions of the member plus an
7 amount equal to the accumulated contributions of the member
8 not to exceed \$5,000.00 or the accumulated contributions of
9 the member plus the benefit provided by Section 36-27B-3 if a
10 benefit is payable under such section;

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

21 "(d) Optional allowances. With the provision that
22 the election of an option shall be effective on the effective
23 date of retirement, any member may elect prior to retirement
24 to receive, in lieu of his or her retirement allowance payable
25 throughout life, the actuarial equivalent, at that time, of
26 his or her retirement allowance in a reduced retirement
27 allowance payable throughout life with the provisions 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 such 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 such 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 allowance shall be continued throughout the
15 life of and paid to such person as he or she shall nominate by
16 written designation duly acknowledged and filed with the Board
17 of Control at the time of his or her retirement; or

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

25 "(5) OPTION 5. Upon retirement, the member may
26 elect to receive a lump-sum cash payment equal to and in lieu
27 of a portion of his or her retirement allowance, not to exceed

1 50 percent, provided that such benefit, together with the
2 reduced retirement allowance, shall be equal to the present
3 value equivalent of the actuarial value of his or her
4 retirement allowance and provided that such benefit shall be
5 certified by the actuary and approved by the Board of Control.

6 (e) The Retirement Systems of Alabama shall make
7 available and provide financial counseling to any member that
8 elects Option 5 as provided in subsection (d).

9 "(f) Prior to the close of each fiscal year, the
10 Director of Finance shall certify to the Board of Control, the
11 Governor, and the presiding officer of each house of the
12 Legislature whether or not available funds are sufficient and
13 economic conditions are satisfactory to support the financial
14 viability of the retirement allowance provided in Option 5 in
15 subdivision (5) of subsection (d). In the event that
16 conditions are not satisfactory, Option 5, provided in
17 subdivision (5) of subsection (d), shall be suspended for 12
18 months from the certification.

19 "(g) It is expressly provided that any benefits
20 under this section shall be in addition to any other benefits
21 provided by law for any employees of the state, and this
22 section is specifically made supplemental to and shall be
23 construed in pari materia with the employees' retirement law
24 of the state.

25 ~~(e)~~ (h) Effect of return to active service. Should
26 any beneficiary be restored to active service, his or her
27 retirement allowance shall be suspended until he or she again

1 withdraws from service and he or she shall not again become a
2 member of the retirement system nor shall he or she make
3 contributions; except, that should such beneficiary who has
4 been restored to active service continue in service for a
5 period of two or more years from the date of his or her
6 reentry into active service, he or she may request the Board
7 of Control to allow him or her to again become a member of the
8 retirement system. The Board of Control may grant the request
9 for restoration to membership; provided, that such beneficiary
10 whose retirement allowance has been suspended shall repay to
11 the system all moneys received by him or her as benefits
12 during any periods subsequent to the date of his or her
13 reentry into active service and shall make a contribution
14 equal to the amount he or she would have contributed had he or
15 she been a member during the period of his or her restoration
16 to active service on a suspended allowance basis together with
17 the interest which would have been credited to the
18 contributions on account of such period of restoration up to
19 the date such contribution is made.

20 "~~(f)~~ ~~(1)~~ (i) (1) REDETERMINATION, ETC., OF CERTAIN
21 ALLOWANCES. All retirement allowance payments due on or after
22 October 1, 1975, to members who retired prior to that date
23 shall be redetermined as if the provisions of this section in
24 effect on October 1, 1975, were in effect at the time the
25 member retired. Anything in this article to the contrary
26 notwithstanding, the annual retirement allowance of any member
27 not employed as a state policeman who retired on or before

1 January 1, 1956, shall not be less than \$79.20 multiplied by
2 the number of years of his or her creditable service not in
3 excess of 30 years in the case of service retirement of \$59.40
4 multiplied by the number of years of his or her creditable
5 service not in excess of 30 years in the case of disability
6 retirement. Any increase provided in the retirement allowance
7 payment under this subdivision for a member who retired under
8 the provisions of any optional benefit elected pursuant to
9 subsection (d) of this section shall accrue only to the
10 retired member, and no person designated to receive any
11 payments after the death of a retired member under the
12 provisions of any such optional benefit shall receive any
13 increase in such payments under this subdivision.

14 Notwithstanding, any member who retired prior to October 1,
15 1975, and who chose either Option 2 or Option 3 may elect to
16 receive a reduced allowance and to stipulate that the
17 actuarial equivalent of the increase in his or her retirement
18 allowance, which became effective on that date, be ascribed to
19 his or her designated beneficiary; provided, that such member
20 shall clearly express this intention by filing a written
21 application to the effect with the Secretary-Treasurer of the
22 Employees' Retirement System of Alabama prior to October 1,
23 1976.

24 "(2) Any person who, prior to October 1, 1963, was
25 in receipt of a benefit pursuant to Act No. 376, approved
26 November 6, 1959, but was not a member of the system at the
27 time of retirement shall not be entitled to receive an annual

1 retirement allowance from the system, effective October 1,
2 1971, as follows:

3 "a. If such person was retired on or before January
4 1, 1956, an amount equal to \$79.20 multiplied by the number of
5 years of his or her creditable service not in excess of 30
6 years.

7 "b. If such person was retired after January 1,
8 1956, an amount equal to \$72.00 multiplied by the number of
9 years of his or her creditable service not in excess of 25
10 years.

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

26 "~~(g)~~ (j) 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~~, or 5, the
3 member may designate a replacement beneficiary for the
4 deceased beneficiary to become effective two years after the
5 date of designation of the replacement beneficiary and an
6 actuarial adjustment in the monthly benefit allowance of the
7 member to cover any cost associated with designating a
8 replacement beneficiary shall be reflected thereafter in the
9 monthly benefit allowance received by the member, commencing
10 with the first benefit allowance check received by the member
11 following the date of designation of the replacement
12 beneficiary.

13 "~~(h)~~ (k) Notwithstanding any provision of this
14 section to the contrary, if a retired member who is receiving
15 a monthly benefit allowance provided under Option 2, 3, ~~or 4~~,
16 or 5 divorces his or her designated beneficiary, the member
17 may designate a replacement beneficiary for the beneficiary to
18 become effective two years after the date of designation of
19 the replacement beneficiary and an actuarial adjustment in the
20 monthly benefit allowance of the member to cover any cost
21 associated with designating a replacement beneficiary shall be
22 reflected thereafter in the monthly benefit allowance received
23 by the member, commencing with the first benefit allowance
24 check received by the member following the date of designation
25 of the replacement beneficiary.

26 "~~(i)~~ (l) Any future act to increase the retirement
27 age for Tier II plan members above the age of 62 shall require

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

3 "§36-27-24.

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

14 "(b) Annuity Savings Fund. The Annuity Savings Fund
15 shall be a fund in which shall be accumulated contributions
16 from the compensation of members to provide for their
17 annuities.

18 "Contributions to and payments from the Annuity
19 Savings Fund shall be made as follows: Effective October 1,
20 1971, 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 five percent of his or her
23 earnable compensation; except, that in the case of a state
24 policeman, the rate of 10 percent of earnable compensation
25 shall apply, and in computing all retirement benefits it shall
26 be assumed that a seven percent rate of contribution had
27 applied with respect to service as a state policeman prior to

1 July 1, 1957. For all pay dates beginning on or after October
2 1, 2011, each employer, except those employers participating
3 pursuant to Section 36-27-6, shall cause to be deducted from
4 the salary of each member on each and every payroll of such
5 employer for each and every payroll period seven and
6 one-quarter percent (7.25%) of his or her earnable
7 compensation; except, that in the case of a state policeman,
8 the rate of ten percent (10%) of earnable compensation shall
9 apply. For all pay dates beginning on or after October 1,
10 2012, each employer, except those employers participating
11 pursuant to Section 36-27-6, shall cause to be deducted from
12 the salary of each Tier I plan member on each and every
13 payroll of such employer for each and every payroll period
14 seven and one-half percent (7.5%) of his or her earnable
15 compensation; except, that in the case of a state policeman,
16 the rate of ten percent (10%) of earnable compensation shall
17 apply. For all pay dates beginning on or after January 1,
18 2013, each employer shall cause to be deducted from the salary
19 of each Tier II plan member on each and every payroll period
20 six percent (6%) of his or her earnable compensation; except
21 that in the case of a state policeman, the rate of ten percent
22 (10%) shall apply and in the case of a correctional officer,
23 firefighter, or law enforcement officer as defined in Section
24 36-27-59, the rate of seven percent (7%) shall apply. Any
25 employer participating under Section 36-27-6, by adoption of a
26 resolution, may elect for the increases in employee
27 contributions provided by Act 2011-676 to be withheld from the

1 earnable compensation of employees of the employer. In
2 determining the amount earnable by a member in a payroll
3 period, the Board of Control may consider the rate of annual
4 compensation payable to such member on the first day of the
5 payroll period as continuing through such payroll period, and
6 it may omit deductions from compensation for any period less
7 than a full payroll period if an employee was not a member on
8 the first day of the payroll period, and, to facilitate the
9 making of deductions, it may modify the deductions required of
10 any member by such an amount as shall not exceed one tenth of
11 one percent of the annual compensation upon the basis of which
12 such deductions are made.

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

1 shall be credited, together with regular interest thereon, to
2 the individual account of the member from whose compensation
3 the deduction was made.

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

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

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

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

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

23 "(c) Pension Accumulation Fund. The Pension
24 Accumulation Fund shall be the fund in which shall be
25 accumulated all reserves other than the amounts held in the
26 Annuity Savings Fund for the payment of all pensions, all
27 allowances granted to surviving spouses or other designated

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

6 "Contributions to and payments from the Pension
7 Accumulation Fund shall be made as follows: On account of each
8 member there shall be paid monthly by the employer an amount
9 equal to a certain percentage of the earnable compensation of
10 each member to be known as the "normal contribution" and an
11 additional amount equal to a percentage of his or her earnable
12 compensation to be known as the "accrued liability
13 contribution," and these two amounts shall be paid monthly
14 into the Pension Accumulation Fund; provided, that in the case
15 of a state policeman, such percentage rates of contributions
16 shall be calculated separately. Notwithstanding any other
17 provision of law to the contrary, additionally, an amount
18 equal to a certain percentage of earnable compensation as
19 determined by the Director of Finance and certified to the
20 Board of Control to support the debt service payment of the
21 retirement allowance provided in Option 5 in subdivision (5)
22 of subsection (d) of Section 36-27-16, to be known as the
23 "lump-sum option contribution" shall be paid monthly to a
24 designated fund within the State Treasury.

25 An amount equal to the lump-sum option contribution
26 shall be transferred from the designated fund to the Alabama

1 Pension Authority to pay for the corresponding debt service
2 related to those retirement benefits.

3 The percentage rate of such contributions shall be
4 fixed for each fiscal year on the basis of the liabilities of
5 the retirement system as shown by the last annual actuarial
6 valuation, and such percentage rate as established by such
7 valuation shall take effect the following October 1 and
8 continue in effect for the fiscal year.

9 "On the basis of regular interest and of such
10 mortality and other tables as shall be adopted by the Board of
11 Control, the actuary engaged by the board to make such
12 valuation required by this article during the period over
13 which the accrued liability contribution is payable shall,
14 immediately after making such valuation, determine the uniform
15 and constant percentage of the earnable compensation of the
16 average new entrant which, if contributed on the basis of his
17 or her compensation throughout his or her entire period of
18 active service, would be sufficient to provide for the payment
19 of any pension payable on his or her account. The percentage
20 rate so determined shall be known as the "normal contribution"
21 rate. The normal rate of contributions shall be determined by
22 the actuary after each valuation.

23 "The accrued liability contribution rate shall be
24 computed by the actuary on the basis of each valuation as the
25 percentage rate of the total annual compensation of all
26 members which is sufficient to liquidate the accrued liability

1 over a period to be determined by the Board of Control which
2 shall be not less than 10 nor more than 30 years.

3 "The unfunded accrued liability shall be computed by
4 the actuary as the total liabilities of the system which are
5 not dischargeable by the assets of the Annuity Savings Fund
6 and the Pension Accumulation Fund and the present value of the
7 aforesaid normal contributions.

8 "For purposes of computing the unfunded accrued
9 liability the assets shall be determined as follows:

10 "On September 30, 1997, the assets shall be
11 determined by using the market value of such assets. For
12 subsequent years the value of the assets shall be determined
13 by the system's actuary using a five year smoothed market
14 value.

15 "The total amount payable in each year to the
16 Pension Accumulation Fund shall be not less than the sum of
17 the percentage rates known as the normal contribution rate and
18 the accrued liability contribution rate of the total
19 compensation earnable by all members during the preceding
20 year.

21 "All interest and dividends earned on the funds of
22 the retirement system shall be credited to the Pension
23 Accumulation Fund. The amounts needed to allow a regular
24 interest on the reserves in the Annuity Savings Fund shall be
25 transferred in accordance with this article from the Pension
26 Accumulation Fund. The Board of Control, in its discretion,
27 may transfer to and from the Pension Accumulation Fund the

1 amounts of any surplus or deficit which may develop in the
2 Annuity Savings Fund, or the Expense Fund.

3 "Upon the death of a member on account of whom no
4 survivor allowance is payable under subdivisions (2) and (3)
5 of subsection (c) of Section 36-27-16, the death benefit as
6 provided in subdivision (4) of subsection (c) of Section
7 36-27-16 equal to the accumulated contributions, not to exceed
8 \$5,000.00, shall be payable from the Pension Accumulation
9 Fund.

10 "(d) Expense Fund. The Expense Fund shall be the
11 fund from which the expenses of the administration of the
12 retirement system shall be paid, exclusive of amounts payable
13 as retirement allowances and as other benefits provided in
14 this chapter. In addition thereto and on account of each
15 member of the retirement system, there shall be paid monthly
16 by the employer an amount equal to a certain percentage of the
17 earnable compensation of each member for the administrative
18 expenses of the retirement system. The percentage rate of such
19 contribution shall be fixed by the Board of Control on the
20 basis of the cost exclusive of that provided by interest not
21 returnable. Any amounts credited to the accounts of the
22 members withdrawing before retirement and not returnable under
23 the provisions of subsection (c) of Section 36-27-16 shall be
24 credited to the Expense Fund.

25 "(e) Employer's contributions. For each biennium
26 beginning October 1, 1965, each employer shall pay to the
27 retirement system the rates provided in this section and

1 thereafter, at least 30 days preceding October 1 of each
2 fiscal year, the Board of Control shall certify to the chief
3 fiscal officer of each employer the percentage rates of
4 earnable compensation of the members required to be paid to
5 the retirement system in accordance with subsections (c) and
6 (d) of this section.

7 "The employer's contribution on account of the
8 membership of employees whose salaries are paid in whole or in
9 part from funds derived from federal grants shall be paid from
10 funds derived from the federal grants in accordance with
11 statutes governing the administration of the grants and in
12 proportion to salaries paid therefrom. At such time and in
13 such manner as may be required, the Board of Control shall
14 certify to each department of state receiving a federal grant
15 the amount due and payable from the grant as the employer's
16 contribution to the retirement system on account of the
17 membership of the department whose salaries are paid in whole
18 or in part from funds derived from such federal grants. The
19 fiscal agent of the department shall authorize the state
20 Comptroller to draw a warrant or warrants in payment of the
21 amount certified as due and payable from federal grants.

22 "(f) Appropriations. There is hereby appropriated
23 annually from the fund from which salaries of the employees of
24 each employer are paid the amounts sufficient to carry out the
25 provisions of this section. In the case of those departments
26 supported wholly by transfers from other state funds, there is
27 hereby appropriated from the supporting funds such additional

1 amounts as may be necessary to pay the employer contribution
2 of each department so supported in the same proportion as the
3 other state funds contribute to the support and maintenance of
4 such department.

5 "(g) Employer cost provided for in this article
6 together with member contributions required under this article
7 shall be paid to the Employees' 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 Employees' Retirement
13 System in a format prescribed by the Employees' Retirement
14 System."

15 Section 5. (a) Notwithstanding any other provision
16 of law to the contrary, within 12 months of the effective date
17 of this act or within 12 months of separation from state
18 service, a Tier I or Tier II plan member under the Employees'
19 Retirement System who has 10 or more years of creditable
20 service, who is no longer in service of this state, and who
21 has not attained the age and years of service requirements to
22 be eligible for retirement, may elect to receive a lump-sum
23 cash payment equal to the present value equivalent of the
24 actuarial value of his or her retirement allowance in lieu of
25 his or her retirement allowance; provided that such benefit
26 shall be certified by the actuary and shall be approved by the
27 Board of Control.

1 (b) Prior to the close of each fiscal year, the
2 Director of Finance shall certify to the Board of Control, the
3 Governor, and the presiding officer of each house of the
4 Legislature whether or not available funds are sufficient and
5 economic conditions are satisfactory to support the financial
6 viability of the lump-sum retirement allowance option provided
7 under subsection (a). In the event that conditions are not
8 satisfactory, the lump-sum retirement allowance option
9 provided under subsection (a) shall be suspended for 12 months
10 from date of certification.

11 Section 6. A retiree who has elected to take a
12 lump-sum retirement allowance option as provided under Section
13 36-27-16, Code of Alabama 1975, or Section 5, may not elect to
14 purchase prior service credit for which a lump-sum allowance
15 was distributed, but may purchase service credit for any new
16 retirement benefits earned after the distribution of the
17 lump-sum allowance.

18 Section 7. Article 19 is added to Chapter 10 of
19 Title 41, Code of Alabama 1975, to read as follows:

20 Article 19. Alabama Pension Authority.

21 §41-10-740.

22 For the purposes of this article, the following
23 terms shall have the following meanings:

24 (1) APPROPRIATED FUNDS. The "lump-sum option
25 contribution" amounts as determined by the Director of Finance
26 in Section 16-25-21 and Section 36-27-24.

1 (2) AUTHORITY. The public corporation organized
2 pursuant to this act.

3 (3) AUTHORITY OBLIGATIONS. Bonds of the authority.

4 (4) BONDS. Bonds of the authority issued for any
5 authorized purpose.

6 (5) DEBT SERVICE. The principal of and interest, and
7 premium, if any, on an obligation, including, without
8 limitation, any principal required to be paid prior to its
9 stated maturity, and any ongoing trustee or paying agent fees
10 or fees of providers of credit enhancement or liquidity
11 facilities.

12 (6) DIRECTORS. The Board of Directors of the Alabama
13 Pension Authority.

14 (7) ELIGIBLE INVESTMENTS. a. Bonds or other
15 obligations which as to principal and interest constitute
16 direct obligations of, or are unconditionally guaranteed by,
17 the United States of America, including obligations of any
18 federal agency to the extent such obligations are
19 unconditionally guaranteed by the United States of America and
20 any certificates or any other evidences of an ownership
21 interest in such obligations of, or unconditionally guaranteed
22 by, the United States of America or in specified portions
23 thereof, which may consist of the principal thereof or the
24 interest thereon; b. Bonds, debentures, notes, or other
25 evidences of indebtedness issued by any of the following
26 agencies: Bank of Cooperatives; federal intermediate credit
27 banks; Federal Financing Bank; federal home loan banks;

1 Federal Farm Credit Bank; Export-Import Bank of the United
2 States; federal land banks; Farmers Home Administration or any
3 other agency or corporation which has been or may hereafter be
4 created by or pursuant to an act of the Congress of the United
5 States as an agency or instrumentality thereof; c. Bonds,
6 notes, pass through securities, or other evidences of
7 indebtedness of Government National Mortgage Association and
8 participation certificates of Federal Home Loan Mortgage
9 Corporation; d. Full faith and credit obligations of any
10 state, provided that at the time of purchase such obligations
11 are rated as least "AA" by Standard & Poor's Ratings Group and
12 at least "AA" by Moody's Investor Service; e. Public housing
13 bonds issued by public agencies or municipalities and fully
14 secured as to the payment of both principal and interest by
15 contracts with the United States of America, or temporary
16 notes, preliminary notes or project notes issued by public
17 agencies or municipalities, in each case fully secured as to
18 the payment of both principal and interest by a requisition or
19 payment agreement with the United States of America; f. Time
20 deposits evidenced by certificates of deposit issued by banks
21 or savings and loan associations which are members of the
22 Federal Deposit Insurance Corporation, provided that, to the
23 extent such time deposits are not covered by federal deposit
24 insurance, such time deposits (including interest thereon) are
25 fully secured by a pledge of obligations described in
26 paragraphs a., b., c., and e. above, which at all times have a
27 market value not less than the amount of such bank time

1 deposits required to be so secured and which meet the greater
2 of 100 percent collateralization or the "AA" collateral levels
3 established by Standard & Poor's Ratings Group for structured
4 financing; g. Repurchase agreements for obligations of the
5 type specified in paragraphs a., b., c., and e. above,
6 provided such repurchase agreements are fully collateralized
7 and secured by such obligations which have a market value at
8 least equal to the purchase price of such repurchase
9 agreements which are held by a depository satisfactory to the
10 State Treasurer in such manner as may be required to provide a
11 perfected security interest in such obligations, and which
12 meet the greater of 100 percent collateralization or the "AA"
13 collateral levels established by Standard & Poor's Rating
14 Group for structured financings; and h. Uncollateralized
15 investment agreements with, or certificates of deposit issued
16 by banks or bank holding companies, the senior long-term
17 securities of which are rated at least "AA" by Standard &
18 Poor's Rating Group and at least "AA" by Moody's Investors
19 Service.

20 (8) FINANCING AGREEMENT. Any loan, lease, agreement,
21 grant agreement, financing agreement, credit agreement,
22 security agreement, mortgage, indenture, guaranty agreement,
23 or other type of agreement entered into by the authority in
24 connection with the incurring of authority obligations.

25 (9) FUNDING AGREEMENT. An agreement between the
26 state and the authority under which the state shall agree to
27 pledge funds to the authority to be used for the payment, or

1 to enhance the payment, of debt service on bonds issued by the
2 authority; provided both of the following are satisfied:

3 (1) The such agreement shall have an initial term
4 from the date of execution thereof through the September 30
5 immediately succeeding the date of execution and shall be
6 subject to renewal, at the sole option of the state, for
7 successive terms of 12 months each, each such term to coincide
8 with the fiscal year.

9 (2) Any obligation on the part of the state to pay
10 amounts required to be paid during any fiscal year of the
11 state under such agreement shall constitute a limited
12 obligation of the state payable solely out of the revenues and
13 receipts of the state during the fiscal year during which any
14 such amount is to be payable.

15 (10) RESERVE FUND. Any fund or account established
16 by the authority in which moneys are placed in reserve to be
17 used to pay the principal of or interest on bonds issued by
18 the authority in the event funds pledged for the payment of
19 debt service on such bonds are insufficient to timely satisfy
20 the payment requirements.

21 §41-10-741.

22 (a) The Governor, the State Treasurer, and the
23 Director of Finance may become a public corporation and public
24 instrumentality of the state with the powers provided in this
25 article, by proceeding according to subsection (b).

26 (b) To become the public corporation herein
27 authorized, the Governor, the State Treasurer, and the

1 Director of Finance shall present to the Secretary of State
2 application signed by them setting forth all of the following:

3 (1) The name, official designation, and official
4 residence of each of the applicants, together with a certified
5 copy of the commission evidencing each applicant's right to
6 office.

7 (2) The date on which each applicant was inducted
8 into office and the term of office of each applicant.

9 (3) The name of the proposed public corporation,
10 which shall be "Alabama Pension Authority."

11 (4) The location of the principal office of the
12 proposed corporation, which shall be in the City of
13 Montgomery.

14 (5) The applicants may also include in the
15 application any other matters which are not inconsistent with
16 this article or with any other laws of the state. The
17 application shall be subscribed and sworn to by each of the
18 applicants before an officer authorized by the laws of the
19 state to take acknowledgments to deeds. The Secretary of State
20 shall examine the application and, if he or she finds that it
21 substantially complies with the requirements of this section,
22 it shall be filed and recorded in an appropriate book of
23 records in the office of the Secretary of State.

24 (c) When the application has been made, filed, and
25 recorded, the applicants shall constitute a public corporation
26 and public instrumentality of the state under the name set
27 forth in the application and the Secretary of State shall make

1 and issue to the applicants a certificate of incorporation
2 pursuant to this act, under the Great Seal of the State, and
3 shall record the certificate with the application. There shall
4 be no fees paid to the Secretary of State for any service
5 rendered or work performed in connection with the authority,
6 its incorporation, dissolution or records.

7 §41-10-742.

8 (a) The applicants named in the application and
9 their respective successors in office shall constitute the
10 members of the authority. The Governor shall be the president
11 of the authority, the State Treasurer shall be the vice
12 president, and the Director of Finance shall be the secretary.

13 (b) The State Treasurer shall be treasurer of the
14 authority, shall act as custodian of its funds, and shall, out
15 of the funds appropriated to the authority and other funds
16 available to the authority, pay debt service referable to
17 bonds of the authority and amounts due with respect to any
18 other obligations of the authority incurred pursuant to this
19 article.

20 (c) The members of the authority shall constitute
21 all the members of the directors of the authority, and any two
22 members of the directors shall constitute a quorum for the
23 transaction of business.

24 (d) Should any person holding any state office named
25 in this section cease to hold the office by reason of death,
26 resignation, expiration of the term of office, or for any
27 other reason, his or her successor in office shall take the

1 place as an officer and member of the directors of the
2 authority.

3 (e) No officer or member of the directors of the
4 authority shall receive any salary in addition to that now
5 authorized by law for any service rendered or for any duty
6 performed in connection with the authority.

7 (f) All proceedings held by the directors shall be
8 reduced to writing by the secretary of the authority, shall be
9 signed by at least two members of the authority present at the
10 proceedings, and shall be recorded in a substantially bound
11 book, and filed in the office of the Secretary of State.
12 Copies of the proceedings, when certified by the secretary of
13 the authority, under the seal of the authority, shall be
14 received in all courts as prima facie evidence of the matters
15 and things therein certified.

16 §41-10-743.

17 The authority, in addition to all other powers
18 granted to it in this article, shall have all of the following
19 powers:

20 (1) To have succession by its corporate name until
21 dissolved as provided in this article.

22 (2) To institute and defend legal proceedings in any
23 court of competent jurisdiction and proper venue; provided,
24 however, that the authority may not be sued in any court other
25 than the courts of the county in which is located the
26 principal office of the authority, and provided further that
27 the officers, directors, agents, and employees of the

1 authority may not be sued for actions in behalf of the
2 authority in any court other than the courts of the county in
3 which is located the principal office of the authority.

4 (3) To have and to use a corporate seal and to alter
5 the seal at pleasure.

6 (4) To establish a fiscal year.

7 (5) To acquire, purchase, lease, receive, hold,
8 transmit, and convey the title to real and personal property
9 to or from any person.

10 (6) To issue and incur authority obligations,
11 whether or not the interest thereon is excluded from gross
12 income for federal income tax purposes, for the purpose of
13 financing lump-sum retirement payments as provided under
14 Sections 1 through 6 of this act and to provide for the rights
15 of the purchasers, holders, or owners of authority
16 obligations.

17 (7) To anticipate by the incurrence of authority
18 obligations the receipt of the revenues appropriated and
19 pledged to the authority and any other revenues available to
20 the authority.

21 (8) As security for the payment of authority
22 obligations, to pledge the proceeds of the appropriations and
23 pledges herein provided for and any other funds available to
24 the authority.

25 (9) To arrange for various forms of security or
26 credit enhancement for authority obligations, including letter

1 of credit, guaranties, policies of insurance, surety bonds,
2 and the like.

3 (10) To collect such fees and charges in connection
4 with authority obligations and financing agreements,
5 including, but not limited to, reimbursement of costs of
6 financing, as the authority shall determine to be reasonable.

7 (11) To accept gifts, grants, loans, appropriations,
8 and other forms of aid from the federal government, the state
9 or any state agency, or any political subdivision of the
10 state, or any person or corporation, foundation, or legal
11 entity, and to agree to and comply with any conditions
12 attached to federal and state financial assistance not
13 inconsistent with this article.

14 (12) To establish accounts in one or more
15 depositories.

16 (13) To transfer funds for the payment of debt
17 service as necessary to accomplish the purposes of this act.

18 (14) To appoint, employ, contract with, and provide
19 for the compensation of such employees and agents, including
20 engineers, attorneys, contractors, consultants, accountants,
21 fiscal advisors, trustees, paying agents, investment bankers,
22 and underwriters as the directors deem necessary or desirable
23 for the conduct of the business of the authority.

24 (15) To make, enter into, and execute financing
25 agreements and such other contracts, agreements, or other
26 instruments, and to take such other actions as may be
27 necessary or convenient to accomplish any purpose for which

1 the authority was organized or to exercise any power granted
2 to it.

3 (16) To exercise any power granted by the laws of
4 the state to public or private corporations which is not in
5 conflict with the public purpose of this act.

6 (17) To adopt administrative rules necessary or
7 appropriate to effectuate its purposes and to administer the
8 programs authorized in this article.

9 §41-10-744.

10 (a) The authority is authorized from time to time to
11 sell and issue its bonds for the purpose of financing the
12 lump-sum retirement payments authorized under Sections 1
13 through 6 of this act, or any combination of the foregoing.

14 (b) The bonds of the authority shall be signed by
15 its president and attested by its secretary and the seal of
16 the authority shall be affixed. A facsimile of the signature
17 of one or both of the officers may be printed or otherwise
18 reproduced on any such bonds in lieu of being manually
19 subscribed thereon and a facsimile of the seal of the
20 authority may be printed or otherwise reproduced on any of the
21 bonds in lieu of being manually affixed thereto. Any bonds of
22 the authority may be executed and delivered by it at any time
23 and from time to time, and shall be in the form and
24 denominations and of such tenor and maturities, shall bear
25 such rate or rates of interest, shall be payable at such times
26 and evidenced in such manner, may be made subject to
27 redemption at the option of the authority at such times and

1 after such notice and on such conditions and at such
2 redemption price or prices, and may contain such other
3 provisions not inconsistent herewith, all as may be provided
4 by the resolution of the directors of the authority under
5 which the bonds are authorized to be issued. Bonds of the
6 authority may be sold at public or private sale from time to
7 time as the directors may consider advantageous.

8 (c) Subject to the provisions and limitations
9 contained in this article, the authority may from time to time
10 sell and issue refunding bonds for the purpose of refunding
11 any matured or unmatured bonds of the authority then
12 outstanding. The authority may pay out of the proceeds of the
13 sale of refunding bonds such fees and the expenses of issuance
14 which the said directors may deem necessary and advantageous
15 in connection with the issuance of the refunding bonds;
16 provided, however, that no refunding bonds shall be issued
17 unless the present value of all debt service on the refunding
18 bonds, computed with a discount rate equal to the true
19 interest rate of the refunding bonds and taking into account
20 all underwriting discount and other issuance expenses, shall
21 not be greater than 95 percent of the present value of all
22 debt service on the bonds to be refunded, computed using the
23 same discount rate and taking into account the underwriting
24 discount and other issuance expenses originally applicable to
25 such bonds, determined as if such bonds to be refunded were
26 paid and retired in accordance with the schedule of

1 maturities, considering mandatory redemption as a scheduled
2 maturity, provided at the time of their issuance.

3 (d) (1) Authority obligations shall not be general
4 obligations of the authority but shall be payable solely from
5 one or more of the following sources:

6 a. Appropriated funds.

7 b. The income or proceeds realized by the authority
8 under any security granted to the authority.

9 c. Amounts derived from any letter of credit,
10 insurance policy, or other form of credit enhancement
11 applicable to the authority obligations.

12 d. Any reserve or other fund established for such
13 purpose by the authority.

14 e. Any earnings on the proceeds of authority
15 obligations invested by the authority pending their
16 disbursement.

17 f. Any other amounts that may hereafter be
18 appropriated to the authority.

19 (2) As security for the payment of the debt service
20 referable to bonds issued by it, the authority is authorized
21 and empowered to pledge for payment of such debt service and
22 such obligations appropriated funds and other moneys and funds
23 from which such authority obligations are made payable. All
24 contracts made and all authority obligations issued or
25 incurred by the authority pursuant to this article shall be
26 solely and exclusively obligations of the authority and shall
27 not constitute or create an obligation or debt of the state.

1 Bonds issued by the authority shall be construed to be
2 negotiable instruments, although payable solely from a
3 specified source, as provided herein. The proceedings of the
4 directors under which any authority obligations are authorized
5 to be issued and any such mortgage and deed of trust or trust
6 indenture may contain any agreements and provisions respecting
7 the collection and disposition of appropriated funds,
8 revenues, and receipts subject to such mortgage and deed of
9 trust or trust indenture, the creation and maintenance of
10 special funds from such appropriated funds, revenues, and
11 receipts, the rights, duties, and remedies of the parties to
12 any such instrument and the parties for the benefit of whom
13 the instrument is made and the rights and remedies available
14 in the event of default, all as the directors shall deem
15 advisable. Any pledge made with respect to authority
16 obligations shall be valid and binding from the time such
17 pledge is made; the appropriated funds, revenues, receipts,
18 funds, and other property so pledged shall immediately be
19 subject to the lien of such pledge without any physical
20 delivery thereof or further act; and the lien of pledge shall
21 be valid and binding as against all parties having claims of
22 any kind against the authority irrespective of whether the
23 parties have notice thereof. Neither the proceedings of the
24 directors authorizing the authority obligations nor any other
25 instrument by which a pledge is created need be recorded. Each
26 pledge, agreement, mortgage, and deed of trust or trust
27 indenture made for the benefit or security of any of the

1 authority obligations of the authority shall continue
2 effective until the authority obligations have been fully paid
3 or satisfied.

4 (e) Any bonds of the authority may be used by the
5 holder as security for any funds belonging to the state, or to
6 any political subdivision, instrumentality, or agency of the
7 state, in any instance where security for the deposits may be
8 required by law. Unless otherwise directed by the court having
9 jurisdiction, or the document that is the source of authority,
10 a trustee, executor, administrator, guardian, or one acting in
11 any other fiduciary capacity, in addition to any other
12 investment powers conferred by law and with the exercise of
13 reasonable business prudence, may invest trust funds in bonds
14 of the authority. Neither a public hearing nor consent of the
15 Department of Finance or any other department or agency shall
16 be a prerequisite to the issuance of bonds by the authority.
17 Bonds of the authority shall be legal investments for funds of
18 the Teachers' Retirement System of Alabama, the Employees'
19 Retirement System of Alabama, and the State Insurance Fund.

20 (f) The State Treasurer shall be registrar, transfer
21 agent, and paying agent for the bonds. The State Treasurer may
22 designate named individuals who are employees of the state and
23 who are assigned to the State Treasurer's office to
24 authenticate the bonds.

25 §41-10-745.

1 (a) The authority is authorized and empowered to
2 apply the proceeds of any bonds of the authority, together
3 with any other available funds as follows:

4 (1) For the purposes for which the bonds were
5 issued.

6 (2) To fund the reserves as the authority deems
7 necessary and desirable.

8 (3) To the extent not needed for the foregoing uses,
9 to pay or redeem the authority obligations.

10 (b) Pending the application of the proceeds of bonds
11 of the authority to the purpose or purposes for which the
12 bonds were issued, the proceeds and any moneys held in special
13 funds created as security for the bonds may be invested by the
14 authority in eligible investments, as the directors deem
15 advisable. Any and all revenues, receipts, investment
16 earnings, and other funds paid to, or otherwise coming into
17 the possession of, the authority as a result of financings
18 accomplished from the proceeds of bonds of the authority,
19 shall be held, deposited, administered, invested, and applied
20 as provided in the resolution of the directors authorizing the
21 issuance of the authority obligations and as provided in any
22 trust indenture or other agreement delivered in connection
23 therewith, or otherwise as the authority may direct,
24 consistent with the resolution, trust indenture, or other
25 agreement and this article.

26 §41-10-746.

1 (a) For the purpose of providing funds to enable the
2 authority to pay debt service referable to any bonds issued by
3 it and other obligations incurred by the authority pursuant to
4 this act, and to pay the costs of maintaining lump-sum
5 retirement payments as provided in Sections 1 through 6, the
6 authority may pay any other costs, expenses, or obligations of
7 the authority, there is irrevocably pledged to such purpose
8 and is appropriated to the authority so much as may be
9 necessary therefor of the appropriated funds. All moneys
10 hereby appropriated and pledged shall be deposited in a
11 special fund maintained by the State Treasurer separate and
12 apart from all other funds under his or her supervision, and
13 the State Treasurer is directed to cause moneys in the special
14 fund to be disbursed solely for the following purposes:

15 (1) Prior to dissolution of the authority, moneys on
16 deposit in the special fund shall be disbursed by the State
17 Treasurer in payment of debt service referable to authority
18 obligations and in payment of other obligations of the
19 authority incurred pursuant to this act.

20 (2) Promptly upon dissolution of the authority, the
21 State Treasurer shall transfer all cash and securities on
22 deposit in the special fund to the Retirement Systems of
23 Alabama to be used to reduce the unfunded liability of the
24 Teachers' Retirement System and the Employees' Retirement
25 System.

26 (b) Pending disbursement for the above purposes,
27 moneys on deposit in the special fund shall be invested by the

1 State Treasurer in eligible investments as specified by the
2 directors.

3 (c) The Governor, on behalf of the state, and the
4 authority are hereby authorized to enter into a funding
5 agreement pursuant to which the state may agree, in the event
6 that moneys are withdrawn during any fiscal year of the state
7 from any reserve fund established by the authority for any of
8 its bonds owing to the inadequacy of pledged revenues to pay
9 when due debt service thereon as herein provided for, to
10 provide funds to the authority not in excess of the amount so
11 withdrawn from whatever source lawfully available to the state
12 for that purpose in order to fully fund such reserve fund in
13 accordance with the proceedings of the authority pursuant to
14 which the authority issued the bonds for which such reserve
15 fund was established. Any funding agreement entered into
16 pursuant hereto shall be executed by the Governor and
17 countersigned by the Finance Director of the state and by the
18 president of the authority and countersigned by the secretary
19 of the authority.

20 §41-10-747.

21 (a) Upon the adoption by the directors of any
22 resolution providing for the issuance of authority
23 obligations, the authority may, in its discretion, cause to be
24 published once a week for two consecutive weeks, in newspapers
25 published or having a general circulation in the Cities of
26 Birmingham, Montgomery, Huntsville, and Mobile, a notice in
27 substantially the following form (the blanks being properly

1 filled in) at the end of which shall be printed the name and
2 title of either the president or the secretary of the
3 authority:

4 "Alabama Pension Authority, a public corporation
5 under the laws of the State of Alabama, on the _____ day of
6 _____, authorized the issuance of \$ _____ principal amount of
7 bonds for purposes authorized in _____ of the
8 Code of Alabama 1975. The proceeds from the sale of the bonds
9 are proposed to be used to finance lump-sum retirement
10 payments for certain retirees of the Teachers' Retirement
11 System. Any action or proceeding questioning the validity of
12 the bonds, the security thereof, the use of the proceeds
13 thereof or the proceedings authorizing the bonds, shall be
14 commenced within 30 days after the first publication of this
15 notice."

16 (b) Any action or proceeding in any court to set
17 aside or question the proceedings for the incurrence of the
18 authority obligations referred to in the notice or to contest
19 the validity of any authority obligations, or the validity of
20 security therefor, or the validity of the proposed use of the
21 proceeds thereof must be commenced within 30 days after the
22 first publication of the notice. After the expiration of the
23 period, no right of action or defense questioning or attacking
24 any of the foregoing shall be asserted, nor shall the validity
25 of the said proceedings, authority obligations, security or
26 use of proceeds be open to question in any court on any ground
27 whatsoever except in an action commenced within the period.

1 §41-10-748.

2 The income and property of the authority, all
3 authority obligations and the interest paid on any such
4 authority obligations, all conveyances by or to the authority,
5 and all instruments by or to the authority shall be exempt
6 from all taxation in the state. The authority shall also be
7 exempt from all license and excise taxes imposed in respect of
8 the privilege of engaging in any of the activities in which
9 the authority may engage. The authority shall not be obligated
10 to pay or allow any fees, taxes, or costs in the recording of
11 any document to the judge of probate of any county.

12 §41-10-749. Except as may be expressly provided in
13 this act, no proceeding, notice, or approval shall be required
14 for the issuance of any authority obligations, the execution
15 of any mortgage and deed of trust, trust indenture, or other
16 document, or the exercise of any other of the powers of the
17 authority. Neither a public hearing nor the consent of the
18 Department of Finance shall be prerequisite to the issuance of
19 authority obligations by the authority.

20 §41-10-750.

21 (a) At any time when no authority obligations are
22 outstanding and the authority has no outstanding obligation
23 with respect to lump-sum retirement payments as provided in
24 Sections 1 through 6 of this act, the authority may be
25 dissolved upon the filing with the Secretary of State of an
26 application for dissolution, which shall be subscribed by each
27 of the directors of the authority and sworn to by each

1 director before an officer authorized to take acknowledgments
2 to deeds.

3 (b) Upon the filing of the application for
4 dissolution, the authority shall cease to exist. The Secretary
5 of State shall file and record the application for dissolution
6 in an appropriate book of record in his or her office, and
7 shall make and issue, under the Great Seal of the State, a
8 certificate that the authority is dissolved, and shall record
9 the certificate with the application for dissolution. Title to
10 all property held in the name of the authority shall be vested
11 in the state upon dissolution of the authority.

12 Section 8. All laws or parts of laws which conflict
13 with this act are hereby repealed.

14 Section 9. This act shall become effective
15 immediately following its passage and approval by the
16 Governor, or its otherwise becoming law. In order to allow
17 time for the Retirement Systems of Alabama and the Department
18 of Finance to implement the lump-sum option, Option 5 shall
19 become available to all members who have a retirement date on
20 or after October 1, 2017.