

1 HB532  
2 185344-1  
3 By Representatives Hanes, Whorton (R) and Mooney  
4 RFD: Ways and Means General Fund  
5 First Read: 18-APR-17

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8 SYNOPSIS: Existing law provides for the Deferred  
9 Retirement Option Plan (DROP), which contractually  
10 allows a member of the Employees' Retirement System  
11 (ERS) or the Teachers' Retirement System (TRS) to  
12 continue employment with his or her employer for a  
13 specific period of time, while deferring a portion  
14 of his or her retirement allowance until the end of  
15 the participation period, at which time the member  
16 withdraws from his or her service.

17 Existing law provides that participation in  
18 DROP is prohibited after March 24, 2011.

19 This bill would reopen participation in the  
20 DROP program and would further provide options for  
21 Tier I and Tier II members to participate in DROP.

22  
23 A BILL  
24 TO BE ENTITLED  
25 AN ACT  
26

1           To amend Sections 16-25-150, 16-25-151, 36-27-170,  
2 and 36-27-171 of the Code of Alabama 1975, relating to the  
3 Deferred Retirement Option Plan (DROP); to reopen  
4 participation in the DROP program for certain members; and to  
5 further provide options for Tier I and Tier II members to  
6 participate in DROP.

7 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

8           Section 1. Sections 16-25-150, 16-25-151, 36-27-170,  
9 and 36-27-171 of the Code of Alabama 1975, are amended to read  
10 as follows:

11           "§16-25-150.

12           "(a) As governed by this subsection, there exists as  
13 a part of this retirement system an optional account known as  
14 the Deferred Retirement Option Plan, which may be cited as  
15 "DROP." The purpose of DROP is to allow, contractually, in  
16 lieu of immediate withdrawal from service and receipt of a  
17 retirement allowance, continued employment for a specific  
18 period of time, coupled with the deferral of receipt of a  
19 retirement allowance until the end of the period of  
20 participation, at which time the member shall withdraw from  
21 service.

22           "(b) Participation in DROP is an option available to  
23 any Tier I member of this retirement system who meets all of  
24 the following requirements:

25           "(1) Has at least 25 years of creditable service  
26 exclusive of sick leave.

27           "(2) Is at least 55 years of age.

1           "(3) Is eligible for service retirement.

2           "(c) Participation in DROP is an option available to  
3 any Tier II member of this retirement system who meets all of  
4 the following requirements:

5           "(1) Has at least 25 years of creditable service  
6 exclusive of sick leave.

7           "(2) Is at least 62 years of age.

8           "(3) Is eligible for service retirement.

9           "~~(c)~~ (d) An election to participate in DROP may be  
10 made in one year increments not to exceed five years, nor to  
11 be less than three years. A member may participate in DROP  
12 only one time. Any voluntary termination within the first  
13 three years in DROP will result in a forfeiture of the portion  
14 of his or her DROP account that constitutes the retirement  
15 allowance. ~~However, member contributions will not be~~  
16 ~~forfeited, nor will any interest attributable to the~~  
17 ~~retirement allowance.~~ There will be no penalty forfeiture if  
18 the participation period is interrupted due to an involuntary  
19 dismissal, disability, involuntary transfer of his or her  
20 spouse, or death of the participant.

21           "~~(d)~~ (e) A member who chooses to participate in DROP  
22 may elect an option allowance set out for members of the  
23 Teachers' Retirement System in subsection (h) of Section  
24 16-25-14 at the beginning of the participation period.  
25 Otherwise, he or she shall receive the maximum benefit. Such  
26 election shall be irrevocable once the participation period  
27 begins except as otherwise provided in this chapter.

1           "~~(e)~~ (f) For purposes of DROP, sick leave may not be  
2 converted for purposes of establishing retirement eligibility,  
3 nor used in the calculation of the original retirement  
4 allowance except as provided in Section 16-25-151.

5           "~~(f)~~ (g) The election to participate in DROP shall  
6 be made in accordance with procedures set forth in a uniform  
7 and nondiscriminatory election and application form adopted by  
8 the Board of Control. The election to participate in DROP may  
9 be made at any time on or after the date the member becomes  
10 eligible to participate as set out in subsection (b). Such  
11 application must be made at least 30 days, but not more than  
12 90 days, before the effective date of participation in DROP,  
13 ~~and shall be made no later than March 24, 2011.~~ A member must  
14 be eligible to participate, as provided above at the time the  
15 application is made.

16           "~~(g)~~ (h) Upon the effective date of the commencement  
17 in DROP, the member's service shall remain as it existed on  
18 that date for the duration of DROP. Once a member enters DROP,  
19 service credit purchases are prohibited. Both the employer and  
20 employee member contribution shall continue to be made. The  
21 employee member contribution shall not be refundable to the  
22 member at the completion of DROP. ~~The~~ Eighty percent of the  
23 monthly retirement allowance that would have been payable, had  
24 the person elected to withdraw from service and receive a  
25 retirement allowance, shall be paid into a DROP account that  
26 reflects the credits attributed to the person in DROP.  
27 However, the monies shall remain a part of the regular

1 retirement fund until disbursed to the participating member in  
2 accordance with this section. Any monies paid into this  
3 account are subject to the exemptions set out in Section  
4 16-25-23.

5 ~~"(h) (1) The DROP account shall earn interest at the~~  
6 ~~same rate that interest is posted to active member accounts as~~  
7 ~~defined in subdivision (15) of Section 16-25-1. (i) A person~~  
8 who participates in this plan shall not be eligible to receive  
9 a retiree cost-of-living increase while participating in DROP,  
10 and shall not be eligible for a retiree cost-of-living  
11 increase until participation in the plan ceases and he or she  
12 withdraws from service and has been receiving a retirement  
13 allowance for at least one full year.

14 ~~"(2) Notwithstanding any other provision of this~~  
15 ~~chapter, for any member who has fulfilled his or her~~  
16 ~~obligation under DROP and does not withdraw from service and~~  
17 ~~any member who begins participation in DROP on or before April~~  
18 ~~1, 2011, and fulfills his or her obligation under DROP and~~  
19 ~~does not withdraw from service, the amount of interest payable~~  
20 ~~on benefit deposits after March 24, 2011, shall be the lesser~~  
21 ~~of (1) the investment performance of the immediately preceding~~  
22 ~~fiscal year but no less than \$0, or (2) as provided in~~  
23 ~~subdivision (1) of subsection (d) of Section 16-25-151.~~

24 ~~"(i) (j) DROP shall not be subject to any fees,~~  
25 charges, or other similar expenses of any kind for any  
26 purpose.

1           "~~(j)~~ (k) Participation in DROP shall not affect the  
2 rights of any education employee including, but not limited  
3 to, the Fair Dismissal Act, Section 36-26-100 et seq., the  
4 tenure law, Section 16-24-1, et seq., or any other fringe  
5 benefit.

6           "~~(k)~~ (l) Participation in DROP shall not affect the  
7 accrual of annual and sick leave by the participant.

8           "~~(l)~~ (m) Participants in DROP may receive salary  
9 cost-of-living adjustments and salary increases.

10           "§16-25-151.

11           "(a) On withdrawing from service pursuant to Section  
12 16-25-14, a member who participated in DROP:

13           "(1) Who fulfilled his or her contractual obligation  
14 pursuant to DROP shall receive a lump-sum payment from his or  
15 her DROP account equal to the payments made to that account on  
16 his or her behalf ~~plus interest. Further, the member shall~~  
17 ~~receive his or her accumulated contribution made during~~  
18 ~~participation in DROP, together with interest for the period~~  
19 ~~of DROP participation as provided in subdivision (1) of~~  
20 ~~subsection (g) of Section 16-25-14. In lieu of a lump-sum~~  
21 ~~payment from the DROP account, to the extent eligible under~~  
22 ~~applicable tax laws, the member's total accrued benefit may be~~  
23 ~~"rolled over" directly to the custodian of an eligible~~  
24 ~~retirement plan. The member shall also begin receiving his or~~  
25 ~~her monthly benefit which had been paid directly into the DROP~~  
26 ~~account during that would have been payable, had the person~~  
27 ~~elected to withdraw from service and receive a retirement~~

1 allowance at the commencement of his or her participation in  
2 DROP. However, the monthly benefit shall be recalculated  
3 prospectively to reflect any accrued sick leave as credit for  
4 retirement purposes. Conversion of sick leave is limited to  
5 the applicable laws pertaining to conversion of sick leave  
6 into retirement credit. In no event can the number of days  
7 converted be greater than the number of days the participant  
8 had on the date he or she entered DROp. The member is not  
9 allowed to change the option allowance chosen at the beginning  
10 of DROp participation.

11 "(2) Who did not fulfill his or her obligation under  
12 DROp due to involuntary termination, disability, or  
13 involuntary transfer of his or her spouse, shall receive a  
14 lump-sum payment from his or her DROp account equal to the  
15 payments made to that account on his or her behalf ~~plus~~  
16 ~~interest. Further, the member shall receive his or her~~  
17 ~~accumulated contribution made during participation in DROp,~~  
18 ~~together with interest for the period of DROp participation as~~  
19 ~~provided in subdivision (1) of subsection (g) of Section~~  
20 ~~16-25-14.~~ In lieu of a lump-sum payment from the DROp account,  
21 to the extent eligible under applicable tax laws, the member's  
22 total accrued benefit may be "rolled over" directly to the  
23 custodian of an eligible retirement plan. The member shall  
24 also begin receiving his or her monthly benefit ~~which had been~~  
25 ~~paid directly into the DROp account during~~ that would have  
26 been payable, had the person elected to withdraw from service  
27 and receive a retirement allowance at the commencement of his



1 or her participation in DROP. However, the monthly benefit  
2 shall be recalculated prospectively to reflect any accrued  
3 sick leave as credit for retirement purposes. Conversion of  
4 sick leave is limited to the applicable laws pertaining to  
5 conversion of sick leave into retirement credit. In no event  
6 can the number of days converted be greater than the number of  
7 days the participant had on the date he or she entered DROP.  
8 The member is not allowed to change the option allowance  
9 chosen at the beginning of DROP participation.

10 "(3) Who did not fulfill his or her obligation under  
11 DROP due to voluntary termination within the first three years  
12 of participation shall forfeit ~~a portion of his or her DROP~~  
13 ~~account that constitutes the retirement allowance. The member~~  
14 ~~shall be entitled to a return of his or her member~~  
15 ~~contribution made during his or her participation in DROP as~~  
16 ~~well as any interest attributable to the retirement allowance.~~  
17 However, following termination of employment, the member shall  
18 begin receiving his or her monthly benefit ~~which had been paid~~  
19 ~~directly into the DROP account during~~ that would have been  
20 payable, had the person elected to withdraw from service and  
21 receive a retirement allowance at the commencement of his or  
22 her participation in DROP. However, the monthly benefit shall  
23 be recalculated prospectively to reflect any accrued sick  
24 leave as credit for retirement purposes. Conversion of sick  
25 leave is limited to the applicable laws pertaining to  
26 conversion of sick leave into retirement credit. In no event  
27 can the number of days converted be greater than the number of

1 days the participant had on the date he or she entered DROP.  
2 The member is not allowed to change the option allowance  
3 chosen at the beginning of DROP participation.

4 "(b) If a participant dies during the period of  
5 participation in DROP, a lump-sum payment equal to the  
6 payments made to the DROP account on his or her behalf plus  
7 interest shall be paid to his or her named beneficiary or, if  
8 none, to his or her estate. ~~Further, the beneficiary of the~~  
9 ~~estate shall be entitled to a return of the member's~~  
10 ~~contribution made during his or her participation in DROP~~  
11 ~~together with interest for the period of DROP participation as~~  
12 ~~provided in subdivision (1) of subsection (g) of Section~~  
13 ~~16-25-14. However, death benefits payable pursuant to~~  
14 ~~subsection (g) of Section 16-25-14 or Section 36-27B-3 shall~~  
15 ~~not be applicable.~~ Where there is a beneficiary that would be  
16 entitled to an ongoing monthly benefit, if applicable laws  
17 allow, the monthly benefit may be recalculated prospectively  
18 to reflect accrued sick leave as credit for retirement  
19 purposes. If applicable laws allow, the beneficiary may elect  
20 to be paid for the deceased member's sick leave as would any  
21 other member upon retirement. In no event can the number of  
22 sick leave days used for either calculation be greater than  
23 the number of days the participant had on entry into DROP. The  
24 member is not allowed to change the option allowance chosen at  
25 the beginning of DROP participation.

26 "(c) At the end of the specified period for DROP:

1           "(1) Payments into the DROP account made on behalf  
2 of the member shall cease.

3           "(2) Payment from the DROP account shall not be made  
4 to the member until he or she withdraws from service, nor  
5 shall the monthly retirement allowance being paid into the  
6 DROP account during the period of participation be payable to  
7 the member until he or she withdraws from service pursuant to  
8 Section 16-25-14.

9           "(3) If the member does not withdraw from service  
10 after the period specified for participation in DROP, he or  
11 she shall resume active contributing membership in the system  
12 for the purpose of earning creditable service. Under no  
13 circumstance will any time spent participating in DROP be  
14 eligible to constitute service credit in any Alabama public  
15 supported retirement system.

16           "(d) (1) Upon a future withdrawal from service, the  
17 member shall receive a lump-sum payment from his or her DROP  
18 account equal to the payments made to that account on his or  
19 her behalf ~~plus interest. Further, the member shall receive~~  
20 ~~his or her accumulated contribution made during participation~~  
21 ~~in DROP together with interest for the period of DROP~~  
22 ~~participation as provided in subdivision (1) of subsection (g)~~  
23 ~~of Section 16-25-14.~~ In lieu of a lump-sum payment from the  
24 DROP account, to the extent eligible under applicable tax  
25 laws, the member's total accrued benefit may be "rolled over"  
26 directly to the custodian of an eligible retirement plan.

1           "(2) Upon withdrawal from service, the monthly  
2 retirement allowance that ~~was being originally paid into the~~  
3 ~~DROP account~~ would have been payable, had the person elected  
4 to withdraw from service and receive a retirement allowance at  
5 the commencement of his or her participation in DROP, shall  
6 begin to be paid to the member. However, the monthly benefit  
7 shall be recalculated prospectively to reflect any accrued  
8 sick leave as credit for retirement purposes. Conversion of  
9 sick leave is limited to the applicable laws pertaining to  
10 conversion of sick leave into retirement credit. In no event  
11 can the number of days converted be greater than the number of  
12 days the participant had on the date he or she entered DROP.  
13 The member is not allowed to change the option allowance  
14 chosen at the beginning of DROP participation.

15           "(3) Upon withdrawal from service, the member shall  
16 receive an additional retirement benefit based on his or her  
17 additional service rendered to the system since termination of  
18 participating in DROP, using the normal method of computation  
19 of benefit for that period only. This additional service shall  
20 not be added to any service prior to his or her participation  
21 in DROP. The member's average compensation for that time  
22 worked after the participation in DROP shall be multiplied by  
23 the appropriate benefit factor multiplied by the amount of  
24 time worked after the participation in DROP. Under no  
25 circumstances is this service to be combined with service  
26 prior to participation in DROP.

1           "(4) The option used for retirement purposes shall  
2 be that applicable to the original benefit.

3           "(5) If the member dies or becomes disabled during  
4 the period of additional service, he or she shall be  
5 considered as having retired on the date of death or  
6 commencement of disability. However, no death benefits  
7 pursuant to subsection (g) of Section 16-25-14 or Section  
8 36-27B-3 will be applicable.

9           "§36-27-170.

10          "(a) As governed by this subsection, there exists as  
11 a part of this retirement system, an optional account known as  
12 the Deferred Retirement Option Plan, which may be cited as  
13 "DROP." The purpose of DROP is to allow, contractually, in  
14 lieu of immediate withdrawal from service and receipt of a  
15 retirement allowance, continued employment for a specific  
16 period of time, coupled with the deferral of receipt of a  
17 retirement allowance until the end of such period of  
18 participation, at which time the member shall withdraw from  
19 service.

20          "(b) Participation in DROP is an option available to  
21 any Tier I member of this retirement system who meets all of  
22 the following:

23           "(1) Has at least 25 years of creditable service  
24 exclusive of sick leave.

25           "(2) Is at least 55 years of age, or in the case of  
26 a state police member, is at least 52 years of age.

27           "(3) Is eligible for service retirement.

1           "(c) Participation in DROP is an option available to  
2 any Tier II member of this retirement system who meets all of  
3 the following:

4           "(1) Has at least 25 years of creditable service  
5 exclusive of sick leave.

6           "(2) Is at least 62 years of age, or in the case of  
7 a firefighter, law enforcement officer, correction officer, or  
8 state police member, is at least 56 years of age.

9           "(3) Is eligible for service retirement.

10          ~~"(c)~~ (d) An election to participate in DROP may be  
11 made in one year increments not to exceed five years, nor to  
12 be less than three years. A member may participate in DROP  
13 only one time. Any voluntary termination within the first  
14 three years in DROP will result in a forfeiture of a portion  
15 of his or her DROP account that constitutes the retirement  
16 allowance. ~~However, member contributions will not be forfeited~~  
17 ~~nor will any interest attributable to the retirement~~  
18 ~~allowance.~~ There will be no forfeiture if the participation  
19 period is interrupted due to an involuntary dismissal,  
20 disability, involuntary transfer of his or her spouse, or  
21 death of the participant.

22          ~~"(d)~~ (e) A member who chooses to participate in DROP  
23 may elect an option allowance set out for members of the  
24 Employees' Retirement System in subsection (d) of Section  
25 36-27-16 at the beginning of the participation period.  
26 Otherwise, he or she shall receive the maximum benefit. Such

1 election shall be irrevocable once the participation period  
2 begins except as otherwise provided in this chapter.

3 ~~"(e)~~ (f) For purposes of DROP, sick leave may not be  
4 converted for purposes of establishing retirement eligibility,  
5 nor used in the calculation of the original retirement  
6 allowance except as provided in Section 36-27-171. A person  
7 electing to enter the DROP program is not eligible for a  
8 lump-sum payment for any annual or sick leave until withdrawal  
9 from service.

10 ~~"(f)~~ (g) The election to participate in DROP shall  
11 be made in accordance with procedures set forth in a uniform  
12 and nondiscriminatory election and application form adopted by  
13 the Board of Control. The election to participate in DROP may  
14 be made at any time on or after the date the member becomes  
15 eligible to participate as set out in subsection (b). Such  
16 application must be made at least 30 days, but not more than  
17 90 days, before the effective date of participation in DROP,  
18 ~~and shall be made no later than March 24, 2011.~~ A member must  
19 be eligible to participate, as provided above, at the time the  
20 application is made.

21 ~~"(g)~~ (h) Upon the effective date of the commencement  
22 in DROP, the member's service shall remain as it existed on  
23 that date for the duration of DROP. Once a member enters DROP,  
24 service credit purchases are prohibited. Both the employer and  
25 employee member contribution shall continue to be made. The  
26 employee member contribution shall not be refundable to the  
27 member at the completion of DROP. ~~The~~ Eighty percent of the

1 monthly retirement allowance that would have been payable, had  
2 the person elected to withdraw from service and receive a  
3 retirement allowance, shall be paid into a DROP account that  
4 reflects the credits attributed to the person in DROP.  
5 However, the monies shall remain a part of the regular  
6 retirement fund until disbursed to the participating member in  
7 accordance with this section. Any monies paid into this  
8 account are subject to the exemptions set out in Section  
9 36-27-28.

10 ~~"(h) (1) The DROP account shall earn interest at the~~  
11 ~~same rate that interest is posted to active member accounts as~~  
12 ~~defined in subdivision (12) of Section 36-27-1. (i) A person~~  
13 who participates in this plan shall not be eligible to receive  
14 a retiree cost-of-living increase while participating in DROP,  
15 and shall not be eligible for a retiree cost-of-living  
16 increase until participation in the plan ceases and he or she  
17 withdraws from service and has been receiving a retirement  
18 allowance for at least one full year.

19 ~~"(2) Notwithstanding any other provision of this~~  
20 ~~chapter, for any member who has fulfilled his or her~~  
21 ~~obligation under DROP and does not withdraw from service and~~  
22 ~~any member who begins participation in DROP on or before April~~  
23 ~~1, 2011, and fulfills his or her obligation under DROP and~~  
24 ~~does not withdraw from service, the amount of interest payable~~  
25 ~~on benefit deposits after March 24, 2011, shall be the lesser~~  
26 ~~of (1) the investment performance of the immediately preceding~~



1 ~~fiscal year but no less than \$0, or (2) as provided in~~  
2 ~~subdivision (1) of subsection (d) of Section 36-27-171.~~

3 ~~"(i) (j)~~ (j) DROP shall not be subject to any fees,  
4 charges, or other similar expenses of any kind for any  
5 purpose.

6 ~~"(j) (k)~~ (k) Participation in DROP shall not affect the  
7 rights of any state employee under the state personnel system,  
8 including, but not limited to, his or her rights to longevity  
9 pay.

10 ~~"(k) (l)~~ (l) Participation in DROP shall not affect the  
11 accrual of annual and sick leave by the participant.

12 ~~"(l) (m)~~ (m) Participants in DROP may receive salary  
13 cost-of-living adjustments and salary increases.

14 "§36-27-171.

15 "(a) On withdrawing from service pursuant to Section  
16 36-27-16, a member who participated in DROP:

17 "(1) Who fulfilled his or her contractual obligation  
18 pursuant to DROP shall receive a lump-sum payment from his or  
19 her DROP account equal to the payments made to that account on  
20 his or her behalf ~~plus interest. Further, the member shall~~  
21 ~~receive his or her accumulated contribution made during~~  
22 ~~participation in DROP, together with interest for the period~~  
23 ~~of DROP participation as provided in subdivision (1) of~~  
24 ~~subsection (c) of Section 36-27-16. In lieu of a lump-sum~~  
25 payment from the DROP account, to the extent eligible under  
26 applicable tax laws, the member's total accrued benefit may be  
27 "rolled over" directly to the custodian of an eligible

1 retirement plan. The member shall also begin receiving his or  
2 her monthly benefit ~~which had been paid directly into the DROP~~  
3 ~~account during~~ that would have been payable, had the person  
4 elected to withdraw from service and receive a retirement  
5 allowance at the commencement of his or her participation in  
6 DROP. However, if applicable laws allow, the monthly benefit  
7 may be recalculated prospectively to reflect accrued sick  
8 leave as credit for retirement purposes. If applicable laws  
9 allow, the participant may elect to be paid for his or her  
10 sick leave as would any other member upon retirement. In no  
11 event can the number of sick leave days used for either  
12 calculation be greater than the number of days the participant  
13 had on entry into DROP. The member is not allowed to change  
14 the option allowance chosen at the beginning of DROP  
15 participation.

16 "(2) Who did not fulfill his or her obligation under  
17 DROP due to involuntary termination, disability, or  
18 involuntary transfer of his or her spouse, shall receive a  
19 lump-sum payment from his or her DROP account equal to the  
20 payments made to that account on his or her behalf ~~plus~~  
21 ~~interest. Further, the member shall receive his or her~~  
22 ~~accumulated contribution made during participation in DROP,~~  
23 ~~together with interest for the period of DROP participation as~~  
24 ~~provided in subdivision (1) of subsection (c) of Section~~  
25 ~~36-27-16.~~ In lieu of a lump-sum payment from the DROP account  
26 to the extent eligible under applicable tax laws, the member's  
27 total accrued benefit may be "rolled over" directly to the

1 custodian of an eligible retirement plan. The member shall  
2 also begin receiving his or her monthly benefit ~~which had been~~  
3 ~~paid into the DROP account during~~ that would have been  
4 payable, had the person elected to withdraw from service and  
5 receive a retirement allowance at the commencement of his or  
6 her participation in DROP. However, if applicable laws allow,  
7 the monthly benefit may be recalculated prospectively to  
8 reflect accrued sick leave as credit for retirement purposes.  
9 If applicable laws allow, the participant may elect to be paid  
10 for his or her sick leave as would any other member upon  
11 retirement. In no event can the number of sick leave days used  
12 for either calculation be greater than the number of days the  
13 participant had on entry into DROP. The member is not allowed  
14 to change the option allowance chosen at the beginning of DROP  
15 participation.

16 "(3) Who did not fulfill his or her obligation under  
17 DROP due to voluntary termination within the first three years  
18 of participation shall forfeit ~~a portion of his or her DROP~~  
19 ~~account that constitutes the retirement allowance. The member~~  
20 ~~will be entitled to a return of his or her member~~  
21 ~~contributions made during his or her participation in DROP as~~  
22 ~~well as any interest attributable to the retirement allowance.~~  
23 However, following termination of employment, the member shall  
24 begin receiving his or her monthly benefit ~~which had been paid~~  
25 ~~directly into the DROP account during~~ that would have been  
26 payable, had the person elected to withdraw from service and  
27 receive a retirement allowance at the commencement of his or

1 her participation in DROP. However, if applicable laws allow,  
2 the monthly benefit may be recalculated prospectively to  
3 reflect accrued sick leave as credit for retirement purposes.  
4 If applicable laws allow, the participant may elect to be paid  
5 for his or her sick leave as would any other member upon  
6 retirement. In no event can the number of sick leave days used  
7 for either calculation be greater than the number of days the  
8 participant had on entry into DROP. The member is not allowed  
9 to change the option allowance chosen at the beginning of DROP  
10 participation.

11 " (b) If a participant dies during the period of  
12 participation in DROP, a lump-sum payment equal to the  
13 payments made to the DROP account on his or her behalf plus  
14 interest shall be paid to his or her named beneficiary or, if  
15 none, to his or her estate. ~~Further, the beneficiary of the~~  
16 ~~estate shall be entitled to a return of the member's~~  
17 ~~contribution made during his or her participation in DROP~~  
18 ~~together with interest for the period of DROP participation as~~  
19 ~~provided in subdivision (1) of subsection (c) of Section~~  
20 ~~36-27-16.~~ However, death benefits payable pursuant to  
21 subsection (c) of Section 36-27-16 or Section 36-27B-3 shall  
22 not be applicable. Where there is a beneficiary who would be  
23 entitled to an ongoing monthly benefit, if applicable laws  
24 allow, the monthly benefit may be recalculated prospectively  
25 to reflect accrued sick leave as credit for retirement  
26 purposes. If applicable laws allow, the beneficiary may elect  
27 to be paid for the deceased member's sick leave as would any

1 other member upon retirement. In no event can the number of  
2 sick leave days used for either calculation be greater than  
3 the number of days the participant had on entry into DROP. The  
4 member is not allowed to change the option allowance chosen at  
5 the beginning of DROP participation.

6 "(c) At the end of the specified period for DROP:

7 "(1) Payments into the DROP account made on behalf  
8 of the member shall cease.

9 "(2) Payment from the DROP account shall not be made  
10 to the member until he or she withdraws from service, nor  
11 shall the monthly retirement allowance being paid into the  
12 DROP account during the period of participation be payable to  
13 the member until he or she withdraws from service pursuant to  
14 Section 36-27-16. However, if applicable laws allow, the  
15 monthly benefit may be recalculated prospectively to reflect  
16 accrued sick leave as credit for retirement purposes. If  
17 applicable laws allow, the participant may elect to be paid  
18 for his or her sick leave as would any other member upon  
19 retirement. In no event can the number of sick leave days used  
20 for either calculation be greater than the number of days the  
21 participant had on entry into DROP. The member is not allowed  
22 to change the option allowance chosen at the beginning of DROP  
23 participation.

24 "(3) If the member does not withdraw from service  
25 after the period specified for participation in DROP, he or  
26 she shall resume active contributing membership in the system  
27 for the purpose of earning creditable service. Under no

1 circumstance will any time spent participating in DROP be  
2 eligible to constitute service credit in any Alabama public  
3 supported retirement system.

4 "(d) (1) Upon a future withdrawal from service, the  
5 member shall receive a lump-sum payment from his or her DROP  
6 account equal to the payments made to that account on his or  
7 her behalf ~~plus interest. Further, the beneficiary of the~~  
8 ~~estate shall be entitled to a return of the member's~~  
9 ~~contribution made during his or her participation in DROP~~  
10 ~~together with interest for the period of DROP participation as~~  
11 ~~provided in subdivision (1) of subsection (c) of Section~~  
12 ~~36-27-16.~~ In lieu of a lump-sum payment from the DROP account,  
13 to the extent eligible under applicable tax laws, the member's  
14 total accrued benefit may be "rolled over" directly to the  
15 custodian of an eligible retirement plan.

16 "(2) Upon withdrawal from service, the monthly  
17 retirement allowance that ~~was being originally paid into the~~  
18 ~~DROP account~~ would have been payable, had the person elected  
19 to withdraw from service and receive a retirement allowance at  
20 the commencement of his or her participation in DROP, shall  
21 begin to be paid to the member. However, if applicable laws  
22 allow, the monthly benefit may be recalculated prospectively  
23 to reflect accrued sick leave as credit for retirement  
24 purposes. If applicable laws allow, the participant may elect  
25 to be paid for his or her sick leave as would any other member  
26 upon retirement. In no event can the number of sick leave days  
27 used for either calculation be greater than the number of days

1 the participant had on entry into DROP. The member is not  
2 allowed to change the option allowance chosen at the beginning  
3 of DROP participation.

4 "(3) Upon withdrawal from service, the member shall  
5 receive an additional retirement benefit based on his or her  
6 additional service rendered to the system since termination of  
7 participating in DROP, using the normal method of computation  
8 of benefit for that period only. This additional service shall  
9 not be added to any service prior to his or her participation  
10 in DROP. The member's average compensation for that time  
11 worked after the participation in DROP shall be multiplied by  
12 the appropriate benefit factor multiplied by the amount of  
13 time worked after the participation in DROP. Under no  
14 circumstances is this service to be combined with service  
15 prior to participation in DROP.

16 "(4) The option used for retirement purposes shall  
17 be that applicable to the original benefit.

18 "(5) If the member dies or becomes disabled during  
19 the period of additional service, he or she shall be  
20 considered as having retired on the date of death or  
21 commencement of disability. However, no death benefits  
22 pursuant to subsection (c) of Section 36-27-16 or Section  
23 36-27B-3 will be applicable."

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