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3 HOUSE WAYS AND MEANS EDUCATION COMMITTEE SUBSTITUTE FOR HB77  
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8 SYNOPSIS: This bill would establish a new defined  
9 benefit retirement plan, effective October 1, 2020,  
10 for any public employee who is first hired on or  
11 after January 1, 2013, by an employer who  
12 participates in the Teachers' Retirement System.  
13

14 A BILL  
15 TO BE ENTITLED  
16 AN ACT  
17

18 To amend Sections 16-25-1, 16-25-11.1, 16-25-14, and  
19 16-25-21, Code of Alabama 1975, relating to retirement  
20 benefits for employees who are members of the Teachers'  
21 Retirement System; to establish a new defined benefit  
22 retirement plan for employees who first become a member of the  
23 Teachers' Retirement System on or after January 1, 2013,  
24 except for those Tier II plan members that opt out by June 1,  
25 2021.

26 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

1           Section 1. This act shall be known and may be cited  
2 as the Tier III Teacher Recruitment and Retention Act.

3           Section 2. Sections 16-25-1, 16-25-11.1, 16-25-14,  
4 and 16-25-21, Code of Alabama 1975, are amended to read as  
5 follows:

6           "§16-25-1.

7           "For the purposes of this chapter the following  
8 terms, unless a different meaning is plainly required by the  
9 context, shall have the following respective meanings:

10           "(1) RETIREMENT SYSTEM. The Teachers' Retirement  
11 System of Alabama as defined in Section 16-25-2.

12           "(2) PUBLIC SCHOOL. Any day school conducted within  
13 the state under the authority and supervision of a duly  
14 elected or appointed county or city board of education and any  
15 educational institution supported by and under the control of  
16 the state or any private nondenominational school operated  
17 nonprofit for the education of children of school age residing  
18 within a district where no public school is available for the  
19 children.

20           "(3) TEACHER. Any teacher, principal,  
21 superintendent, supervisor, college professor, administrative  
22 officer, or clerk employed in any public school or public  
23 college within the state or employed in any private  
24 nondenominational school operated nonprofit for the education  
25 of children of school age residing within a district where no  
26 public school is available for the children or any similar  
27 employee or officer of the Department of Education or of the

1 Alabama Education Association, or any attendance worker 50  
2 percent or more of whose salary is paid from public school  
3 funds or any employee receiving a regular stated compensation  
4 from the retirement system. In all cases of doubt, the Board  
5 of Control shall determine whether any person is a teacher as  
6 defined in this chapter.

7 "(4) SUPPORT PERSONNEL or EMPLOYEE. Any maid,  
8 custodian, adult bus driver, lunchroom or cafeteria worker,  
9 secretary, clerk, clerical assistant, maintenance worker, or  
10 other non-certificated employee who works an average of 20  
11 hours weekly.

12 "(5) EMPLOYER. The State of Alabama, the county  
13 school board, the city school board, the State Board of  
14 Education, or any governing body of any private  
15 nondenominational school operated nonprofit for education of  
16 children of school age residing within a district where no  
17 public school is available for the children or any other  
18 agency of and within the state by which a teacher is paid.

19 "(6) MEMBER. Any teacher included in the membership  
20 of the system as provided in Section 16-25-3.

21 "(7) BOARD OF CONTROL. The board provided for in  
22 Section 16-25-19 to administer the retirement system.

23 "(8) MEDICAL BOARD. The board of physicians provided  
24 for in Section 16-25-19.

25 "(9) TRUSTEES. The members of the Board of Control  
26 to administer the trust funds.

27 "(10) SERVICE. Service as a teacher.

1           "(11) PRIOR SERVICE. Service rendered prior to the  
2 date of establishment of the retirement system for which  
3 credit is allowable under Section 16-25-11.

4           "(12) MEMBERSHIP SERVICE. Service as a teacher  
5 rendered while a member of the retirement system and on  
6 account of which contributions are made.

7           "(13) CREDITABLE SERVICE. "Prior service" plus  
8 "membership service" rendered since last becoming a member.

9           "(14) BENEFICIARY. Any person in receipt of a  
10 pension, an annuity, a retirement allowance, or other benefit  
11 as provided by this chapter.

12           "(15) REGULAR INTEREST. Interest compounded annually  
13 at the rate determined by the Board of Control in accordance  
14 with subsection (b) of Section 16-25-20.

15           "(16) ACCUMULATED CONTRIBUTIONS. The sum of all the  
16 amounts deducted from the compensation of a member and  
17 credited to his or her individual account in the annuity  
18 savings fund together with regular interest thereon as  
19 provided in Section 16-25-21.

20           "(17) EARNABLE COMPENSATION. The full rate of the  
21 compensation that would be payable to a teacher if he or she  
22 worked the full normal working time. In cases where  
23 compensation includes maintenance, the Board of Control shall  
24 fix the value of that part of the compensation not paid in  
25 money. Earnable compensation shall not exceed the limitations  
26 imposed by Section 401(a)(17) of the Internal Revenue Code for  
27 public pension funds except that any employee who was a member

1 of the Teachers' Retirement System before the first plan year  
2 beginning after December 31, 1995, shall not be subject to the  
3 earning limitations set forth in Section 401(a)(17). For Tier  
4 I plan members, the term earnable compensation for retirement  
5 purposes shall include overtime payments that are made to a  
6 member; however, earnable compensation shall not exceed 120  
7 percent of any member's annual base compensation as certified  
8 by the employer. For Tier II plan and Tier III plan members,  
9 earnable compensation shall include overtime payments that are  
10 made to the member but shall not include subsistence payments  
11 that are made to the member and shall not exceed one hundred  
12 twenty-five percent (125%) of the member's annual base  
13 compensation, as certified by the employer.

14 "(18) AVERAGE FINAL COMPENSATION. For any Tier I  
15 Plan member, the average annual compensation of a teacher,  
16 with respect to which he or she has made contributions  
17 pursuant to paragraph b. of subdivision (1) of Section  
18 16-25-21 during the three years in his or her last 10 years of  
19 creditable service for which the average is highest or during  
20 his or her entire period of creditable service if less than  
21 three years; except, that for any period prior to October 1,  
22 1959, the compensation used in computing the average shall  
23 include compensation in excess of the maximum amount with  
24 respect to which members were required to contribute. For any  
25 Tier II Plan or Tier III plan member, the average annual  
26 compensation of the member, with respect to which he or she  
27 has made contributions pursuant to paragraph b. of subdivision

1 (1) of Section 16-25-21 during the five years in his or her  
2 last ten years of creditable service for which the average is  
3 highest or during his or her entire period of creditable  
4 service if less than five years.

5 "(19) ANNUITY. Payments for life derived from the  
6 "accumulated contributions" of a member. All annuities shall  
7 be payable in equal monthly installments.

8 "(20) PENSION. Payments for life derived from money  
9 provided by the employer. All pensions shall be payable in  
10 equal monthly installments.

11 "(21) RETIREMENT ALLOWANCE. The sum of the "annuity"  
12 and the "pension."

13 "(22) RETIREMENT. Withdrawal from active service  
14 with a retirement allowance or optional benefit in lieu  
15 thereof granted under this chapter.

16 "(23) ANNUITY RESERVE. The present value of all  
17 payments to be made on account of any annuity or benefit in  
18 lieu of any annuity, computed upon the basis of the mortality  
19 tables as shall be adopted by the Board of Control, and  
20 regular interest.

21 "(24) PENSION RESERVE. The present value of all  
22 payments to be made on account of any pension or benefit in  
23 lieu of any pension, computed upon the basis of the mortality  
24 tables as shall be adopted by the Board of Control, and  
25 regular interest.

26 "(25) ACTUARIAL EQUIVALENT. A benefit of equal  
27 value, when computed upon the basis of the mortality tables as

1 shall be adopted by the Board of Control, and regular  
2 interest.

3 "(26) NORMAL CONTRIBUTION. The contributions of the  
4 state necessary to provide a pension equal to the annuity  
5 which the member's contribution made prior to age 65 with  
6 interest will provide at age of retirement not to exceed 65.

7 "(27) TIER I PLAN. The defined benefit pension plan  
8 provided by the Retirement System to Tier I plan members.

9 "(28) TIER II PLAN. The defined benefit pension plan  
10 provided by the Retirement System to Tier II plan members.

11 "(29) TIER III PLAN. The defined benefit pension  
12 plan provided by the Retirement System to Tier III plan  
13 members.

14 "~~(29)~~ (30) TIER I PLAN MEMBER. Any member of the  
15 Retirement System who had service for which he or she received  
16 credit in the Teachers' Retirement System or in the Employees'  
17 Retirement System prior to January 1, 2013.

18 "~~(30)~~ (31) TIER II PLAN MEMBER. Any member of the  
19 Retirement System who first began eligible employment with a  
20 Teachers' Retirement System or an Employees' Retirement System  
21 participating employer on or after January 1, 2013, and prior  
22 to October 1, 2020, and who had no eligible service in the  
23 Teachers' Retirement System or the Employees' Retirement  
24 System prior to January 1, 2013, and who opted to remain a  
25 Tier II Plan member on or before June 1, 2021, in the manner  
26 prescribed by the Board of Control, except for those Tier II

1 Plan members who begin active service with the Retirement  
2 System on or after October 1, 2020.

3 "(32) TIER III PLAN MEMBER. As of October 1, 2020,  
4 any member of the Retirement System who first began eligible  
5 employment with a Teachers' Retirement System or an Employees'  
6 Retirement System participating employer on or after January  
7 1, 2013, and who had no eligible service in the Teachers'  
8 Retirement System or the Employees' Retirement System prior to  
9 January 1, 2013. This term shall not include any active Tier  
10 II Plan member of the Retirement System who opted to remain a  
11 Tier II Plan member on or before June 1, 2021, in the manner  
12 prescribed by the Board of Control.

13 "§16-25-11.1.

14 "(a) Teachers, as defined in subdivision (3) of  
15 Section 16-25-1 or subsection (d) of Section 16-25-5, as  
16 amended, may use their accrued sick leave, up to a maximum  
17 number of accrued sick leave days allowed by law, to be  
18 included as membership service in determining the total years  
19 of creditable service in the Teachers' Retirement System of  
20 Alabama; provided, any teacher not authorized by law to  
21 receive sick leave may use any accrued sick leave provided by  
22 his or her employer, provided, that employer is lawfully  
23 empowered to grant such leave, which cannot be without pay;  
24 and provided further that the amount of such accrued leave  
25 shall not exceed the maximum number of accrued sick leave days  
26 allowed by law for a classroom teacher employed by a city or  
27 county board of education. Unused sick leave may be converted



1 to membership service only for the purpose of applying for  
2 service retirement. The conversion shall not apply to  
3 eligibility for deferred retirement; provided that a person  
4 eligible for service retirement, if also eligible for  
5 disability retirement, may elect disability retirement and  
6 also receive credit for accumulated sick leave pursuant to  
7 this section. This section shall not be applicable to any  
8 person who is eligible to receive partial payment for accrued  
9 sick leave pursuant to Section 36-26-36. This section shall  
10 apply to all Tier III plan members.

11 "(b) The conversion of accrued sick leave into  
12 creditable service provided in this section shall not apply to  
13 any Tier II plan member.

14 "§16-25-14.

15 "(a) (1) Any Tier I plan member who withdraws from  
16 service upon or after attainment of age 60 and any Tier II or  
17 Tier III plan member who withdraws from service upon or after  
18 attainment of age 62, or in the case of a Tier II or Tier III  
19 plan member who is a correctional officer, firefighter, or law  
20 enforcement officer as defined in Section 36-27-59, who  
21 withdraws from service upon or after attainment of age 56 with  
22 at least ten years of creditable service as a correctional  
23 officer, firefighter, or law enforcement officer may retire  
24 upon written application to the Board of Control setting forth  
25 at what time, not less than 30 days nor more than 90 days  
26 subsequent to the execution and filing thereof, he or she  
27 desires to be retired; provided, that any such member who

1 became a member on or after October 1, 1963, shall have  
2 completed 10 or more years of creditable service.

3 "(2) Any Tier I plan member who has attained age 60  
4 and any Tier II or Tier III plan member who has attained age  
5 62, or in the case of a Tier II or Tier III plan member who is  
6 a correctional officer, firefighter, or law enforcement  
7 officer as defined in Section 36-27-59, who has attained age  
8 56 with at least ten years of creditable service as a  
9 correctional officer, firefighter, or law enforcement officer  
10 and has previously withdrawn from service may retire upon  
11 written application to the Board of Control setting forth at  
12 what time, not less than 30 days nor more than 90 days  
13 subsequent to the execution and filing thereof, he or she  
14 desires to be retired; provided, that the member shall have  
15 completed at the time for his or her withdrawal from service  
16 the requirements established by the Board of Control for  
17 eligibility for deferred benefits pursuant to Section 16-25-3.

18 "(3) Any person who is presently covered or is  
19 eligible to be covered under the Employees' Retirement System  
20 of Alabama or the Teachers' Retirement System of Alabama and  
21 who, prior to such coverage or eligibility for coverage,  
22 served as head of any Alabama county's public library service  
23 department shall have credited to him or her one year of  
24 creditable service for each year served as such head, not to  
25 exceed 12 years; provided, that such person shall pay into the  
26 retirement system the employee's part of the cost or  
27 contribution based on the salary paid to such person during

1 the time of his or her service in the above capacity, with  
2 such cost or contribution to be calculated at the percent or  
3 rate in effect on October 1, 1973.

4 "(4) Any Tier I plan member of the Teachers'  
5 Retirement System of Alabama, who withdraws from service after  
6 the completion of at least 25 years of creditable service, or  
7 any Tier III plan member, who withdraws from service after the  
8 completion of at least 30 years of creditable service, may  
9 retire upon written application to the Board of Control of the  
10 Teachers' Retirement System setting forth at what time, not  
11 less than 30 days nor more than 90 days subsequent to the  
12 execution and filing thereof, he or she desires to be retired;  
13 provided, that any such member who became a Tier I or Tier III  
14 plan member on or after October 1, 1963 shall have completed  
15 10 or more years of creditable service.

16 "(b) Upon retirement from service, a Tier I plan  
17 member shall receive a service retirement allowance which  
18 shall consist of:

19 "(1) An annuity which shall be the actuarial  
20 equivalent of his or her accumulated contributions at the time  
21 of his or her retirement;

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

26 "(3) If he or she has a prior service certificate in  
27 full force and effect, an additional pension which shall be

1 equal to the annuity which would have been provided at age of  
2 retirement, but not to exceed an annuity allowable at age 65  
3 by twice the contributions which he or she would have made  
4 during the period of prior service with which he or she is  
5 credited had the system been in operation and had he or she  
6 contributed thereunder. In lieu of a determination of the  
7 actual compensation of the members that was received during  
8 such prior service, the Board of Control may use for the  
9 purposes of this chapter the compensation rates which, if they  
10 had progressed with the rates of salary increase shown in the  
11 tables as prescribed in subsection (o) of Section 16-25-19,  
12 would have resulted in the same average salary of the member  
13 for the five years immediately preceding the date of  
14 establishment as the records show the member actually  
15 received.

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

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

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

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

5           "(d) Upon retirement from service, a Tier II plan  
6           member shall receive a service retirement allowance which  
7           shall consist of an annuity which shall be the actuarial  
8           equivalent of the member's accumulated contributions at the  
9           time of retirement and a pension which, when added to the  
10          member's annuity, shall be equal to one and sixty-five  
11          hundredths percent (1.65%) of the member's average final  
12          compensation multiplied by the number of years of creditable  
13          service. Notwithstanding the foregoing, the service retirement  
14          allowance shall not exceed eighty percent (80%) of the  
15          member's average final compensation.

16          "(e) Upon retirement from service, a Tier III plan  
17          member shall receive a service retirement allowance which  
18          shall consist of an annuity, which shall be the actuarial  
19          equivalent of the member's accumulated contributions at the  
20          time of retirement and a pension which, when added to the  
21          member's annuity, shall be equal to two percent (2%) of the  
22          member's average final compensation multiplied by the number  
23          of years of creditable service. Notwithstanding the foregoing,  
24          the service retirement allowance shall not exceed eighty  
25          percent (80%) of the member's average final compensation.

26          "~~(e)~~ (f) Upon the application of a Tier I plan  
27          member in service or of his or her employer, any member who

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

20 ~~"(f)~~ (g) Upon retirement for disability, a Tier I  
21 plan member shall receive a service retirement allowance if he  
22 or she has attained age 60 or if any law or part of any law  
23 pertaining to retirement under the Teachers' Retirement System  
24 of Alabama provides for service retirement after the  
25 completion of 25 years of creditable service and the member  
26 has completed 25 years of creditable service; otherwise, he or

1 she shall receive a disability retirement allowance which  
2 shall consist of:

3 "(1) An annuity which shall be the actuarial  
4 equivalent of his or her accumulated contributions at the time  
5 of retirement; and

6 "(2) A pension which shall be equal to the pension  
7 that would have been payable under subdivisions (2) and (3) of  
8 subsection (b) of this section upon service retirement at age  
9 60 had the member continued in service to that age without  
10 change in compensation.

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

14 "a. Two and one-eightieth percent of the member's  
15 average final compensation multiplied by the number of years  
16 of creditable service.

17 "b. If he or she became a member before October 1,  
18 1971, \$54 multiplied by the number of years of his or her  
19 creditable service not in excess of 25 years.

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

24 "~~(g)~~ (h) Upon retirement for disability, a Tier II  
25 plan member shall receive a service retirement allowance if  
26 the member has attained age 62, or in the case of a Tier II  
27 plan member who is a correctional officer, firefighter, or law

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

9 "(i) Upon retirement for disability, a Tier III plan  
10 member shall receive a service retirement allowance if the  
11 member has attained age 62, or in the case of a Tier III plan  
12 member who is a correctional officer, firefighter, or law  
13 enforcement officer as defined in Section 36-27-59, if the  
14 member has attained age 56 with at least 10 years of  
15 creditable service as a correctional officer, firefighter, or  
16 law enforcement officer, or if the member has completed 30  
17 years of creditable service, otherwise, the member shall  
18 receive a disability retirement allowance which shall be equal  
19 to two percent (2%) of the member's average final compensation  
20 multiplied by the number of years of creditable service.

21 "(h)(j)(1) Once each year during the first five  
22 years following the retirement of a member on a disability  
23 retirement allowance and once in every three-year period  
24 thereafter, the Board of Control may and upon his or her  
25 application shall require any disability beneficiary who has  
26 not yet attained age 60 for a Tier I plan member or age 62 for  
27 a Tier II or Tier III plan member to undergo a medical



1 examination, such examination to be made at the place of  
2 residence of such beneficiary or other place mutually agreed  
3 upon by a physician of or designated by the medical board.  
4 Should any disability beneficiary who has not yet attained age  
5 60 for a Tier I plan member or age 62 for a Tier II or Tier  
6 III plan member refuse to submit to such medical examination,  
7 his or her pension may be discontinued until his or her  
8 withdrawal of such refusal, and should his refusal continue  
9 for one year, all his or her rights in and to his or her  
10 pension may be revoked by the Board of Control; provided, that  
11 these requirements relative to the medical examination shall  
12 not apply in the case of a Tier II or Tier III plan member who  
13 is a correctional officer, firefighter, or law enforcement  
14 officer as defined in Section 36-27-59 retired for disability  
15 and who has attained age 56 with at least ten years of  
16 creditable service as a correctional officer, firefighter, or  
17 law enforcement officer.

18 "(2) Should the medical board report and certify to  
19 the Board of Control that a disability beneficiary who is a  
20 Tier I plan member is engaged in or is able to engage in a  
21 gainful occupation paying more than the difference between his  
22 or her retirement allowance and his average final compensation  
23 and should the Board of Control concur in such report, then  
24 the amount of his or her pension shall be reduced to an amount  
25 which, together with his or her annuity and the amount  
26 earnable by him or her, shall equal the amount of his or her  
27 average final compensation. Should his or her earning capacity

1 be later changed, the amount of his or her pension may be  
2 further modified; provided, that the new pension shall not  
3 exceed the amount of the pension originally granted nor an  
4 amount which, when added to the amount earnable by the  
5 beneficiary together with his or her annuity, equals the  
6 amount of his or her average final compensation.

7 "(3) Should the medical board report and certify to  
8 the Board of Control that a disability beneficiary who is a  
9 Tier II or Tier III plan member has the capacity to engage in  
10 regular and substantial gainful employment, the Board of  
11 Control shall discontinue the beneficiary's retirement  
12 allowance until the beneficiary is otherwise eligible for  
13 service retirement.

14 "~~(i)~~ (k) (1) Should a member cease to be a teacher,  
15 except by death or by retirement under the provisions of this  
16 chapter, the contributions standing to the credit of his or  
17 her individual account in the Annuity Savings Fund shall be  
18 paid to him or her upon demand, and in addition to such  
19 payment there shall be paid five-tenths of the interest  
20 accumulations standing to the credit of his or her individual  
21 account if he or she shall have not less than three but less  
22 than 16 years of membership service, six-tenths of such  
23 interest accumulations if he or she shall have not less than  
24 16 but less than 21 years of membership service, seven-tenths  
25 of such interest accumulations if he or she shall have not  
26 less than 21 but less than 26 years of membership service, and

1 eight-tenths of such interest accumulations if he or she shall  
2 have not less than 26 years of membership service.

3 "(2) In case of the death of a member eligible for  
4 service retirement pursuant to subsection (a) of this section,  
5 an allowance shall be paid to the surviving spouse, or to such  
6 other person who the member shall have designated, in an  
7 amount that would have been payable if the member had retired  
8 immediately prior to his or her death and had elected Option  
9 3, as set forth in subsection ~~(j)~~ (1) of this section or,  
10 alternatively, if the surviving spouse or other designee  
11 desires, he or she may choose to receive, in lieu of the  
12 allowance provided under Option 3, the accumulated  
13 contributions of the member plus an amount equal to the  
14 accumulated contributions of the member not to exceed \$5,000  
15 or the accumulated contributions of the member plus the  
16 benefit provided by Section 36-27B-3 if a benefit is payable  
17 under such section.

18 "(3) Upon the death of a member on account of whom  
19 no survivor allowance is payable under subdivision (2) of this  
20 subsection, the accumulated contributions of the member plus  
21 an amount equal to the accumulated contributions not to exceed  
22 \$5,000 or the accumulated contributions of the member plus the  
23 benefit provided by Section 36-27B-3 if a benefit is payable  
24 under such section shall be paid to his or her estate or to  
25 such person as he shall have nominated by written designation  
26 duly executed and filed with the Board of Control.

1           "~~(j)~~ (l) With the provision the election of an  
2 option shall be effective on the effective date of retirement,  
3 any member may elect prior to retirement to receive, in lieu  
4 of his or her retirement allowance payable throughout life,  
5 the actuarial equivalent at that time of his or her retirement  
6 allowance in a reduced retirement allowance payable throughout  
7 life with the provision that:

8           "(1) OPTION 1. If he or she dies before he or she  
9 has received in annuity payments the present value of his or  
10 her annuity as it was at the time of his or her retirement,  
11 the balance shall be paid to his or her legal representatives  
12 or to such person as he or she shall nominate by written  
13 designation duly acknowledged and filed with the Board of  
14 Control;

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

20           "(3) OPTION 3. Upon his or her death, one half of  
21 his or her reduced retirement allowance shall be continued  
22 throughout the life of and paid to such person as he or she  
23 shall nominate by written designation duly acknowledged and  
24 filed with the Board of Control at the time of his or her  
25 retirement; or

26           "(4) OPTION 4. Some other benefit or benefits shall  
27 be paid either to the member or to such person or persons as

1 he or she shall nominate; provided, that such other benefit or  
2 benefits, together with the reduced retirement allowance,  
3 shall be certified by the actuary to be of equivalent  
4 actuarial value to his or her retirement allowance and shall  
5 be approved by the Board of Control.

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

1           "~~(i)~~(n) (1) All retirement allowance payments due on  
2 or after October 1, 1975, to members who retired prior to  
3 October 1, 1975, shall be redetermined as if the provisions of  
4 subsections (b) and ~~(e)~~ (f) of this section which became  
5 effective on said date were in effect at the time the member  
6 retired; provided, that the annual retirement allowance of any  
7 member who retired on or before January 1, 1956, shall be not  
8 less than \$132 multiplied by the number of years of his or her  
9 creditable service not in excess of 30 years in the case of  
10 service retirement or \$99 multiplied by the number of years of  
11 creditable service not in excess of 30 years in the case of  
12 disability retirements. Any increase provided in the  
13 retirement allowance payment under this subsection for a  
14 member who retired under the provisions of any optional  
15 benefit elected pursuant to subsection ~~(j)~~ (l) of this section  
16 shall accrue only to the retired member, and no person  
17 designated to receive any payments after the death of a  
18 retired member under the provisions of any such optional  
19 benefit shall receive any increase in such payments under this  
20 subsection.

21           "(2) Any person who served at least 30 years as a  
22 teacher in the public schools of Alabama and was never a  
23 member of the system and who, prior to October 1, 1963, was in  
24 receipt of a benefit for old age assistance pursuant to  
25 subsections (1) and (2) of Section 1 of Act 116, approved  
26 August 24, 1959, shall be entitled to receive an annual

1 retirement allowance of \$3,960 from the system, effective as  
2 of October 1, 1973.

3 "(3) Prior to October 31, 1975 any beneficiary may  
4 elect to leave on deposit with the system all or a specified  
5 part of any increase in his or her monthly retirement  
6 allowance payments arising in accordance with subdivision (1)  
7 or (2) of this subsection. The portion of each monthly payment  
8 left in the system in accordance with such election shall be  
9 credited, together with regular interest thereon, to the  
10 individual account of such beneficiary. Upon the death of such  
11 beneficiary, the total amount standing to his or her credit,  
12 including regular interest to the date of death, shall be paid  
13 in a lump sum to his or her legal representative or to such  
14 person as he or she shall have nominated by written  
15 designation duly acknowledged and filed with the Board of  
16 Control.

17 "~~(m)~~ (o) Notwithstanding any other provisions of  
18 this section to the contrary, when a designated beneficiary  
19 for a member predeceases the member who is receiving a monthly  
20 benefit allowance provided under Option 2, 3, or 4, the member  
21 may designate a replacement beneficiary for the deceased  
22 beneficiary to become effective two years after the date of  
23 designation of the replacement beneficiary and an actuarial  
24 adjustment in the monthly benefit allowance of the member to  
25 cover any cost associated with designating a replacement  
26 beneficiary shall be reflected thereafter in the monthly  
27 benefit allowance received by the member, commencing with the

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

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

16 ~~"(o)~~ (q) Any future act to increase the retirement  
17 age for Tier II plan members above the age of 62 shall require  
18 a two-thirds vote of the elected membership of each house of  
19 the Legislature.

20 "§16-25-21.

21 "Effective October 1, 1997, all the assets of the  
22 retirement system shall be credited according to the purpose  
23 for which they are held among three funds, namely: The Annuity  
24 Savings Fund, the Pension Accumulation Fund, and the Expense  
25 Fund. The operation of the former Pension Reserve Fund and the  
26 Annuity Reserve Fund shall be discontinued as of such date,  
27 the balance of the former Pension Reserve Fund shall be



1 transferred to the Pension Accumulation Fund, and the balance  
2 of the former Annuity Reserve Fund shall be transferred to the  
3 Pension Accumulation Fund.

4 "(1) The Annuity Savings Fund shall be a fund in  
5 which shall be accumulated contributions from the compensation  
6 of members to provide for their annuities. Contributions to  
7 and payments from the Annuity Savings Fund shall be made as  
8 follows:

9 "a. Each employer shall cause to be deducted from  
10 the salary of each member on each and every payroll of such  
11 employer for each and every payroll period five percent of his  
12 or her earnable compensation. For all pay dates beginning on  
13 or after October 1, 2011, each employer shall cause to be  
14 deducted from the salary of each member on each and every  
15 payroll of such employer for each and every payroll period  
16 seven and one-quarter percent (7.25%) of his or her earnable  
17 compensation. For all pay dates beginning on or after October  
18 1, 2012, each employer shall cause to be deducted from the  
19 salary of each Tier I plan member on each and every payroll of  
20 such employer for each and every payroll period seven and  
21 one-half percent (7.5%) of his or her earnable compensation.  
22 For all pay dates beginning on or after January 1, 2013, each  
23 employer shall cause to be deducted from the salary of each  
24 Tier II plan member on each and every payroll period six  
25 percent (6%) of his or her earnable compensation; except in  
26 the case of a Tier II plan member who is a correctional  
27 officer, firefighter, or law enforcement officer as defined in

1 Section 36-27-59, the rate of seven percent (7%) shall apply.  
2 For all pay dates beginning on or after October 1, 2020, each  
3 employer shall cause to be deducted from the salary of each  
4 Tier III plan member on each and every payroll period seven  
5 and one-half percent (7.5%) of his or her earnable  
6 compensation; except in the case of a Tier III plan member who  
7 is a correctional officer, firefighter, or law enforcement  
8 officer as defined in Section 36-27-59, the rate of seven and  
9 three-quarters percent (7.75%) shall apply. In determining the  
10 amount earnable by a member in a payroll period, the Board of  
11 Control may consider the rate of annual compensation payable  
12 to such member on the first day of the payroll period as  
13 continuing throughout such payroll period, and it may omit  
14 deductions from compensation for any period less than a full  
15 payroll period if a teacher was not a member on the first day  
16 of the payroll period, and to facilitate the making of  
17 deductions it may modify the deduction required of any member  
18 by such an amount as shall not exceed one tenth of one percent  
19 of the annual compensation upon the basis of which such  
20 deduction is to be made.

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

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

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

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

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

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

19 "a. On account of each member there shall be paid  
20 monthly by the employer an amount equal to a certain  
21 percentage of the earnable compensation of each member to be  
22 known as the "normal contribution" and an additional amount  
23 equal to a percentage of his or her earnable compensation to  
24 be known as the "accrued liability contribution," and these  
25 two amounts shall be paid monthly into the Pension  
26 Accumulation Fund. The Teachers' Retirement System shall  
27 recommend to the Legislature on or before the first

1 legislative day of each regular session of the Legislature the  
2 rate for the following fiscal year. The Legislature shall set  
3 the rate in the annual appropriation bill.

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

17 "c.1. The accrued liability contribution rate shall  
18 be computed by the actuary on the basis of each valuation as  
19 the per centum rate of the total annual compensation of all  
20 members which is sufficient to liquidate the unfunded accrued  
21 liability over a period to be determined by the Board of  
22 Control which shall be not less than 10 nor more than 30  
23 years.

24 "2. The unfunded accrued liability shall be computed  
25 by the actuary as the total liabilities of the system which  
26 are not dischargeable by the assets of the Annuity Savings  
27 Fund and the Pension Accumulation Fund and the present value

1 of the aforesaid normal contributions. For purposes of  
2 computing the unfunded accrued liability the assets shall be  
3 determined as follows:

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

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

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

22 "f. Upon the death of a member on account of whom no  
23 survivor allowance is payable under subdivision (2) of  
24 subsection ~~(i)~~ (k) of Section 16-25-14, the death benefit as  
25 provided in subdivision 2 of subsection ~~(i)~~ (k) of such  
26 section equal to the accumulated contributions not to exceed  
27 \$5,000 shall be payable from the Pension Accumulation Fund.

1           "(3) The Expense Fund shall be the fund from which  
2 the expenses of the administration of the retirement system  
3 shall be paid, exclusive of amounts payable as retirement  
4 allowances and as other benefits provided herein. Any amounts  
5 credited to the accounts of members withdrawing before  
6 retirement and not returnable under the provisions of  
7 subsection ~~(i)~~ (k) of Section 16-25-14 shall be credited to  
8 the Expense Fund. Any additional contributions required to  
9 meet the expenses of the retirement system shall be made as  
10 provided in paragraphs c., d., and e. of subdivision (4) of  
11 this section.

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

1 the retirement system a certified statement containing the  
2 following information concerning members of the retirement  
3 system employed by such boards during the scholastic year  
4 ending on June 30 preceding the date: Name, address, monthly  
5 salary actually paid, total annual salary actually paid, and  
6 such other information as the Board of Control may require.

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



1 a corresponding amount deducted from funds otherwise payable  
2 to them.

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

6 "d. Where member contributions are made from  
7 salaries paid from federal funds, the employer shall pay from  
8 federal funds to the Teachers' Retirement System the amount  
9 calculated as a percentage of the salaries of those teachers  
10 to be contributed by the employer in accordance with  
11 subdivisions (2) and (3) of this section. Such amounts shall  
12 be paid at the same time as the member contributions are made  
13 to the retirement system. The provisions of this paragraph  
14 shall not apply to funds received under the provisions of the  
15 Hatch Act of 1887, as amended in 1955, and the  
16 McIntyre-Stennis Act (Cooperative Forestry Research Act of  
17 1962) of the Congress of the United States, for the support of  
18 agriculturally related research.

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

1            "f. To the extent that employer cost is collected  
2 for any increase in benefits payable to retired employees of  
3 local boards of education and state institutions of higher  
4 education who are retired under the Employees' Retirement  
5 System, there shall be a transfer of funds from these funds to  
6 the Employees' Retirement System for each year such benefits  
7 are payable.

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

18            Section 3. This act shall become effective  
19 immediately following its passage and approval by the  
20 Governor, or its otherwise becoming law.