

1 HB77
2 198480-3
3 By Representative Baker
4 RFD: Ways and Means Education
5 First Read: 05-MAR-19
6 PFD: 03/04/2019

1 ENGROSSED

2
3
4 A BILL
5 TO BE ENTITLED
6 AN ACT
7

8 To amend Sections 16-25-1, 16-25-11.1, 16-25-14, and
9 16-25-21, Code of Alabama 1975, relating to retirement
10 benefits for employees who are members of the Teachers'
11 Retirement System; to establish a new defined benefit
12 retirement plan for employees who first become a member of the
13 Teachers' Retirement System on or after January 1, 2013,
14 except for those Tier II plan members that opt out by June 1,
15 2021.

16 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

22 "§16-25-1.

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

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

1 "(2) PUBLIC SCHOOL. Any day school conducted within
2 the state under the authority and supervision of a duly
3 elected or appointed county or city board of education and any
4 educational institution supported by and under the control of
5 the state or any private nondenominational school operated
6 nonprofit for the education of children of school age residing
7 within a district where no public school is available for the
8 children.

9 "(3) TEACHER. Any teacher, principal,
10 superintendent, supervisor, college professor, administrative
11 officer, or clerk employed in any public school or public
12 college within the state or employed in any private
13 nondenominational school operated nonprofit for the education
14 of children of school age residing within a district where no
15 public school is available for the children or any similar
16 employee or officer of the Department of Education or of the
17 Alabama Education Association, or any attendance worker 50
18 percent or more of whose salary is paid from public school
19 funds or any employee receiving a regular stated compensation
20 from the retirement system. In all cases of doubt, the Board
21 of Control shall determine whether any person is a teacher as
22 defined in this chapter.

23 "(4) SUPPORT PERSONNEL or EMPLOYEE. Any maid,
24 custodian, adult bus driver, lunchroom or cafeteria worker,
25 secretary, clerk, clerical assistant, maintenance worker, or
26 other non-certificated employee who works an average of 20
27 hours weekly.

1 "(5) EMPLOYER. The State of Alabama, the county
2 school board, the city school board, the State Board of
3 Education, or any governing body of any private
4 nondenominational school operated nonprofit for education of
5 children of school age residing within a district where no
6 public school is available for the children or any other
7 agency of and within the state by which a teacher is paid.

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

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

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

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

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

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

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

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

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

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

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

9 "(17) EARNABLE COMPENSATION. The full rate of the
10 compensation that would be payable to a teacher if he or she
11 worked the full normal working time. In cases where
12 compensation includes maintenance, the Board of Control shall
13 fix the value of that part of the compensation not paid in
14 money. Earnable compensation shall not exceed the limitations
15 imposed by Section 401(a)(17) of the Internal Revenue Code for
16 public pension funds except that any employee who was a member
17 of the Teachers' Retirement System before the first plan year
18 beginning after December 31, 1995, shall not be subject to the
19 earning limitations set forth in Section 401(a)(17). For Tier
20 I plan members, the term earnable compensation for retirement
21 purposes shall include overtime payments that are made to a
22 member; however, earnable compensation shall not exceed 120
23 percent of any member's annual base compensation as certified
24 by the employer. For Tier II plan and Tier III plan members,
25 earnable compensation shall include overtime payments that are
26 made to the member but shall not include subsistence payments
27 that are made to the member and shall not exceed one hundred

1 twenty-five percent (125%) of the member's annual base
2 compensation, as certified by the employer.

3 "(18) AVERAGE FINAL COMPENSATION. For any Tier I
4 Plan member, the average annual compensation of a teacher,
5 with respect to which he or she has made contributions
6 pursuant to paragraph b. of subdivision (1) of Section
7 16-25-21 during the three years in his or her last 10 years of
8 creditable service for which the average is highest or during
9 his or her entire period of creditable service if less than
10 three years; except, that for any period prior to October 1,
11 1959, the compensation used in computing the average shall
12 include compensation in excess of the maximum amount with
13 respect to which members were required to contribute. For any
14 Tier II Plan or Tier III plan member, the average annual
15 compensation of the member, with respect to which he or she
16 has made contributions pursuant to paragraph b. of subdivision
17 (1) of Section 16-25-21 during the five years in his or her
18 last ten years of creditable service for which the average is
19 highest or during his or her entire period of creditable
20 service if less than five years.

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

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

1 "(21) RETIREMENT ALLOWANCE. The sum of the "annuity"
2 and the "pension."

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

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

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

16 "(25) ACTUARIAL EQUIVALENT. A benefit of equal
17 value, when computed upon the basis of the mortality tables as
18 shall be adopted by the Board of Control, and regular
19 interest.

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

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

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

1 "(29) TIER III PLAN. The defined benefit pension
2 plan provided by the Retirement System to Tier III plan
3 members.

4 "~~(29)~~ (30) TIER I PLAN MEMBER. Any member of the
5 Retirement System who had service for which he or she received
6 credit in the Teachers' Retirement System or in the Employees'
7 Retirement System prior to January 1, 2013.

8 "~~(30)~~ (31) TIER II PLAN MEMBER. Any member of the
9 Retirement System who first began eligible employment with a
10 Teachers' Retirement System or an Employees' Retirement System
11 participating employer on or after January 1, 2013, and prior
12 to October 1, 2020, and who had no eligible service in the
13 Teachers' Retirement System or the Employees' Retirement
14 System prior to January 1, 2013, and who opted to remain a
15 Tier II Plan member on or before June 1, 2021, in the manner
16 prescribed by the Board of Control, except for those Tier II
17 Plan members who begin active service with the Retirement
18 System on or after October 1, 2020.

19 "(32) TIER III PLAN MEMBER. As of October 1, 2020,
20 any member of the Retirement System who first began eligible
21 employment with a Teachers' Retirement System or an Employees'
22 Retirement System participating employer on or after January
23 1, 2013, and who had no eligible service in the Teachers'
24 Retirement System or the Employees' Retirement System prior to
25 January 1, 2013. This term shall not include any active Tier
26 II Plan member of the Retirement System who opted to remain a

1 Tier II Plan member on or before June 1, 2021, in the manner
2 prescribed by the Board of Control.

3 "§16-25-11.1.

4 "(a) Teachers, as defined in subdivision (3) of
5 Section 16-25-1 or subsection (d) of Section 16-25-5, as
6 amended, may use their accrued sick leave, up to a maximum
7 number of accrued sick leave days allowed by law, to be
8 included as membership service in determining the total years
9 of creditable service in the Teachers' Retirement System of
10 Alabama; provided, any teacher not authorized by law to
11 receive sick leave may use any accrued sick leave provided by
12 his or her employer, provided, that employer is lawfully
13 empowered to grant such leave, which cannot be without pay;
14 and provided further that the amount of such accrued leave
15 shall not exceed the maximum number of accrued sick leave days
16 allowed by law for a classroom teacher employed by a city or
17 county board of education. Unused sick leave may be converted
18 to membership service only for the purpose of applying for
19 service retirement. The conversion shall not apply to
20 eligibility for deferred retirement; provided that a person
21 eligible for service retirement, if also eligible for
22 disability retirement, may elect disability retirement and
23 also receive credit for accumulated sick leave pursuant to
24 this section. This section shall not be applicable to any
25 person who is eligible to receive partial payment for accrued
26 sick leave pursuant to Section 36-26-36. This section shall
27 apply to all Tier III plan members.

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

4 "§16-25-14.

5 "(a) (1) Any Tier I plan member who withdraws from
6 service upon or after attainment of age 60 and any Tier II or
7 Tier III plan member who withdraws from service upon or after
8 attainment of age 62, or in the case of a Tier II or Tier III
9 plan member who is a correctional officer, firefighter, or law
10 enforcement officer as defined in Section 36-27-59, who
11 withdraws from service upon or after attainment of age 56 with
12 at least ten years of creditable service as a correctional
13 officer, firefighter, or law enforcement officer may retire
14 upon written application to the Board of Control setting forth
15 at what time, not less than 30 days nor more than 90 days
16 subsequent to the execution and filing thereof, he or she
17 desires to be retired; provided, that any such member who
18 became a member on or after October 1, 1963, shall have
19 completed 10 or more years of creditable service.

20 "(2) Any Tier I plan member who has attained age 60
21 and any Tier II or Tier III plan member who has attained age
22 62, or in the case of a Tier II or Tier III plan member who is
23 a correctional officer, firefighter, or law enforcement
24 officer as defined in Section 36-27-59, who has attained age
25 56 with at least ten years of creditable service as a
26 correctional officer, firefighter, or law enforcement officer
27 and has previously withdrawn from service may retire upon

1 written application to the Board of Control setting forth at
2 what time, not less than 30 days nor more than 90 days
3 subsequent to the execution and filing thereof, he or she
4 desires to be retired; provided, that the member shall have
5 completed at the time for his or her withdrawal from service
6 the requirements established by the Board of Control for
7 eligibility for deferred benefits pursuant to Section 16-25-3.

8 "(3) Any person who is presently covered or is
9 eligible to be covered under the Employees' Retirement System
10 of Alabama or the Teachers' Retirement System of Alabama and
11 who, prior to such coverage or eligibility for coverage,
12 served as head of any Alabama county's public library service
13 department shall have credited to him or her one year of
14 creditable service for each year served as such head, not to
15 exceed 12 years; provided, that such person shall pay into the
16 retirement system the employee's part of the cost or
17 contribution based on the salary paid to such person during
18 the time of his or her service in the above capacity, with
19 such cost or contribution to be calculated at the percent or
20 rate in effect on October 1, 1973.

21 "(4) Any Tier I plan member of the Teachers'
22 Retirement System of Alabama, who withdraws from service after
23 the completion of at least 25 years of creditable service, or
24 any Tier III plan member, who withdraws from service after the
25 completion of at least 30 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 or Tier III
4 plan member on or after October 1, 1963 shall have completed
5 10 or more 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 retirement from service, a Tier III 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 two percent (2%) of the
11 member's average final compensation multiplied by the number
12 of years of creditable service. Notwithstanding the foregoing,
13 the service retirement allowance shall not exceed eighty
14 percent (80%) of the member's average final compensation.

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

1 be retired by the Board of Control on a disability retirement
2 allowance not less than 30 nor more than 90 days next
3 following the date of filing such an application; provided,
4 that the medical board, after a medical examination of such
5 member, shall certify that the member is totally and
6 permanently mentally or physically incapacitated from regular
7 and substantial gainful employment, and that such member
8 should be retired.

9 ~~"(f)~~ (g) Upon retirement for disability, a Tier I
10 plan member shall receive a service retirement allowance if he
11 or she has attained age 60 or if any law or part of any law
12 pertaining to retirement under the Teachers' Retirement System
13 of Alabama provides for service retirement after the
14 completion of 25 years of creditable service and the member
15 has completed 25 years of creditable service; otherwise, he or
16 she shall receive a disability retirement allowance which
17 shall consist of:

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

21 "(2) A pension which shall be equal to the pension
22 that would have been payable under subdivisions (2) and (3) of
23 subsection (b) of this section upon service retirement at age
24 60 had the member continued in service to that age without
25 change in compensation.

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

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

7 "b. If he or she became a member before October 1,
8 1971, \$54 multiplied by the number of years of his or her
9 creditable service not in excess of 25 years.

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

14 "~~(g)~~ (h) Upon retirement for disability, a Tier II
15 plan member shall receive a service retirement allowance if
16 the member has attained age 62, or in the case of a Tier II
17 plan member who is a correctional officer, firefighter, or law
18 enforcement officer as defined in Section 36-27-59, if the
19 member has attained age 56 with at least ten years of
20 creditable service as a correctional officer, firefighter, or
21 law enforcement officer, otherwise, the member shall receive a
22 disability retirement allowance which shall be equal to one
23 and sixty-five hundredths percent (1.65%) of the member's
24 average final compensation multiplied by the number of years
25 of creditable service.

26 "(i) Upon retirement for disability, a Tier III plan
27 member shall receive a service retirement allowance if the

1 member has attained age 62, or in the case of a Tier III plan
2 member who is a correctional officer, firefighter, or law
3 enforcement officer as defined in Section 36-27-59, if the
4 member has attained age 56 with at least 10 years of
5 creditable service as a correctional officer, firefighter, or
6 law enforcement officer, or if the member has completed 30
7 years of creditable service, otherwise, the member shall
8 receive a disability retirement allowance which shall be equal
9 to two percent (2%) of the member's average final compensation
10 multiplied by the number of years of creditable service.

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

1 these requirements relative to the medical examination shall
2 not apply in the case of a Tier II or Tier III plan member who
3 is a correctional officer, firefighter, or law enforcement
4 officer as defined in Section 36-27-59 retired for disability
5 and who has attained age 56 with at least ten years of
6 creditable service as a correctional officer, firefighter, or
7 law enforcement officer.

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

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

1 Control shall discontinue the beneficiary's retirement
2 allowance until the beneficiary is otherwise eligible for
3 service retirement.

4 "~~(i)~~(k) (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)~~ (1) 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)~~ (l) With the provision the election of an
17 option shall be effective on the effective date of retirement,
18 any member may elect prior to retirement to receive, in lieu
19 of his or her retirement allowance payable throughout life,
20 the 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.

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

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

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

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

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

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

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

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

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

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

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

7 "§16-25-21.

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

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

23 "a. Each employer shall cause to be deducted from
24 the salary of each member on each and every payroll of such
25 employer for each and every payroll period five percent of his
26 or her earnable compensation. For all pay dates beginning on
27 or after October 1, 2011, each employer shall cause to be

1 deducted from the salary of each member on each and every
2 payroll of such employer for each and every payroll period
3 seven and one-quarter percent (7.25%) of his or her earnable
4 compensation. For all pay dates beginning on or after October
5 1, 2012, each employer shall cause to be deducted from the
6 salary of each Tier I plan member on each and every payroll of
7 such employer for each and every payroll period seven and
8 one-half percent (7.5%) of his or her earnable compensation.
9 For all pay dates beginning on or after January 1, 2013, each
10 employer shall cause to be deducted from the salary of each
11 Tier II plan member on each and every payroll period six
12 percent (6%) of his or her earnable compensation; except in
13 the case of a Tier II plan member who is a correctional
14 officer, firefighter, or law enforcement officer as defined in
15 Section 36-27-59, the rate of seven percent (7%) shall apply.
16 For all pay dates beginning on or after October 1, 2020, each
17 employer shall cause to be deducted from the salary of each
18 Tier III plan member on each and every payroll period seven
19 and one-half percent (7.5%) of his or her earnable
20 compensation; except in the case of a Tier III plan member who
21 is a correctional officer, firefighter, or law enforcement
22 officer as defined in Section 36-27-59, the rate of seven and
23 three-quarters percent (7.75%) shall apply. In determining the
24 amount earnable by a member in a payroll period, the Board of
25 Control may consider the rate of annual compensation payable
26 to such member on the first day of the payroll period as
27 continuing throughout such payroll period, and it may omit

1 deductions from compensation for any period less than a full
2 payroll period if a teacher was not a member on the first day
3 of the payroll period, and to facilitate the making of
4 deductions it may modify the deduction required of any member
5 by such an amount as shall not exceed one tenth of one percent
6 of the annual compensation upon the basis of which such
7 deduction is to be made.

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

25 "c. In addition to the contributions deducted from
26 compensation as hereinbefore provided, subject to the approval
27 of the Board of Control, any member may deposit in the Annuity

1 Savings Fund by a single payment or by an increased rate of
2 contribution an amount computed to be sufficient to purchase
3 an additional annuity which, together with his or her
4 prospective retirement allowance, will provide for him or her
5 a total retirement allowance not to exceed one half of his or
6 her average final compensation at age 60. Such additional
7 amounts so deposited shall become a part of his or her
8 accumulated contributions except in the case of retirement,
9 when they shall be treated as excess contributions returnable
10 to the member in cash or as an annuity of equivalent actuarial
11 value and shall not be considered in computing his or her
12 pension. The contributions and interest credits of a member
13 withdrawn by him or her, or paid to his or her estate or to
14 his or her designated beneficiary in event of his or her
15 death, shall be paid from the Annuity Savings Fund. Should a
16 member cease to be a member other than by retirement under the
17 provisions of this title, an amount equivalent to the
18 difference, if any, between his or her accumulated
19 contributions and the amount then paid shall be transferred to
20 the Expense Fund. Upon the retirement of a member or the death
21 of an eligible member where an allowance to the surviving
22 spouse is payable, his or her accumulated contributions shall
23 be transferred from the Annuity Savings Fund to the Pension
24 Accumulation Fund.

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

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

6 "a. On account of each member there shall be paid
7 monthly by the employer an amount equal to a certain
8 percentage of the earnable compensation of each member to be
9 known as the "normal contribution" and an additional amount
10 equal to a percentage of his or her earnable compensation to
11 be known as the "accrued liability contribution," and these
12 two amounts shall be paid monthly into the Pension
13 Accumulation Fund. The Teachers' Retirement System shall
14 recommend to the Legislature on or before the first
15 legislative day of each regular session of the Legislature the
16 rate for the following fiscal year. The Legislature shall set
17 the rate in the annual appropriation bill.

18 "b. On the basis of regular interest and of such
19 mortality and other tables as shall be adopted by the Board of
20 Control, the actuary engaged by the board to make such
21 valuation required by this title shall, immediately after
22 making such valuation, determine the uniform and constant
23 percentage of the earnable compensation of the average new
24 entrant which, if contributed on the basis of his or her
25 compensation throughout his or her entire period of active
26 service, would be sufficient to provide for the payment of any
27 pension payable on his or her account. The rate per centum so

1 determined shall be known as the "normal contribution" rate.
2 The normal contribution rate shall be determined by the
3 actuary after each valuation.

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

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

18 "On June 30, 1997, the assets shall be determined by
19 using the market value of such assets. For subsequent years
20 the value of the assets shall be determined by the system's
21 actuary using a five year smoothed market value.

22 "d. The total amount payable in each year to the
23 Pension Accumulation Fund shall be not less than the sum of
24 the per centum rates known as the normal contribution rate and
25 the accrued liability contribution rate of the total
26 compensation earnable by all members during the year.

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

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

16 "(3) The Expense Fund shall be the fund from which
17 the expenses of the administration of the retirement system
18 shall be paid, exclusive of amounts payable as retirement
19 allowances and as other benefits provided herein. Any amounts
20 credited to the accounts of members withdrawing before
21 retirement and not returnable under the provisions of
22 subsection ~~(i)~~ (k) of Section 16-25-14 shall be credited to
23 the Expense Fund. Any additional contributions required to
24 meet the expenses of the retirement system shall be made as
25 provided in paragraphs c., d., and e. of subdivision (4) of
26 this section.

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

23 "b. The collection of members' contributions shall
24 be as follows: Each local board of education, the State Board
25 of Education, the governing boards of the University of
26 Alabama, Auburn University, and the University of Montevallo
27 and the Executive Committee of the Alabama Education

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

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

22 "d. Where member contributions are made from
23 salaries paid from federal funds, the employer shall pay from
24 federal funds to the Teachers' Retirement System the amount
25 calculated as a percentage of the salaries of those teachers
26 to be contributed by the employer in accordance with
27 subdivisions (2) and (3) of this section. Such amounts shall

1 be paid at the same time as the member contributions are made
2 to the retirement system. The provisions of this paragraph
3 shall not apply to funds received under the provisions of the
4 Hatch Act of 1887, as amended in 1955, and the
5 McIntyre-Stennis Act (Cooperative Forestry Research Act of
6 1962) of the Congress of the United States, for the support of
7 agriculturally related research.

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

16 "f. To the extent that employer cost is collected
17 for any increase in benefits payable to retired employees of
18 local boards of education and state institutions of higher
19 education who are retired under the Employees' Retirement
20 System, there shall be a transfer of funds from these funds to
21 the Employees' Retirement System for each year such benefits
22 are payable.

23 "g. Employer cost provided for in this article
24 together with member contributions required under this article
25 shall be paid to the Teachers' Retirement System on the first
26 day of the month following the month in which the related
27 member salary is earned. Delinquent accounts shall accrue

1 interest at the actuarial assumed investment rate beginning 30
2 days after the original due date. The member contributions for
3 each member shall be reported to the Teachers' Retirement
4 System in a format prescribed by the Teachers' Retirement
5 System."

6 Section 3. This act shall become effective
7 immediately following its passage and approval by the
8 Governor, or its otherwise becoming law.

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House of Representatives

Read for the first time and re-
ferred to the House of Representa-
tives committee on Ways and Means
Education..... 05-MAR-19

Read for the second time and placed
on the calendar with 1 substitute
and..... 18-APR-19

Read for the third time and passed
as amended..... 25-APR-19

Yeas 100, Nays 0, Abstains 0

Jeff Woodard
Clerk