

1 HB134  
2 216078-1  
3 By Representatives Baker, Collins, Lovvorn, Wood (D), Wheeler,  
4 Meadows, Shiver, Robertson, Ledbetter, Shedd and Drummond  
5 RFD: Ways and Means Education  
6 First Read: 13-JAN-22

SYNOPSIS:           This bill would modify the retirement benefits for Tier II plan members of the Teachers' Retirement System by providing 30-year service retirement.

                    This bill would also increase the member contribution rate.

A BILL  
TO BE ENTITLED  
AN ACT

To amend Section 16-25-14, as amended by Act 2021-270 of the 2021 Regular Session, and Section 16-25-21, as amended by Act 2021-537 of the 2021 Regular Session, Code of Alabama 1975, relating to retirement benefits for employees who are members of the Teachers' Retirement System; to modify the retirement benefits for Tier II plan members of the Teachers' Retirement System by providing 30-year service retirement; and to increase the member contribution rate.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

1           Section 1. Section 16-25-14, as amended by Act  
2           2021-270 of the 2021 Regular Session, and Section 16-25-21, as  
3           amended by Act 2021-537 of the 2021 Regular Session, of the  
4           Code of Alabama 1975, are amended to read as follows:

5           "§16-25-14.

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

21          "(2) Any Tier I plan member who has attained age 60  
22          and any Tier II plan member who has attained age 62, or in the  
23          case of a Tier II plan member who is a correctional officer,  
24          firefighter, or law enforcement officer as defined in Section  
25          36-27-59, who has attained age 56 with at least ~~ten~~ 10 years  
26          of creditable service as a correctional officer, firefighter,  
27          or law enforcement officer and has previously withdrawn from

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

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

22 "(4) Any Tier I plan member of the Teachers'  
23 Retirement System of Alabama, who withdraws from service after  
24 the completion of at least 25 years of creditable service, or  
25 any Tier II plan member who withdraws from service after the  
26 completion of at least 30 years of creditable service, may  
27 retire upon written application to the Board of Control of the

1 Teachers' Retirement System setting forth at what time, not  
2 less than 30 days nor more than 90 days subsequent to the  
3 execution and filing thereof, he or she desires to be retired;  
4 provided, that any such member who became a Tier I or Tier II  
5 plan member on or after October 1, 1963, shall have completed  
6 10 or more years of creditable service.

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

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

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

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

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

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

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

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

19 "Notwithstanding, a member who retired prior to  
20 October 1, 1971, under service retirement shall receive ~~\$120~~  
21 one hundred twenty dollars (\$120) multiplied by the number of  
22 years of his or her creditable service not in excess of 25  
23 years.

24 "(d) Upon retirement from service, a Tier II plan  
25 member shall receive a service retirement allowance which  
26 shall consist of an annuity which shall be the actuarial  
27 equivalent of the member's accumulated contributions at the

1 time of retirement and a pension which, when added to the  
2 member's annuity, shall be equal to one and sixty-five  
3 hundredths percent (1.65%) of the member's average final  
4 compensation multiplied by the number of years of creditable  
5 service. Notwithstanding the foregoing, the service retirement  
6 allowance shall not exceed eighty percent (80%) of the  
7 member's average final compensation.

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

1           "(f) Upon retirement for disability, a Tier I plan  
2 member shall receive a service retirement allowance if he or  
3 she has attained age 60 or if any law or part of any law  
4 pertaining to retirement under the Teachers' Retirement System  
5 of Alabama provides for service retirement after the  
6 completion of 25 years of creditable service and the member  
7 has completed 25 years of creditable service; otherwise, he or  
8 she shall receive a disability retirement allowance which  
9 shall consist of:

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

13           "(2) A pension which shall be equal to the pension  
14 that would have been payable under subdivisions (2) and (3) of  
15 subsection (b) of this section upon service retirement at age  
16 60 had the member continued in service to that age without  
17 change in compensation.

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

21           "a. Two and one-eightieth percent of the member's  
22 average final compensation multiplied by the number of years  
23 of creditable service.

24           "b. If he or she became a member before October 1,  
25 1971, ~~\$54~~ fifty-four dollars (\$54) multiplied by the number of  
26 years of his or her creditable service not in excess of 25  
27 years.

1           "Notwithstanding, a member who retired prior to  
2           October 1, 1971, for disability shall receive ~~\$90~~ ninety  
3           dollars (\$90) multiplied by the number of years of his or her  
4           creditable service not in excess of 25 years.

5           "(g) Upon retirement for disability, a Tier II plan  
6           member shall receive a service retirement allowance if the  
7           member has attained age 62, or in the case of a Tier II plan  
8           member who is a correctional officer, firefighter, or law  
9           enforcement officer as defined in Section 36-27-59, if the  
10          member has attained age 56 with at least ~~ten~~ 10 years of  
11          creditable service as a correctional officer, firefighter, or  
12          law enforcement officer, or if the member has completed 30  
13          years of creditable service, otherwise, the member shall  
14          receive a disability retirement allowance which shall be equal  
15          to one and sixty-five hundredths percent (1.65%) of the  
16          member's average final compensation multiplied by the number  
17          of years of creditable service.

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

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

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

1 beneficiary together with his or her annuity, equals the  
2 amount of his or her average final compensation.

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

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

24 "(2) In case of the death of a member eligible for  
25 service retirement pursuant to subsection (a) of this section,  
26 an allowance shall be paid to the surviving spouse, or to such  
27 other person who the member shall have designated, in an

1 amount that would have been payable if the member had retired  
2 immediately prior to his or her death and had elected Option  
3 3, as set forth in subsection (j) or, alternatively, if the  
4 surviving spouse or other designee desires, he or she may  
5 choose to receive, in lieu of the allowance provided under  
6 Option 3, the accumulated contributions of the member plus an  
7 amount equal to the accumulated contributions of the member  
8 not to exceed ~~\$5,000~~ five thousand dollars (\$5,000) or the  
9 accumulated contributions of the member plus the benefit  
10 provided by Section 36-27B-3 if a benefit is payable under  
11 such section. For purposes of this subsection only, hazardous  
12 duty time, as set forth in subdivision (b)(1) of Section  
13 36-27-59, may be used in calculating the requisite years of  
14 service for firefighters, law enforcement officers, and  
15 correctional officers even if the member has not otherwise  
16 attained 25 years of creditable service.

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

1           "(j) With the provision the election of an option  
2 shall be effective on the effective date of retirement, any  
3 member may elect prior to retirement to receive, in lieu of  
4 his or her retirement allowance payable throughout life, the  
5 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 the 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 the 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 the 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 the person or persons as he

1 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 "(5) OPTION 5. At the time of retirement, he or she  
7 shall receive a partial lump sum distribution as a single  
8 payment not to exceed the sum of 24 months of the maximum  
9 monthly retirement allowance the member could receive. This  
10 option may be elected in addition to the election of another  
11 option under this subsection and the further reduced monthly  
12 retirement allowance shall be calculated in accordance with  
13 the selected option. This option shall not be available to a  
14 member who is receiving a disability retirement.

15 "(k) Should any beneficiary be restored to active  
16 service, his or her retirement allowance shall be suspended  
17 until he or she again withdraws from service and, he or she  
18 shall not again become a member, nor shall he or she make  
19 contributions; except, that should such beneficiary who has  
20 been restored to active service continue in service for a  
21 period of two or more years from the date of his or her  
22 reentry into active service, he or she may request the Board  
23 of Control to allow him or her to again become a member of the  
24 retirement system. The Board of Control may grant the request  
25 for restoration to membership; provided, that such beneficiary  
26 whose retirement allowance has been suspended shall repay to  
27 the system all ~~moneys~~ monies received by him or her as

1 benefits during any period subsequent to the date of his or  
2 her reentry into active service; provided further, that he or  
3 she shall make a contribution equal to the amount he or she  
4 would have contributed had he or she been a member during the  
5 period of his or her restoration to active service on a  
6 suspended allowance basis, together with the interest which  
7 would have been credited to the contributions on account of  
8 such period of restoration up to the date such contribution is  
9 made.

10 "(1) (1) All retirement allowance payments due on or  
11 after October 1, 1975, to members who retired prior to October  
12 1, 1975, shall be redetermined as if the provisions of  
13 subsections (b) and (e) of this section which became effective  
14 on said date were in effect at the time the member retired;  
15 provided, that the annual retirement allowance of any member  
16 who retired on or before January 1, 1956, shall be not less  
17 than ~~\$132~~ one hundred thirty-two dollars (\$132) multiplied by  
18 the number of years of his or her creditable service not in  
19 excess of 30 years in the case of service retirement or ~~\$99~~  
20 ninety-nine dollars (\$99) multiplied by the number of years of  
21 creditable service not in excess of 30 years in the case of  
22 disability retirements. Any increase provided in the  
23 retirement allowance payment under this subsection for a  
24 member who retired under the provisions of any optional  
25 benefit elected pursuant to subsection (j) of this section  
26 shall accrue only to the retired member, and no person  
27 designated to receive any payments after the death of a

1 retired member under the provisions of any such optional  
2 benefit shall receive any increase in such payments under this  
3 subsection.

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

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

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

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

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

5           "§16-25-21.

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

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

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

1 seven and one-quarter percent (7.25%) of his or her earnable  
2 compensation. For all pay dates beginning on or after October  
3 1, 2012, each employer shall cause to be deducted from the  
4 salary of each Tier I plan member on each and every payroll of  
5 such employer for each and every payroll period seven and  
6 one-half percent (7.5%) of his or her earnable compensation.  
7 For all pay dates beginning on or after January 1, 2013, each  
8 employer shall cause to be deducted from the salary of each  
9 Tier II plan member on each and every payroll period six  
10 percent (6%) of his or her earnable compensation; except in  
11 the case of a Tier II plan member who is a correctional  
12 officer, firefighter, or law enforcement officer as defined in  
13 Section 36-27-59, the rate of seven percent (7%) shall apply.  
14 For all pay dates beginning on or after October 1, 2021, each  
15 employer shall cause to be deducted from the salary of each  
16 Tier II plan member on each and every payroll period six and  
17 two-tenths percent (6.2%) of his or her earnable compensation;  
18 except in the case of a Tier II plan member who is a  
19 correctional officer, firefighter, or law enforcement officer  
20 as defined in Section 36-27-59, the rate of seven and  
21 two-tenths percent (7.2%) shall apply. For all pay dates  
22 beginning on or after October 1, 2022, each employer shall  
23 cause to be deducted from the salary of each Tier II plan  
24 member on each and every payroll period six and one-half  
25 percent (6.5%) 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 and one-half percent  
2     (7.5%) shall apply. In determining the amount earnable by a  
3     member in a payroll period, the Board of Control may consider  
4     the rate of annual compensation payable to such member on the  
5     first day of the payroll period as continuing throughout such  
6     payroll period, and it may omit deductions from compensation  
7     for any period less than a full payroll period if a teacher  
8     was not a member on the first day of the payroll period, and  
9     to facilitate the making of deductions it may modify the  
10    deduction required of any member by such an amount as shall  
11    not exceed one tenth of one percent of the annual compensation  
12    upon the basis of which such deduction is to be made.

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

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

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

1 be transferred from the Annuity Savings Fund to the Pension  
2 Accumulation Fund.

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

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

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

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

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

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

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

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

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

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

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

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

1 16-25-14 shall be credited to the Expense Fund. Any additional  
2 contributions required to meet the expenses of the retirement  
3 system shall be made as provided in paragraphs c., d., and e.  
4 of subdivision (4) of this section.

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

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

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

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

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

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

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

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

13 Section 2. This act shall become effective  
14 immediately following its passage and approval by the  
15 Governor, or its otherwise becoming law.