

# HB136 INTRODUCED



1 HB136  
2 I1T9ZZ6-1  
3 By Representative Collins  
4 RFD: Fiscal Responsibility  
5 First Read: 04-Feb-25



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SYNOPSIS:

Existing law provides for the Deferred Retirement Option Plan (DROP), which contractually allows a member of the Teacher's Retirement System (TRS) to continue employment with his or her employer for a specific period of time while deferring a portion of his or her retirement allowance until the end of the participation period, at which time the member withdraws from his or her service.

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

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

A BILL  
TO BE ENTITLED  
AN ACT

Relating to the Deferred Retirement Option Plan (DROP); to amend Sections 16-25-150 and 16-25-151 of the Code of Alabama 1975; to reopen participation in the DROP program for certain members; to further provide options for Tier I and Tier II members to participate in DROP; and to add Section



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29 16-25-155 of the Code of Alabama 1975; relating to the  
30 termination of DROP.

31 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

32 Section 1. Sections 16-25-150 and 16-25-151 of the Code  
33 of Alabama 1975, are amended to read as follows:

34 "§16-25-150

35 (a) As governed by this subsection, there exists as a  
36 part of this retirement system an optional account known as  
37 the Deferred Retirement Option Plan, which may be cited as  
38 "DROP." The purpose of DROP is to allow, contractually, in  
39 lieu of immediate withdrawal from service and receipt of a  
40 retirement allowance, continued employment for a specific  
41 period of time, coupled with the deferral of receipt of a  
42 retirement allowance until the end of the period of  
43 participation, at which time the member shall withdraw from  
44 service.

45 (b) (1) Participation in DROP is an option available to  
46 any Tier I plan member of this retirement system who meets all  
47 of the following requirements:

48 ~~(1)~~ a. Has at least ~~25~~30 years of creditable service  
49 exclusive of sick leave.

50 ~~(2)~~ b. Is at least 55 years of age.

51 ~~(3)~~ c. Is eligible for service retirement.

52 d. Is or will be employed as a classroom teacher.

53 (2) Participation in DROP is an option available to any  
54 Tier II plan member of this retirement system who meets all of  
55 the following requirements:

56 a. Has at least 30 years of creditable service



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57 exclusive of sick leave.

58 b. Is at least 62 years of age.

59 c. Is eligible for service retirement.

60 d. Is or will be employed as a classroom teacher.

61 (3)a. For purposes of this paragraph, "classroom  
62 teacher" means an employee of a local board of education  
63 assigned the professional activity of instructing K-12  
64 students in an academic instructional setting for not less  
65 than an average of four hours each day. This term excludes a  
66 teacher's aid or a full-time administrator.

67 b. The State Superintendent of Education shall certify  
68 to the retirement system:

69 1. Prior to the member's participation in DROP, that an  
70 employee meets this definition; and

71 2. No less than annually, that a member participating  
72 in DROP maintains employment or duties that meet this  
73 definition.

74 (c) An election to participate in DROP may be made in  
75 one year increments not to exceed five years, nor to be less  
76 than three years. A member may participate in DROP only one  
77 time. ~~Any voluntary termination within the first three years~~  
78 ~~in DROP will result in a forfeiture of the portion of his or~~  
79 ~~her DROP account that constitutes the retirement allowance.~~  
80 ~~However, member contributions will not be forfeited, nor will~~  
81 ~~any interest attributable to the retirement allowance. There~~  
82 ~~will be no penalty forfeiture if the participation period is~~  
83 ~~interrupted due to an involuntary dismissal, disability,~~  
84 ~~involuntary transfer of his or her spouse, or death of the~~



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85 ~~participant.~~

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

93 (e) For purposes of DROP, sick leave may not be  
94 converted for purposes of establishing retirement eligibility,  
95 nor used in the calculation of the original retirement  
96 allowance except as provided in Section 16-25-151.

97 (f) The election to participate in DROP shall be made  
98 in accordance with procedures set forth in a uniform and  
99 nondiscriminatory election and application form adopted by the  
100 Board of Control. The election to participate in DROP may be  
101 made at any time on or after the date the member becomes  
102 eligible to participate as set out in subsection (b). ~~The~~ ~~Such~~  
103 application must be made at least 30 days, but not more than  
104 90 days, before the effective date of participation in DROP,  
105 ~~and shall be made no later than March 24, 2011.~~ A member must  
106 be eligible to participate, as provided above at the time the  
107 application is made.

108 (g) Upon the effective date of the commencement in  
109 DROP, the member's service shall remain as it existed on that  
110 date for the duration of DROP. Once a member enters DROP,  
111 service credit purchases are prohibited. Both the employer and  
112 employee member contribution shall continue to be made. The



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113 monthly retirement allowance that would have been payable, had  
114 the person elected to withdraw from service and receive a  
115 retirement allowance, shall be paid into a DROP account that  
116 reflects the credits attributed to the person in DROP.  
117 However, the monies shall remain a part of the regular  
118 retirement fund until disbursed to the participating member in  
119 accordance with this section. Any monies paid into this  
120 account are subject to the exemptions set out in Section  
121 16-25-23.

122 (h) ~~(1)~~ The DROP account shall earn interest at the same  
123 rate that interest is posted to active member accounts as  
124 defined in ~~subdivision (15) of~~ Section 16-25-1. A  
125 ~~person~~individual who participates in this plan shall not be  
126 eligible to receive a retiree cost-of-living increase while  
127 participating in DROP, and shall not be eligible for a retiree  
128 cost-of-living increase until participation in the plan ceases  
129 and he or she withdraws from service and has been receiving a  
130 retirement allowance for at least one full year.

131 ~~(2) Notwithstanding any other provision of this~~  
132 ~~chapter, for any member who has fulfilled his or her~~  
133 ~~obligation under DROP and does not withdraw from service and~~  
134 ~~any member who begins participation in DROP on or before April~~  
135 ~~1, 2011, and fulfills his or her obligation under DROP and~~  
136 ~~does not withdraw from service, the amount of interest payable~~  
137 ~~on benefit deposits after March 24, 2011, shall be the lesser~~  
138 ~~of (1) the investment performance of the immediately preceding~~  
139 ~~fiscal year but no less than \$0, or (2) as provided in~~  
140 ~~subdivision (1) of subsection (d) of Section 16-25-151.~~



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141 (i) DROP shall not be subject to any fees, charges, or  
142 other similar expenses of any kind for any purpose.

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

147 (k) Participation in DROP shall not affect the accrual  
148 of annual and sick leave by the participant.

149 (l) Participants in DROP may receive salary  
150 cost-of-living adjustments and salary increases."

151 "§16-25-151

152 (a) On withdrawing from service pursuant to Section  
153 16-25-14, a member who participated in DROP:

154 (1) Who fulfilled his or her contractual obligation  
155 pursuant to DROP shall receive a lump-sum payment from his or  
156 her DROP account equal to the payments made to that account on  
157 his or her behalf plus interest. Further, the member shall  
158 receive his or her accumulated contribution made during  
159 participation in DROP, together with interest for the period  
160 of DROP participation as provided in ~~subdivision (1) of~~  
161 ~~subsection (g) of~~ Section 16-25-14 (i) (1). In lieu of a  
162 lump-sum payment from the DROP account, to the extent eligible  
163 under applicable tax laws, the member's total accrued benefit  
164 may be "rolled over" directly to the custodian of an eligible  
165 retirement plan. The member shall also begin receiving his or  
166 her monthly benefit that would have been payable had the  
167 member elected to withdraw from service and receive a  
168 retirement allowance at the commencement of ~~which had been~~



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169 ~~paid directly into the DROP account during~~ his or her  
170 participation in DROP. However, the monthly benefit shall be  
171 recalculated prospectively to reflect any accrued sick leave  
172 as credit for retirement purposes. Conversion of sick leave is  
173 limited to the applicable laws pertaining to conversion of  
174 sick leave into retirement credit. In no event can the number  
175 of days converted be greater than the number of days the  
176 participant had on the date he or she entered DROP. The member  
177 is not allowed to change the option allowance chosen at the  
178 beginning of DROP participation.

179 (2) Who did not fulfill his or her obligation under  
180 DROP due to involuntary termination, disability, or  
181 involuntary transfer of his or her spouse, shall receive a  
182 lump-sum payment from his or her DROP account equal to the  
183 payments made to that account on his or her behalf plus  
184 interest. Further, the member shall receive his or her  
185 accumulated contribution made during participation in DROP,  
186 together with interest for the period of DROP participation as  
187 provided in ~~subdivision (1) of subsection (g) of~~ Section  
188 16-25-14 (i) (1). In lieu of a lump-sum payment from the DROP  
189 account, to the extent eligible under applicable tax laws, the  
190 member's total accrued benefit may be "rolled over" directly  
191 to the custodian of an eligible retirement plan. The member  
192 shall also begin receiving his or her monthly benefit that  
193 would have been payable had the member elected to withdraw  
194 from service and receive a retirement allowance at the  
195 commencement of ~~which had been paid directly into the DROP~~  
196 ~~account during~~ his or her participation in DROP. However, the





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197 monthly benefit shall be recalculated prospectively to reflect  
198 any accrued sick leave as credit for retirement purposes.  
199 Conversion of sick leave is limited to the applicable laws  
200 pertaining to conversion of sick leave into retirement credit.  
201 In no event can the number of days converted be greater than  
202 the number of days the participant had on the date he or she  
203 entered DROP. The member is not allowed to change the option  
204 allowance chosen at the beginning of DROP participation.

205 (3) Who did not fulfill his or her obligation under  
206 DROP due to voluntary termination within the first three years  
207 of participation shall forfeit a portion of his or her DROP  
208 account that constitutes the retirement allowance. The member  
209 shall be entitled to a return of his or her member  
210 contribution made during his or her participation in DROP as  
211 well as any interest attributable to the retirement allowance.  
212 However, following termination of employment, the member shall  
213 begin receiving his or her monthly benefit ~~which had been paid~~  
214 ~~directly into the DROP account during~~that would have been  
215 payable had the member elected to withdraw from service and  
216 receive a retirement allowance at the commencement of his or  
217 her participation in DROP. However, the monthly benefit shall  
218 be recalculated prospectively to reflect any accrued sick  
219 leave as credit for retirement purposes. Conversion of sick  
220 leave is limited to the applicable laws pertaining to  
221 conversion of sick leave into retirement credit. In no event  
222 can the number of days converted be greater than the number of  
223 days the participant had on the date he or she entered DROP.  
224 The member is not allowed to change the option allowance



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225 chosen at the beginning of DROP participation.

226 (b) If a participant dies during the period of  
227 participation in DROP, a lump-sum payment equal to the  
228 payments made to the DROP account on his or her behalf plus  
229 interest shall be paid to his or her named beneficiary or, if  
230 none, to his or her estate. Further, the beneficiary of the  
231 estate shall be entitled to a return of the member's  
232 contribution made during his or her participation in DROP  
233 together with interest for the period of DROP participation as  
234 provided in ~~subdivision (1) of subsection (g) of~~ Section  
235 16-25-14 (i) (1). However, death benefits payable pursuant to  
236 ~~subsection (g) of~~ Section 16-25-14 (i) or Section 36-27B-3  
237 shall not be applicable. Where there is a beneficiary that  
238 would be entitled to an ongoing monthly benefit, if applicable  
239 laws allow, the monthly benefit may be recalculated  
240 prospectively to reflect accrued sick leave as credit for  
241 retirement purposes. If applicable laws allow, the beneficiary  
242 may elect to be paid for the deceased member's sick leave as  
243 would any other member upon retirement. In no event can the  
244 number of sick leave days used for either calculation be  
245 greater than the number of days the participant had on entry  
246 into DROP. The member is not allowed to change the option  
247 allowance chosen at the beginning of DROP participation.

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

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

251 (2) Payment from the DROP account shall not be made to  
252 the member until he or she withdraws from service, nor shall



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253 the monthly retirement allowance being paid into the DROP  
254 account during the period of participation be payable to the  
255 member until he or she withdraws from service pursuant to  
256 Section 16-25-14.

257 (3) If the member does not withdraw from service after  
258 the period specified for participation in DROP, he or she  
259 shall resume active contributing membership in the system for  
260 the purpose of earning creditable service. Under no  
261 circumstance will any time spent participating in DROP be  
262 eligible to constitute service credit in any Alabama public  
263 supported retirement system.

264 (d) (1) Upon a future withdrawal from service, the  
265 member shall receive a lump-sum payment from his or her DROP  
266 account equal to the payments made to that account on his or  
267 her behalf plus interest. Further, the member shall receive  
268 his or her accumulated contribution made during participation  
269 in DROP together with interest for the period of DROP  
270 participation as provided in ~~subdivision (1) of subsection (g)~~  
271 ~~of~~ Section 16-25-14 (i) (1). In lieu of a lump-sum payment from  
272 the DROP account, to the extent eligible under applicable tax  
273 laws, the member's total accrued benefit may be "rolled over"  
274 directly to the custodian of an eligible retirement plan.

275 (2) Upon withdrawal from service, the monthly  
276 retirement allowance that would have been payable had the  
277 member elected to withdraw from service and receive a  
278 retirement allowance at the commencement of his or her  
279 participation in DROP ~~was being originally paid into the DROP~~  
280 ~~account~~ shall begin to be paid to the member. However, the



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281 monthly benefit shall be recalculated prospectively to reflect  
282 any accrued sick leave as credit for retirement purposes.  
283 Conversion of sick leave is limited to the applicable laws  
284 pertaining to conversion of sick leave into retirement credit.  
285 In no event can the number of days converted be greater than  
286 the number of days the participant had on the date he or she  
287 entered DROP. The member is not allowed to change the option  
288 allowance chosen at the beginning of DROP participation.

289 (3) Upon withdrawal from service, the member shall  
290 receive an additional retirement benefit based on his or her  
291 additional service rendered to the system since termination of  
292 participating in DROP, using the normal method of computation  
293 of benefit for that period only. This additional service shall  
294 not be added to any service prior to his or her participation  
295 in DROP. The member's average compensation for that time  
296 worked after the participation in DROP shall be multiplied by  
297 the appropriate benefit factor multiplied by the amount of  
298 time worked after the participation in DROP. Under no  
299 circumstances is this service to be combined with service  
300 prior to participation in DROP.

301 (4) The option used for retirement purposes shall be  
302 that applicable to the original benefit.

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



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309           Section 2. Section 16-25-155 is added to the Code of  
310 Alabama 1975, to read as follows:

311           §16-25-155

312           (a) No member may participate in DROP after July 31,  
313 2031.

314           (b) The Board of Control shall adopt procedures to  
315 implement this section.

316           Section 3. This act shall become effective immediately.