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3 SENATE GOVERNMENTAL AFFAIRS COMMITTEE SUBSTITUTE FOR SB206  
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8 SYNOPSIS: Under existing law, the contribution  
9 percentage rate made to the Pension Accumulation  
10 Fund by the employer on behalf of state policemen  
11 is calculated separately from all other state  
12 employees participating in the State Employees'  
13 Retirement System.

14 This bill would remove the separate  
15 calculation of employer contribution percentage  
16 rate for state policemen.  
17

18 A BILL  
19 TO BE ENTITLED  
20 AN ACT  
21

22 To amend Section 36-27-24, Code of Alabama 1975, to  
23 remove the separate calculation of employer contribution  
24 percentage rate made to the Pension Accumulation Fund by the  
25 employer for state policemen.

26 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

1           Section 1. Section 36-27-24, Code of Alabama 1975,  
2 is hereby amended to read as follows:

3           "§36-27-24.

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

14           "(b) Annuity Savings Fund. The Annuity Savings Fund  
15 shall be a fund in which shall be accumulated contributions  
16 from the compensation of members to provide for their  
17 annuities.

18           "Contributions to and payments from the Annuity  
19 Savings Fund shall be made as follows: Effective October 1,  
20 1971, each employer shall cause to be deducted from the salary  
21 of each member on each and every payroll of such employer for  
22 each and every payroll period five percent of his or her  
23 earnable compensation; except, that in the case of a state  
24 policeman, the rate of 10 percent of earnable compensation  
25 shall apply, and in computing all retirement benefits it shall  
26 be assumed that a seven percent rate of contribution had

1 applied with respect to service as a state policeman prior to  
2 July 1, 1957. For all pay dates beginning on or after October  
3 1, 2011, each employer, except those employers participating  
4 pursuant to Section 36-27-6, shall cause to be deducted from  
5 the salary of each member on each and every payroll of such  
6 employer for each and every payroll period seven and  
7 one-quarter percent (7.25%) of his or her earnable  
8 compensation; except, that in the case of a state policeman,  
9 the rate of ten percent (10%) of earnable compensation shall  
10 apply. For all pay dates beginning on or after October 1,  
11 2012, each employer, except those employers participating  
12 pursuant to Section 36-27-6, shall cause to be deducted from  
13 the salary of each Tier I plan member on each and every  
14 payroll of such employer for each and every payroll period  
15 seven and one-half percent (7.5%) of his or her earnable  
16 compensation; except, that in the case of a state policeman,  
17 the rate of ten percent (10%) of earnable compensation shall  
18 apply. For all pay dates beginning on or after January 1,  
19 2013, each employer shall cause to be deducted from the salary  
20 of each Tier II plan member on each and every payroll period  
21 six percent (6%) of his or her earnable compensation; except  
22 that in the case of a state policeman, the rate of ten percent  
23 (10%) shall apply and in the case of a correctional officer,  
24 firefighter, or law enforcement officer as defined in Section  
25 36-27-59, the rate of seven percent (7%) shall apply. Any  
26 employer participating under Section 36-27-6, by adoption of a

1 resolution, may elect for the increases in employee  
2 contributions provided by Act 2011-676 to be withheld from the  
3 earnable compensation of employees of the employer. In  
4 determining the amount earnable by a member in a payroll  
5 period, the Board of Control may consider the rate of annual  
6 compensation payable to such member on the first day of the  
7 payroll period as continuing through such payroll period, and  
8 it may omit deductions from compensation for any period less  
9 than a full payroll period if an employee was not a member on  
10 the first day of the payroll period, and, to facilitate the  
11 making of deductions, it may modify the deductions required of  
12 any member by such an amount as shall not exceed one tenth of  
13 one percent of the annual compensation upon the basis of which  
14 such deductions are made.

15 "The deductions provided for in this subsection  
16 shall be made notwithstanding that the minimum compensation  
17 provided for by law for any member shall be reduced thereby.  
18 Every member shall be deemed to consent and agree to the  
19 deduction made and provided for in this subsection and shall  
20 receipt for his or her full salary or compensation and payment  
21 of salary or compensation less such deductions shall be a full  
22 and complete discharge and acquittance of all claims and  
23 demands whatsoever for the services rendered by such person  
24 during the period covered by such payment, except as to the  
25 benefits provided under this article. The employer shall  
26 certify to the Board of Control in each and every payroll or

1 in such other manner as the board may prescribe the amounts to  
2 be deducted, and each of the amounts shall be deducted and,  
3 when deducted, shall be paid into the Annuity Savings Fund and  
4 shall be credited, together with regular interest thereon, to  
5 the individual account of the member from whose compensation  
6 the deduction was made.

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

22 "The contributions and interest credits of a member  
23 withdrawn by him or her or paid to his or her estate or to his  
24 or her designated beneficiary in event of his or her death  
25 shall be paid from the Annuity Savings Fund. Should a member  
26 cease to be a member other than by retirement under the

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

9 "Notwithstanding the preceding provisions, no  
10 deductions shall be made from any member's salary on account  
11 of which the employer's contributions are in default.

12 "The State Personnel Board, with the approval of the  
13 Governor, may provide that the state shall pick up member  
14 contributions to the Employees' Retirement System of Alabama  
15 as required by this subsection on behalf of all state  
16 employees who participate in the Employees' Retirement System  
17 by a corresponding reduction in the salary of the member, such  
18 pick-up to be mandatory for all such employees, and the  
19 contributions so picked up shall be treated as employer  
20 contributions in determining tax treatment under the Internal  
21 Revenue Code. These contributions shall be paid from the same  
22 source of funds which is used in paying earnings to the  
23 employee. If employee contributions are so picked up they  
24 shall be treated for all other purposes of state law in the  
25 same manner and to the same extent as employee contributions  
26 made prior to the date picked up.

1           "(c) Pension Accumulation Fund. The Pension  
2 Accumulation Fund shall be the fund in which shall be  
3 accumulated all reserves other than the amounts held in the  
4 Annuity Savings Fund for the payment of all pensions, all  
5 allowances granted to surviving spouses or other designated  
6 beneficiaries and other benefits payable from contributions  
7 made by the employer and from which shall be paid all  
8 pensions, all allowances granted to surviving spouses or other  
9 designated beneficiaries and other benefits on account of  
10 members with prior service credit.

11           "Contributions to and payments from the Pension  
12 Accumulation Fund shall be made as follows: On account of each  
13 member there shall be paid monthly by the employer an amount  
14 equal to a certain percentage of the earnable compensation of  
15 each member to be known as the "normal contribution" and an  
16 additional amount equal to a percentage of his or her earnable  
17 compensation to be known as the "accrued liability  
18 contribution," and these two amounts shall be paid monthly  
19 into the Pension Accumulation Fund. ~~; provided, that in the~~  
20 ~~case of a state policeman, such percentage rates of~~  
21 ~~contributions shall be calculated separately.~~ The percentage  
22 rate of such contributions shall be fixed for each fiscal year  
23 on the basis of the liabilities of the retirement system as  
24 shown by the last annual actuarial valuation, and such  
25 percentage rate as established by such valuation shall take

1 effect the following October 1 and continue in effect for the  
2 fiscal year.

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

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

23 "The unfunded accrued liability shall be computed by  
24 the actuary as the total liabilities of the system which are  
25 not dischargeable by the assets of the Annuity Savings Fund

1 and the Pension Accumulation Fund and the present value of the  
2 aforesaid normal contributions.

3 "For purposes of computing the unfunded accrued  
4 liability the assets shall be determined as follows:

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

10 "The total amount payable in each year to the  
11 Pension Accumulation Fund shall be not less than the sum of  
12 the percentage rates known as the normal contribution rate and  
13 the accrued liability contribution rate of the total  
14 compensation earnable by all members during the preceding  
15 year.

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

25 "Upon the death of a member on account of whom no  
26 survivor allowance is payable under subdivisions (2) and (3)

1 of subsection (c) of Section 36-27-16, the death benefit as  
2 provided in subdivision (4) of subsection (c) of Section  
3 36-27-16 equal to the accumulated contributions, not to exceed  
4 \$5,000.00, shall be payable from the Pension Accumulation  
5 Fund.

6 "(d) Expense Fund. The Expense Fund shall be the  
7 fund from which the expenses of the administration of the  
8 retirement system shall be paid, exclusive of amounts payable  
9 as retirement allowances and as other benefits provided in  
10 this chapter. In addition thereto and on account of each  
11 member of the retirement system, there shall be paid monthly  
12 by the employer an amount equal to a certain percentage of the  
13 earnable compensation of each member for the administrative  
14 expenses of the retirement system. The percentage rate of such  
15 contribution shall be fixed by the Board of Control on the  
16 basis of the cost exclusive of that provided by interest not  
17 returnable. Any amounts credited to the accounts of the  
18 members withdrawing before retirement and not returnable under  
19 the provisions of subsection (c) of Section 36-27-16 shall be  
20 credited to the Expense Fund.

21 "(e) Employer's contributions. For each biennium  
22 beginning October 1, 1965, each employer shall pay to the  
23 retirement system the rates provided in this section and  
24 thereafter, at least 30 days preceding October 1 of each  
25 fiscal year, the Board of Control shall certify to the chief  
26 fiscal officer of each employer the percentage rates of

1       earnable compensation of the members required to be paid to  
2       the retirement system in accordance with subsections (c) and  
3       (d) of this section.

4               "The employer's contribution on account of the  
5       membership of employees whose salaries are paid in whole or in  
6       part from funds derived from federal grants shall be paid from  
7       funds derived from the federal grants in accordance with  
8       statutes governing the administration of the grants and in  
9       proportion to salaries paid therefrom. At such time and in  
10      such manner as may be required, the Board of Control shall  
11      certify to each department of state receiving a federal grant  
12      the amount due and payable from the grant as the employer's  
13      contribution to the retirement system on account of the  
14      membership of the department whose salaries are paid in whole  
15      or in part from funds derived from such federal grants. The  
16      fiscal agent of the department shall authorize the state  
17      Comptroller to draw a warrant or warrants in payment of the  
18      amount certified as due and payable from federal grants.

19              "(f) Appropriations. There is hereby appropriated  
20      annually from the fund from which salaries of the employees of  
21      each employer are paid the amounts sufficient to carry out the  
22      provisions of this section. In the case of those departments  
23      supported wholly by transfers from other state funds, there is  
24      hereby appropriated from the supporting funds such additional  
25      amounts as may be necessary to pay the employer contribution  
26      of each department so supported in the same proportion as the

1 other state funds contribute to the support and maintenance of  
2 such department.

3 "(g) Employer cost provided for in this article  
4 together with member contributions required under this article  
5 shall be paid to the Employees' 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 Employees' Retirement  
11 System in a format prescribed by the Employees' Retirement  
12 System.

13 Section 2. This act shall become effective on the  
14 first day of the third month following its passage and  
15 approval by the Governor, or on its otherwise becoming a law.