

ARIZONA HOUSE OF REPRESENTATIVES
Fiftieth Legislature – First Regular Session

COMMITTEE ON EMPLOYMENT AND REGULATORY AFFAIRS

Minutes of Meeting
Tuesday, March 22, 2011
House Hearing Room 3 -- 2:00 p.m.

Chairman Robson called the meeting to order at 2:09 p.m. and attendance was noted by the secretary.

Members Present

Mr. Farnsworth	Mr. Kavanagh	Mrs. Yee
Mr. Fillmore	Mrs. Pancrazi	Mr. Olson, Vice-Chairman
Mrs. Gonzales	Mr. Patterson	Mr. Robson, Chairman

Members Absent

None

Committee Action

SB1169 - DPA S/E (6-3-0-0)	SB1315 - WITHDRAWN
SB1175 - WITHDRAWN	SB1541 - DP (6-1-0-2)
SB1233 - WITHDRAWN	SB1609 - DPA (6-3-0-0)
SB1249 - DPA (5-2-0-2)	

CONSIDERATION OF BILLS

**SB1169 - technical correction; child care; licensing(now: child care licensing; review) - DO
PASS AMENDED S/E**

S/E: scope of practice; nursing; abortion

Sarah Wharton, House Research Analyst, explained that the Yee five-page strike-everything amendment to SB1169 dated 3/18/11 (Attachment 1) prohibits the State Board of Nursing from having the authority to decide the scope of practice relating to abortion (Attachment 2).

Deborah Sheasby, Legal Counsel, Center for Arizona Policy, stated her support for this legislation, explaining that it is about the regulatory authority that the Legislature has over the Board of Nursing to protect the health and safety of women.

Rory Hays, Arizona Nurses Association, testified in opposition to the strike-everything amendment. She explained that, before 1985, there were long and divisive battles over scope of practice; in that year the Legislature adopted the sunrise process which encouraged collaborative

resolution of issues. She stated that the process was not utilized in this legislation as no nurses were consulted or involved in its development.

Mrs. Yee asked if Ms. Sheasby would agree that the State Board of Nursing should be noting that it is the Legislature's authority to decide scope of practice. Ms. Sheasby concurred, adding that in 2008, the Board made a ruling that was contrary to the law.

Mrs. Yee asked how many other states have laws requiring physician-only surgical abortions. Ms. Sheasby indicated that at least 41 other states have such laws.

Mr. Patterson asked if the Center for Arizona Policy supports abortion under any circumstances. Ms. Sheasby replied that it does not.

Mr. Patterson asked if the Center for Arizona Policy initiated this legislation. Ms. Sheasby explained that there are a number of people who support this amendment. Discussion ensued.

Mrs. Pancrazi asked why the nurses were not involved in this legislation. Ms. Sheasby replied that the Board of Nursing argues that their authority trumps legislative authority and SB1169 is in response to their position.

Theresa Ulmer, Planned Parenthood, stated her opposition to this legislation, stating that the State Board of Nursing was established in 1922 to oversee patient safety; it works as the Legislature designed it to. Ms. Ulmer stated that her organization supports a healthy regulatory framework to make sure that patients are safe and asked why the Legislature would want to lessen the Board's authority to oversee a practice that affects the public.

Mr. Patterson asked if this legislation will affect women's access to abortion and reproductive health as a real-world consequence. Ms. Ulmer replied that it will negatively impact women, particularly those in rural Arizona by limiting their access to health care.

Vice-Chairman Olson announced the names of those who signed up in support of SB1169 but did not speak:

Cathi Herrod, Center for Arizona Policy
Don Isaacson, Valley of the Sun YMCA
Ron Johnson, Arizona Catholic Conference

Vice-Chairman Olson announced the names of those who signed up in opposition to SB1169 but did not speak:

Susan Zalkind, representing self
Kendra Waddell, representing self
Leslie Levy, representing self
Brian Simpson, representing self
Emily Herrell, representing self
Kirsten Larsen, representing self
Judith Salzman, representing self
Erika Jahneke, representing self
Bob Segal, representing self

Linda Rosenthal, representing self
Kathleen Thompson, representing self
Donna Gaab, representing self
Sue E. Dean, representing self
Sandra Stock, representing self
Madeleine Wachter, representing self
Eileen Mothershead, representing self
Angela Lefevre, representing self
Bettina Bickel, representing self
Lois Jordan, representing self
Maddy Urken, representing self
Rivko Knox, representing self
Kam Majer, representing self
Lois Sugar, representing self
Maureen Quirk, representing self
Elizabeth Offutt, representing self
Brenda Young, representing self
Ellen Meltzer, representing self
Richard Underwood, representing self
Susan Shaw, representing self
Elly Anderson, representing self
Hadassa Filler, representing self
Kelly Damron, representing self

Vice-Chairman Olson moved that SB1169 do pass.

Mrs. Yee moved that the Yee five-page strike-everything amendment to SB1169 dated 3/18/11 (Attachment 1) be adopted. The motion carried.

Vice-Chairman Olson moved that SB1169 as amended do pass. The motion carried by a roll call vote of 6-3-0-0 (Attachment 3).

Mrs. Yee requested that letters pertaining to SB1169 (Attachment 4) be entered into the record.

SB1175 - homeopaths; categories of licensure(now: categories of licensure; homeopaths) - WITHDRAWN

Chairman Robson announced that SB1175 has been withdrawn.

SB1233 - peace officers; at will employment - WITHDRAWN

Chairman Robson announced that SB1233 has been withdrawn.

SB1315 - podiatry board; omnibus - WITHDRAWN

Chairman Robson announced that SB1315 has been withdrawn.

SB1609 - retirement systems; plans; plan design – DO PASS AMENDED

Sarah Wharton, House Research Analyst, explained that SB1609 makes changes to the existing contribution and benefit structures for the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP) (Attachment 5). The bill increases contribution rates for all three plans, changes the formula for awarding cost of living adjustments (COLAs), establishes an alternative contribution rate (ACR) for members who return to work, and makes changes to benefit calculations.

In 1968, PSPRS was created by the Legislature to provide a uniform statewide retirement program for public safety personnel and full-time fire fighters who are regularly assigned to hazardous duty. Under PSPRS, the employee contribution rate is fixed by statute at 7.65 percent of salary on a pre-tax basis.

Created in 1986, CORP provides retirement benefits for certain full-time state and county detention officers, and is designed to meet the special needs of personnel engaged in the prison environment. The employee contribution rate is fixed by statute at 8.41 percent of salary on a pre-tax basis.

EORP was established in 1985 to provide a statewide program for eligible elected officials. Elected official means every elected official of the state, counties, every justice of the Supreme Court, every judge of the court of appeals and superior court, every full-time superior court commissioner and each elected official of an incorporated city or town whose employer has executed a proper joinder agreement for coverage of its elected officials. A state elected official who is subject to term limits may elect not to participate in EORP for that specific term of office. EORP member contribution rates are set in statute at 7 percent of salary on a pre-tax basis.

Ms. Wharton explained the provisions of the bill as follows:

Elected Officials' Retirement Plan (EORP)

- Defines *recent elected official* as an elected official who becomes a member of the plan on or after January 1, 2012, or an elected official who is reappointed, reelected or retained in office on or after January 1, 2012.
- Defines *average yearly salary* for a *recent elected official* as the five consecutive years within the last ten completed years of credited service as an elected official that yield the highest average.
- Defines "*excess investment earnings amount*" as an amount that exists when the ratio of market value of assets to the actuarial accrued liability of the fund is:
 - 70 percent or less, zero,
 - more than 70 percent but less than 80 percent, one-quarter of the positive difference, if any, between the total return of the plan and 9 percent,
 - 80 percent or more, one-half of the positive difference, if any, between the total return of the plan and 9 percent.
- Stipulates that if a *recent elected official* does not have five consecutive years of credited service, the considered period is the member's last consecutive period of employment with a plan employer immediately before retirement.

- Allows a *recent elected official* to withdraw the member's contributions plus interest at a rate determined by the PSPRS Board if that member ceases to hold office for any reason other than death or retirement.
- Requires contributions by a retired member's employer if a retired member subsequently becomes an elected official.
- Changes the requirement for eligibility for a normal retirement pension for a *recent elected official* by removing the elective to retire with 20 or more years of credited service with no age limit.
- Changes the amount of payment for a surviving spouse of a deceased retired or a deceased active or inactive *recent elected official* to one-half, rather than three-fourths, of the deceased retired member's pension at the time of death.
- Allows the *recent elected official* to elect, at the time of retirement, an optional form of retirement benefit that provides for an actuarially reduced pension and an increased surviving spouse's benefit.
- Changes the monthly pension amount of a *recent elected official* to equal one-twelfth of:
 - 3 percent of the member's average yearly salary multiplied by credited service, not to exceed 75 percent of average yearly salary and;
 - Reduces that amount for early retirement by one-half of 1 percent for each month the member's early retirement age precedes normal retirement age.
- Changes the disability pension amount of a *recent elected official* to 3 percent of the member's average yearly salary multiplied by:
 - 25 years of service if the member has 10 or more years of credited service;
 - 12.5 years of service if the member has five or more years of credited service but fewer than 10 years;
 - 6.25 years of service if the member has fewer than five years of credited service.
- Removes a member's flat contribution rate of 7 percent of the member's gross salary, retroactive to July 1, 2011.
- Requires a member who is not a recent elected official to contribute, retroactive to July 1, 2011:
 - 7 percent of member's gross salary through June 30, 2011;
 - 9 percent of member's gross salary for FY 2011-2012;
 - 10 percent of member's gross salary for FY 2012-2013 and;
 - for Fiscal Year (FY) 2013-2014 and thereafter, either 11 percent of member's gross salary, or 33.3 percent of the sum of contribution rate from the preceding fiscal year and the normal cost plus the actuarially determined amount required to amortize the unfunded accrued liability for the employer, whichever is lower.
- Requires, for FY 2013-2014 and thereafter, that the member's contribution rate shall not be less than 7 percent and the employer contribution rate shall not be less than sufficient to meet both the normal cost, plus the actuarially determined amount required to amortize the unfunded accrued liability.
- Sets the contribution rate for a *recent elected official*, retroactive to July 1, 2011:
 - 10 percent of member's gross salary through June 30, 2012;
 - 11.5 percent of member's gross salary through FY 2012-2013 and;
 - for FY 2013-2014 and thereafter, either 13 percent of member's gross salary, or 33.3 percent of the sum of contribution rate from the preceding fiscal year and the normal cost plus the actuarially determined amount required to amortize the unfunded accrued liability for the employer, whichever is lower.

- Prohibits, retroactive to July 1, 2011, the member's contribution that exceeds 7 percent of the member's compensation from being used to reduce the unfunded accrued liability in FY 2011-2012 and thereafter.
- Requires an employer to pay an ACR for a retired member who returns to work in any capacity in a position ordinarily filled by an elected official, if that retired member has been retired for more than one full term from that office.
- Sets the ACR at the portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability, based on actuarial calculations of the total required contribution for the preceding fiscal year.
- Requires that the ACR be applied to the compensation, gross salary or contract fee of a retired member who returns to work.
- Sets a minimum of 10 percent for the ACR.
- Specifies that all ACR contributions are irrevocable and shall be used as benefits or to pay expenses of the plan.
- Penalizes an employer for delinquent ACR payments and adds interest until payment is received by the plan.
- Requires an employer or a retired member to submit any reports, data, paperwork or materials that are requested by the Board in order to determine the compensation of a retired member who returns to work, and to determine the function of the return to work program.
- Stipulates that the excess investment earnings of pensions in payment status are equal to the actuarial present value multiplied by the excess investment earnings amount.
- Prescribes that the excess investment earnings on pensions in payment status are zero if the average annual return of the plan over the period of years established by the Board for use in the calculation of the actuarial value of assets is less than or equal to 9 percent.
- Requires the administrator to determine the ratio of the market value of assets to the actuarial accrued liability of the fund for each fiscal year.
- Moves every full-time superior court commissioner appointed after July 1 of the first fiscal year to the Arizona State Retirement System (ASRS) after the Social Security Administration approves their inclusion.
- Clarifies that a member's multiplier before reelection or reappointment remains at 4 percent.

Public Safety Personnel Retirement System (PSPRS)

- Redefines *normal retirement date* for an employee who becomes a member of the system on or after January 1, 2012, as the first day of the calendar month immediately following the employee's completion of 25 years of service if the employee is at least 52.5 years old.
- Redefines *average monthly benefit compensation* for an employee who becomes a member of the system on or after January 1, 2012, as five consecutive years within the last 20 completed years of credited service that yield the highest average.
- Defines *excess investment earnings amount* as an amount that exists when the ratio of market value of assets to the actuarial accrued liability of the fund is:
 - 70 percent or less, zero;
 - more than 70 percent but less than 80 percent, one-quarter of the positive difference, if any, between the total return of the plan and 9 percent;
 - 80 percent or more, one-half of the positive difference, if any, between the total return of the plan and 9 percent.

- Prohibits members, for purposes of computing retirement benefits, from using third party contracts between public agencies for law enforcement, fire or emergency medical activities or where the employer supervises the employee's performance of those activities.
- Removes the member's flat contribution rate of 7.65 percent of the member's compensation, retroactive to July 1, 2011.
- Sets the contribution rate for an employee who becomes a member before January 1, 2012, retroactive to July 1, 2011:
 - 7.65 percent of member's compensation through June 30, 2011;
 - 9.65 percent of member's compensation through FY 2011-2012;
 - 10.65 percent of member's compensation through FY 2012-2013 and;
 - for FY 2013-2014 and thereafter, either 11.65 percent of member's gross salary, or 33.3 percent of the sum of the contribution rate from the preceding fiscal year and the aggregate computed employer contribution rate that is calculated, whichever is lower.
- Prohibits, retroactive to July 1, 2011, the member's contribution rate from being less than 7.65 percent of the member's compensation. The employer contribution rate shall not be less than the amount needed to meet both the normal cost plus the actuarially determined amount required to amortize the unfunded accrued liability.
- Sets the contribution rate for an employee who becomes a member on or after January 1, 2012, retroactive to July 1, 2011:
 - 10.65 percent of member's compensation through June 30, 2012;
 - 12.15 percent of member's compensation through FY 2012-2013 and;
 - for FY 2013-2014 and thereafter, either 13.65 percent of member's gross salary, or 33.3 percent of the sum of contribution rate from the preceding fiscal year and the aggregate computed employer contribution rate that is calculated, whichever is lower.
- Prohibits, retroactive to July 1, 2011, the member's contribution that exceeds 7.65 percent of the member's compensation from being used to reduce the unfunded accrued liability in FY 2011-2012 and thereafter.
- Requires an employer to pay an ACR for a retired member who returns to work in any capacity in a position ordinarily filled by an employee in an eligible group.
- Stipulates that the return to work provisions apply to a retired member who returns to work with another participating employer, and a retired member who returns to work after 60 consecutive days with the same employer from which the employee retired.
- Sets the ACR at the portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability, based on actuarial calculations of the total required contribution for the preceding fiscal year.
- Requires that the ACR be applied to the compensation, gross salary or contract fee of a retired member who returns to work.
- Sets a minimum of 8 percent for the ACR.
- Stipulates that all ACR contributions are irrevocable and shall be used as benefits or to pay expenses of the plan.
- Penalizes an employer for delinquent ACR payments and adds interest until payment is received by the plan.
- Requires an employer or a retired member to submit any reports, data, paperwork or materials that are requested by the Board and that are necessary to determine the compensation of a retired member who returns to work or necessary to determine the function of the return to work program.

- Limits participation in the Deferred Retirement Option Plan (DROP) to those employees who become members of the system before January 1, 2012.
- Sets the retirement benefit, for a member who becomes a member on or after January 1, 2012 and who has 25 years of credited service, at 62.5 percent of the member's average monthly benefit compensation.
- Modifies the amount for other than 25 years of credited service:
 - Reduces by 4 percent for each year of credited service fewer than 25 years;
 - Increases by 2.5 percent of the member's average monthly benefit compensation multiplied by the number of the member's years of credited service in excess of 25 years and;
 - Limits the maximum amount payable as a normal pension to 80 percent of the average monthly benefit compensation.
- Prevents an individual who becomes a member of the system on or after January 1, 2012 from being eligible for a deferred annuity. A deferred annuity is a lifetime monthly payment actuarially equivalent to the annuitant's accumulated contributions plus an equal amount paid by the employer. That member may be eligible for normal retirement if the member attains the service requirement for normal retirement.
- Changes the benefit payment for a member who becomes a member of the system on or after January 1, 2012, and who terminates employment for any reason other than death or retirement, to allow the member to withdraw the member's accumulated contributions plus interest at a rate determined by the Board.
- Replaces fund manager duties with duties of the PSPRS Board.
- Stipulates that the excess investment earnings are equal to the total assets of the fund less any amount allocated to the excess investment earnings account multiplied by the excess investment earnings amount, rather than one-half of the positive difference between the total return of the system and 9 percent.
- Stipulates that the excess investment earnings on pensions in payment status are zero if the average annual return of the plan over the period of years established by the Board for use in the calculation of the actuarial value of assets is less than or equal to 9 percent.
- Requires the administrator to determine the ratio of the market value of assets to the actuarial accrued liability of the fund for each fiscal year.
- Repeals a dual enactment.

Corrections Officer Retirement Plan (CORP)

- Defines *average monthly salary* for an employee who becomes a member of the plan on or after January 1, 2012, as one-sixtieth of the aggregate of salary paid during a period of 60 consecutive months of service in which the member received the highest salary within the last 120 months of service.
- Defines *normal retirement date* for an employee who becomes a member of the plan on or after January 1, 2012, as:
 - the first day of the month immediately following completion of 25 years of service if the employee is at least 52.5 years old or;
 - the employee's 62nd birthday and completion of 10 years of service.
- Defines *excess investment earnings amount* as if the ratio of market value of assets to the actuarial accrued liability of the fund is:
 - 70 percent or less, zero;

- more than 70 percent but less than 80 percent, one-quarter of the positive difference, if any, between the total return of the plan and 9 percent and;
- 80 percent or more, one-half of the positive difference, if any, between the total return of the plan and 9 percent.
- Removes a dual enactment.
- Changes the benefit payment for a member who becomes a member of the system on or after January 1, 2012, and who terminates employment for any reason other than death or retirement, to allow the member to withdraw the member's accumulated contributions plus interest at a rate determined by the Board.
- Changes the minimum requirements, for a member who becomes a member on or after January 1, 2012, for a normal retirement pension to one of the following:
 - at least 62 years of age and 10 or more years of service, or
 - at least 52.5 years of age and 25 years or more of service.
- Sets the amount of normal retirement benefit for a member who becomes a member on or after January 1, 2012 and has 25 years of credited service, to 62.5 percent of the member's average monthly salary, except:
 - if the person retires with more than 25 years of credited service, increases by 2.5 percent of the member's average monthly benefit compensation multiplied by the number of the member's years of credited service in excess of 25 years, or
 - if the person retires with less than 25 years of credited service, reduces the pension to the product of 2.5 percent of the member's average monthly salary and the member's credited service.
- Stipulates that for a person who becomes a member of the plan on or after January 1, 2012, the amount of an ordinary disability pension is equal to a fraction times the member's normal retirement pension. The fraction is obtained by dividing the member's actual years of credited service, not to exceed 25, by 25.
- Deletes members' contribution rates previously established, retroactive to July 1, 2011, and establishes a new contribution rate:
 - through June 30, 2011, 8.41 percent and 7.96 percent for a dispatcher;
 - for FY 2011-2012, 8.91 percent and 8.46 percent for a dispatcher;
 - for FY 2012-2013 and each fiscal year thereafter, 8.91 percent or 50 percent of the sum of the member's contribution rate from the preceding fiscal year and the aggregate computed employer contribution rate, whichever is lower, except that the member contribution rate shall not be less than 7.65 percent.
- Specifies that the contribution rate for a full-time dispatcher is 45 basis points less than the member contribution rate, except that at the close of any fiscal year, if the plan's actuary determines that the aggregate ratio of the funding value of the accrued assets to the accrued liabilities is at least 100 percent, a full-time dispatcher's contribution rate is equal to the member contribution rate for the next fiscal year.
- Stipulates that for FY 2011-2012 and each year thereafter, the amount of the member's contribution rate that exceeds 8.41 percent, or 7.96 percent for a full-time dispatcher, shall not be used to reduce the employer's contributions.
- Requires an employer to pay an ACR for a retired member who returns to work in any capacity in a position ordinarily filled by an employee in an eligible group.
- Stipulates that the return to work provisions apply to a retired member who has been retired for 12 consecutive months.

- Sets the ACR at the portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability, based on actuarial calculations of the total required contribution for the preceding fiscal year.
- Requires that the ACR be applied to the compensation, gross salary or contract fee of a retired member who returns to work.
- Sets a minimum of 6 percent for the ACR.
- Stipulates that all ACR contributions are irrevocable and shall be used as benefits or to pay expenses of the plan.
- Penalizes an employer for delinquent ACR payments and adds interest until payment is received by the plan.
- Requires an employer or a retired member to submit any reports, data, paperwork or materials that are requested by the Board and that are necessary to determine the compensation of a retired member who returns to work or necessary to determine the function of the return to work program.
- Stipulates that the excess investment earnings are equal to the total assets of the fund less any amount allocated to the excess investment earnings account multiplied by the excess investment earnings amount, rather than one-half of the positive difference between the total return of the system and 9 percent.
- Stipulates that the excess investment earnings on pensions in payment status are zero if the average annual return of the plan over the period of years established by the Board for use in the calculation of the actuarial value of assets is less than or equal to 9 percent.
- Requires the administrator to determine the ratio of the market value of assets to the actuarial accrued liability of the fund for each fiscal year.
- Limits participation in the DROP to those employees who become members of the system before January 1, 2012.
- Prohibits the sale of compensatory time from being included in the calculation of overtime pay, regardless of the date that funding value of accrued assets to accrued liabilities reaches at least 100 percent.

Miscellaneous

- Prohibits a member in any system from receiving benefit other than a lump sum payment of member's contributions if convicted of a felony related to professional duties.
- Contains a severability clause.
- Includes legislative findings:
 - that the current structure of PSPRS, CORP and EORP does not lead to the goal of attaining 100 percent funded status and jeopardizes future payment of benefits to current and future retirees;
 - that the current structure requires a contribution rate from employees that is too low in relation to the cost associated with the benefits required by the plan design and therefore places a greater financial burden on employers;
 - that the current method of funding benefit increases decreases the probability of funds achieving an actuarially assumed earning rate and leads to greater investment risk;
 - it is fundamentally unsound to provide a benefit increase during times when funded status of programs is less than 70 percent. Suspension of benefit increases is intended to improve the funded status of programs to preserve future benefits; and

- to protect future benefits of retired, active and future employees it is necessary to make the changes outlined to preserve the funded status of these programs and return the programs to fiscal solvency.
- Establishes a Defined Contribution Study Committee and charges the Committee with examining the feasibility of transferring new and existing members to a new defined contribution plan.
- Becomes effective on the general effective date, with retroactive provisions as noted.
- Adds felony conviction provisions.
- Creates a Defined Contribution Study Committee.
- Requires the Committee to submit a written report on or before December 31, 2011.

Ms. Wharton explained the provisions of the bill with the proposed Robson 41-page amendment dated 03/21/2011 (Attachment 6):

- Contribution rates for PSPRS, CORP, and EORP will change. PSPRS employee contributions are increased to 9.65 percent for FY 2011-2012, 10.65 percent for FY 2012-2014, and 11.65 percent for FY 2013-2014 and thereafter or 33.3 percent of the sum of the contribution rate from the preceding fiscal year.
- Contribution rates for EORP are increased to 9 percent for FY 2011-2012, 10 percent for FY 2012-2013, and 11 percent or 33.3 percent of the sum of the members' contribution rate from the preceding fiscal year for FY 2013-2014 and thereafter. CORP contribution rates are also increased by half a percent yearly until a matching rate is achieved.
- The COLA for PSPRS, CORP, and EORP is amended to include actuarial smoothing. A portion of the investment return would only be diverted to the Retirement Plan's Reserve if the fiscal year end funding ratio of the plan was greater than 70 percent using the "market value of assets." If the market value was less than 70 percent, all of the investment return would go to the underlying Plan to increase the assets and the funding ratio, and reduce the unfunded liability and employer contribution requirements.
- If the plan has a funded ratio of at least 70 percent, but less than 80 percent at the end of the fiscal year, a quarter of the excess return would go to the reserve. The rest of the return would be diverted to the underlying plan.
- At fiscal year end, if the plan has a funded ratio of 80 percent or higher, the provisions of the current law would operate normally and one half of the positive difference between the total return of the system and nine percent would go to the Reserve as outlined in current statute.
- An ACR is instituted for all four plans. For ASRS, the amendment institutes the ACR and return to work violations that were heard in this committee via HB2726, as well as HB2027. The ACR includes a July 1, 2012 effective date.
- For EORP, an ACR is instituted and the employer may not pay less than 10 percent. The employer rate for PSPRS is not less than 8 percent, and for CORP, the employer rate is not less than 6 percent.
- The amendment eliminates the point system for ASRS and establishes normal retirement eligibility for ASRS at age 65 or age 62 and ten years of service and institutes service purchase restrictions for all systems, limited to military call-up or in-state service only.
- The bill moves future PSPRS fund managers from EORP to ASRS and full-time Superior Court Commissioners are added to ASRS prospectively.
- PSPRS design changes include a change in the PSPRS salary calculation of the highest average salary paid during 5 consecutive years within the last 20 years of service. Normal

retirement eligibility is changed to age 52 and 1/2 and 25 years of service, or age 62 and 15 years of service.

- In PSPRS, early retirement pension calculations are changed. Members who have less than 25 years of service will receive 62.5 percent of their average monthly compensation. Members with less than 25 years of service receive a 4 percent reduction for each year of service under 25. Members with 25 or more years of service at the time of retirement receive 62.5 percent of their average monthly compensation plus a 2.5 percent increase for each year of service after 25. This calculation is capped at 80 percent.
- Terminated members of PSPRS receive a lump sum payment equal to accumulated contributions plus interest determined by the board.
- The amendment eliminates the DROP program for members with less than 5 years of service at the effective date of the bill. For members who have five or more years of service, but less than 20 years of service by the effective date of this bill, the new DROP will go into effect. The new DROP specifies that the employee must pay an ACR and establishes interest rate smoothing and earning restrictions. For members who have at least 20 years of service by the effective date of this bill, the current DROP program will apply.
- For EORP, a recent elected official is defined as a member elected, reappointed, reelected or retained after January 1, 2012. Design changes for EORP include a normal retirement at age 65 with 5 years of service or at age 62 with 10 years of service. This eliminates early retirement for EORP. Salary benefit calculations for EORP are changed to the highest average salary paid during the last five consecutive years within the last 10 years of service.
- For members of the plan before January 1, 2012 the monthly pension of an elected official is equal to 1/12th of 4 percent of the member's average yearly salary multiplied by the member's credited service not to exceed 75 percent of the member's average yearly salary. For member's service that is accrued after January 1, 2012, this changes to 3 percent. Disability pensions are based on the same formula as retirement.
- EORP survivor pensions are equal to 50 percent. A member can elect a higher percentage, however an actuarial reduction is required. Terminated members of EORP may withdraw accumulated contributions plus interest determined by the Board.
- CORP design changes include modifications to normal retirement eligibility. Members hired after January 1, 2012 must attain age 52.5 and 25 years of service, or age 62 and 10 years of service. Salary calculation is also adjusted for new members to the highest average salary paid during 5 consecutive years within the last 10 years of service. Terminated members of CORP receive a lump sum payment equal to accumulated contributions plus interest determined by the Board.
- Early retirement pension calculations are changed for CORP. If a member has 25 years of service at the time of retirement, they will receive 62.5 percent of their average monthly compensation. If a member retires with fewer than 25 years of service, their pension is equal to 2.5 percent of their average monthly salary multiplied by their years of service. If a member has more than 25 years of service at the time of retirement, they will receive 62.5 percent of their pension plus a 2.5 percent increase for each year of service after 25.
- The amendment adds language to Title 13 stating that if a member of a state retirement system or plan is convicted of or pleads no contest to an offense that is a class 5 felony or higher, that was committed in the course of the member's employment, the court shall order the person's membership terminated and the person shall forfeit all rights and benefits earned under the state retirement system or plan.

- The member is entitled to receive a lump sum amount of the member's contributions plus interest as determined by the Board and is ineligible for future membership in any state retirement system or plan.
- The bill permits the Legislature to grant an ad-hoc cost of living adjustment (COLA) for all four plans following a Joint Legislative Budget Committee evaluation.
- The bill establishes a Defined Contribution Study Committee to research the definition of compensation, consolidation of local boards, merging 401(a) plan options, and medical disability reforms. The Committee is required to meet twice in 2011 and must issue an interim report with their findings.
- The bill includes a legislative intent clause related to the ASRS ACR, legislative findings, rulemaking authority permitting ASRS to implement the ACR, and a \$250,000 appropriation to ASRS for said implementation.
- Additionally, \$50,000 is appropriated from both the ASRS administration account as well as the PSPRS to the State Treasurer for the Defined Contribution Study Committee.
- The bill contains an emergency clause.

Ms. Wharton explained that the Fillmore two-page amendment dated 03/21/2011 at 03:27 PM (Attachment 7) ties the calculation of the PSPRS COLA to the actuarial value of assets. If the funded rate of the plan is 60 percent or more, and investment performance is at least 10.5 percent, a COLA up to 2 percent may be awarded. If the funded rate of the plan is 65 percent and investment performance is at 10.5 percent a COLA of up to 2.5 percent may be awarded. A 3 percent COLA may be awarded if the plan is 70 percent funded and investment performance is at 10.5 percent. A funded rate of 75 percent and 10.5 percent investment earnings would lead to a 3.5 percent COLA, and an 80 percent funded rate with 10.5 percent investment earnings would lead to a COLA up to 4 percent.

Ms. Wharton explained that the Fillmore two-page amendment dated 03/21/2011 at 03:30 PM (Attachment 8) increases employee contribution rates by 1 percent in the first year and then 0.5 percent every year after for 6 years until a total contribution rate of 11.65 percent is reached with a maintenance of effort provision by the employers. When the fund becomes 80 percent funded on an actuarial basis, all scheduled increases to the employee contribution rate cease and the current contribution rate being paid at the time remains in effect. If the actuarial funding rate reaches 85 percent, the employee contribution rate decreases to 9.65 percent; when the actuarial funding rate is 90 percent or greater, the employee contribution rate returns to 7.65 percent.

Senator Steve Yarbrough, sponsor, explained that SB1609 with the Robson 41-page amendment dated 03/21/2011 (Attachment 6) will protect the pensions of state employees and prevent the foreseeable collapse of some of these pension plans, as well as protect the taxpayers (Attachment 9).

In response to Mrs. Yee's question, Senator Yarbrough stated that he supports the Robson amendment, but opposes the two Fillmore amendments.

Mr. Kavanagh asked if the legislation regarding EORP states that, after January 1, 2012, all newly-elected and reelected officials will be new members in EORP. Senator Yarbrough answered in the affirmative.

Mr. Farnsworth asked the Senator's opinion regarding the constitutional prohibition on interfering with a contract or reducing a contract's benefits. Senator Yarbrough replied that there is sufficient defense in the 1998 Constitutional Amendment for making these changes.

Chairman Robson asked the difference between *retained* and *reelected*. Senator Yarbrough stated that the EORP terms are the same for purposes of this legislation.

Representative Kirk Adams, sponsor, stressed that the pension systems as constructed are not sustainable and that changes must be made now when deficits are estimated to have reached \$10 billion to \$37 billion. He stated that these changes will enable the state to advise new employees that the system is sound and will be there when needed in future years; the system will not need to be bailed out by the taxpayers of Arizona who are ultimately responsible to comply with the contracts. He stated that he does not support the two Fillmore amendments.

Chairman Robson expressed concern about a retiree with no resources other than this retirement system. Representative Adams replied that these are the issues that will be addressed in the next stage of the process because there is a natural tension between those who are receiving benefits now and those who hope to receive benefits in the future. He stated that COLAs are being granted regardless of the health of the fund, and that hurts the younger generation in the pension program.

Mr. Fillmore stated that his two amendments are to protect the interests of the first responders who protect the citizens, the fire fighters and the police officers. Representative Adams replied that his amendments deserve further discussion, but the retirement system does treat the first responders differently than it does the rank-and-file employees with higher matching ratios, for instance. Mr. Fillmore requested that his amendments be moved forward to encourage that further discussion.

Mrs. Pancrazi expressed concern that PSPRS personnel do not get Social Security or Medicare and must pay for their own insurance; she stressed the importance of COLAs for retirees.

Mr. Patterson stated that another option would be to leave the retirement systems alone because "a deal's a deal" and fix the budget through some other means. Representative Adams replied that pension deficits cannot be solved by balancing the state's general fund; the state must do both: fix the budget and fix the pension systems.

James Hacking, Administrator, Public Safety Personnel Retirement System, indicated that, at this time, the PSPRS Board of Trustees (Board) does not have an official position on SB1609. He distributed information on the actuarial impact of SB1609 on PSPRS, CORP, and EORP (Attachment 10) and what the probabilities are that Arizona can invest its way back to financial good health for these three systems.

He explained that a state of "financial good health" is defined as being a funded ratio of 80 percent or higher achieved over a period of years not to exceed 20 with a probability of success of 75 percent or higher. The Board was told by the actuaries that the probability of obtaining those goals in that time frame was remote if the current structures of the systems are maintained.

He stated that the actuaries recommended that changes must be made that will:

- reverse the current trends whereby funding ratios are declining and employer contribution rates are inclining,
- reduce the rate of growth in liability and/or increase the revenue flowing into the systems, and
- increase the revenue sooner rather than later.

He stated that the Board made very difficult decisions about changes in the plans which are embodied in HB2198, HB2199, and HB2200. He stated that SB1609 also incorporates those changes, including the PSPRS provisions on:

- the restrictive COLA element,
- the increases in PSPRS employee contribution rates by four percent,
- the five-year average calculation for benefits for persons hired in the future, and
- the twenty-five years of service required for future hires.

Mr. Kavanagh asked for more information about the charts in Attachment 1. Mr. Hacking explained that the actuarial projections if SB1609 passes show favorable outcomes. He pointed out that on page 3 of Attachment 1 there is a 75 percent probability that in 2030 the funding ratio will not be less than 79.5 percent and the employer contribution requirement will not be greater than 30.4 percent. He added that this is a significant improvement over the baseline projections.

Mr. Hacking clarified that the employer contribution rate would be 30.4; the employees are now paying 7.65 percent, and SB1609 increases that contribution rate to 11.65 percent for a one-third to two-thirds ratio. He added that it is important to reverse the current trend and to increase the employee rate and decrease the employer rate.

Mr. Kavanagh asked what the situation would be if the funding ratio were 80 percent. Mr. Hacking referred him to the 2035 data which shows a 75 percent confidence level that the funding ratio for the PSPRS plan would not be less than 85.5 percent and the employer contribution requirement would be not greater than 24.8 percent.

Mr. Fillmore asked about the market return. Mr. Hacking explained that actuaries forecast a long-term rate of return of eight-and-a-half percent.

Mr. Kavanagh asked how the continuation of DROP for employees beyond twenty years works mathematically. Mr. Hacking replied that the impact of the DROP program is not very large relative to other factors.

Brian Livingston, Executive Director, Arizona Police Association, testified in opposition to SB1609, stating that EORP is the only system in trouble. He stressed that PSPRS is not on the verge of collapse and does not require emergency action by the state. He recalled Mr. Hacking's testimony that the DROP program has an insignificant effect on PSPRS.

Mr. Livingston reiterated his stance that this legislation reflects a promise that has not been kept. He thanked Mr. Fillmore for the amendments that address the sacrifices of the first responders.

He stated that SB1609, if passed, will affect new recruitment and will prevent military veterans from buying into PSPRS.

Mr. Farnsworth stated that he has listened to the stakeholders, although he does not agree with all of their points. Chairman Robson reiterated that this legislation is part of a process and that he has attempted to inform the stakeholders. Discussion ensued. Mr. Patterson stressed the importance of Arizona's officers. Mr. Fillmore stated that the prime responsibility of government is protection and that first responders are a critical part of that responsibility.

John Ortolano, Arizona Fraternal Order of Police, stated his opposition to SB1609, explaining that risk versus benefit must be considered. He stressed that it is important that the benefit, which is the pension plan, is worth the risks that the officers take when doing their job. He urged the Members to keep the promise that he was given when he took on the job of police officer.

Chairman Robson left the room at 3:45 p.m.; Vice-Chairman Olson assumed the Chair.

Chairman Robson resumed the Chair at 3:50 p.m.

Tim Hill, Professional Fire Fighters of Arizona, representing over 6,500 professional fire fighters, emergency medical technicians and paramedics in Arizona, appeared in opposition to the legislation. He stated that the purpose of PSPRS is to provide a secure and dignified retirement and to provide a COLA. He reminded the Members that fire fighters are not eligible for Medicare and must pay high premiums for health insurance after retirement, and COLA helps with this; he added that it used to take ten percent of retirement income to pay for health insurance, but that today it can be as high as seventy percent. He stated that he supports the Fillmore amendments, although he opposes the bill as written. He stated his concern that the loss of the DROP program will affect the recruitment of military veterans who are trained and physically fit.

Discussion ensued about the DROP program. Mrs. Pancrazi asked the average amount of time that a military person would purchase. Mr. Hill stated an average of three years.

Mr. Hill reminded the Members that retirees generally do not receive social security because of agreements that public employers signed, so they have no backup if the pension does not cover expenses. He urged the Members to phase in these changes, stressing that the PSPRS fund is not on the verge of collapse.

Bob Ford, representing self, stated his opposition to SB1609. He informed the Committee that he is a retired fire fighter and his health insurance, which was initially about twelve percent, is now forty percent of his monthly pension (\$1,700 per month). He requested that COLAs remain in the program.

Marcus Aurelius, Association of Retired Phoenix Officers, testified in opposition to SB1609. He explained his concerns about the excessive earnings limitations on the retirees, as well as the return to work programs. He expressed concern that third-party funding and federal grants will be affected by SB1609.

Lesli Sorensen, Government Relations Officer, Arizona State Retirement System, explained how the emergency clause, the point system, and the retroactivity clause combine in this legislation. She added that this bill takes out the 85-point requirement, returning to the two normal requirements of age 65 with any amount of service or age 62 with ten years of service. The retroactivity clause brings the effective date back to July 1, 2011.

Peter Dunn, Arizona Judges Association, stated his opposition to SB1609, reiterating that “a deal is a deal” and this legislation violates the state’s agreements with its fire fighters, its police officers, and its judges that there would be a retirement program that they could count on.

Clancy Jayne, representing self, appeared in opposition to the legislation, explaining that an unintended consequence could be that judges will retire sooner and their contributions to EORP will then cease.

Bruce Flickinger, representing self, stated his opposition to SB1609. He described how he came to be medically retired due to an on-duty injury after only three years on the job.

Jen Sweeney, Arizona Association of Counties, stated her opposition to the legislation and explained concern about the definition of *reelected officials*, wherein someone reelected after January of 2012 is considered a new member of the plan. She suggested some changes to the legislation.

Luis Ebratt, Arizona Probation Officers Association, Arizona Conference of Police and Sheriffs, testified against the legislation, expressing concern that it makes changes to both active members and retirees. He suggested that the changes apply to new hires.

Jennifer Loreda, Arizona Education Association (AEA), stated her opposition to SB1609, explaining that AEA supports the new ACR return to work provision, but requests that it be put in place on the date of retirement and return to work, not 365 days after that date.

Jimmy Chavez, President, Arizona Highway Patrol Association, stated his opposition to the bill, stating that it punishes active members and active retirees. He explained that he currently pays 53 percent of his pension amount to cover health care; the legislation also prohibits a COLA.

Stephen Vandegrift, Fraternal Order of Police for Corrections, appeared in opposition to SB1609, explaining that extending the retirement age will be difficult for employees and stopping any COLA will add to that burden. He expressed concern about what will happen when the economy recovers.

Vice-Chairman Olson announced the names of those who signed up in support of SB1609 but did not speak:

Rene Guillen, Legislative Associate, League of Arizona Cities and Towns

Jose Borrajero, representing self

Tom Dorn, Lobbyist, East Valley Chambers of Commerce Alliance

Judy Borrajero, representing self

Rebecca Mahan, representing self

Suzanne Gilstrap, Tucson Metropolitan Chamber of Commerce

Michelle Bolton, Greater Phoenix Chamber of Commerce
Kevin McCarthy, President, Arizona Tax Research Association
Alison Zelms, Assistant City Manager, City of Sedona

Vice-Chairman Olson announced the names of those who signed up in opposition to SB1609 but did not speak:

Don Isaacson, Fraternal Order of Police
Todd Madeksza, Director of Legislative Affairs, County Supervisors Association
Javier Cota, Police Sergeant, Mesa Police Association
Raymond Saylor, Fire fighters
Tim Smith, Phoenix Fire fighter Retiree, Phoenix Fire Local 493
Brent Fine, State Employee, representing self
Mike Gardner, Professional Fire Fighters of Arizona
Kelsey Lundy, Lobbyist, representing self
Norman Moore, Attorney, Fraternal Order of Police
Ronald Myers, Constable, Peoria Justice Precinct, representing self
Tim Carter, President, Arizona Association of Counties
Tom Brady, Justice of the Peace, representing self
Mike Colletto, Executive Director, Professional Fire Fighters of Arizona
Diana Culver, Director/President, KIDS KLUB, representing self
Mike Williams, Arizona Police Association, Phoenix Law Enforcement Association
James Mann, Arizona Fraternal Order of Police
Levi Bolton, Phoenix Law Enforcement Association
Mark Spencer, Phoenix Law Enforcement Association
Robert Mitchell, representing self
Corinne Mitchell, representing self
Lou Manganiello, Fraternal Order of Police - Phoenix
Frank Granados, Professional Fire Fighters of Arizona
Eddie Smith, Professional Fire Fighters of Arizona
Bryan Jeffries, Professional Fire Fighters of Arizona
John Richitelli, representing self
Dave Dobbs, Professional Fire Fighters of Arizona
Kevin McColm, Professional Fire Fighters of Arizona
Kip Steill, Professional Fire Fighters of Arizona
Brian Delfs, Fire Fighters
Patrick Bunker, representing self
Nicholas Countouriotis, Professional Fire Fighters of Arizona
Kevin Booth, representing self
David Rodriguez, Fire fighters
Waldemar Mehner, Fraternal Order of Police for Corrections
Alejandro Contreras, Professional Fire Fighters of Arizona
Jeff Hamm, Fire fighters
Beau Bandura, Professional Fire Fighters of Arizona
Roger Tamietti, Professional Fire Fighters of Arizona
Larry Gray, representing self
Shawn Kuykendall, Fire Fighters
Michael Edwards, Professional Fire Fighters of Arizona

Dillon Taylor, Professional Fire Fighters of Arizona
Richard Jackson, Fire Fighters
William Hayes, Professional Fire Fighters of Arizona
Stephanie Infante, parole officer, Fraternal Order of Police for Corrections
Tom Haney, Professional Fire Fighters of Arizona
John C. Smith, Professional Fire Fighters of Arizona
Mark Bracy, Professional Fire Fighters of Arizona
Chris Fuduloff, Professional Fire Fighters of Arizona
Byron Mays, Professional Fire Fighters of Arizona
Brian Darling, Professional Fire Fighters of Arizona
Colen Young, correctional officer, Fraternal Order of Police for Corrections
Derek Rapier, Greenlee County Attorney
Cody Deuel, Professional Fire Fighters of Arizona
Brent Burgett, Professional Fire Fighters of Arizona
Scott Strohmeier, Fire Fighters
Eric Johns, Professional Fire Fighters of Arizona
William Buvidas, Phoenix Law Enforcement Association
Peter Benzing, Professional Fire Fighters of Arizona
Chris Zambeck, Fire Fighters
Jacob Lake, Professional Fire Fighters of Arizona
Chad Banuelos, Correctional Officer, Fraternal Order of Police Corrections
John Locklin, Professional Fire Fighters of Arizona
Rodney Peterson, Fire Fighters
Scott Dial, representing self
Michael Haener, Director of Legislative Affairs, Professional Fire Fighters of Arizona
Dave Rehnke, Fire Fighters
Thomas MacKay, representing self
John Acosta, Professional Fire Fighters of Arizona
Nate Benear, representing self
Dino Piazza, Fire Fighters
Troy MacKay, representing self
Anthony Rivello, Professional Fire Fighters of Arizona
Robert Hawkins, Fire Fighters
Chris Cisco, representing self
Brandon Glenn, representing self
Christi Edwards, Professional Fire Fighters of Arizona
Lawrence Polen, Fire Fighter
Michael Tucker, Professional Fire Fighters of Arizona
Kayleigh Packebush, representing self
Christopher Burns, representing self
Kathryn Polen, Fire Fighter
Brian Moore, Fire Captain, representing self
John Magee, Fire Fighter
Dave Connett, representing self
Charles Brown, retired, Professional Fire Fighters of Arizona
Darryl Bair, Fire Fighter
Joe Clure, Phoenix Law Enforcement Association, representing self

Keith Ringeisen, Fire Fighter
Marcus Haynes, Fire Fighters
Carolyn Brown, Professional Fire Fighters of Arizona
Ramon Verdugo, representing self
Sati Khalsa, representing self
Patrick Doyle, representing self
George Denny, representing self
Stephen Heyer, representing self
Anthony Robledo, Fire Captain, representing self
Anthoy Butch, representing self
Paul Medina, Engineer, representing self
Anthony Haugen, representing self
Harold Pickering, Retired, City of Phoenix, representing self
Stan Hoover, Phoenix Police

Vice-Chairman Olson announced the names of those who signed up as neutral on SB1609 but did not speak:

Lesli Sorensen, Government Relations Officer, Arizona State Retirement System
Lester Pearce, representing self
John Kaites, Public Safety Personnel Retirement System
Dianne McCallister, Public Policy Partners, Public Safety Personnel Retirement System
Linda Somo, ASRS Coalition of Retirees

Vice-Chairman Olson moved that SB1609 do pass.

Vice-Chairman Olson moved that the Robson 41-page amendment dated 03/21/2011 (Attachment 6) be adopted. The motion carried.

Mr. Fillmore moved that the Fillmore two-page amendment dated 03/21/2011 at 03:27 PM (Attachment 7) be adopted. The motion failed by a hand vote of 4-5.

Mr. Fillmore moved that the Fillmore two-page amendment dated 03/21/2011 at 03:30 PM (Attachment 8) be adopted. The motion failed by a hand vote of 4-5.

Vice-Chairman Olson moved that SB1609 as amended do pass. The motion carried by a roll call vote of 6-3-0-0 (Attachment 11).

SB1249 - massage therapy board; omnibus – DO PASS AMENDED

Sarah Wharton, House Research Analyst, explained that SB1249 makes changes to the Arizona Board of Massage Therapy (Board) statutes regarding administrative powers and duties (Attachment 12).

She explained that the Robson two-line amendment dated 3/18/11 (Attachment 13) removes the words “OR SPANISH” from the qualifications for licensure.

Mrs. Yee asked why the legislation will allow the Board to recognize schools that are in Canada. Ms. Wharton explained that this is general practice for most boards.

Vice-Chairman Olson asked about the increase in the number of classroom hours required. Ms. Wharton explained that this also is something that most statewide boards are changing nationally.

Senator Nancy Barto, sponsor, stated that Craig Runbeck will give details of the bill.

Craig Runbeck, Arizona Board of Massage Therapy, testified in support of SB1249 and addressed Members' questions. He stated that the increase in classroom hours represents a national trend to change from 500 to 700 hours; most states now require 700 hours.

Discussion ensued and Mr. Farnsworth commented that the increase in hours should result in an improvement in student capabilities.

Vice-Chairman Olson asked the need for licensing. Mr. Runbeck replied that licensing provides a framework for quality control and that efficiency and lower operating costs should result. He added that there is a significant prostitution element in this profession which can be addressed by the English proficiency requirement to limit the criminal element who work in the field with illegitimate licenses.

Mr. Kavanagh asked how the extra 200 hours will solve these problems. Mrs. Pancrazi commented that this is human trafficking and perhaps the bill will discourage this criminal activity. Discussion ensued about how the English requirement will be effective.

Vice-Chairman Olson moved that SB1249 do pass.

Vice-Chairman Olson moved that the Robson two-line amendment dated 3/18/11 (Attachment 13) be adopted. The motion carried.

Vice-Chairman Olson moved that SB1249 as amended do pass. The motion carried by a roll call vote of 5-2-0-2 (Attachment 14).

SB1541 - sheriff's deputies; overtime pay – DO PASS

Olivia Pilcher, Majority Intern, explained that SB1541 prohibits the forfeiture of vacation time and requires the person to be fully compensated for earned vacation time if a county board of supervisors implements a policy that requires a person engaged in law enforcement activities in that county to use compensatory time before using earned vacation time (Attachment 15).

Senator Al Melvin, sponsor, explained that SB1541 will address a current situation in which law enforcement requires many overtime hours to deal with illegal aliens; this situation seriously affects Pinal County. Without SB1541, a county's board of supervisors could deny proper compensation for law enforcement time served. He added that a Senate amendment changed the retroactive date to January 1, 2010.

Mrs. Pancrazi asked how counties will be able to pay for this state-mandated compensation. Senator Melvin explained that public safety is an important responsibility of government, and the county may have to cut back in other areas to fund this.

Mr. Kavanagh asked what will be corrected by this bill. Senator Melvin explained that the sheriff uses deputies for public safety assignments and the board of supervisors then denies full compensation to the deputies.

Mr. Kavanagh commented that this bill deals with vacation and compensatory time (comp time), rather than overtime pay. Senator Melvin explained that comp time cannot be “spent”.

Mrs. Pancrazi asked, if the sheriff’s department works at the pleasure of the county board of supervisors, the sheriff’s deputies should obtain permission for the overtime prior to working it.

Vince Leach, representing self, stated his support for SB1541 and replied that prior approval of overtime is ideal but that emergencies cannot be controlled.

Mrs. Pancrazi asked why federal agents with Immigration and Customs Enforcement (ICE) and/or Border Patrol are not called in. Mr. Leach replied that they do get the first call but they may not have the personnel to handle these illegal situations.

Mrs. Pancrazi asked if the county supervisors should provide more funds, rather than asking the state for a statewide mandate. Mr. Leach replied that officers have had to take comp time which is zeroed out at the end of the year and unused hours are lost.

Sabrina Vazquez, Pinal County Board of Supervisors, appeared in opposition to SB1541 because county personnel issues are best dealt with at the county level. If county policies are mandated in state statute, local officials will be unable to respond to budgetary demands. She added that, in 2011, the Pinal County Board of Supervisors approved a new policy to address these concerns. In 2008, the Board put a cap on overtime pay, instituted comp time, and allotted \$2 million to the sheriff’s department for public safety situations. She reiterated that this is a county matter to be resolved at the county level.

Michael Arnold, Pinal County Board of Supervisors, testified in opposition to SB1541. He explained that 80 hours of compensatory time can be accrued but additional time worked after that will be paid as overtime. He addressed Members’ questions:

- The 80 hours of compensatory time has been the policy since 1996.
- The issue of compensatory versus vacation time has been resolved.
- More than 300 hours of compensatory time will not be lost; it will be transferred to sick time. SB1541 will require a change from transferring to sick time to transferring to vacation time.

Vice-Chairman Olson announced the names of those who signed up in support of SB1541 but did not speak:

Richard Brinkley, representing self
Don Isaacson, Fraternal Order of Police
Luis Ebratt, Arizona Conference of Police and Sheriffs

Vice-Chairman Olson announced the names of those who signed up in opposition to SB1541 but did not speak:

Todd Madeksza, Director of Legislative Affairs, County Supervisors Association

Vice-Chairman Olson moved that SB1541 do pass. The motion carried by a roll call vote of 6-1-0-2 (Attachment 16).

Without objection, the meeting adjourned at 6:06 p.m.

Jane Dooley, Committee Secretary
April 25, 2011

(Original minutes, attachments and audio on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)