

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1609

(Reference to Senate engrossed bill)

1 Page 1, between lines 1 and 2, insert:

2 "Section 1. Title 13, chapter 7, Arizona Revised Statutes, is amended  
3 by adding section 13-713, to read:

4 13-713. Forfeiture of public retirement system benefits:  
5 definition

6 A. NOTWITHSTANDING ANY OTHER LAW, IF A MEMBER OF A STATE RETIREMENT  
7 SYSTEM OR PLAN IS CONVICTED OF OR PLEADS NO CONTEST TO AN OFFENSE THAT IS A  
8 CLASS 1, 2, 3, 4 OR 5 FELONY AND THAT WAS COMMITTED IN THE COURSE OF THE  
9 MEMBER'S EMPLOYMENT AS A PUBLIC OFFICIAL OR FOR A PUBLIC EMPLOYER, THE COURT  
10 SHALL ORDER THE PERSON'S MEMBERSHIP TERMINATED AND THE PERSON SHALL FORFEIT  
11 ALL RIGHTS AND BENEFITS EARNED UNDER THE STATE RETIREMENT SYSTEM OR PLAN. A  
12 MEMBER WHO FORFEITS ALL RIGHTS AND BENEFITS EARNED PURSUANT TO THIS SECTION  
13 IS ENTITLED TO RECEIVE, IN A LUMP SUM AMOUNT, THE MEMBER'S CONTRIBUTION TO  
14 THE STATE RETIREMENT SYSTEM OR PLAN PLUS INTEREST AS DETERMINED BY THE BOARD  
15 OF THAT STATE RETIREMENT SYSTEM OR PLAN, LESS ANY BENEFITS RECEIVED BY THE  
16 MEMBER.

17 B. AN ORDER FORFEITING A MEMBER'S BENEFITS ON CONVICTION OF AN OFFENSE  
18 LISTED IN SUBSECTION A SHALL NOT BE STAYED ON THE FILING OF ANY APPEAL OF THE  
19 CONVICTION. IF THE CONVICTION IS REVERSED ON FINAL JUDGMENT, NO RIGHTS OR  
20 BENEFITS SHALL BE FORFEITED AND THE MEMBER'S MEMBERSHIP SHALL BE REINSTATED.

21 C. NOTWITHSTANDING SUBSECTION A, THE COURT MAY AWARD TO A SPOUSE,  
22 DEPENDENT OR FORMER SPOUSE OF A MEMBER WHO IS SUBJECT TO SUBSECTION A SOME OR  
23 ALL OF THE AMOUNT THAT, BUT FOR THE ORDERED FORFEITURE UNDER SUBSECTION A,  
24 MAY OTHERWISE BE PAYABLE. THE AWARD UNDER THIS SUBSECTION SHALL NOT REQUIRE  
25 THE BOARD OF THE STATE RETIREMENT SYSTEM OR PLAN TO PROVIDE ANY TYPE, FORM OR  
26 TIME OF PAYMENT OF SEVERANCE, SURVIVOR OR RETIREMENT BENEFITS OR ANY  
27 SEVERANCE, SURVIVOR OR RETIREMENT BENEFIT OPTION THAT IS NOT PROVIDED BY THE  
28 LAWS GOVERNING THE STATE RETIREMENT SYSTEM OR PLAN FROM WHICH THE AWARD IS  
29 BEING MADE. IN DETERMINING WHETHER TO MAKE AN AWARD UNDER THIS SUBSECTION,  
30 THE JUDGE SHALL CONSIDER THE TOTALITY OF CIRCUMSTANCES, INCLUDING:

31 1. THE ROLE, IF ANY, OF THE PERSON'S SPOUSE, DEPENDENT OR FORMER  
32 SPOUSE IN CONNECTION WITH THE ILLEGAL CONDUCT FOR WHICH THE PERSON WAS  
33 CONVICTED.

1           2. THE DEGREE OF KNOWLEDGE, IF ANY, POSSESSED BY THE PERSON'S SPOUSE,  
2           DEPENDENT OR FORMER SPOUSE IN CONNECTION WITH THE ILLEGAL CONDUCT FOR WHICH  
3           THE PERSON WAS CONVICTED.

4           3. THE COMMUNITY PROPERTY NATURE OF THE BENEFITS INVOLVED.

5           4. THE EXTENT TO WHICH THE PERSON'S SPOUSE, DEPENDENT OR FORMER SPOUSE  
6           WAS RELYING ON THE FORFEITED BENEFITS.

7           D. NOTWITHSTANDING SUBSECTION G, THE COURT SHALL ORDER THAT A PERSON  
8           WHO IS SUBJECT TO FORFEITURE UNDER THIS SECTION IS INELIGIBLE FOR FUTURE  
9           MEMBERSHIP IN ANY STATE RETIREMENT SYSTEM OR PLAN.

10          E. THE COURT SHALL PROVIDE A COPY OF THE ORDER OF FORFEITURE TO THE  
11          STATE RETIREMENT SYSTEM OR PLAN TO WHICH IT APPLIES.

12          F. THIS SECTION DOES NOT APPLY TO A MEMBER WHOSE MOST RECENT  
13          RETIREMENT OCCURS BEFORE THE EFFECTIVE DATE OF THIS SECTION, UNLESS THE  
14          MEMBER HAS RESUMED MAKING CONTRIBUTIONS IN THE STATE RETIREMENT SYSTEM OR  
15          PLAN.

16          G. THIS SECTION APPLIES ONLY TO THE STATE RETIREMENT SYSTEM OR PLAN IN  
17          WHICH THE PERSON WAS A CONTRIBUTING MEMBER AT THE TIME THE OFFENSE WAS  
18          COMMITTED.

19          H. FOR THE PURPOSES OF THIS SECTION, "STATE RETIREMENT SYSTEM OR PLAN"  
20          MEANS THE ARIZONA STATE RETIREMENT SYSTEM ESTABLISHED BY TITLE 38, CHAPTER 5,  
21          ARTICLE 2, THE ELECTED OFFICIALS' RETIREMENT PLAN ESTABLISHED BY TITLE 38,  
22          CHAPTER 5, ARTICLE 3, THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
23          ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 4 AND THE CORRECTIONS OFFICER  
24          RETIREMENT PLAN ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 6.

25          Sec. 2. Section 38-711, Arizona Revised Statutes, is amended to read:

26          38-711. Definitions

27          In this article, unless the context otherwise requires:

28          1. "Active member" means a member as defined in paragraph 23,  
29          subdivision (b) of this section who satisfies the eligibility criteria  
30          prescribed in section 38-727 and who is currently making member contributions  
31          as prescribed in section 38-736.

32          2. "Actuarial equivalent" means equality in value of the aggregate  
33          amounts expected to be received under two different forms of payment, based  
34          on mortality and interest rate assumptions approved from time to time by the  
35          board.

36          3. "ASRS" means the Arizona state retirement system established by  
37          this article.

1           4. "Assets" means the resources of ASRS including all cash,  
2 investments or securities.

3           5. "Average monthly compensation" means:

4           (a) For a member whose membership in ASRS commenced before January 1,  
5 1984 and who left the member's contributions on deposit or reinstated  
6 forfeited credited service pursuant to section 38-742 for a period of  
7 employment that commenced before January 1, 1984, the higher of either:

8           (i) The monthly average of compensation that is calculated pursuant to  
9 subdivision (b) of this paragraph.

10           (ii) The monthly average of compensation on which contributions were  
11 remitted during a period of sixty consecutive months during which the member  
12 receives the highest compensation within the last one hundred twenty months  
13 of credited service. Any month for which no contributions are reported to  
14 ASRS or that falls within a period of nonpaid or partially paid leave of  
15 absence or sabbatical leave shall be excluded from the computation. The  
16 sixty consecutive months may entirely precede, may be both before and after  
17 or may be completely after any excluded months. If the member was employed  
18 for less than sixty consecutive months, the average monthly compensation is  
19 based on the total consecutive months worked. Payments for accumulated  
20 vacation or annual leave, sick leave, compensatory time or other forms of  
21 termination pay which, before August 12, 2005, constitute compensation for  
22 members whose membership in ASRS commenced before January 1, 1984, do not  
23 cease to be included as compensation if paid in the form of nonelective  
24 employer contributions under a 26 United States Code section 403(b) plan if  
25 all payments of employer and employee contributions are made at the time of  
26 termination. Contributions shall be made to ASRS on these amounts pursuant  
27 to sections 38-735, 38-736 and 38-737.

28           (b) For a member whose membership in ASRS commenced on or after  
29 January 1, 1984 but before July 1, 2011, the monthly average of compensation  
30 on which contributions were remitted during a period of thirty-six  
31 consecutive months during which a member receives the highest compensation  
32 within the last one hundred twenty months of credited service. Any month for  
33 which no contributions are reported to ASRS or that falls within a period of  
34 nonpaid or partially paid leave of absence or sabbatical leave shall be  
35 excluded from the computation. The thirty-six consecutive months may  
36 entirely precede, may be both before and after or may be completely after any  
37 excluded months. If the member was employed for less than thirty-six

1 consecutive months, the average monthly compensation shall be based on the  
2 total consecutive months worked.

3 (c) For a member whose membership in ASRS commenced on or after July  
4 1, 2011, the monthly average of compensation on which contributions were  
5 remitted during a period of sixty consecutive months during which a member  
6 receives the highest compensation within the last one hundred twenty months  
7 of credited service. Any month for which no contributions are reported to  
8 ASRS or that falls within a period of nonpaid or partially paid leave of  
9 absence or sabbatical leave shall be excluded from the computation. The  
10 sixty consecutive months may entirely precede, may be both before and after  
11 or may be completely after any excluded months. If the member was employed  
12 for less than sixty consecutive months, the average monthly compensation  
13 shall be based on the total consecutive months worked.

14 6. "Board" means the ASRS board established in section 38-713.

15 7. "Compensation" means the gross amount paid to a member by an  
16 employer as salary or wages, including amounts that are subject to deferred  
17 compensation or tax shelter agreements, for services rendered to or for an  
18 employer, or that would have been paid to the member except for the member's  
19 election or a legal requirement that all or part of the gross amount be used  
20 for other purposes, but does not include amounts paid in excess of  
21 compensation limits established in section 38-746. Compensation includes  
22 amounts paid as salary or wages to a member by a second employer if the  
23 member meets the requirements prescribed in paragraph 23, subdivision (b) of  
24 this section with that second employer. Compensation, as provided in  
25 paragraph 5, subdivision (b) or (c) of this section, does not include:

26 (a) Lump sum payments, on termination of employment, for accumulated  
27 vacation or annual leave, sick leave, compensatory time or any other form of  
28 termination pay whether the payments are made in one payment or by  
29 installments over a period of time.

30 (b) Damages, costs, attorney fees, interest or other penalties paid  
31 pursuant to a court order or a compromise settlement or agreement to satisfy  
32 a grievance or claim even though the amount of the payment is based in whole  
33 or in part on previous salary or wage levels, except that, if the court order  
34 or compromise settlement or agreement directs salary or wages to be paid for  
35 a specific period of time, the payment is compensation for that specific  
36 period of time. If the amount directed to be paid is less than the actual  
37 salary or wages that would have been paid for the period if service had been

1 performed, the contributions for the period shall be based on the amount of  
2 compensation that would have been paid if the service had been performed.

3 (c) Payment, at the member's option, in lieu of fringe benefits that  
4 are normally paid for or provided by the employer.

5 (d) Merit awards pursuant to section 38-613 and performance bonuses  
6 paid to assistant attorneys general pursuant to section 41-192.

7 (e) Amounts that are paid as salary or wages to a member for which  
8 employer contributions have not been paid.

9 8. "Contingent annuitant" means the person named by a member to  
10 receive retirement income payable following a member's death after retirement  
11 as provided in section 38-760.

12 9. "Credited service" means, subject to section 38-739, the number of  
13 years standing to the member's credit on the books of ASRS during which the  
14 member made the required contributions.

15 10. "Current annual compensation" means the greater of:

16 (a) Annualized compensation of the typical pay period amount  
17 immediately before the date of a request to ASRS to purchase credited service  
18 pursuant to section ~~38-743, 38-744 or~~ 38-745. The typical pay period amount  
19 shall be determined by taking the five pay periods immediately before the  
20 date of a request, disregarding the highest and lowest compensation amount  
21 pay periods and averaging the three remaining pay periods.

22 (b) Annualized compensation of the partial year, disregarding the  
23 first compensation amount pay period, if the member has less than twelve  
24 months total credited service on the date of a request to purchase credited  
25 service pursuant to section ~~38-743, 38-744 or~~ 38-745.

26 (c) The sum of the twelve months of compensation immediately before  
27 the date of a request to ASRS to purchase credited service pursuant to  
28 section ~~38-743, 38-744 or~~ 38-745.

29 (d) The sum of the thirty-six months of compensation immediately  
30 before the date of a request to ASRS to purchase credited service pursuant to  
31 section ~~38-743, 38-744 or~~ 38-745 divided by three.

32 (e) If the member has retired one or more times from ASRS, the average  
33 monthly compensation that was used for calculating the member's last pension  
34 benefit times twelve.

35 11. "Early retirement" means retirement before a member's normal  
36 retirement date after five years of total credited service and attainment of  
37 age fifty.

1           12. "Effective date" means July 1, 1970, except with respect to  
2 employers and members whose contributions to ASRS commence thereafter, the  
3 effective date of their membership in ASRS is as specified in the applicable  
4 joinder agreement.

5           13. "Employer" means:

6           (a) This state.

7           (b) Participating political subdivisions.

8           (c) Participating political subdivision entities.

9           14. "Employer contributions" means all amounts paid into ASRS by an  
10 employer on behalf of a member.

11           15. "Fiscal year" means the period from July 1 of any year to June 30  
12 of the following year.

13           16. "Inactive member" means a member who previously made contributions  
14 to ASRS and who satisfies each of the following:

15           (a) Has not retired.

16           (b) Is not eligible for active membership in ASRS.

17           (c) Is not currently making contributions to ASRS.

18           (d) Has not withdrawn contributions from ASRS.

19           17. "Interest" means the assumed actuarial investment earnings rate  
20 approved by the board.

21           18. "Internal revenue code" means the United States internal revenue  
22 code of 1986, as amended.

23           19. "Investment management" means the persons, companies, banks,  
24 insurance company investment funds, mutual fund companies, management or any  
25 combinations of those entities that are appointed by ASRS and that have  
26 responsibility and authority for investment of the monies of ASRS.

27           20. "Late retirement" means retirement after normal retirement.

28           21. "Leave of absence" means any unpaid leave authorized by the  
29 employer, including leaves authorized for sickness or disability or to pursue  
30 education or training.

31           22. "Life annuity" means equal monthly installments payable during the  
32 member's lifetime after retirement.

33           23. "Member":

34           (a) Means any employee of an employer on the effective date.

35           (b) Means all employees of an employer who are eligible for membership  
36 pursuant to section 38-727 and who are engaged to work at least twenty weeks  
37 in each fiscal year and at least twenty hours each week.

38           (c) Means any person receiving a benefit under ASRS.

1 (d) Means any person who is a former active member of ASRS and who has  
2 not withdrawn contributions from ASRS pursuant to section 38-740.

3 (e) Does not include any employee of an employer who is otherwise  
4 eligible pursuant to this article and who begins service in a limited  
5 appointment for not more than eighteen months on or after July 1, 1979. If  
6 the employment exceeds eighteen months, the employee shall be covered by ASRS  
7 as of the beginning of the nineteenth month of employment. In order to be  
8 excluded under this subdivision, classifications of employees designated by  
9 employers as limited appointments must be approved by the director.

10 (f) Does not include any leased employee. For the purposes of section  
11 414(n) of the internal revenue code, "leased employee" means an individual  
12 who:

13 (i) Is not otherwise an employee of an employer.

14 (ii) Pursuant to a leasing agreement between the employer and another  
15 person, performs services for the employer on a substantially full-time basis  
16 for at least one year.

17 (iii) Performs services under the primary direction or control of the  
18 employer.

19 24. "Member contributions" means all amounts paid to ASRS by a member.

20 25. "Normal costs" means the sum of the individual normal costs for all  
21 active members for each fiscal year. The normal cost for an individual  
22 active member is the cost that is assigned to the fiscal year using the  
23 projected unit credit method.

24 26. "Normal retirement age" means the age at which a member reaches the  
25 member's normal retirement date.

26 27. "Normal retirement date" means the earliest of the following:

27 (a) A member's sixty-fifth birthday.

28 (b) A member's sixty-second birthday and completion of at least ten  
29 years of credited service.

30 (c) For a member whose membership commenced before July 1, 2011, the  
31 first day that the sum of a member's age and years of total credited service  
32 equals eighty. ~~For a member whose membership commenced on or after July 1,~~  
33 ~~2011, the first day that the sum of a member's age and years of total~~  
34 ~~credited service equals eighty five.~~

35 28. "Political subdivision" means any political subdivision of this  
36 state and includes a political subdivision entity.

37 29. "Political subdivision entity" means an entity:

38 (a) That is located in this state.

1 (b) That is created in whole or in part by political subdivisions,  
2 including instrumentalities of political subdivisions.

3 (c) Where a majority of the membership of the entity is composed of  
4 political subdivisions.

5 (d) Whose primary purpose is the performance of a government related  
6 service.

7 30. "Retired member" means a member who is receiving retirement  
8 benefits pursuant to this article.

9 31. "Service year" means fiscal year, except that:

10 (a) If the normal work year required of a member is less than the full  
11 fiscal year but is for a period of at least nine months, the service year is  
12 the normal work year.

13 (b) For a salaried member employed on a contract basis under one  
14 contract, or two or more consecutive contracts, for a total period of at  
15 least nine months, the service year is the total period of the contract or  
16 consecutive contracts.

17 (c) In determining average monthly compensation pursuant to paragraph  
18 5 of this section, the service year is considered to be twelve months of  
19 compensation.

20 32. "State" means this state, including any department, office, board,  
21 commission, agency, institution or other instrumentality of this state.

22 33. "Vested" means that a member is eligible to receive a future  
23 retirement benefit."

24 Renumber to conform

25 Page 2, between lines 38 and 39, insert:

26 "Sec. 4. Section 38-738, Arizona Revised Statutes, is amended to read:  
27 38-738. Adjustment and refund

28 A. If more than the correct amount of employer or member contributions  
29 is paid into ASRS by an employer through a mistake of fact, ASRS shall return  
30 those contributions to the employer if the employer requests return of the  
31 contributions within one year after the date of overpayment. ASRS shall not  
32 pay an employer earnings attributable to excess contributions but shall  
33 reduce the amount returned to an employer pursuant to this section by the  
34 amount of losses attributable to the excess contributions.

35 B. If less than the correct amount of employer or member contributions  
36 is paid into ASRS by an employer, the following apply:

37 1. The member shall pay an amount that is equal to the amount that  
38 would have been paid in member contributions for the period in question. The

1 member's payments shall be made as provided in section 38-747. If the member  
2 does not make the payment within ninety days of being notified by ASRS that  
3 the employer has paid all amounts due from the employer, the unpaid amount  
4 accrues interest until the amount is paid in full. The member is responsible  
5 for payment of the unpaid amount and interest. The interest rate is the  
6 interest rate assumption that is approved by the board for actuarial  
7 equivalency for the period in question to the date payment is received.

8 2. If the member contributions to ASRS made pursuant to this  
9 subsection exceed the limits prescribed in section 38-747, subsection E when  
10 taking into account other annual additions of the member for the limitation  
11 year, the amount to be paid by the member shall be adjusted as provided in  
12 section 38-747. For the purposes of this ~~subsection~~ PARAGRAPH, "limitation  
13 year" has the same meaning prescribed in section 38-769.

14 3. The employer shall pay to ASRS an amount equal to the amount that  
15 would have been paid in employer contributions for the period in question  
16 together with accumulated interest that would have accrued on both the  
17 employer and member contributions due. If the employer does not remit full  
18 payment of all employer contributions and all interest due within ninety days  
19 of being notified by ASRS of the amount due, the unpaid amount accrues  
20 interest until the amount is paid in full. The interest rate is the interest  
21 rate assumption that is approved by the board for actuarial equivalency for  
22 the period in question to the date payment is received.

23 4. On satisfaction of the requirements of this subsection, the  
24 member's salary history on the records of ASRS shall be adjusted and any  
25 additional service credits acquired by the member shall be reinstated.

26 5. If the member retires before all contributions are made pursuant to  
27 this subsection, the member's benefits shall be calculated only based on the  
28 contributions actually made.

29 6. Annual additions shall be determined as provided in section 38-747,  
30 subsection 0.

31 7. The initiator of the request for correction of salary history and  
32 service credits on records of ASRS is responsible for providing credible  
33 evidence of past employment and compensation to ASRS in a form or forms that  
34 would lead a reasonable person to conclude that a period of employment  
35 occurred under circumstances that made the employee eligible for membership  
36 in ASRS during that period. A determination of eligibility by ASRS may be  
37 appealed to the ASRS board in a manner prescribed by the board.

1 C. Subsection B of this section applies to eligible verified service  
2 that occurred less than or equal to fifteen years before the date the  
3 initiator of the request for correction of salary history and service credits  
4 on the records of ASRS provides ASRS with credible evidence in writing that  
5 less than the correct amount of contributions ~~were~~ WAS paid into ASRS or ASRS  
6 otherwise determines that less than the correct amount of contributions ~~were~~  
7 WAS made.

8 D. Eligible verified service that is more than fifteen years before  
9 the date the initiator of the request for correction of salary history and  
10 service credits on the records of ASRS provides ASRS with credible evidence  
11 in writing that less than the correct amount of contributions ~~were~~ WAS paid  
12 into ASRS or ASRS otherwise determines that less than the correct amount of  
13 contributions ~~were~~ WAS made is considered public service credit. The member  
14 may purchase this service ~~pursuant to~~ BY PAYING TO ASRS THE AMOUNT PRESCRIBED  
15 BY section 38-743, SUBSECTION B.

16 Sec. 5. Section 38-743, Arizona Revised Statutes, is amended to read:  
17 38-743. Public service credit

18 A. If an active member of ASRS or a member who is receiving benefits  
19 pursuant to section 38-797.07 was previously employed by the United States  
20 government, a state, territory, commonwealth, overseas possession or insular  
21 area of the United States or a political subdivision of a state, territory,  
22 commonwealth, overseas possession or insular area of the United States,  
23 excluding any time worked for a prison while the member was incarcerated, the  
24 member may receive credited service for this prior employment if the member  
25 pays into ASRS the amount prescribed in subsection B of this section **BUT ONLY**  
26 **IF THE MEMBER INITIATES THE REQUEST TO PURCHASE THE SERVICE ON OR BEFORE THE**  
27 **EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.**

28 B. A member who elects to receive credit for service with the United  
29 States government, a state, territory, commonwealth, overseas possession or  
30 insular area of the United States or a political subdivision of a state,  
31 territory, commonwealth, overseas possession or insular area of the United  
32 States shall pay to ASRS an amount equal to the present value of the  
33 additional benefit that is derived from the purchased credited service using  
34 the actuarial assumptions that are approved by the board.

35 C. A member who previously was a member of another public employee  
36 retirement system and who receives or is eligible to receive retirement  
37 benefits from that system for any period of employment is ineligible to  
38 receive retirement benefits from ASRS for the same period.

1 D. Beginning July 1, 2010, a member shall have at least five years of  
2 credited service in ASRS before electing to receive credit for service  
3 pursuant to this section.

4 Sec. 6. Section 38-744, Arizona Revised Statutes, is amended to read:  
5 38-744. Leave of absence; credit for leave without pay

6 A. If an active member of ASRS or a member who is receiving benefits  
7 pursuant to section 38-797.07 is officially granted a leave of absence from  
8 employment without pay and returns to employment with the same employer,  
9 unless employment could not be resumed because of disability or  
10 nonavailability of a position, the member may elect to be credited with  
11 service for retirement purposes for not more than one year of the leave by  
12 paying to ASRS the amounts as provided in subsection B of this section, if  
13 the member has not withdrawn contributions from ASRS and the member's  
14 employer has certified that the leave of absence benefits or is in the best  
15 interests of the employer **BUT ONLY IF THE MEMBER INITIATES THE REQUEST TO**  
16 **PURCHASE THE LEAVE ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS**  
17 **SECTION.**

18 B. A member who elects to be credited with a leave period as provided  
19 in subsection A of this section shall pay to ASRS an amount equal to the  
20 present value of the additional benefit that is derived from the purchased  
21 credited service using the actuarial assumptions that are approved by the  
22 board.

23 C. Beginning July 1, 2010, a member shall have at least five years of  
24 credited service in ASRS before electing to receive credit for service  
25 pursuant to this section.

26 D. For the purposes of subsection A of this section, each employer  
27 shall adopt rules establishing guidelines for a leave of absence that  
28 benefits or is in the best interests of the employer.

29 Sec. 7. Section 38-745, Arizona Revised Statutes, is amended to read:  
30 38-745. Credit for military service

31 A. An active member of ASRS or a member who is receiving benefits  
32 pursuant to section 38-797.07 may purchase credited service in ASRS for  
33 active military service if all of the following apply:

- 34 1. The member was honorably separated from the military service.
- 35 2. The member submits a copy of the member's military service record  
36 (DD-214) or its equivalent with the member's application for military service  
37 credit.

1           3. Beginning July 1, 2010, a member has at least five years of  
2 credited service in ASRS.

3           4. THE MEMBER INITIATES THE REQUEST TO PURCHASE THE CREDITED SERVICE  
4 ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.

5           B. The cost to purchase military service credit is an amount equal to  
6 the present value of the additional benefit that is derived from the  
7 purchased credited service using the actuarial assumptions that are approved  
8 by the board.

9           C. An active member of ASRS who is called to active military service  
10 may receive credited service for not more than sixty months of active  
11 military service, except as provided by the uniformed services employment and  
12 reemployment rights act (38 United States Code section 4312(c)). The  
13 member's employer shall make employer contributions and member contributions  
14 for the member if the member meets the following requirements:

15           1. Was an active member of ASRS on the day before the member began  
16 active military service.

17           2. Is a member of the Arizona national guard or is a member of the  
18 reserves of any military establishment of the United States.

19           3. Volunteers or is ordered into active military service of the United  
20 States as part of a military call-up.

21           4. One of the following occurs:

22           (a) Is honorably separated from active military service and returns to  
23 employment for the same employer from which the member left for active  
24 military service within ninety days after the date active military service is  
25 terminated.

26           (b) Is hospitalized as a result of military service and returns to  
27 employment for the same employer from which the member left for active  
28 military service within ninety days after release from service related  
29 hospitalization.

30           (c) Becomes disabled as a result of or during the military service and  
31 is unable to return to the same employer.

32           (d) Dies as a result of or during the military service.

33           D. Contributions made pursuant to subsection C of this section shall  
34 be for the period of time beginning on the date the member began active  
35 military service and ending on the later of one of the following dates:

36           1. The date the member is separated from active military service.

1           2. The date the member is released from service related  
2 hospitalization or one year after initiation of service related  
3 hospitalization, whichever date is earlier.

4           3. One year after the date of disability.

5           4. The date the member dies as a result of or during active military  
6 service.

7           E. Notwithstanding any other law, on payment of the contributions made  
8 pursuant to subsection C of this section, the member shall be credited with  
9 service for retirement purposes for the period of time of active military  
10 service of not more than sixty months.

11           F. The employer shall make contributions pursuant to subsection C of  
12 this section as follows:

13           1. Contributions shall be based on the compensation that a member  
14 would have received but for the period that the member was ordered into  
15 active military service.

16           2. If the employer cannot reasonably determine a member's rate of  
17 compensation for the period that the member was ordered into active military  
18 service, the employer shall make contributions based on the member's average  
19 rate of compensation during the twelve-month period immediately preceding the  
20 period of active military service.

21           3. If a member has been employed less than twelve months before being  
22 ordered into active military service, the employer shall make contributions  
23 based on the employment period immediately preceding the period of active  
24 military service.

25           4. Employer contributions shall be made in a lump sum and without  
26 penalty when the member returns to employment, when it is determined that the  
27 member is unable to return to employment because of a disability as a result  
28 of or that occurred during military service or on receipt of the member's  
29 death certificate. If a member suffers a service related death, the employer  
30 shall make the employer and member contributions up to and including the date  
31 of the member's death. Death benefits shall be calculated as prescribed by  
32 law.

33           G. In computing the length of total credited service of a member for  
34 the purpose of determining retirement benefits or eligibility, the period of  
35 military service, as prescribed by this section, shall be included.

36           H. Notwithstanding any other law, the member is not required to  
37 reimburse the member's employer or ASRS for any contribution made pursuant to  
38 subsection C of this section.

1 I. In addition to, but not in duplication of, the provisions of  
2 subsection C of this section, contributions, benefits and credited service  
3 provided pursuant to this section shall be provided in accordance with  
4 section 414(u) of the internal revenue code.

5 Sec. 8. Section 38-758, Arizona Revised Statutes, is amended to read:

6 38-758. Early retirement

7 A. A member who has attained age fifty and who has five years of total  
8 credited service is eligible to elect, in a form and manner prescribed by the  
9 board, to receive a reduced retirement income.

10 B. For a member whose membership in ASRS commenced before July 1,  
11 2011, the benefit payable to a member electing early retirement shall be  
12 determined by reducing the normal retirement benefit computed in accordance  
13 with section 38-757 either:

14 1. At the rate of three per cent per year from age sixty to age  
15 sixty-five and five per cent per year from age fifty to age sixty. The  
16 reduction in normal retirement benefits pursuant to this paragraph for an  
17 eligible member electing early retirement shall be based on the period from  
18 the date of commencement of early retirement benefits to the member's  
19 sixtieth birthday if the member has at least twenty years of total credited  
20 service, sixty-second birthday if the member has at least ten but less than  
21 twenty years of total credited service or sixty-fifth birthday if the member  
22 has at least five but less than ten years of total credited service.

23 2. If the sum of a member's age and years of total credited service  
24 equals seventy-seven or more, but is less than eighty, at the rate of three  
25 per cent for each unit of one or fraction of one by which the sum is less  
26 than eighty.

27 C. For a member whose membership in ASRS commenced on or after July 1,  
28 2011, the benefit payable to a member electing early retirement shall be  
29 determined by reducing the normal retirement benefit computed in accordance  
30 with section 38-757 ~~by the lesser of either:~~

31 ~~1.~~ at the rate of three per cent per year from age sixty to age  
32 sixty-five and five per cent per year from age fifty to age sixty. The  
33 reduction in normal retirement benefits pursuant to this ~~paragraph~~ **SUBSECTION**  
34 for an eligible member electing early retirement shall be based on the period  
35 from the date of commencement of early retirement benefits to the member's  
36 sixty-second birthday if the member has at least ten years of total credited  
37 service or sixty-fifth birthday if the member has at least five but less than  
38 ten years of total credited service.

~~2. If the sum of a member's age and years of total credited service equals eighty two or more, but is less than eighty five, at the rate of three per cent for each unit of one or fraction of one by which the sum is less than eighty five.~~

Sec. 9. Section 38-766, Arizona Revised Statutes, is amended to read:

38-766. Retired members; return to work; suspension of benefits; exceptions; maximum benefit

A. A retired member who is engaged to work by an employer for at least twenty weeks in each fiscal year and at least twenty hours per week resumes active membership in ASRS. ASRS shall suspend payment of the member's retirement benefits until the member either:

1. Terminates employment and files an application for reretirement on a form that is approved by the director.

2. Attains a normal retirement date, no longer meets the requirements for active membership pursuant to this subsection and files an application for reretirement on a form that is approved by the director.

B. A RETIRED MEMBER WHOSE RETIREMENT BENEFITS HAVE BEEN SUSPENDED PURSUANT TO SUBSECTION A OF THIS SECTION SHALL REPAY ASRS ANY RETIREMENT BENEFITS RECEIVED BY THE MEMBER FROM THE DATE ASRS NOTIFIES THE MEMBER IN WRITING THAT THE MEMBER'S EMPLOYMENT RESULTED IN ACTIVE MEMBERSHIP IN ASRS PURSUANT TO SUBSECTION A OF THIS SECTION, FROM THE DATE ASRS DETERMINES THAT THE MEMBER KNEW OR SHOULD HAVE KNOWN THAT THE MEMBER'S EMPLOYMENT RESULTED IN MEMBERSHIP IN ASRS PURSUANT TO SUBSECTION A OF THIS SECTION OR FOR ANY OTHER PERIOD THAT APPROXIMATES THE DURATION OF THE VIOLATION, AS DETERMINED BY ASRS.

~~B.~~ C. A member who satisfies subsection A, paragraph 1 or 2 of this section is entitled to receive an annuity recomputed to include the additional compensation and credited service. However, the recomputed annuity shall be in the original optional form chosen pursuant to section 38-760, with the same beneficiary, if applicable, as when the member first retired, unless the member has resumed active membership for at least sixty consecutive months. A member who retired under a provision of law allowing increased benefits if the retirement occurred during a specific period of time and who subsequently becomes an employee under ASRS shall not retain the increased benefits under the prior law when benefits are computed for the member's most recent retirement.

~~C.~~ D. Notwithstanding subsection A of this section, ASRS shall not suspend the payment of retirement benefits if a retired member begins or

1 returns to employment with an employer in a position that satisfies all of  
2 the following:

3 1. Results in a true change in position, job duties and job title from  
4 the position occupied by the member before ASRS retirement.

5 2. Either:

6 (a) Requires participation in another state retirement system, plan or  
7 program and the retired member makes contributions or waives participation  
8 pursuant to section 38-804, subsection A.

9 (b) Permits a member to elect to participate in another state  
10 retirement system, plan or program and the member makes such an election.

11 3. Does not require membership in the defined benefit plan established  
12 by this article.

13 ~~D.~~ E. A retired member who returns to work pursuant to subsection ~~E~~  
14 D of this section does not accrue credited service, member service as  
15 provided in section 15-1628, subsection B, paragraph 4, additional account  
16 balances, retirement benefits or long-term disability program benefits  
17 pursuant to article 2.1 of this chapter for the period the retired member  
18 returns to work. The period the retired member returns to work is not  
19 eligible for purchase under section 38-743 or 38-744.

20 ~~E.~~ F. Section 38-769, subsection L applies when determining the  
21 maximum benefit that may be paid to a retired member who resumes active  
22 membership and subsequently retires.

23 G. AN EMPLOYER THAT ENGAGED THE RETIRED MEMBER TO WORK PURSUANT TO  
24 THIS SECTION SHALL PAY TO ASRS AN AMOUNT EQUAL TO THE RATE ESTABLISHED BY THE  
25 ACTUARY PURSUANT TO SECTION 38-766.02, SUBSECTION B FOR THE PERIOD STARTING  
26 WITH THE FIRST DAY THE RETIRED MEMBER BEGAN WORKING AFTER RETIREMENT THROUGH  
27 THE EARLIER OF:

28 1. THE DATE THE MEMBER TERMINATES EMPLOYMENT.

29 2. THE DATE THE EMPLOYER BEGINS PAYMENT FOR THAT MEMBER PURSUANT TO  
30 SECTION 38-766.02.

31 3. THE DATE THE MEMBER RESUMES ACTIVE MEMBERSHIP PURSUANT TO  
32 SUBSECTION A OF THIS SECTION AND THE MEMBER AND EMPLOYER ARE REQUIRED TO MAKE  
33 CONTRIBUTIONS PURSUANT TO SECTION 38-736, 38-737 OR 38-738.



1 INSURANCE SYSTEM. THIS SUBSECTION APPLIES TO A RETIRED MEMBER WHO HAS BEEN  
2 RETIRED FOR MORE THAN THREE HUNDRED SIXTY-FIVE DAYS IF THE RETIRED MEMBER HAS  
3 REACHED A NORMAL RETIREMENT AGE OR IF THE RETIRED MEMBER RETIRED UNDER  
4 SECTION 38-758 AND THE RETIRED MEMBER'S RETIREMENT BENEFIT HAS NOT BEEN  
5 SUSPENDED PURSUANT TO SECTION 38-766.

6 B. THE ASRS ACTUARY SHALL DETERMINE THE ALTERNATE CONTRIBUTION RATE IN  
7 AN ANNUAL VALUATION PERFORMED AS OF JUNE 30. FOR THE FISCAL YEAR BEGINNING  
8 ON JULY 1 OF THE FOLLOWING CALENDAR YEAR, THE VALUATION SHALL DETERMINE THE  
9 PERCENTAGE TO BE APPLIED TO THE COMPENSATION, GROSS SALARY OR CONTRACT FEE OF  
10 A RETIRED MEMBER WHO MEETS THE REQUIREMENTS OF THIS SECTION.

11 C. THE ALTERNATE CONTRIBUTION RATE SHALL NOT BE LESS THAN TWO PER CENT  
12 IN ANY FISCAL YEAR. THE ALTERNATE CONTRIBUTION RATE IS EQUAL TO THE LESSER  
13 OF:

14 1. THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY THE ASRS ACTUARY  
15 PURSUANT TO SECTION 38-737 PLUS THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY  
16 THE ASRS ACTUARY PURSUANT TO SECTION 38-797.06.

17 2. TWO TIMES THE PAST SERVICE FUNDING REQUIREMENT RATE ESTABLISHED BY  
18 THE ASRS ACTUARY PURSUANT TO SECTION 38-737 PLUS THE PAST SERVICE FUNDING  
19 REQUIREMENT RATE ESTABLISHED BY THE ASRS ACTUARY PURSUANT TO SECTION  
20 38-797.06.

21 D. ASRS SHALL DETERMINE THE SCHEDULE AND METHOD OF PAYMENT OF THE  
22 ALTERNATE CONTRIBUTION RATE. SUBJECT TO SECTION 38-738, SUBSECTION A, ALL  
23 CONTRIBUTIONS MADE BY THE EMPLOYER AND ALLOCATED TO THE FUND ESTABLISHED BY  
24 SECTION 38-712 ARE IRREVOCABLE AND SHALL BE USED AS BENEFITS UNDER THIS  
25 ARTICLE OR TO PAY THE EXPENSES OF ASRS. PAYMENTS MADE PURSUANT TO THIS  
26 SECTION BY EMPLOYERS BECOME DELINQUENT AFTER THE DUE DATE PRESCRIBED IN THE  
27 BOARD'S RULES AND THEREAFTER SHALL BE INCREASED BY INTEREST FROM AND AFTER  
28 THAT DATE UNTIL PAYMENT IS RECEIVED BY ASRS. ASRS SHALL CHARGE INTEREST ON  
29 THE DELINQUENT PAYMENTS AS PRESCRIBED IN SECTION 38-711. ASRS MAY RECOVER  
30 DELINQUENT PAYMENTS DUE UNDER THIS SECTION, TOGETHER WITH INTEREST CHARGES AS  
31 PROVIDED IN THIS SECTION, BY ACTION IN A COURT OF COMPETENT JURISDICTION  
32 AGAINST AN EMPLOYER LIABLE FOR PAYMENTS OR, AT THE REQUEST OF THE DIRECTOR,  
33 ASRS MAY DEDUCT THE DELINQUENT PAYMENTS AND INTEREST CHARGES FROM ANY OTHER  
34 MONIES, INCLUDING EXCISE REVENUE TAXES, PAYABLE TO THE EMPLOYER BY ANY  
35 DEPARTMENT OR AGENCY OF THIS STATE.

36 E. AN EMPLOYER OF A RETIRED MEMBER SHALL SUBMIT ANY REPORTS, DATA,  
37 PAPERWORK OR MATERIALS THAT ARE REQUESTED BY ASRS AND THAT ARE NECESSARY TO  
38 DETERMINE THE COMPENSATION, GROSS SALARY OR CONTRACT FEE ASSOCIATED WITH A

1 RETIRED MEMBER WHO RETURNS TO WORK OR TO DETERMINE THE FUNCTION, UTILIZATION,  
2 EFFICACY OR OPERATION OF THE RETURN TO WORK PROGRAM.

3 F. FOR THE PURPOSES OF THIS SECTION:

4 1. "CONTRACT FEE" MEANS THE GROSS AMOUNT PAID TO A RETIRED MEMBER AS  
5 AN INDEPENDENT CONTRACTOR MINUS AN AMOUNT, NOT TO EXCEED TEN PER CENT, FOR AN  
6 ADMINISTRATIVE FEE.

7 2. "GROSS SALARY" MEANS THE GROSS AMOUNT PAID TO A RETIRED MEMBER BY A  
8 LEASING COMPANY AS SALARY OR WAGES, INCLUDING AMOUNTS THAT ARE SUBJECT TO  
9 DEFERRED COMPENSATION OR TAX SHELTER AGREEMENTS, FOR SERVICES RENDERED OR  
10 THAT WOULD HAVE BEEN PAID TO THE RETIRED MEMBER EXCEPT FOR THE MEMBER'S  
11 ELECTION OR A LEGAL REQUIREMENT THAT ALL OR PART OF THE GROSS AMOUNT BE USED  
12 FOR OTHER PURPOSES."

13 Renumber to conform

14 Page 4, line 34, after "person" insert "BUT ONLY IF THE ADMINISTRATOR IS EMPLOYED  
15 BY THE BOARD BEFORE JANUARY 1, 2012"

16 Page 8, after line 43, insert:

17 "Sec. 14. Title 38, chapter 5, article 3, Arizona Revised Statutes, is  
18 amended by adding section 38-804.01, to read:

19 38-804.01. Reinstatement of credited service; effect of prior  
20 law

21 AN ELECTED OFFICIAL WHO RECEIVED A REFUND AS PROVIDED IN SECTION  
22 38-804, WHO IS SUBSEQUENTLY REEMPLOYED AS AN ELECTED OFFICIAL AND WHO  
23 REDEPOSITS THE AMOUNT WITHDRAWN WITH INTEREST AS PROVIDED IN SECTION 38-804  
24 OR AN ELECTED OFFICIAL WHO REDEEMS PRIOR SERVICE PURSUANT TO STATUTE IS  
25 SUBJECT TO THE BENEFITS AND DUTIES IN EFFECT AT THE TIME OF THE ELECTED  
26 OFFICIAL'S MOST RECENT REEMPLOYMENT. THIS SECTION DOES NOT APPLY IF A COURT  
27 OF COMPETENT JURISDICTION ORDERS REINSTATEMENT OF BENEFITS AND DUTIES UNDER A  
28 PRIOR LAW."

29 Renumber to conform

30 Page 9, strike lines 23, 24 and 25

31 Reletter to conform

32 Page 12, line 18, strike "THIS"

33 Strike lines 19 through 22

34 Page 13, strike lines 3 through 45

35 Page 14, strike lines 1 through 23

36 Renumber to conform

37 Line 28, strike "OR G"

- 1 Page 16, line 20, after the period strike remainder of line
- 2 Line 21, strike "2012 AND WHO IS NOT A RECENT ELECTED OFFICIAL,"
- 3 Line 24, strike "NINE" insert "TEN"
- 4 Line 26, strike "TEN" insert "ELEVEN AND ONE-HALF"
- 5 Line 28, strike "ELEVEN" insert "THIRTEEN"
- 6 Strike lines 37 through 45

7 Page 17, strike lines 1 through 5

8 Reletter to conform

9 Between lines 38 and 39, insert:

10 "Sec. 21. Section 38-816, Arizona Revised Statutes, is amended to  
11 read:

12 38-816. Redemption of prior service

13 A. Any present active elected official may elect to redeem any part of  
14 the following prior service or employment by paying into the fund the amounts  
15 required under subsection B of this section if the prior service or  
16 employment is not on account with any other retirement system or plan:

17 1. Prior service in this state as an elected official with an employer  
18 now covered by the plan before the effective date of participation if the  
19 elected official has received a refund from a prior retirement system or plan  
20 on termination of employment before the elected official's application for  
21 redemption of prior service.

22 2. Prior service in this state as an elected official with an employer  
23 now covered by the plan before the effective date of participation if the  
24 elected official was not covered by a retirement system or plan during the  
25 elected official's prior elected official service.

26 3. Prior service as an elected official of this state or a city, town  
27 or county of this state if the elected official was not covered by a  
28 retirement system or plan during that service whether or not the city, town  
29 or county is an employer now covered by the plan.

30 ~~4. Prior employment with the United States government, a state of the  
31 United States or a political subdivision of a state of the United States.~~

32 B. Any present active elected official who elects to redeem any part  
33 of the prior service or employment for which the elected official is deemed  
34 eligible by the board under this section shall pay into the plan the amounts  
35 previously withdrawn by the elected official as a refund of the elected  
36 official's accumulated contributions, if any, plus the additional amount, if  
37 any, that is computed by the plan's actuary and that is necessary to equal  
38 the increase in the actuarial present value of projected benefits resulting

1 from the redemption calculated using the actuarial methods and assumptions  
2 that are prescribed by the plan's actuary.

3 C. On approval by the governing body of an incorporated city or town  
4 that executes a joinder agreement under section 38-815, the city or town may  
5 pay into the fund all or any part of the amount sufficient to provide  
6 retirement benefits for elected officials or former elected officials for the  
7 time of service as an elected official of the city or town before the joinder  
8 agreement if no retirement benefits were in effect for elected officials  
9 during the time of service being redeemed under this section.

10 D. A member electing to redeem service pursuant to this section may  
11 pay for service being redeemed in the form of a lump sum payment to the plan,  
12 a trustee-to-trustee transfer or a direct rollover of an eligible  
13 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or  
14 (vi) of the internal revenue code or a rollover of an eligible distribution  
15 from an individual retirement account or annuity described in section 408(a)  
16 or (b) of the internal revenue code."

17 Page 19, between lines 12 and 13, insert:

18 "Sec. 23. Title 38, chapter 5, article 3, Arizona Revised Statutes, is  
19 amended by adding section 38-818.01, to read:

20 38-818.01. Ad hoc increase in retirement benefits: analysis by  
21 the joint legislative budget committee

22 FROM AND AFTER DECEMBER 31, 2015, THE LEGISLATURE MAY ENACT PERMANENT  
23 ONE-TIME INCREASES IN RETIREMENT BENEFITS FOR ELIGIBLE RETIREES AND SURVIVORS  
24 OF THE PLAN AFTER AN ANALYSIS OF THE EFFECT OF THE INCREASE ON THE PLAN BY  
25 THE JOINT LEGISLATIVE BUDGET COMMITTEE. THE JOINT LEGISLATIVE BUDGET  
26 COMMITTEE SHALL ANALYZE THE EFFECT OF THE PERMANENT BENEFIT INCREASE  
27 CONSIDERING THE FUNDED STATUS OF THE PLAN, THE LENGTH OF TIME SINCE THE LAST  
28 BENEFIT INCREASE, THE INCREASE IN THE COST OF LIVING SINCE THE LAST INCREASE,  
29 THE CURRENT ECONOMIC CONDITION OF THIS STATE, RECENT INVESTMENT PERFORMANCE  
30 OF THE PLAN, THE OVERALL VIEW OF THE ECONOMY AND MARKET AND THE TOTAL COST OF  
31 THE BENEFIT INCREASE TO THE PLAN.

32 Sec. 24. Section 38-820, Arizona Revised Statutes, is amended to read:

33 38-820. Credit for military service

34 A. A member of the plan may receive credited service for periods of  
35 active military service performed before employment with the member's current  
36 employer if:

37 1. The member was honorably separated from the military service.

1           2. The period of military service for which the member receives  
2 credited service does not exceed forty-eight months.

3           3. The period of military service for which the member receives  
4 credited service is not on account with any other retirement system, except  
5 as provided by 10 United States Code section 12736.

6           4. The member pays the cost to purchase the prior active military  
7 service. The cost is the amount necessary to equal the increase in the  
8 actuarial present value of projected benefits resulting from the additional  
9 credited service.

10          5. The amount of benefits purchased pursuant to this subsection is  
11 subject to limits established by section 415 of the internal revenue code.

12          6. THE MEMBER INITIATES THE REQUEST TO PURCHASE THE CREDITED SERVICE  
13 ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.

14          B. An active member of the plan who volunteers or is ordered to  
15 perform military service may receive credited service for not more than sixty  
16 months of military service as provided by the uniformed services employment  
17 and reemployment rights act (38 United States Code part III, chapter 43).  
18 The member's employer shall make employer contributions and the member shall  
19 make the member contributions pursuant to subsection C of this section if the  
20 member meets the following requirements:

21           1. Was an active member of the plan on the day before the member began  
22 military service.

23           2. Entered into and served in the armed forces of the United States or  
24 is a member of the national guard.

25           3. Complies with the notice and return to work provisions of 38 United  
26 States Code section 4312.

27          C. Contributions made pursuant to subsection B of this section shall  
28 be for the period of time beginning on the date the member began military  
29 service and ending on the later of one of the following dates:

30           1. The date the member is separated from military service.

31           2. The date the member is released from service related  
32 hospitalization or two years after initiation of service related  
33 hospitalization, whichever date is earlier.

34           3. The date the member dies as a result of or during military service.

35          D. Notwithstanding any other law, on payment of the contributions made  
36 pursuant to subsection B of this section, the member shall be credited with  
37 service for retirement purposes for the period of military service of not  
38 more than sixty months. The member shall submit a copy of the military

1 discharge certificate (DD-256A) and a copy of the military service record  
2 (DD-214) or its equivalent with the member's application when applying for  
3 credited service corresponding to the period of military service.

4 E. The employer and the member shall make contributions pursuant to  
5 subsection B of this section as follows:

6 1. Contributions shall be based on the compensation that the member  
7 would have received but for the period that the member was ordered into  
8 active military service.

9 2. If the employer cannot reasonably determine the member's rate of  
10 compensation for the period that the member was ordered into military  
11 service, contributions shall be based on the member's average rate of  
12 compensation during the twelve-month period immediately preceding the period  
13 of military service.

14 3. If a member has been employed less than twelve months before being  
15 ordered into military service, contributions shall be based on the member's  
16 compensation being earned immediately preceding the period of military  
17 service.

18 4. The member has up to three times the length of military service,  
19 not to exceed sixty months, to make the member contributions. Once the  
20 member has made the member contributions or on receipt of the member's death  
21 certificate, the employer shall make the employer contributions in a lump  
22 sum. Death benefits shall be calculated as prescribed by law.

23 5. If the member's employer pays military differential wage pay to  
24 members serving in the military, contributions shall be paid to the plan  
25 pursuant to section 38-810 for any military differential wage pay paid to the  
26 member while performing military service.

27 F. In computing the length of total credited service of a member for  
28 the purpose of determining retirement benefits or eligibility, the period of  
29 military service, as prescribed by this section, shall be included.

30 G. If a member performs military service due to a presidential  
31 call-up, not to exceed forty-eight months, the employer shall make the  
32 employer and member contributions computed pursuant to subsection E of this  
33 section on the member's return and in compliance with subsection B of this  
34 section.

35 H. In addition to, but not in duplication of, the provisions of  
36 subsection B of this section, beginning December 12, 1994 contributions,  
37 benefits and credited service provided pursuant to this section shall be  
38 provided pursuant to section 414(u) of the internal revenue code, and this

1 section shall be interpreted in a manner consistent with that internal  
2 revenue code section."

3 Renumber to conform

4 Page 20, line 27, after "party" strike remainder of line

5 Strike lines 28 through 32

6 Line 33, strike "~~management services~~" insert ", except for third party contracts  
7 between public agencies for law enforcement, criminal, traffic and crime  
8 suppression activities training OR FIRE, wildfire, emergency medical or  
9 emergency management activities or where the employer supervises the  
10 employee's performance of law enforcement, criminal, traffic and crime  
11 suppression activities, ~~training,~~ OR fire, wildfire, emergency medical or  
12 emergency management ~~services~~ ACTIVITIES"

13 Page 28, line 24, strike "OR F"

14 Page 29, line 3, after the period strike remainder of line

15 Line 4, strike "1, 2012,"

16 Strike lines 17 through 29

17 Reletter to conform

18 Page 30, line 22, strike "January 1, 2012" insert "July 1, 2006"

19 Line 24, strike "JANUARY 1, 2012" insert "JULY 1, 2006"

20 Between lines 31 and 32, insert:

21 "Sec. 29. Section 38-844.03, Arizona Revised Statutes, is amended to  
22 read:

23 38-844.03. Eligibility; participation

24 A. Any member who is eligible for a normal pension pursuant to section  
25 38-844, subsection A, WHO BECOMES A MEMBER OF THE SYSTEM BEFORE JULY 1, 2006  
26 and who has at least twenty years of credited service is eligible to  
27 participate in the deferred retirement option plan. In addition, any member  
28 who is subject to section 38-858, subsection B is eligible to participate in  
29 the deferred retirement option plan retroactive to the member's twentieth  
30 year of credited service or on the day before the member began military  
31 service, whichever is later, if the member makes the election pursuant to  
32 this section on or before resuming employment with the member's employer.

33 B. A member who elects to participate in the deferred retirement  
34 option plan shall voluntarily and irrevocably:

35 1. Designate a period of participation that is not more than sixty  
36 consecutive months.

37 2. Beginning on the date the member elects to participate in the  
38 deferred retirement option plan, cease to accrue benefits under any other

1 provision of this article. The member's effective date of participation is  
2 the first day of the month following the date the member elects to  
3 participate.

4 3. Have deferred retirement option plan benefits credited to a  
5 deferred retirement option plan participation account pursuant to section  
6 38-844.05.

7 4. Receive benefits from the system on termination of employment at  
8 the same time and in the same manner as otherwise prescribed in this article.

9 5. Agree to terminate employment on completion of the deferred  
10 retirement option plan participation period designated by the member on the  
11 appropriate deferred retirement option plan participation form.

12 C. If a member fails to terminate employment on completion of the  
13 designated deferred retirement option plan participation period:

14 1. The member is not entitled to the interest accumulation on the  
15 deferred retirement option plan participation account.

16 2. The deferred retirement option plan participation account shall not  
17 be credited with the monthly amount prescribed in section 38-844.05,  
18 subsection C, paragraph 1 and that amount shall not be paid directly to the  
19 member.

20 3. The payment prescribed in section 38-844.08, subsection A,  
21 paragraph 1 shall not be paid until the member terminates employment and is  
22 payable at the same time as the pension amount is paid on retirement.

23 4. The member does not acquire any further credited service in the  
24 system.

25 Sec. 30. Section 38-844.05, Arizona Revised Statutes, is amended to  
26 read:

27 38-844.05. Deferred retirement option benefits and  
28 participation accounts

29 A. A deferred retirement option plan participation account is an  
30 account established within the system on behalf of each deferred retirement  
31 option plan participant. All benefits accrued pursuant to this article shall  
32 be accounted for in the deferred retirement option plan participation  
33 account. A deferred retirement option plan participant does not have a claim  
34 on the assets of the system with respect to the member's deferred retirement  
35 option plan participation account and assets shall not be set aside for any  
36 deferred retirement option plan participant that are separate from all other  
37 system assets.



1 benefits. If the application for disability retirement benefits is approved  
2 by the local board:

3 1. The disability retirement benefits shall be computed using the  
4 factors of credited service and average monthly benefit compensation in  
5 effect the day before the effective date of the member's deferred retirement  
6 option plan participation.

7 2. All amounts in the member's deferred retirement option plan  
8 participation account shall be distributed pursuant to section 38-844.08.

9 ~~C.~~ D. If a member dies during the period of the member's deferred  
10 retirement option plan participation, the designated beneficiary of the  
11 member is entitled to receive all amounts in the member's deferred retirement  
12 option plan participation account."

13 Renumber to conform

14 Page 33, after line 45, insert:

15 "Sec. 35. Title 38, chapter 5, article 4, Arizona Revised Statutes, is  
16 amended by adding section 38-846.04, to read:

17 38-846.04. Reinstatement of credited service; effect of prior  
18 law

19 A. A MEMBER WHO RECEIVED A SEVERANCE REFUND ON TERMINATION OF  
20 EMPLOYMENT AS PROVIDED IN SECTION 38-846.02, WHO IS SUBSEQUENTLY REEMPLOYED  
21 BY AN EMPLOYER AND WHO REDEPOSITS THE AMOUNT WITHDRAWN WITH INTEREST AS  
22 PROVIDED IN SECTION 38-849 OR A MEMBER WHO REDEEMS PRIOR SERVICE PURSUANT TO  
23 STATUTE IS SUBJECT TO THE BENEFITS AND DUTIES IN EFFECT AT THE TIME OF THE  
24 MEMBER'S MOST RECENT REEMPLOYMENT. THIS SUBSECTION DOES NOT APPLY IF A COURT  
25 OF COMPETENT JURISDICTION ORDERS REINSTATEMENT OF BENEFITS AND DUTIES UNDER A  
26 PRIOR LAW.

27 B. A MEMBER WHO TRANSFERS CREDITED SERVICE FROM ONE EMPLOYER TO  
28 ANOTHER EMPLOYER PURSUANT TO SECTION 38-853 RETAINS THE BENEFITS AND DUTIES  
29 IN EFFECT AT THE TIME OF THE MEMBER'S TRANSFER."

30 Renumber to conform

31 Page 34, line 12, after the period strike remainder of line

32 Strike lines 13 through 16

33 Line 19, strike "6" insert "5"

34 Line 26, after "subsection" strike remainder of line

35 Strike lines 27, 28 and 29, insert ", SECTION 13-713 APPLIES."

1 Page 36, between lines 3 and 4, insert:

2 "Sec. 38. Section 38-853.01, Arizona Revised Statutes, is amended to  
3 read:

4 38-853.01. Redemption of prior service

5 A. Each present active member of the system may elect to redeem any  
6 part of the following prior service or employment by paying into the system  
7 any amounts required under subsection B if the prior service or employment is  
8 not on account with any other retirement system:

9 1. Prior service in this state as an employee with an employer now  
10 covered by the system ~~or prior service with an agency of the United States~~  
11 ~~government, a state of the United States or a political subdivision of this~~  
12 ~~state or of a state of the United States~~ as a full-time paid firefighter or  
13 full-time paid certified peace officer.

14 2. Subject to any limitations prescribed by federal law, prior  
15 employment as an employee of a corporation that contracted with an employer  
16 now covered by the system to provide firefighting services on behalf of that  
17 employer as a full-time paid firefighter or that provided firefighting  
18 services for a political subdivision of this state.

19 B. Any present active member who elects to redeem any part of the  
20 prior service or employment for which the employee is deemed eligible by the  
21 board under this section shall pay into the system the amounts previously  
22 withdrawn by the member, if any, as a refund of the member's accumulated  
23 contributions plus accumulated interest as determined by the board and the  
24 additional amount, if any, computed by the system's actuary that is necessary  
25 to equal the increase in the actuarial present value of projected benefits  
26 resulting from the redemption calculated using the actuarial methods and  
27 assumptions prescribed by the system's actuary.

28 C. A member electing to redeem service pursuant to this section may  
29 pay for service being redeemed in the form of a lump sum payment to the  
30 system, a trustee-to-trustee transfer or a direct rollover of an eligible  
31 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or  
32 (vi) of the internal revenue code or a rollover of an eligible distribution  
33 from an individual retirement account or annuity described in section 408(a)  
34 or (b) of the internal revenue code."

35 Renumber to conform

1 Page 37, between lines 23 and 24, insert:

2 "Sec. 40. Title 38, chapter 5, article 4, Arizona Revised Statutes, is  
3 amended by adding section 36-856.02, to read:

4 36-856.02. Ad hoc increase in retirement benefits; analysis by  
5 the joint legislative budget committee

6 FROM AND AFTER DECEMBER 31, 2015, THE LEGISLATURE MAY ENACT PERMANENT  
7 ONE-TIME INCREASES IN RETIREMENT BENEFITS FOR ELIGIBLE RETIREES AND SURVIVORS  
8 OF THE SYSTEM AFTER AN ANALYSIS OF THE EFFECT OF THE INCREASE ON THE SYSTEM  
9 BY THE JOINT LEGISLATIVE BUDGET COMMITTEE. THE JOINT LEGISLATIVE BUDGET  
10 COMMITTEE SHALL ANALYZE THE EFFECT OF THE PERMANENT BENEFIT INCREASE  
11 CONSIDERING THE FUNDED STATUS OF THE SYSTEM, THE LENGTH OF TIME SINCE THE  
12 LAST BENEFIT INCREASE, THE INCREASE IN THE COST OF LIVING SINCE THE LAST  
13 INCREASE, THE CURRENT ECONOMIC CONDITION OF THIS STATE, RECENT INVESTMENT  
14 PERFORMANCE OF THE SYSTEM, THE OVERALL VIEW OF THE ECONOMY AND MARKET AND THE  
15 TOTAL COST OF THE BENEFIT INCREASE TO THE SYSTEM.

16 Sec. 41. Section 38-858, Arizona Revised Statutes, is amended to read:

17 38-858. Credit for military service

18 A. A member of the system may receive credited service for periods of  
19 active military service performed before employment with the member's current  
20 employer if:

21 1. The member was honorably separated from the military service.

22 2. The period of military service for which the member receives  
23 credited service does not exceed forty-eight months.

24 3. The period of military service for which the member receives  
25 credited service is not on account with any other retirement system, except  
26 as provided by 10 United States Code section 12736.

27 4. The member pays the cost to purchase the prior active military  
28 service. The cost is the amount necessary to equal the increase in the  
29 actuarial present value of projected benefits resulting from the additional  
30 credited service.

31 5. The amount of benefits purchased pursuant to this subsection is  
32 subject to limits established by section 415 of the internal revenue code.

33 6. THE MEMBER INITIATES THE REQUEST TO PURCHASE THE CREDITED SERVICE  
34 ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.

35 B. An active member of the system who volunteers or is ordered to  
36 perform military service may receive credited service for not more than sixty  
37 months of military service as provided by the uniformed services employment  
38 and reemployment rights act (38 United States Code part III, chapter 43).

1 The member's employer shall make employer contributions and the member shall  
2 make the member contributions pursuant to subsection C of this section if the  
3 member meets the following requirements:

4 1. Was an active member of the system on the day before the member  
5 began military service.

6 2. Entered into and served in the armed forces of the United States or  
7 is a member of the national guard.

8 3. Complies with the notice and return to work provisions of 38 United  
9 States Code section 4312.

10 C. Contributions made pursuant to subsection B of this section shall  
11 be for the period of time beginning on the date the member began military  
12 service and ending on the later of one of the following dates:

13 1. The date the member is separated from military service.

14 2. The date the member is released from service related  
15 hospitalization or two years after initiation of service related  
16 hospitalization, whichever date is earlier.

17 3. The date the member dies as a result of or during military service.

18 D. Notwithstanding any other law, on payment of the contributions made  
19 pursuant to subsection B of this section, the member shall be credited with  
20 service for retirement purposes for the period of military service of not  
21 more than sixty months. The member shall submit a copy of the military  
22 discharge certificate (DD-256A) and a copy of the military service record  
23 (DD-214) or its equivalent with the member's application when applying for  
24 credited service corresponding to the period of military service.

25 E. The employer and the member shall make contributions pursuant to  
26 subsection B of this section as follows:

27 1. Contributions shall be based on the compensation that the member  
28 would have received but for the period that the member was ordered into  
29 active military service.

30 2. If the employer cannot reasonably determine the member's rate of  
31 compensation for the period that the member was ordered into military  
32 service, contributions shall be based on the member's average rate of  
33 compensation during the twelve-month period immediately preceding the period  
34 of military service.

35 3. If a member has been employed less than twelve months before being  
36 ordered into military service, contributions shall be based on the member's  
37 compensation being earned immediately preceding the period of military  
38 service.



1           B. A MEMBER WHO TRANSFERS CREDITED SERVICE FROM ONE EMPLOYER TO  
2 ANOTHER EMPLOYER PURSUANT TO SECTION 38-908 RETAINS THE BENEFITS AND DUTIES  
3 IN EFFECT AT THE TIME OF THE MEMBER'S TRANSFER."

4           Renumber to conform

5           Page 54, between lines 4 and 5, insert:

6           "Sec. 51. Title 38, chapter 5, article 6, Arizona Revised Statutes, is  
7 amended by adding section 38-905.02, to read:

8           38-905.02. Ad hoc increase in retirement benefits; analysis by  
9           the joint legislative budget committee

10           FROM AND AFTER DECEMBER 31, 2015, THE LEGISLATURE MAY ENACT PERMANENT  
11 ONE-TIME INCREASES IN RETIREMENT BENEFITS FOR ELIGIBLE RETIREES AND SURVIVORS  
12 OF THE PLAN AFTER AN ANALYSIS OF THE EFFECT OF THE INCREASE ON THE PLAN BY  
13 THE JOINT LEGISLATIVE BUDGET COMMITTEE. THE JOINT LEGISLATIVE BUDGET  
14 COMMITTEE SHALL ANALYZE THE EFFECT OF THE PERMANENT BENEFIT INCREASE  
15 CONSIDERING THE FUNDED STATUS OF THE PLAN, THE LENGTH OF TIME SINCE THE LAST  
16 BENEFIT INCREASE, THE INCREASE IN THE COST OF LIVING SINCE THE LAST INCREASE,  
17 THE CURRENT ECONOMIC CONDITION OF THIS STATE, RECENT INVESTMENT PERFORMANCE  
18 OF THE PLAN, THE OVERALL VIEW OF THE ECONOMY AND MARKET AND THE TOTAL COST OF  
19 THE BENEFIT INCREASE TO THE PLAN.

20           Sec. 52. Section 38-907, Arizona Revised Statutes, is amended to read:

21           38-907. Credit for military service

22           A. A member of the plan may receive credited service for periods of  
23 active military service performed before employment with the member's current  
24 employer if:

25           1. The member was honorably separated from the military service.

26           2. The period of military service for which the member receives  
27 credited service does not exceed forty-eight months.

28           3. The period of military service for which the member receives  
29 credited service is not on account with any other retirement system, except  
30 as provided by 10 United States Code section 12736.

31           4. The member pays the cost to purchase the prior active military  
32 service. The cost is the amount necessary to equal the increase in the  
33 actuarial present value of projected benefits resulting from the additional  
34 credited service.

35           5. The amount of benefits purchased pursuant to this subsection is  
36 subject to limits established by section 415 of the internal revenue code.

37           6. THE MEMBER INITIATES THE REQUEST TO PURCHASE THE CREDITED SERVICE  
38 ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.

1           B. An active member of the plan who volunteers or is ordered to  
2 perform military service may receive credited service for not more than sixty  
3 months of military service as provided by the uniformed services employment  
4 and reemployment rights act (38 United States Code part III, chapter 43).  
5 The member's employer shall make employer contributions and the member shall  
6 make the member contributions pursuant to subsection C of this section if the  
7 member meets the following requirements:

8           1. Was an active member of the plan on the day before the member began  
9 military service.

10           2. Entered into and served in the armed forces of the United States or  
11 is a member of the national guard.

12           3. Complies with the notice and return to work provisions of 38 United  
13 States Code section 4312.

14           C. Contributions made pursuant to subsection B of this section shall  
15 be for the period of time beginning on the date the member began military  
16 service and ending on the later of one of the following dates:

17           1. The date the member is separated from military service.

18           2. The date the member is released from service related  
19 hospitalization or two years after initiation of service related  
20 hospitalization, whichever date is earlier.

21           3. The date the member dies as a result of or during military service.

22           D. Notwithstanding any other law, on payment of the contributions made  
23 pursuant to subsection B of this section, the member shall be credited with  
24 service for retirement purposes for the period of military service of not  
25 more than sixty months. The member shall submit a copy of the military  
26 discharge certificate (DD-256A) and a copy of the military service record  
27 (DD-214) or its equivalent with the member's application when applying for  
28 credited service corresponding to the period of military service.

29           E. The employer and the member shall make contributions pursuant to  
30 subsection B of this section as follows:

31           1. Contributions shall be based on the compensation that the member  
32 would have received but for the period that the member was ordered into  
33 active military service.

34           2. If the employer cannot reasonably determine the member's rate of  
35 compensation for the period that the member was ordered into military  
36 service, contributions shall be based on the member's average rate of  
37 compensation during the twelve-month period immediately preceding the period  
38 of military service.

1           3. If a member has been employed less than twelve months before being  
2 ordered into military service, contributions shall be based on the member's  
3 compensation being earned immediately preceding the period of military  
4 service.

5           4. The member has up to three times the length of military service,  
6 not to exceed sixty months, to make the member contributions. Once the  
7 member has made the member contributions or on receipt of the member's death  
8 certificate, the employer shall make the employer contributions in a lump  
9 sum. Death benefits shall be calculated as prescribed by law.

10           5. If the member's employer pays military differential wage pay to  
11 members serving in the military, contributions shall be paid to the plan  
12 pursuant to section 38-891 for any military differential wage pay paid to the  
13 member while performing military service.

14           F. In computing the length of total credited service of a member for  
15 the purpose of determining retirement benefits or eligibility, the period of  
16 military service, as prescribed by this section, shall be included.

17           G. If a member performs military service due to a presidential  
18 call-up, not to exceed forty-eight months, the employer shall make the  
19 employer and member contributions computed pursuant to subsection E of this  
20 section on the member's return and in compliance with subsection B of this  
21 section.

22           H. In addition to, but not in duplication of, the provisions of  
23 subsection B of this section, beginning December 12, 1994 contributions,  
24 benefits and credited service provided pursuant to this section shall be  
25 provided pursuant to section 414(u) of the internal revenue code, and this  
26 section shall be interpreted in a manner consistent with that internal  
27 revenue code section.

28           Sec. 53. Section 38-909, Arizona Revised Statutes, is amended to read:

29           38-909. Redemption of prior service; calculation

30           A. Each present active member of the plan who had previous service in  
31 this state as an employee with an employer now covered by the plan ~~or who had~~  
32 ~~previous service with an agency of the United States government, a state of~~  
33 ~~the United States or a political subdivision of a state of the United States~~  
34 as a full-time paid corrections officer or full-time paid certified peace  
35 officer may elect to redeem any part of the prior service by paying into the  
36 plan any amounts required under subsection B if the prior service is not on  
37 account with any other retirement system.

1           B. Any present active member who elects to redeem any part of the  
2 prior service for which the employee is deemed eligible by the board under  
3 this section shall pay into the plan the amounts previously withdrawn by the  
4 member, if any, as a refund of the member's accumulated contributions plus  
5 accumulated interest as determined by the board and the additional amount, if  
6 any, computed by the plan's actuary that is necessary to equal the increase  
7 in the actuarial present value of projected benefits resulting from the  
8 redemption calculated using the actuarial methods and assumptions prescribed  
9 by the plan's actuary.

10           C. The discount rate used by the actuary for the redemption  
11 calculation pursuant to subsection B is an amount equal to the lesser of the  
12 assumed rate of return that is prescribed by the board or an amount equal to  
13 the yield on a ten year treasury note as of March 1 that is published by the  
14 federal reserve board plus two per cent. This discount rate is effective  
15 beginning in the next fiscal year and shall be recalculated each year.

16           D. A member electing to redeem service pursuant to this section may  
17 pay for service being redeemed in the form of a lump sum payment to the plan,  
18 a trustee-to-trustee transfer or a direct rollover of an eligible  
19 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or  
20 (vi) of the internal revenue code or a rollover of an eligible distribution  
21 from an individual retirement account or annuity described in section 408(a)  
22 or (b) of the internal revenue code."

23       Renumber to conform

24  
25       Page 55, line 1, after the period strike remainder of line

26       Strike lines 2 through 5

27       Line 8, strike "6" insert "5"

28       Line 15, after "subsection" strike remainder of line

29       Strike lines 16, 17 and 18, insert ", SECTION 13-713 APPLIES."

30       Strike lines 31 through 45

31       Page 56, strike lines 1 through 26, insert:

32           Sec. 58. Legislative findings

33           A. The legislature recognizes that in order to have a sound public  
34 retirement system that benefits this state, taxpayers and members of the  
35 retirement systems, the public retirement systems must be funded with  
36 contributions and investment earnings based on actuarial methods and  
37 assumptions that meet generally accepted actuarial standards. Article XXIX,  
38 Constitution of Arizona. The legislature finds that the current structures

1 of the elected officials' retirement plan, the public safety personnel  
2 retirement system and the corrections officer retirement plan do not achieve  
3 this goal. Since rights to benefits have not vested because application and  
4 eligibility for benefits have not occurred, the legislature intends to modify  
5 and amend these various retirement programs in order to protect the best  
6 interests of the members and beneficiaries.

7 B. The legislature further finds:

8 1. Members of the:

9 (a) Elected officials' retirement plan who entered the plan on or  
10 after July 18, 2000 agreed to the benefit and vesting terms prescribed in  
11 section 38-810.02, subsection B, Arizona Revised Statutes, as a material  
12 condition of their contract with this state.

13 (b) Public safety personnel retirement system who entered the system  
14 on or after July 27, 1983 agreed to the benefit and vesting terms prescribed  
15 in section 38-844.01, Arizona Revised Statutes, as a material condition of  
16 their contract with this state.

17 (c) Corrections officer retirement plan who entered the plan on or  
18 after July 1, 1986 agreed to the legislative reservation terms prescribed in  
19 section 38-903, Arizona Revised Statutes, and members who entered the plan on  
20 or after July 18, 2000 agreed to the benefit and vesting terms prescribed in  
21 section 38-900.01, subsection B, Arizona Revised Statutes, as a material  
22 condition of their contract with this state.

23 2. That the current structures of the elected officials' retirement  
24 plan, the public safety personnel retirement system and the corrections  
25 officer retirement plan do not lead to the goal of attaining one hundred per  
26 cent funded status and jeopardizes the future payment of benefits to current  
27 and future retirees of these three retirement programs.

28 3. That the current structure of the public safety personnel  
29 retirement system, the corrections officer retirement plan and the elected  
30 officials' retirement plan that requires a fixed employee contribution rate  
31 requires a contribution rate from employees that is insufficient in relation  
32 to the cost associated with the benefits required by the plan design and  
33 therefore places a greater financial burden on employers. By moving to an  
34 increased shared cost structure, employees will bear increased responsibility  
35 for the fiscal health of the funds and, as the funds improve their funded  
36 status and approach fully funded or overfunded status, the employees will  
37 realize decreased contribution costs that would be lower than currently  
38 required.



1           5. One member of the Arizona state retirement system board who is  
2 appointed by the Arizona state retirement system board.

3           B. The committee shall study:

4           1. The feasibility and cost of transferring existing members of a  
5 public retirement system or plan to a new defined contribution plan as well  
6 as providing for a defined contribution plan for newly hired public  
7 employees. The committee shall examine public and private defined  
8 contribution plans in other states, including their plan designs, and the  
9 federal tax issues that affect a defined contribution retirement plan.

10           2. The existing section 401(a) retirement plans in the public safety  
11 personnel retirement system and the Arizona state retirement system, the  
12 advantages and disadvantages of these retirement plans and the feasibility of  
13 merging these retirement plans to achieve maximum effectiveness and  
14 minimization of costs to members and employers.

15           3. The definitions of compensation, average yearly salary and salary  
16 as used by the Arizona state retirement system, the elected officials'  
17 retirement plan, the public safety personnel retirement system and the  
18 corrections officer retirement plan to ascertain the actuarial effect of  
19 these definitions on the respective retirement systems and plans,  
20 particularly the ability and actuality of "spiking" compensation. In  
21 examining this issue for the Arizona state retirement system, the public  
22 safety personnel retirement system and the corrections officer retirement  
23 plan, the committee shall examine the effect of employment contracts between  
24 political subdivisions and employees to ascertain the actuarial effect of  
25 these contracts on the retirement system and plans.

26           4. In regards to the public safety personnel retirement system and the  
27 corrections officer retirement plan, the advantages and disadvantages of the  
28 local board system, the advantages and disadvantages of the agent  
29 multiple-employer public retirement system model and the feasibility of  
30 establishing a single employer public retirement system model.

31           5. In regards to the public safety personnel retirement system and the  
32 corrections officer retirement plan, the procedures, determinations and  
33 granting of accidental and ordinary disability retirements to members, the  
34 effect of the local boards in providing adequate cost controls for these  
35 disability retirements, the establishment of another medical disability tier  
36 that provides for those members who cannot perform a reasonable range of  
37 duties within the member's job classification or department but who are not  
38 totally disabled and the elimination of the local boards in making such

1 determinations and replacing the determinations of granting medical  
2 disabilities with a single determination board in the administrative offices  
3 of the public safety personnel retirement system.

4 C. The committee may use the services of consultants, actuaries and  
5 attorneys in performing the committee's duties. Contracts for services  
6 approved by the committee are exempt from title 41, chapter 23, Arizona  
7 Revised Statutes.

8 D. The committee shall meet at least twice on or before December 31,  
9 2011 and shall provide an interim report to the speaker of the house of  
10 representatives, the president of the senate and the governor on or before  
11 December 31, 2011. On or before December 31, 2012, the committee shall  
12 submit a written report of its findings and recommendations to the speaker of  
13 the house of representatives, the president of the senate and the governor.  
14 The committee shall provide copies of these reports to the secretary of  
15 state.

16 E. This section is repealed from and after September 30, 2013.

17 Sec. 60. Rule making authority

18 Notwithstanding any other law, the Arizona state retirement system may  
19 conduct rule making for the purpose of implementing sections 38-766 and  
20 38-766.01, Arizona Revised Statutes, as amended by this act, and section  
21 38-766.02, Arizona Revised Statutes, as added by this act.

22 Sec. 61. Legislative intent; alternate contribution rate; ASRS  
23 employers; EORP, PSPRS and CORP employers

24 The legislature intends by this act:

25 1. To establish an alternate contribution rate in order to mitigate  
26 the potential actuarial impact that a retired member who returns to work for  
27 an employer may have on the Arizona state retirement system. Through the  
28 establishment of the alternate contribution rate the legislature intends to  
29 assure employers that the use of leased, contracted or retired employees and  
30 services will have a minimal, if any, actuarial impact on the Arizona state  
31 retirement system.

32 2. To establish an alternate contribution rate in order to mitigate  
33 the potential actuarial impact that is caused by distorting the actuarial  
34 assumption relating to age related rates of retirement that a retired member  
35 who returns to work for an employer may have on the elected officials'  
36 retirement plan, the public safety personnel retirement system and the  
37 corrections officer retirement plan.



1 Page 56, after line 31, insert:

2 "Sec. 65. Emergency

3 This act is an emergency measure that is necessary to preserve the  
4 public peace, health or safety and is operative immediately as provided by  
5 law."

6 Amend title to conform

BOB ROBSON

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