ARIZONA STATE SENATE

Fiftieth Legislature, Second Regular Session

FINAL REVISED

FACT SHEET FOR H.B. 2745

~~defined contribution retirement systems~~

(NOW: PSPRS; employee contributions)

Purpose

Prohibits the requirement of an alternate contribution rate for a retired PSPRS member who is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. Also provides changes to ASRS statutes regarding distribution, service purchase and investments.

Background

All employees and officers of this state who are included in agreements providing for their coverage under the federal old age and survivors insurance system (social security) are required to participate in the Arizona State Retirement System (ASRS), unless they participate in the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) or the Corrections Officer Retirement Plan (CORP).

Current statute also states that an employer shall pay contributions at an alternate contribution rate (ACR) on behalf of a retired PSPRS member who returns to work in any capacity in a position ordinarily filled by an employee of the employer of an eligible group. This also applies 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 member retired.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

Alternative Contribution Rate

1. Prohibits the requirement of an alternate contribution rate for a retired PSPRS member who is required to participate in another state retirement system and the retired member returned to work before July 20, 2011.

Investments

2. Requires The ASRS board to appoint and allows ASRS to remove multiple investment managers.

3. Allows the ASRS board to authorize the director to retain and manage staff to make investments as an investment manager.

4. Requires investment managers to be qualified to make the investments for which they are appointed.

5. Requires the ASRS board to establish investment goals and policies, allocate assets and utilize investment strategies, adopt directives for the guidance of investment managers, and review the performance of investment managers at least annually.

6. Requires investment managers to be held to the “prudent expert” standard.

7. Allows investment managers to hold, purchase, sell, assign, loan, borrow, transfer and dispose of any of the securities and investments it is charged with managing.

8. Allows ASRS to engage in securities lending.

9. Limits the investment of:
   a) equities, measured at market value, to no more than 80 percent of ASRS assets;
   b) non-United States public investments, measured at market value, to no more than 40 percent at any given time;
   c) internal investments, measured at market value, to no more than 60 percent at any given time;
   d) securities issued by any one institution, agency or corporation, other than direct obligations of or fully guaranteed by the United States government or mortgage backed securities and agency debentures issued by federal agencies, to no more than 5 percent at any given time; and
   e) bonds of those multinational development banks in which the United States is a member nation to 10 percent, measured at market value.

10. Allows ASRS to keep assets if limitations stated above are reached, but prohibits further investments of that type until the limit is no longer exceeded.

11. Allows, but does not require, ASRS to invest in any type of investment that is intended to fund economic development projects, public works or social programs.

12. Specifies that a financial institution serving as an investment manager does not have a conflict of interest because it is also a depository in which ASRS monies are deposited.

Distributions

13. Prohibits ASRS from paying the employer portion of a Contributions Not Withheld (CNW) payment as a refund or a non-retired survivor benefit if the member has not paid their portion of the CNW.

14. Bases the partial lump sum calculation on the member’s calculated straight life annuity amount, rather than the actual annuity option.

15. Eliminates the level income alternative retirement option for new retirements after July 1, 2013.

Service Purchase

16. Conforms the military service purchase statutes to federal law with respect to reserve service time.

17. Reduces the credited service requirement that a member must have before initiating a service purchase from ten years to five years for purchase of other public service, leave of absence service and military service.

18. Revises leave of absence (LOA) service purchases as follows:
    a) the member must be active or disabled at the time of the absence;
    b) the member must be an active, disabled or inactive member who was unable to resume employment because a position was not available at the time of the purchase;
    c) the member must return to the same employer, unless the member was disabled or unable to resume employment because a position was not available;
    d) purchases are limited to one year of LOA at a time, and not more than 60 months of total LOA purchases; and
    e) the employer must certify that the leave was in the best interests of the employee.

Health Benefit Supplement

19. Ceases payment of the health benefit supplemental to new retirees and disabled members who are covered under an ASRS "active employee" insurance plan, either as the insured or as a dependent, if the premium paid by the retiree or disabled member is subsidized by the ASRS employer.

20. Defines *subsidized* as a portion of the total premium paid by the employer, but does not necessarily mean a plan in which the employer uses blended rates to determine the total premium.

Long-Term Disability

21. Caps disability earnings from the LTD benefit and other statutory sources at 100 percent of the member's pre-disability salary for new disabilities.

22. Requires ASRS to offset the member's LTD benefit to meet the cap.

23. Requires claims to be supported by *objective medical evidence*, which is defined as established facts and conditions, as perceived without distortion by personal feelings, prejudices or interpretations, and includes x-rays, quantitative tests, laboratory findings, data, records, reports from the attending physician and reports from a consulting physician.

Miscellaneous

24. Appropriates $47,000 from the ASRS administration account in FY 2013 to the ASRS for implementation of this act. The appropriation is exempt from lapsing.

25. Includes technical and conforming changes.

26. Becomes effective on the general effective date, with certain stated exceptions.

Amendments Adopted by Committee of the Whole

- Added provisions of H.B. 2088.

House Action

ERA	2/14/12	DPA/SE	9-0-0-0
3rd Read	3/6/12		58-0-2
Final Read	5/3/12		56-0-4

Senate Action

FIN	3/15/12	DP	6-0-0-0-0-1
3rd Read	5/2/12		30-0-0

Signed by Governor 5/15/12
Chapter 362

Prepared by Senate Research
May 23, 2012
CS/ly