

State of Arizona
House of Representatives
Fifty-first Legislature
First Regular Session
2013

HOUSE BILL 2057

AN ACT

AMENDING SECTIONS 38-762, 38-767 AND 38-782, ARIZONA REVISED STATUTES; MAKING AN APPROPRIATION; RELATING TO THE ARIZONA STATE RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-762, Arizona Revised Statutes, is amended to
3 read:

4 38-762. Survivor benefits before retirement; definition

5 A. On the death of any active or inactive member before retirement,
6 the designated beneficiary of the member shall be paid a survivor benefit
7 equal to the sum of both of the following:

8 1. The member's contribution and interest and the employer's
9 contribution and interest to the defined benefit plan established by this
10 article for credited service that a member earned by working for an employer,
11 plus all contributions and interest made for the purchase of military
12 service, leave without pay or other public service credit. This amount
13 excludes payments made by an employer pursuant to section 38-738, subsection
14 B, paragraph 3, unless the member has made the payment required by section
15 38-738, subsection B, paragraph 1.

16 2. The amount of the member's employee account and the member's
17 employer account together with supplemental credits, if any, transferred from
18 the defined contribution program administered by ASRS to the defined benefit
19 program established by this article.

20 B. Subsection A, paragraphs 1 and 2 of this section shall be
21 accumulated at compound interest at a rate determined by the board through
22 the day of the payment of the benefit.

23 C. In lieu of a single payment, a designated beneficiary who is
24 eligible for a survivor benefit pursuant to subsection A of this section ~~of~~
25 ~~more than five thousand dollars~~ may elect to receive the actuarial equivalent
26 of the survivor benefit ~~pursuant to one of the following options:~~

27 ~~1. A AS monthly income for five, ten or fifteen years certain and for~~
28 ~~life, thereafter.~~

29 ~~2. Another form of optional benefits approved by the board.~~

30 ~~D. On the death of an active or inactive member who has reached an~~
31 ~~early retirement date applicable to the member or who has a minimum of~~
32 ~~fifteen years of credited service and whose designated beneficiary is a~~
33 ~~spouse, a member's natural or adopted child under the age of twenty one or a~~
34 ~~member's natural or adopted child of any age who is disabled, ASRS shall pay~~
35 ~~the designated beneficiary a survivor benefit equal to the present value, on~~
36 ~~the date following the date of the member's death, of the life annuity that~~
37 ~~would have been payable to the designated beneficiary if the member had~~
38 ~~retired on the date of the member's death and elected to receive an annuity~~
39 ~~in the form of a joint and survivor annuity providing the same amount of~~
40 ~~annuity to the surviving beneficiary as the reduced amount that would have~~
41 ~~been payable during the lifetime of the member. If there is more than one~~
42 ~~designated beneficiary under this subsection, ASRS shall determine the amount~~
43 ~~of the annuity and its present value as if the oldest of the beneficiaries~~
44 ~~was the sole beneficiary. Payment under this subsection shall be in lieu of,~~
45 ~~but not less than, any payment under subsection A of this section. Payment~~

1 ~~under this subsection, at the election of the designated beneficiary, may be~~
2 ~~made in a single sum or may be made in accordance with subsection C of this~~
3 ~~section. A beneficiary may not elect this option unless a benefit of~~
4 ~~twenty five dollars or more per month is payable to the designated~~
5 ~~beneficiary or the designated beneficiary's estate. IF THE RESULTING MONTHLY~~
6 ~~AMOUNT IS GREATER THAN OR EQUAL TO THE AMOUNT DETERMINED BY THE BOARD UNDER~~
7 ~~SECTION 38-764, SUBSECTION F.~~

8 ~~E.~~ D. If a member dies before distribution of the member's benefits
9 commences, the member's entire benefits shall be distributed within the
10 required distribution provisions of section 401(a)(9) of the internal revenue
11 code and the regulations that are issued under that section by the United
12 States secretary of the treasury as prescribed in section 38-775.

13 ~~F.~~ E. If a deceased member did not designate a beneficiary or the
14 beneficiary named by a member predeceases the member, ASRS shall pay the
15 member's survivor benefit to the following persons in the following order of
16 priority:

- 17 1. The member's surviving spouse.
- 18 2. The member's surviving natural or adopted children in equal shares.
- 19 3. The member's surviving parents in equal shares.
- 20 4. The member's estate.

21 ~~G.~~ F. Any payment pursuant to this section is payment for the account
22 of the member or the member's beneficiary and all persons entitled to payment
23 and, to the extent of the payment, is a full and complete discharge of all
24 liability of the board or ASRS, or both, under or in connection with ASRS.

25 ~~H.~~ G. For the purposes of this section, ~~+~~

26 ~~1.~~ "designated beneficiary" means any individual designated by the
27 member as the member's beneficiary.

28 ~~2.~~ ~~"Disabled" means a person is incapable of self sustaining~~
29 ~~employment by reason of mental or physical handicap and is chiefly dependent~~
30 ~~on the member for support.~~

31 Sec. 2. Section 38-767, Arizona Revised Statutes, is amended to read:
32 38-767. Benefit increases; applicability

33 A. FOR A MEMBER WHOSE MEMBERSHIP COMMENCED BEFORE THE EFFECTIVE DATE
34 OF THIS AMENDMENT TO THIS SECTION, effective July 1 of each year, each
35 retired member or beneficiary of a retired member is entitled to receive a
36 permanent benefit increase in the base benefit equal to the amount determined
37 in subsection D of this section if the retired member or beneficiary of a
38 retired member was receiving benefits on or before July 31 of the previous
39 calendar year. The annual permanent benefit increases shall be paid on a
40 monthly basis. The benefit increase shall commence on July 1.

41 B. The total amount of the percentage increase provided in subsection
42 A of this section shall not exceed four per cent in aggregate for all persons
43 eligible for an increase. The percentage payable from excess investment
44 earnings shall be determined as follows:

- 1 1. Determine any excess investment earnings account balance available.
- 2 2. Determine the total excess investment earnings as provided in
- 3 subsection C of this section.
- 4 3. Add the amount determined in paragraph 1 of this subsection to the
- 5 amount determined in paragraph 2 of this subsection.
- 6 4. Determine one per cent of the actuarial present value of benefits
- 7 for retired members and beneficiaries as of June 30 of the year prior to the
- 8 year for which an increase is being granted.
- 9 5. Divide the amount determined in paragraph 3 of this subsection by
- 10 the amount determined in paragraph 4 of this subsection. If the quotient is
- 11 equal to or more than four, the percentage increase payable from excess
- 12 investment earnings on accounts associated with those persons eligible for an
- 13 annual benefit increase pursuant to subsection A of this section is four per
- 14 cent. If the quotient is one or more but less than four, the percentage
- 15 increase payable from excess investment earnings on accounts associated with
- 16 those persons eligible for an annual benefit increase pursuant to subsection
- 17 A of this section is that per cent rounded to the nearest tenth of a per
- 18 cent. If the quotient is less than one, no benefit increases shall be
- 19 granted.
- 20 C. The excess investment earnings on accounts associated with those
- 21 persons eligible for an annual benefit increase pursuant to subsection A of
- 22 this section are equal to the actuarial present value of benefits for all
- 23 retired members and beneficiaries as of June 30 of the year prior to the year
- 24 for which an increase is being granted multiplied by the positive difference,
- 25 if any, between the yield rate on the actuarial value of ASRS assets for the
- 26 fiscal year that ended June 30 of the year prior to the year for which an
- 27 increase is being granted and eight per cent. The excess investment earnings
- 28 on accounts associated with those persons eligible for an annual benefit
- 29 increase pursuant to subsection A of this section are zero if the yield rate
- 30 on ASRS assets is less than or equal to eight per cent.
- 31 D. The permanent benefit increase for each person entitled to receive
- 32 an increase pursuant to subsection A of this section shall be determined
- 33 based on years of credited service as follows:
- 34 1. Multiply the percentage determined in subsection B, paragraph 5 of
- 35 this section by the actuarial present value of benefits for retired members
- 36 and beneficiaries as of June 30 of the year prior to the year for which an
- 37 increase is being granted.
- 38 2. Determine the actuarial present value of a one dollar per year of
- 39 credited service annual increase in the base benefit amounts as of June 30 of
- 40 the year prior to the year for which an increase is being granted, received
- 41 by all persons entitled to receive an increase pursuant to subsection A of
- 42 this section.
- 43 3. Divide the amount determined in paragraph 1 of this subsection by
- 44 the amount determined in paragraph 2 of this subsection.

1 4. Multiply the amount determined in paragraph 3 of this subsection by
2 the number of years of credited service for each retired member and the
3 number of years of credited service earned by a retired member for each
4 beneficiary entitled to receive an increase pursuant to subsection A of this
5 section.

6 E. Any excess investment earnings on accounts associated with those
7 persons eligible for an annual benefit increase pursuant to subsection A of
8 this section from any year that are not used for benefit adjustments for that
9 year are available for future benefit increases in the following years.

10 F. Monies available for future benefit increases shall earn interest
11 at a rate of eight per cent per year. This interest shall be used to pay the
12 additional benefit increases provided for in subsection G of this section.

13 G. In addition to a benefit increase pursuant to subsection A of this
14 section, if a retired member **WHO WAS ELIGIBLE FOR AN ANNUAL BENEFIT INCREASE**
15 **PURSUANT TO SUBSECTION A OF THIS SECTION** had more than ten years of credited
16 service, the retired member or beneficiary of the retired member is entitled
17 to receive a benefit increase based on the number of years following
18 retirement as follows:

19 1. At least five years but less than ten years, a monthly benefit
20 increase equal to the amount determined in subsection H of this section.

21 2. At least ten years but less than fifteen years, a monthly benefit
22 increase equal to two times the amount determined in subsection H of this
23 section.

24 3. At least fifteen years but less than twenty years, a monthly
25 benefit increase equal to three times the amount determined in subsection H
26 of this section.

27 4. At least twenty years but less than twenty-five years, a monthly
28 benefit increase equal to four times the amount determined in subsection H of
29 this section.

30 5. At least twenty-five years but less than thirty years, a monthly
31 benefit increase equal to five times the amount determined in subsection H of
32 this section.

33 6. At least thirty years, a monthly benefit increase equal to six
34 times the amount determined in subsection H of this section.

35 H. The amount of the monthly benefit increase under subsection G of
36 this section for a retired member or beneficiary of a retired member who is
37 entitled to the increase when at least five years but less than ten years
38 have elapsed since the retired member's retirement date is equal to the
39 amount obtained by dividing the amount of interest credited pursuant to
40 subsection F of this section by the amount that equals the sum of:

41 1. The actuarial present value, as of June 30 of the year prior to the
42 year for which the increase is granted, of a benefit increase of one dollar
43 per month for the retired members and beneficiaries of retired members who
44 are eligible for an increase under subsection G of this section and for whom

1 at least five years but less than ten years have elapsed since the retired
2 members' retirement dates.

3 2. The actuarial present value, as of June 30 of the year prior to the
4 year for which the increase is granted, of a benefit increase of two dollars
5 per month for the retired members and beneficiaries of retired members who
6 are eligible for an increase under subsection G of this section and for whom
7 at least ten years but less than fifteen years have elapsed since the retired
8 members' retirement dates.

9 3. The actuarial present value, as of June 30 of the year prior to the
10 year for which the increase is granted, of a benefit increase of three
11 dollars per month for the retired members and beneficiaries of retired
12 members who are eligible for an increase under subsection G of this section
13 and for whom at least fifteen years but less than twenty years have elapsed
14 since the retired members' retirement dates.

15 4. The actuarial present value, as of June 30 of the year prior to the
16 year for which the increase is granted, of a benefit increase of four dollars
17 per month for the retired members and beneficiaries of retired members who
18 are eligible for an increase under subsection G of this section and for whom
19 at least twenty years but less than twenty-five years have elapsed since the
20 retired members' retirement dates.

21 5. The actuarial present value, as of June 30 of the year prior to the
22 year for which the increase is granted, of a benefit increase of five dollars
23 per month for the retired members and beneficiaries of retired members who
24 are eligible for an increase under subsection G of this section and for whom
25 at least twenty-five years but less than thirty years have elapsed since the
26 retired members' retirement dates.

27 6. The actuarial present value, as of June 30 of the year prior to the
28 year for which the increase is granted, of a benefit increase of six dollars
29 per month for the retired members and beneficiaries of retired members who
30 are eligible for an increase under subsection G of this section and for whom
31 at least thirty years have elapsed since the retired members' retirement
32 dates.

33 I. A member of the defined contribution program administered by ASRS
34 is only eligible for the benefit increases pursuant to this section if the
35 member elects to transfer irrevocably from the defined contribution program
36 administered by ASRS to the defined benefit program established by this
37 article.

38 J. The cost of the benefit increases granted pursuant to this section
39 shall be added to the existing liabilities of ASRS.

40 K. As used in this section, the actuarial present value of benefits
41 for retired members and beneficiaries does not include the value of benefits
42 provided pursuant to section 38-783.

1 Sec. 3. Section 38-782, Arizona Revised Statutes, is amended to read:
2 38-782. Group health and accident coverage for retired public
3 employees and elected officials and their dependents:
4 definition

5 A. The board shall establish group health and accident coverage for
6 eligible retired, **SURVIVING** and disabled members and their dependents.
7 ~~Eligible retired and disabled members are those members who are receiving~~
8 ~~retirement benefits from ASRS or long term disability benefits pursuant to~~
9 ~~section 38-651.03 or article 2.1 of this chapter and who elect not to obtain~~
10 ~~health and accident insurance through their former employer.~~ If an insured
11 retired or disabled member dies before the insured member's dependent
12 beneficiary or an insured surviving dependent, the dependent beneficiary or
13 insured surviving dependent is entitled to coverage at group rates if the
14 dependent beneficiary or surviving dependent elects to continue in the
15 coverage within six months of the insured member's death and the dependent
16 beneficiary or surviving dependent agrees to pay the cost of the premium for
17 group health and accident insurance. On notification of the insured member's
18 death, the board shall immediately notify a dependent beneficiary or an
19 insured surviving dependent of the provisions of this section.

20 B. Retired members of the public safety personnel retirement system,
21 the elected officials' retirement plan, the corrections officer retirement
22 plan or the optional retirement programs authorized pursuant to sections
23 15-1451 and 15-1628 and their dependents who are receiving benefits from the
24 public safety personnel retirement system, the elected officials' retirement
25 plan, the corrections officer retirement plan or the optional retirement
26 programs authorized pursuant to sections 15-1451 and 15-1628 and who are not
27 covered by section 38-651.01 may participate in group health and accident
28 coverage provided pursuant to this section. On the death of an insured
29 member of the public safety personnel retirement system, the elected
30 officials' retirement plan, the corrections officer retirement plan or the
31 optional retirement programs authorized pursuant to sections 15-1451 and
32 15-1628, the insured surviving dependent is entitled to coverage at group
33 rates. Except as provided in subsection H of this section, the surviving
34 dependent shall be charged amounts that are sufficient to pay for the premium
35 and administrative expense of providing the coverage.

36 C. The board may enter into agreements with retired, **SURVIVING** and
37 disabled members of ASRS who elect to obtain the coverage provided pursuant
38 to subsection A of this section. Those agreements may include provisions for
39 the deduction from the retirement benefits of the members who elect to obtain
40 the coverage of amounts sufficient to pay for the premium not covered under
41 retirement benefits and the administrative expense of providing the coverage.

42 D. The board of trustees of the public safety personnel retirement
43 system may enter into agreements with retired members of the public safety
44 personnel retirement system, the elected officials' retirement plan, the
45 corrections officer retirement plan and their dependents who elect to obtain

1 the coverage provided pursuant to this section. Those agreements may include
2 provisions for the deduction from the retirement benefits of the members who
3 elect to obtain the coverage of amounts sufficient to pay for the premium not
4 covered under their retirement benefits and the administrative expense of
5 providing the coverage.

6 E. The board may enter into agreements with retired members of the
7 optional retirement programs authorized pursuant to sections 15-1451 and
8 15-1628 and their dependents who elect to obtain the coverage provided
9 pursuant to this section. Those agreements may include provisions for the
10 payment of amounts sufficient to pay for the premium and administrative
11 expense of providing the coverage.

12 F. If an insured member receiving long-term disability benefits
13 pursuant to article 2.1 of this chapter becomes ineligible for the long-term
14 disability benefits, the member and the covered dependents of the member may
15 continue to participate in the group health and accident coverage provided
16 pursuant to this section subject to the following conditions:

17 1. Participation in the coverage is limited to twelve months from the
18 date the member ceases eligibility for benefits under article 2.1 of this
19 chapter or the member commences employment, whichever occurs first.

20 2. The member shall pay the full premium cost of the coverage
21 selected, and the member is not eligible for benefits pursuant to section
22 38-783.

23 3. If a member who participates in the coverage dies during the twelve
24 month period provided by this subsection, covered dependents of the member
25 may continue coverage after the death of the member through the end of the
26 twelve month period. Covered dependents of the member who continue coverage
27 pursuant to this paragraph shall pay the full premium cost of the coverage
28 selected and are not eligible for benefits pursuant to section 38-783.

29 G. Retired, **SURVIVING** or disabled members who are not eligible for
30 medicare, who live in this state, who enroll in a qualifying health
31 maintenance organization under this section and who reside outside the area
32 of a qualifying health maintenance organization shall be offered the option
33 of enrolling with a qualified health maintenance organization offered through
34 their provider under the same premiums as if they lived within the area
35 boundaries of the qualified health maintenance organization provided that:

36 1. All medical services are rendered and received at an office
37 designated by the qualifying health maintenance organization or at a facility
38 referred by the health maintenance organization.

39 2. All nonemergency or nonurgent travel, ambulatory and other expenses
40 from the residence area of the member to the designated office of the
41 qualifying health maintenance organization or the facility referred by the
42 health maintenance organization are the responsibility of and at the expense
43 of the member.

44 3. All emergency or urgent travel, ambulatory and other expenses from
45 the residence area of the member to the designated office of the qualifying

1 health maintenance organization or the facility referred by the health
2 maintenance organization shall be paid pursuant to any agreement between the
3 health maintenance organization and the member living outside the area of the
4 qualifying health maintenance organization.

5 H. Public monies shall not be spent to pay all or any part of the
6 insurance premium pursuant to this section except for monies authorized to be
7 paid for any insured from the retirement plan from which the insured is
8 receiving benefits.

9 I. FOR THE PURPOSES OF THIS SECTION, "ELIGIBLE RETIRED, SURVIVING AND
10 DISABLED MEMBER" MEANS A RETIRED MEMBER WHO IS RECEIVING RETIREMENT BENEFITS
11 FROM ASRS, A DESIGNATED BENEFICIARY OF A DECEASED MEMBER WHO IS RECEIVING A
12 SURVIVOR BENEFIT PURSUANT TO SECTION 38-762, SUBSECTION C AS MONTHLY INCOME
13 OR A DISABLED MEMBER WHO IS RECEIVING LONG-TERM DISABILITY BENEFITS PURSUANT
14 TO SECTION 38-651.03 OR ARTICLE 2.1 OF THIS CHAPTER, AND WHO DOES NOT
15 OTHERWISE ELECT TO OBTAIN COVERAGE UNDER A GROUP HEALTH AND ACCIDENT
16 INSURANCE PLAN OR PROGRAM.

17 Sec. 4. Appropriation; ASRS; exemption

18 A. The sum of \$200,000 is appropriated from the Arizona state
19 retirement system administration account fund in fiscal year 2013-2014 to the
20 Arizona state retirement system for the implementation of this act.

21 B. The appropriation made in subsection A of this section is exempt
22 from the provisions of section 35-190, Arizona Revised Statutes, relating to
23 lapsing of appropriations.

24 Sec. 5. Effective date

25 Section 38-762, Arizona Revised Statutes, as amended by this act, is
26 effective from and after December 31, 2013.