



HOUSE OF REPRESENTATIVES

SB 1083

ASRS; applicable interest rate; definition

Sponsor: Senator Yarbrough

DP Committee on Insurance and Retirement

X Caucus and COW

House Engrossed

OVERVIEW

SB 1083 defines certain terms in Arizona State Retirement System statutes in order to comply with the Internal Revenue Code.

HISTORY

Internal Revenue Code Section 415(b) is a federal provision that limits the amount of annual retirement benefit an individual can receive from a tax-qualified defined benefit pension plan such as the Arizona State Retirement System. The annual retirement benefits payable from ASRS are subject to the dollar limits imposed by IRC §415. Under the dollar limit, which is adjusted based on age, the portion of the benefit amount attributable to employer contributions and picked up employee contributions may not exceed the dollar amounts. This limit is calculated using several different factors including date of membership in the system, age at retirement, tax-deferred member contributions, and rollover and post-tax contributions used to purchase service credit. The 2014 annual dollar limit for retirees aged 62-65 is \$210,000. The provisions of this bill come from the Internal Revenue Service and are consistent with current practices of ASRS. If ASRS fails to comply it may lose its tax-exempt status.

PROVISIONS

- States that the stability period during which the applicable interest rate remains constant is the plan year.
- Specifies that the look-back month that is used to determine the applicable interest rate during the stability period is the third full calendar month preceding the first day of the stability period.
- Defines *applicable interest rate* as the annual interest rate on 30-year treasury securities as specified by the commissioner of the Internal Revenue Service for a month in revenue rulings or notices or another guidance published by the commissioner in the Internal Revenue bulletin.