

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 90
HOUSE BILL 2019

AN ACT

AMENDING SECTIONS 38-816 AND 38-820, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-823; AMENDING SECTIONS 38-853.01 AND 38-858, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-861; AMENDING SECTIONS 38-907 AND 38-909, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-913; RELATING TO PUBLIC RETIREMENT SYSTEMS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 38-816, Arizona Revised Statutes, is amended to
3 read:

4 38-816. Redemption of prior service

5 A. Any present active elected official who has at least five years of
6 credited service with the plan may elect to redeem up to sixty months of any
7 part of the following prior service or employment by paying into the fund the
8 amounts required under subsection B of this section if the prior service or
9 employment is not on account with any other retirement system or plan:

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

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

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

23 4. Prior employment with the United States government, a state of the
24 United States or a political subdivision of a state of the United States.

25 B. Any present active elected official who elects to redeem any part
26 of the prior service or employment for which the elected official is deemed
27 eligible by the board under this section shall pay into the plan the amounts
28 previously withdrawn by the elected official as a refund of the elected
29 official's accumulated contributions, if any, plus the additional amount, if
30 any, that is computed by the plan's actuary and that is necessary to equal
31 the increase in the actuarial present value of projected benefits resulting
32 from the redemption calculated using the actuarial methods and assumptions
33 that are prescribed by the plan's actuary. ~~The discount rate used by the
34 actuary for the calculation of the actuarial present value of the projected
35 benefits resulting from the redemption calculation pursuant to this
36 subsection is an amount equal to the lesser of the assumed rate of return
37 that is prescribed by the board or an amount equal to the yield on a ten-year
38 treasury note as of March 1 that is published by the federal reserve board
39 plus two per cent. This discount rate is effective beginning in the next
40 fiscal year and the board shall recalculate the rate each year.~~

41 C. On approval by the governing body of an incorporated city or town
42 that executes a joinder agreement under section 38-815, the city or town may
43 pay into the fund all or any part of the amount sufficient to provide
44 retirement benefits for elected officials or former elected officials for the
45 time of service as an elected official of the city or town before the joinder

1 agreement if no retirement benefits were in effect for elected officials
2 during the time of service being redeemed under this section.

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

10 Sec. 2. Section 38-820, Arizona Revised Statutes, is amended to read:

11 38-820. Credit for military service

12 A. A member of the plan who has at least ~~ten~~ FIVE years of credited
13 service with the plan may receive credited service for periods of active
14 military service performed before employment with the member's current
15 employer if:

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

17 2. The period of military service for which the member receives
18 credited service does not exceed sixty months.

19 3. The period of military service for which the member receives
20 credited service is not on account with any other retirement system, except
21 as provided by 10 United States Code section 12736 or except if the member is
22 not yet eligible for a military retirement benefit.

23 4. The member pays the cost to purchase the prior active military
24 service. The cost is the amount necessary to equal the increase in the
25 actuarial present value of projected benefits resulting from the additional
26 credited service.

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

29 B. An active member of the plan who volunteers or is ordered to
30 perform military service may receive credited service for not more than sixty
31 months of military service as provided by the uniformed services employment
32 and reemployment rights act OF 1994 (38 United States Code part III,
33 chapter 43). The member's employer shall make employer contributions and the
34 member shall make the member contributions pursuant to subsection C of this
35 section if the member meets the following requirements:

36 1. Was an active member of the plan on the day before the member began
37 military service.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43 H. In addition to, but not in duplication of, subsection B of this
44 section, beginning December 12, 1994 contributions, benefits and credited
45 service provided pursuant to this section shall be provided pursuant to

1 section 414(u) of the internal revenue code, and this section shall be
2 interpreted in a manner consistent with that internal revenue code section.

3 I. For plan years beginning after December 31, 2008, a member who does
4 not currently perform services for an employer by reason of qualified
5 military service as defined in section 414(u)(5) of the internal revenue code
6 is not considered having a severance from employment during that qualified
7 military service. Any payments by the employer to the member during the
8 qualified military service shall be considered compensation to the extent
9 those payments do not exceed the amounts the member would have received if
10 the member had continued to perform services for the employer rather than
11 entering qualified military service.

12 J. For deaths occurring from and after December 31, 2006, in the case
13 of a member who dies while performing qualified military service as defined
14 in section 414(u)(5) of the internal revenue code, the survivors of the
15 member are entitled to any benefits, other than benefit accruals relating to
16 the period of qualified military service, provided under the plan as though
17 the member resumed and then terminated employment on account of death.

18 Sec. 3. Title 38, chapter 5, article 3, Arizona Revised Statutes, is
19 amended by adding section 38-823, to read:

20 38-823. Discount rate; service purchase; transfer of service
21 credits

22 A. BEGINNING JULY 1, 2017, THE DISCOUNT RATE SPECIFIED IN SUBSECTION B
23 OF THIS SECTION APPLIES TO SERVICE PURCHASES OR TRANSFERS OF SERVICE CREDITS
24 TO THE PLAN PURSUANT TO THE FOLLOWING SECTIONS:

- 25 1. SECTION 38-816, SUBSECTION B.
- 26 2. SECTION 38-820, SUBSECTION A.
- 27 3. SECTION 38-821.
- 28 4. SECTIONS 38-921, 38-922, 38-923 AND 38-924.

29 B. THE DISCOUNT RATE IS AN AMOUNT EQUAL TO THE LESSER OF THE ASSUMED
30 RATE OF RETURN THAT IS PRESCRIBED BY THE BOARD OR AN AMOUNT EQUAL TO THE
31 YIELD ON A TEN-YEAR TREASURY NOTE AS OF MARCH 1 THAT IS PUBLISHED BY THE
32 FEDERAL RESERVE BOARD PLUS TWO PERCENT. THE DISCOUNT RATE IS EFFECTIVE
33 BEGINNING IN THE NEXT FISCAL YEAR, AND THE BOARD SHALL RECALCULATE THE RATE
34 EACH YEAR.

35 Sec. 4. Section 38-853.01, Arizona Revised Statutes, is amended to
36 read:

37 38-853.01. Redemption of prior service; calculation

38 A. Each present active member of the system who has at least five
39 years of service with the system may elect to redeem up to sixty months of
40 any part of the following prior service or employment by paying into the
41 system any amounts required under subsection B of this section if the prior
42 service or employment is not on account with any other retirement system:

- 43 1. Prior service in this state as an employee with an employer now
44 covered by the system or prior service with an agency of the United States
45 government, a state of the United States or a political subdivision of this
46 state or of a state of the United States as a full-time paid firefighter,

1 full-time paid certified peace officer or full-time paid corrections officer
2 engaged in law enforcement duties.

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

8 B. Any present active member who elects to redeem any part of the
9 prior service or employment for which the employee is deemed eligible by the
10 board under this section shall pay into the system the amounts previously
11 withdrawn by the member, if any, as a refund of the member's accumulated
12 contributions plus accumulated interest as determined by the board and the
13 additional amount, if any, computed by the system's actuary that is necessary
14 to equal the increase in the actuarial present value of projected benefits
15 resulting from the redemption calculated using the actuarial methods and
16 assumptions prescribed by the system's actuary. ~~The discount rate used by
17 the actuary for the redemption calculation pursuant to this subsection is an
18 amount equal to the lesser of the assumed rate of return that is prescribed
19 by the board or an amount equal to the yield on a ten-year treasury note as
20 of March 1 that is published by the federal reserve board plus two per cent.
21 The discount rate is effective beginning in the next fiscal year, and the
22 board shall recalculate the rate each year.~~

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

30 Sec. 5. Section 38-858, Arizona Revised Statutes, is amended to read:
31 38-858. Credit for military service

32 A. A member of the system who has at least ~~ten~~ FIVE years of service
33 with the system may receive credited service for periods of active military
34 service performed before employment with the member's current employer if:

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

36 2. The period of military service for which the member receives
37 credited service does not exceed sixty months.

38 3. The period of military service for which the member receives
39 credited service is not on account with any other retirement system, except
40 as provided by 10 United States Code section 12736 or except if the member is
41 not yet eligible for a military retirement benefit.

42 4. The member pays the cost to purchase the prior active military
43 service. The cost is the amount necessary to equal the increase in the
44 actuarial present value of projected benefits resulting from the additional
45 credited service.

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

3 B. An active member of the system who volunteers or is ordered to
4 perform military service may receive credited service for not more than sixty
5 months of military service as provided by the uniformed services employment
6 and reemployment rights act OF 1994 (38 United States Code part III, chapter
7 43). The member's employer shall make employer contributions and the member
8 shall make the member contributions pursuant to subsection C of this section
9 if the member meets the following requirements:

10 1. Was an active member of the system on the day before the member
11 began military service.

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

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

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

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

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

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

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

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

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

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

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

45 4. The member has up to three times the length of military service,
46 not to exceed sixty months, to make the member contributions. Once the

1 member has made the member contributions or on receipt of the member's death
2 certificate, the employer shall make the employer contributions in a lump
3 sum. Death benefits shall be calculated as prescribed by law.

4 5. If the member's employer pays military differential wage pay to
5 members serving in the military, contributions shall be paid to the system
6 pursuant to section 38-843 for any military differential wage pay paid to the
7 member while performing military service.

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

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

16 H. In addition to, but not in duplication of, the provisions of
17 subsection B of this section, beginning December 12, 1994 contributions,
18 benefits and credited service provided pursuant to this section shall be
19 provided pursuant to section 414(u) of the internal revenue code, and this
20 section shall be interpreted in a manner consistent with that internal
21 revenue code section.

22 I. For plan years beginning after December 31, 2008, a member who does
23 not currently perform services for an employer by reason of qualified
24 military service as defined in section 414(u)(5) of the internal revenue code
25 is not considered having a severance from employment during that qualified
26 military service. Any payments by the employer to the member during the
27 qualified military service shall be considered compensation to the extent
28 those payments do not exceed the amounts the member would have received if
29 the member had continued to perform services for the employer rather than
30 entering qualified military service.

31 J. For deaths occurring from and after December 31, 2006, in the case
32 of a member who dies while performing qualified military service as defined
33 in section 414(u)(5) of the internal revenue code, the survivors of the
34 member are entitled to any benefits, other than benefit accruals relating to
35 the period of qualified military service, provided under the system as though
36 the member resumed and then terminated employment on account of death.

37 Sec. 6. Title 38, chapter 5, article 4, Arizona Revised Statutes, is
38 amended by adding section 38-861, to read:

39 38-861. Discount rate; service purchase; transfer of service
40 credit

41 A. BEGINNING JULY 1, 2017, THE DISCOUNT RATE SPECIFIED IN SUBSECTION B
42 OF THIS SECTION APPLIES TO SERVICE PURCHASES OR TRANSFERS OF SERVICE CREDITS
43 TO THE SYSTEM PURSUANT TO THE FOLLOWING SECTIONS:

- 44 1. SECTION 38-849, SUBSECTION D.
- 45 2. SECTION 38-853.01, SUBSECTION B.
- 46 3. SECTION 38-858, SUBSECTION A.

1 4. SECTIONS 38-921, 38-922, 38-923 AND 38-924.

2 B. THE DISCOUNT RATE IS AN AMOUNT EQUAL TO THE LESSER OF THE ASSUMED
3 RATE OF RETURN THAT IS PRESCRIBED BY THE BOARD OR AN AMOUNT EQUAL TO THE
4 YIELD ON A TEN-YEAR TREASURY NOTE AS OF MARCH 1 THAT IS PUBLISHED BY THE
5 FEDERAL RESERVE BOARD PLUS TWO PERCENT. THE DISCOUNT RATE IS EFFECTIVE
6 BEGINNING IN THE NEXT FISCAL YEAR, AND THE BOARD SHALL RECALCULATE THE RATE
7 EACH YEAR.

8 Sec. 7. Section 38-907, Arizona Revised Statutes, is amended to read:
9 38-907. Credit for military service

10 A. A member of the plan who has at least ~~ten~~ FIVE years of credited
11 service with the plan may receive credited service for periods of active
12 military service performed before employment with the member's current
13 employer if:

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

15 2. The period of military service for which the member receives
16 credited service does not exceed sixty months.

17 3. The period of military service for which the member receives
18 credited service is not on account with any other retirement system, except
19 as provided by 10 United States Code section 12736 or except if the member is
20 not yet eligible for a military retirement benefit.

21 4. The member pays the cost to purchase the prior active military
22 service. The cost is the amount necessary to equal the increase in the
23 actuarial present value of projected benefits resulting from the additional
24 credited service.

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

27 B. An active member of the plan who volunteers or is ordered to
28 perform military service may receive credited service for not more than sixty
29 months of military service as provided by the uniformed services employment
30 and reemployment rights act OF 1994 (38 United States Code part III,
31 chapter 43). The member's employer shall make employer contributions and the
32 member shall make the member contributions pursuant to subsection C of this
33 section if the member meets the following requirements:

34 1. Was an active member of the plan on the day before the member began
35 military service.

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

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

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

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

44 2. The date the member is released from service related
45 hospitalization or two years after initiation of service related
46 hospitalization, whichever date is earlier.

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

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

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

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

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

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

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

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

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

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

40 H. In addition to, but not in duplication of, subsection B of this
41 section, beginning December 12, 1994 contributions, benefits and credited
42 service provided pursuant to this section shall be provided pursuant to
43 section 414(u) of the internal revenue code, and this section shall be
44 interpreted in a manner consistent with that internal revenue code section.

45 I. For plan years beginning after December 31, 2008, a member who does
46 not currently perform services for an employer by reason of qualified

1 military service as defined in section 414(u)(5) of the internal revenue code
2 is not considered having a severance from employment during that qualified
3 military service. Any payments by the employer to the member during the
4 qualified military service shall be considered compensation to the extent
5 those payments do not exceed the amounts the member would have received if
6 the member had continued to perform services for the employer rather than
7 entering qualified military service.

8 J. For deaths occurring from and after December 31, 2006 in the case
9 of a member who dies while performing qualified military service as defined
10 in section 414(u)(5) of the internal revenue code, the survivors of the
11 member are entitled to any benefits, other than benefit accruals relating to
12 the period of qualified military service, provided under the plan as though
13 the member resumed and then terminated employment on account of death.

14 Sec. 8. Section 38-909, Arizona Revised Statutes, is amended to read:
15 38-909. Redemption of prior service; calculation

16 A. Each present active member of the plan who has at least five years
17 of credited service with the plan who had previous service in this state as
18 an employee with an employer now covered by the plan or who had previous
19 service with an agency of the United States government, a state of the United
20 States or a political subdivision of this state or a state of the United
21 States as a full-time paid corrections officer or full-time paid certified
22 peace officer may elect to redeem up to sixty months of any part of the prior
23 service by paying into the plan any amounts required under subsection B ~~OF~~
24 ~~THIS SECTION~~ if the prior service is not on account with any other retirement
25 system.

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

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

41 ~~D.~~ C. A member electing to redeem service pursuant to this section
42 may pay for service being redeemed in the form of a lump sum payment to the
43 plan, a trustee-to-trustee transfer or a direct rollover of an eligible
44 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or
45 (vi) of the internal revenue code or a rollover of an eligible distribution

1 from an individual retirement account or annuity described in section 408(a)
2 or (b) of the internal revenue code.

3 Sec. 9. Title 38, chapter 5, article 6, Arizona Revised Statutes, is
4 amended by adding section 38-913, to read:

5 38-913. Discount rate; service purchase; transfer of service
6 credits

7 A. BEGINNING JULY 1, 2017, THE DISCOUNT RATE SPECIFIED IN SUBSECTION B
8 OF THIS SECTION APPLIES TO SERVICE PURCHASES OR TRANSFERS OF SERVICE CREDITS
9 TO THE PLAN PURSUANT TO THE FOLLOWING SECTIONS:

- 10 1. SECTION 38-907, SUBSECTION A.
11 2. SECTION 38-909, SUBSECTION B.
12 3. SECTIONS 38-921, 38-922, 38-923 AND 38-924.

13 B. THE DISCOUNT RATE IS AN AMOUNT EQUAL TO THE LESSER OF THE ASSUMED
14 RATE OF RETURN THAT IS PRESCRIBED BY THE BOARD OR AN AMOUNT EQUAL TO THE
15 YIELD ON A TEN-YEAR TREASURY NOTE AS OF MARCH 1 THAT IS PUBLISHED BY THE
16 FEDERAL RESERVE BOARD PLUS TWO PERCENT. THE DISCOUNT RATE IS EFFECTIVE
17 BEGINNING IN THE NEXT FISCAL YEAR, AND THE BOARD SHALL RECALCULATE THE RATE
18 EACH YEAR.

19 Sec. 10. Discount rate; applicability; delayed repeal

20 A. Until July 1, 2017, for service purchases and transfers of service
21 credits under the elected officials' retirement plan, the public safety
22 personnel retirement system and the corrections officer retirement plan, the
23 discount rate used by the actuary for the calculation of the actuarial
24 present value of the projected benefits is an amount equal to the assumed
25 rate of return that is prescribed by the board of trustees of the public
26 safety personnel retirement system.

27 B. This section applies retroactively to from and after August 1,
28 2012.

29 C. This section is repealed from and after June 30, 2017.

APPROVED BY THE GOVERNOR APRIL 5, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 6, 2016.