

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature – First Regular Session

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION

Report of Regular Meeting
Thursday, March 5, 2015
House Hearing Room 1 -- 9:00 a.m.

Convened 9:06 a.m.
Recessed
Reconvened
Adjourned 11:25 a.m.

Members Present

Mr. Friese
Mr. Larkin
Mr. Lovas
Mr. Olson
Mr. Petersen
Mr. Saldate
Ms. Townsend
Mr. Ackerley, Vice-Chairman
Mr. Thorpe, Chairman

Members Absent

Request to Speak

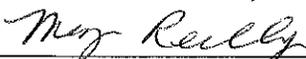
Report – Attachment 1, 2

Presentations

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
Jack Lunsford	Arizona Community College Coordinating Council	

Committee Action

<u>Bill</u>	<u>Action</u>	<u>Vote</u>	<u>Attachments (Summaries, Amendments, Roll Call)</u>
SB1054	DPA	7-0-0-2	3, 4, 5
SB1055	DPA	7-0-0-2	6, 7, 8
SB1057	DPA	8-0-0-1	9, 10, 11
SB1071	DP	6-3-0-0	12, 13
SB1073	DP	6-2-0-1	14, 15
SB1096	DPA	8-0-0-1	16, 17, 18
SB1097	DP	8-0-0-1	19, 20
SB1119	DP	8-0-0-1	21, 22
SB1441	DP	7-0-0-2	23, 24
SB1449	DPA	6-0-0-3	25, 26, 27
SB1451	DP	7-0-0-2	28, 29



Meg Reilly, Chairman Assistant
Friday, March 6, 2015

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

Information Registered on the Request to Speak System

House Government and Higher Education (3/5/2015)

SB1055, EORP; health benefits; retirement benefits

Support:

Dianne McCallister, PSPRS; Douglas Cole, PSPRS

SB1071, tax lien deeds; aggregate fees

Testified in support:

Stan Barnes, Sonoran Land Fund

Testified as opposed:

Trey Williams, AZ ASSOCIATION OF COUNTIES; Marc Osborn, Desert Carmel Lot Owners Associaton ; Sarah Benatar, representing self; Marleita Begay, representing self; Rob Itkin, representing self

Support:

Tom Farley, Arizona Association Of Realtors; Spencer Kamps, HOME BUILDERS ASSOCIATION OF CENTRAL AZ; David Godlewski, SOUTHERN AZ HOMEBUILDERS ASSN; Scot Mussi, Arizona Free Enterprise Club

All Comments:

Sarah Benatar, Self: Coconino County Treasurer; Marleita Begay, Self: Apache County Treasurer

SB1073, public records; redaction; former judges

Support:

Don Isaacson, FRATERNAL ORDER OF POLICE (AZ STATE LODGE); James Mann, FRATERNAL ORDER OF POLICE (AZ STATE LODGE); Cheyenne Walsh, FRATERNAL ORDER OF POLICE (AZ STATE LODGE)

SB1096, ASRS; actuarial valuation method

Testified in support:

Nicholas Ponder, AZ STATE RETIREMENT SYSTEM

Support:

Thomas Finnerty, AZ STATE RETIRED EMPLOYEES ASSN

All Comments:

Thomas Finnerty, AZ STATE RETIRED EMPLOYEES ASSN: The ASREA supports the need for the ASRS Board to determine the actuarial valuation method. There is no better group to make this determination.

SB1054, CORP; health benefits; retirement benefits

Testified in support:

Dianne McCallister, PSPRS; Douglas Cole, PSPRS

SB1097, ASRS; health insurance benefits

Support:

Thomas Finnerty, AZ STATE RETIRED EMPLOYEES ASSN; Nicholas Ponder, AZ STATE RETIREMENT SYSTEM

All Comments:

Thomas Finnerty, AZ STATE RETIRED EMPLOYEES ASSN: The need for a retirement system to conform with IRS rules is indisputable. ASREA is in support.

SB1119, distribution of revenues; technical correction (NOW: ASRS; purchase of credited service)

Testified in support:

Nicholas Ponder, AZ STATE RETIREMENT SYSTEM

SB1441, official state metal; copper

Support:

Kelly Norton, AZ MINING ASSN; Olga Tarro, representing self; Jennifer Royer, representing self

All Comments:

Olga Tarro, Self: I am very proud of Copper Creek Elementary, a public school in Oro Valley. Teachers engaged students to understand what Copper means to our state and taught Civics through bringing forth this bill. Kudos Copper Creek students and teachers!

SB1449, public monies; investment; pooled collateral

Testified in support:

Sean Dollman, AZ STATE TREASURER'S OFFICE

Support:

Garrick Taylor, Arizona Chamber Of Commerce And Industry

Neutral:

Trey Williams, AZ ASSOCIATION OF COUNTIES

All Comments:

Sean Dollman, AZ STATE TREASURER'S OFFICE: The State Treasurer would like to speak on behalf of SB 1449

SB1451, investment of trust monies

Testified in support:

Sean Dollman, AZ STATE TREASURER'S OFFICE

All Comments:

Sean Dollman, AZ STATE TREASURER'S OFFICE: Treasurer DeWit is requesting to speak on behalf of SB 1451

SB1057, PSPRS; health benefits; retirement benefits

Support:

Dianne McCallister, PSPRS; Douglas Cole, PSPRS

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on GOVERNMENT HIGHER ED Bill Number 1499
 Date 5 MARCH 2015 Support Oppose Neutral
 Name JEFF DEWIT Need to Speak? Yes No
 Representing THE STATE TREASURER'S OFFICE Are you a registered lobbyist? NO
 Complete Address 1700 W. WASHINGTON
 E-mail Address JEFF.DEWIT@AZTREASURY.GOV Phone Number 602-542-7800
 Comments: _____

FIVE-MINUTE SPEAKING LIMIT

Attachment 2

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on GOVERNMENT / HIGHER ED Bill Number 1451
 Date 5 MARCH 2015 Support Oppose Neutral
 Name JEFF DEWIT Need to Speak? Yes No
 Representing STATE TREASURER'S OFFICE Are you a registered lobbyist? NO
 Complete Address 1700 W. WASHINGTON
 E-mail Address JEFF.DEWIT@AZTREASURY.GOV Phone Number 602-542-7800
 Comments: _____

FIVE-MINUTE SPEAKING LIMIT



HOUSE OF REPRESENTATIVES

SB 1054

CORP; health benefits; retirement benefits

Sponsor: Senator Lesko

X Committee on Government & Higher Education

Caucus and COW

House Engrossed

OVERVIEW

SB 1054 makes changes to the lump sum payment of permanent benefit increases (PBI) and the health insurance/accident premium benefit program under the Correctional Officers Retirement Plan (CORP).

HISTORY

General

CORP is administered under the umbrella of the Public Safety Personnel Retirement System (PSPRS) for employees who generally fit into three groups: corrections and detention personnel, probation and surveillance officers and dispatchers. CORP is a defined benefit plan where the pension benefit is determined by formula based on compensation and years of service.

Health /Accident Insurance Premium Benefit

Pursuant to Arizona Revised Statutes (A.R.S.) §§ 38-906, 38-651.01 and 38-782, for retirees and eligible survivors under CORP that elect group health insurance and/or accident insurance coverage through the Arizona State Retirement System group plan (ASRS), the Arizona Department of Administration (ADOA) group plan or a group plan through an employer, CORP will pay up to the following premium benefit amount:

Single	Premium Benefit	Family	Premium Benefit
Non-Medicare Eligible	\$150/month	None Medicare Eligible	\$260/month
Medicare Eligible	\$100/month	All with Medicare	\$170/month
		One with or without Medicare	\$215/month

Permanent Benefit Increases

The CORP PBI is outlined in A.R.S. § 38-905 and was modified through Laws 2011, Chapter 357* in A.R.S. § 38-905.02. PBIs are paid to retirees on a monthly basis, depending on the rate of return for the overall plan and the funded status of the CORP account. A.R.S. § 38-905.01 allows a retiree or survivor to ask the PSPRS Board of Trustees to have the PBI paid in a lump sum payment, if the normal payment would impact the person receiving any social service program provided to the retiree by the local, state or federal government. Current law makes this lump sum payment eligible for a direct rollover distribution into another retirement account or plan.

SB 1054

*The 2011 PBI changes are the subject of ongoing litigation. Changes to pre-Laws 2011, Chapter 357 retirees were declared invalid by the Arizona Supreme Court in 2014 (Fields v. Elected Officials' Retirement Plan, 234 Ariz. 214 (2014)).

IRS Favorable Determination Letter

A favorable determination letter is a document issued by the Internal Revenue Service (IRS) upon request regarding the qualified status of a retirement plan under the Internal Revenue Code (IRC), § 401(a) (IRS Favorable Determination Publication). According to the IRS, employers who sponsor retirement plans are generally not required to apply for a determination letter from the IRS; however, having a favorable determination letter provides the employer with reliance that:

- The plan is qualified under IRC § 401(a); and
- The plan's trust is exempt under IRC § 501(a)

PROVISIONS

1. Makes lump sum PBI payments ineligible for a direct rollover distribution into another retirement account.
2. States that if a CORP member who is eligible for the health/accident insurance premium benefit forfeits interest in the account before termination of CORP, the amount of the forfeiture must be quickly applied to reduce employer contributions required to fund the health insurance benefit.
3. Makes the changes in the section related to the health/accident insurance premium benefit retroactive to September 26, 1990.
4. Makes technical and conforming changes.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1054

(Reference to Senate engrossed bill)

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

2 "Section 1. Section 38-881, Arizona Revised Statutes, is amended to
3 read:

4 38-881. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Accidental disability" means a physical or mental condition that
7 the local board finds totally and permanently prevents an employee from
8 performing a reasonable range of duties within the employee's department, was
9 incurred in the performance of the employee's duties and was the result of
10 any of the following:

11 (a) Physical contact with inmates, prisoners, parolees or persons on
12 probation.

13 (b) Responding to a confrontational situation with inmates, prisoners,
14 parolees or persons on probation.

15 (c) A job-related motor vehicle accident while on official business
16 for the employee's employer. A job-related motor vehicle accident does not
17 include an accident that occurs on the way to or from work. Persons found
18 guilty of violating a personnel rule, a rule established by the employee's
19 employer or a state or federal law in connection with a job-related motor
20 vehicle accident do not meet the conditions for accidental disability.

21 2. "Accumulated member contributions" means for each member the sum of
22 the amount of all the member's contributions deducted from the member's
23 salary and paid to the fund, plus member contributions transferred to the
24 fund by another retirement plan covering public employees of this state, plus
25 previously withdrawn accumulated member contributions that are repaid to the
26 fund in accordance with this article, minus any benefits paid to or on behalf
27 of a member.

28 3. "Actuarial equivalent" means equality in present value of the
29 aggregate amounts expected to be received under two different forms of
30 payment, based on mortality and interest assumptions adopted by the board.

Adopted # of Verbals _____

Failed _____ Withdrawn _____

Not Offered _____ Analysts Initials _____

Attachment 4

1 4. "Alternate payee" means the spouse or former spouse of a
2 participant as designated in a domestic relations order.

3 5. "Alternate payee's portion" means benefits that are payable to an
4 alternate payee pursuant to a plan approved domestic relations order.

5 6. "Annuitant" means a person who is receiving a benefit pursuant to
6 section 38-911.

7 7. "Average monthly salary" means, for an employee who becomes a
8 member of the plan before January 1, 2012, one-thirty-sixth of the aggregate
9 amount of salary that is paid a member by a participating employer during a
10 period of thirty-six consecutive months of service in which the member
11 received the highest salary within the last one hundred twenty months of
12 service and, for an employee who becomes a member of the plan on or after
13 January 1, 2012, one-sixtieth of the aggregate amount of salary that is paid
14 a member by a participating employer during a period of sixty consecutive
15 months of service in which the member received the highest salary within the
16 last one hundred twenty months of service. Average monthly salary means the
17 aggregate amount of salary that is paid a member divided by the member's
18 months of service if the member has less than thirty-six or sixty months of
19 service. In the computation under this paragraph, a period of nonpaid or
20 partially paid industrial leave shall be considered based on the salary the
21 employee would have received in the employee's job classification if the
22 employee was not on industrial leave.

23 8. "Beneficiary" means an individual who is being paid or who has
24 entitlement to the future payment of a pension on account of a reason other
25 than the individual's membership in the retirement plan.

26 9. "Board" means the board of trustees of the public safety personnel
27 retirement system.

28 10. "Claimant" means a member, beneficiary or estate that files an
29 application for benefits with the retirement plan.

30 11. "Credited service" means credited service transferred to the
31 retirement plan from another retirement system or plan for public employees
32 of this state, plus those compensated periods of service as a member of the
33 retirement plan for which member contributions are on deposit in the fund.

34 12. "Cure period" means the ninety-day period in which a participant
35 or alternate payee may submit an amended domestic relations order and request
36 a determination, calculated from the time the plan issues a determination
37 finding that a previously submitted domestic relations order did not qualify
38 as a plan approved domestic relations order.

39 13. "Designated position" means:

- 1 (a) For a county:
- 2 (i) A county detention officer.
- 3 (ii) A nonuniformed employee of a sheriff's department whose primary
- 4 duties require direct contact with inmates.
- 5 (b) For the state department of corrections and the department of
- 6 juvenile corrections, only the following specifically designated positions:
- 7 (i) Food service.
- 8 (ii) Nursing personnel.
- 9 (iii) Corrections physician assistant.
- 10 (iv) Therapist.
- 11 (v) Corrections dental assistant.
- 12 (vi) Hygienist.
- 13 (vii) Corrections medical assistant.
- 14 (viii) Correctional service officer, including assistant deputy
- 15 warden, deputy warden, warden and superintendent.
- 16 (ix) State correctional program officer.
- 17 (x) Parole or community supervision officers.
- 18 (xi) Investigators.
- 19 (xii) Teachers.
- 20 (xiii) Institutional maintenance workers.
- 21 (xiv) Youth corrections officer.
- 22 (xv) Youth program officer.
- 23 (xvi) Behavioral health treatment unit managers.
- 24 (xvii) The director and assistant directors of the department of
- 25 juvenile corrections and the superintendent of the state educational system
- 26 for committed youth.
- 27 (xviii) The director, deputy directors and assistant directors of the
- 28 state department of corrections.
- 29 (xix) Other positions designated by the local board of the state
- 30 department of corrections or the local board of the department of juvenile
- 31 corrections pursuant to section 38-891.
- 32 (c) For a city or town, a city or town detention officer.
- 33 (d) For an employer of an eligible group as defined in section 38-842,
- 34 full-time dispatchers.
- 35 (e) For the judiciary, probation, surveillance and juvenile detention
- 36 officers and those positions designated by the local board of the judiciary
- 37 pursuant to section 38-891.
- 38 (f) For the department of public safety, state detention officers.

1 14. "Determination" means a written document that indicates to a
2 participant and alternate payee whether a domestic relations order qualifies
3 as a plan approved domestic relations order.

4 15. "Determination period" means the ninety-day period in which the
5 plan must review a domestic relations order that is submitted by a
6 participant or alternate payee to determine whether the domestic relations
7 order qualifies as a plan approved domestic relations order, calculated from
8 the time the plan mails a notice of receipt to the participant and alternate
9 payee.

10 16. "Direct rollover" means a payment by the plan to an eligible
11 retirement plan that is specified by the distributee.

12 17. "Distributee" means a member, a member's surviving spouse or a
13 member's spouse or former spouse who is the alternate payee under a plan
14 approved domestic relations order.

15 18. "Domestic relations order" means an order of a court of this state
16 that is made pursuant to the domestic relations laws of this state and that
17 creates or recognizes the existence of an alternate payee's right to, or
18 assigns to an alternate payee the right to, receive a portion of the benefits
19 payable to a participant.

20 19. "Eligible child" means an unmarried child of a deceased active or
21 retired member who meets one of the following qualifications:

22 (a) Is under eighteen years of age.

23 (b) Is at least eighteen years of age and under twenty-three years of
24 age only during any period that the child is a full-time student.

25 (c) Is under a disability that began before the child attained
26 twenty-three years of age and remains a dependent of the surviving spouse or
27 guardian.

28 20. "Eligible retirement plan" means any of the following that accepts
29 a distributee's eligible rollover distribution:

30 (a) An individual retirement account described in section 408(a) of
31 the internal revenue code.

32 (b) An individual retirement annuity described in section 408(b) of
33 the internal revenue code.

34 (c) An annuity plan described in section 403(a) of the internal
35 revenue code.

36 (d) A qualified trust described in section 401(a) of the internal
37 revenue code.

38 (e) An annuity contract described in section 403(b) of the internal
39 revenue code.

1 (f) An eligible deferred compensation plan described in section 457(b)
2 of the internal revenue code that is maintained by a state, a political
3 subdivision of a state or any agency or instrumentality of a state or a
4 political subdivision of a state and that agrees to separately account for
5 amounts transferred into the eligible deferred compensation plan from this
6 plan.

7 21. "Eligible rollover distribution" means a payment to a distributee,
8 but does not include any of the following:

9 (a) Any distribution that is one of a series of substantially equal
10 periodic payments made not less frequently than annually for the life or life
11 expectancy of the member or the joint lives or joint life expectancies of the
12 member and the member's beneficiary or for a specified period of ten years or
13 more.

14 (b) Any distribution to the extent the distribution is required under
15 section 401(a)(9) of the internal revenue code.

16 (c) The portion of any distribution that is not includable in gross
17 income.

18 (d) ANY DISTRIBUTION MADE TO SATISFY THE REQUIREMENTS OF SECTION 415
19 OF THE INTERNAL REVENUE CODE.

20 (e) HARDSHIP DISTRIBUTIONS.

21 (f) SIMILAR ITEMS DESIGNATED BY THE COMMISSIONER OF THE UNITED STATES
22 INTERNAL REVENUE SERVICE IN REVENUE RULINGS, NOTICES AND OTHER GUIDANCE
23 PUBLISHED IN THE INTERNAL REVENUE BULLETIN.

24 22. "Employee" means a person employed by a participating employer in
25 a designated position.

26 23. "Employer" means an agency or department of this state or a
27 political subdivision of this state that has one or more employees in a
28 designated position.

29 24. "Fund" means the corrections officer retirement plan fund.

30 25. "Juvenile detention officer" means a juvenile detention officer
31 responsible for the direct custodial supervision of juveniles who are
32 detained in a county juvenile detention center.

33 26. "Local board" means the retirement board of the employer that
34 consists of persons appointed or elected to administer the plan as it applies
35 to the employer's members in the plan.

36 27. "Member" means any employee who meets all of the following
37 qualifications:

38 (a) Who is a full-time paid person employed by a participating
39 employer in a designated position.

1 (b) Who is receiving salary for personal services rendered to a
2 participating employer or would be receiving salary except for an authorized
3 leave of absence.

4 (c) Whose customary employment is at least forty hours each week.

5 28. "Normal retirement date" means:

6 (a) For an employee who becomes a member of the plan before January 1,
7 2012, the first day of the calendar month immediately following the
8 employee's completion of twenty years of service or, in the case of a
9 dispatcher, twenty-five years of service, the employee's sixty-second
10 birthday and completion of ten years of service or the month in which the sum
11 of the employee's age and years of credited service equals eighty.

12 (b) For an employee who becomes a member of the plan on or after
13 January 1, 2012, the first day of the calendar month immediately following
14 the employee's completion of twenty-five years of service if the employee is
15 at least fifty-two and one-half years of age or the employee's sixty-second
16 birthday and completion of ten years of service.

17 29. "Notice of receipt" means a written document that is issued by the
18 plan to a participant and alternate payee and that states that the plan has
19 received a domestic relations order and a request for a determination that
20 the domestic relations order is a plan approved domestic relations order.

21 30. "Ordinary disability" means a physical condition that the local
22 board determines will totally and permanently prevent an employee from
23 performing a reasonable range of duties within the employee's department or a
24 mental condition that the local board determines will totally and permanently
25 prevent an employee from engaging in any substantial gainful activity.

26 31. "Participant" means a member who is subject to a domestic
27 relations order.

28 32. "Participant's portion" means benefits that are payable to a
29 participant pursuant to a plan approved domestic relations order.

30 33. "Participating employer" means an employer that the board has
31 determined to have one or more employees in a designated position or a
32 county, city, town or department of this state that has entered into a
33 joinder agreement pursuant to section 38-902.

34 34. "Pension" means a series of monthly payments by the retirement
35 plan but does not include an annuity that is payable pursuant to section
36 38-911.

37 35. "Personal representative" means the personal representative of a
38 deceased alternate payee.

1 36. "Physician" means a physician who is licensed pursuant to title
2 32, chapter 13 or 17.

3 37. "Plan approved domestic relations order" means a domestic
4 relations order that the plan approves as meeting all the requirements for a
5 plan approved domestic relations order as otherwise prescribed in this
6 article.

7 38. "PLAN YEAR" OR "FISCAL YEAR" MEANS THE PERIOD BEGINNING ON JULY 1
8 OF ANY YEAR AND ENDING ON JUNE 30 OF THE NEXT SUCCEEDING YEAR.

9 ~~38-~~ 39. "Probation or surveillance officer" means an officer
10 appointed pursuant to section 8-203, 12-251 or 12-259 but does not include
11 other personnel, office assistants or support staff.

12 ~~39-~~ 40. "Retired member" means an individual who terminates
13 employment and who is receiving a pension pursuant to either section 38-885
14 or 38-886.

15 ~~40-~~ 41. "Retirement" or "retired" means termination of employment
16 after a member has fulfilled all requirements for a pension or, for an
17 employee who becomes a member of the plan on or after January 1, 2012,
18 attains the age and service requirements for a normal retirement date.

19 ~~41-~~ 42. "Retirement plan" or "plan" means the corrections officer
20 retirement plan established by this article.

21 ~~42-~~ 43. "Salary" means the base salary, shift differential pay,
22 military differential wage pay and holiday pay paid a member for personal
23 services rendered in a designated position to a participating employer on a
24 regular monthly, semimonthly or biweekly payroll basis. Salary includes
25 amounts that are subject to deferred compensation or tax shelter agreements.
26 Salary does not include payment for any remuneration or reimbursement other
27 than as prescribed by this paragraph. For the purposes of this paragraph,
28 "base salary" means the amount of compensation each member is regularly paid
29 for personal services rendered to an employer before the addition of any
30 extra monies, including overtime pay, shift differential pay, holiday pay,
31 fringe benefit pay and similar extra payments.

32 ~~43-~~ 44. "Segregated funds" means the amount of benefits that would
33 currently be payable to an alternate payee pursuant to a domestic relations
34 order under review by the plan, or a domestic relations order submitted to
35 the plan that failed to qualify as a plan approved domestic relations order,
36 if the domestic relations order were determined to be a plan approved
37 domestic relations order.

38 ~~44-~~ 45. "Service" means employment rendered to a participating
39 employer as an employee in a designated position. Any absence that is

1 authorized by an employer, including any periods during which the employee is
2 on an employer sponsored long-term disability program, is considered as
3 service if the employee returns or is deemed by the employer to have returned
4 to a designated position within the period of the authorized absence.

5 ~~45.~~ 46. "Total and permanent disability" means a physical or mental
6 condition that is not an accidental disability, that the local board finds
7 totally and permanently prevents a member from engaging in any gainful
8 employment and that is the direct and proximate result of the member's
9 performance of the member's duty as an employee of a participating employer.

10 Sec. 2. Section 38-884, Arizona Revised Statutes, is amended to read:

11 38-884. Membership of retirement plan; termination; credited
12 service; redemption; reemployment; definition

13 A. Each employee of a participating employer is a member of the plan
14 unless the employee is receiving a pension from the plan. A person employed
15 shall undergo a medical examination performed by a designated physician or a
16 physician working in a clinic that is appointed by the local board or, in the
17 case of a state correctional officer who is employed by the state department
18 of corrections, complete a physical examination pursuant to section 41-1822,
19 subsection B. For the purposes of subsection B of this section, the
20 designated physician or a physician working in a clinic that is appointed by
21 the local board may be the employer's regular employee or contractor.

22 B. The purpose of the medical examination authorized by this section
23 is to identify a member's physical or mental condition or injury that existed
24 or occurred before the member's date of membership in the plan. Any employee
25 who fails or refuses to submit to the medical examination prescribed in this
26 section is deemed to waive all rights to disability benefits under this
27 article. Medical examinations conducted under this article shall be
28 conducted by a physician and shall not be conducted or used for purposes of
29 hiring, advancement, discharge, job training or other terms, conditions and
30 privileges of employment unrelated to receipt or qualification for pension
31 benefits or service credits from the fund. This subsection does not affect
32 or impair the right of an employer to prescribe medical or physical standards
33 for employees or prospective employees.

34 C. If a member who becomes a member of the plan before January 1, 2012
35 ceases to be an employee for any reason other than death or retirement,
36 within twenty days after filing a completed application with the board, the
37 member is entitled to receive the following amounts, less any benefit
38 payments the member has received and any amount the member may owe to the
39 plan:

1 1. If the member has less than five years of credited service with the
2 plan, the member may withdraw the member's accumulated contributions from the
3 plan.

4 2. If the member has five or more years of credited service with the
5 plan, the member may withdraw the member's accumulated contributions plus an
6 amount equal to the amount determined as follows:

7 (a) 5.0 to 5.9 years of credited service, ~~twenty-five per-cent~~ PERCENT
8 of all member contributions deducted from the member's salary pursuant to
9 section 38-891, subsection B.

10 (b) 6.0 to 6.9 years of credited service, ~~forty per-cent~~ PERCENT of
11 all member contributions deducted from the member's salary pursuant to
12 section 38-891, subsection B.

13 (c) 7.0 to 7.9 years of credited service, ~~fifty-five per-cent~~ PERCENT
14 of all member contributions deducted from the member's salary pursuant to
15 section 38-891, subsection B.

16 (d) 8.0 to 8.9 years of credited service, ~~seventy per-cent~~ PERCENT of
17 all member contributions deducted from the member's salary pursuant to
18 section 38-891, subsection B.

19 (e) 9.0 to 9.9 years of credited service, ~~eighty-five per-cent~~ PERCENT
20 of all member contributions deducted from the member's salary pursuant to
21 section 38-891, subsection B.

22 (f) 10.0 or more years of credited service, ~~one hundred per-cent~~
23 PERCENT of all member contributions deducted from the member's salary
24 pursuant to section 38-891, subsection B.

25 D. If a member who becomes a member of the plan before January 1, 2012
26 has more than ten years of credited service with the plan, leaves the monies
27 prescribed in subsection C of this section on account with the plan for more
28 than thirty days after termination of employment and after that time period
29 requests a refund of those monies, the member is entitled to receive the
30 amount prescribed in subsection C of this section plus interest at a rate
31 determined by the board for each year computed from and after the member's
32 termination of employment.

33 E. The accumulated member contributions of a member who ceases to be
34 an employee for a reason other than death or retirement and who becomes a
35 member of the plan on or after January 1, 2012 shall be paid to the member
36 plus interest at a rate determined by the board as of the date of termination
37 within twenty days after filing with the plan a written application for
38 payment.

1 F. If the refund includes monies that are an eligible rollover
2 distribution and the member elects to have the distribution paid directly to
3 an eligible retirement plan or individual retirement account or annuity and
4 specifies the eligible retirement plan or individual retirement account or
5 annuity to which the distribution is to be paid, the distribution shall be
6 made in the form of a direct trustee-to-trustee transfer to the specified
7 eligible retirement plan. The distribution shall be made in the form and at
8 the time prescribed by the board.

9 G. FOR DISTRIBUTIONS OCCURRING FROM AND AFTER DECEMBER 31, 2007, A
10 MEMBER OR A MEMBER'S BENEFICIARY, INCLUDING A NONSPOUSE DESIGNATED
11 BENEFICIARY TO THE EXTENT PERMITTED UNDER SUBSECTION H OF THIS SECTION, MAY
12 ROLLOVER AN ELIGIBLE ROLLOVER DISTRIBUTION AS DEFINED IN SECTION 402(C)(4) OF
13 THE INTERNAL REVENUE CODE TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT, IF, FOR
14 DISTRIBUTIONS OCCURRING BEFORE JANUARY 1, 2010, THE MEMBER OR THE MEMBER'S
15 BENEFICIARY SATISFIES THE REQUIREMENTS FOR MAKING A ROTH INDIVIDUAL
16 RETIREMENT ACCOUNT CONTRIBUTION UNDER SECTION 408A(C)(3)(B) OF THE INTERNAL
17 REVENUE CODE, AS IN EFFECT ON THE DATE OF THE ROLLOVER. ANY AMOUNT ROLLED
18 OVER TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT IS INCLUDED IN THE GROSS INCOME
19 OF THE MEMBER OR THE MEMBER'S BENEFICIARY TO THE EXTENT THE AMOUNTS WOULD
20 HAVE BEEN INCLUDED IN GROSS INCOME IF NOT ROLLED OVER AS REQUIRED UNDER
21 SECTION 408A(D)(3)(A) OF THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS
22 SUBSECTION, THE ADMINISTRATOR IS NOT RESPONSIBLE FOR ENSURING THE MEMBER OR
23 THE MEMBER'S BENEFICIARY IS ELIGIBLE TO MAKE A ROLLOVER TO A ROTH INDIVIDUAL
24 RETIREMENT ACCOUNT.

25 H. FOR DISTRIBUTIONS MADE FROM AND AFTER DECEMBER 31, 2009, A
26 NONSPOUSE DESIGNATED BENEFICIARY AS DEFINED IN SECTION 401(a)(9)(E) OF THE
27 INTERNAL REVENUE CODE MAY ELECT TO DIRECTLY ROLLOVER AN ELIGIBLE ROLLOVER
28 DISTRIBUTION TO AN INDIVIDUAL RETIREMENT ACCOUNT UNDER SECTION 408(a) OF THE
29 INTERNAL REVENUE CODE OR AN INDIVIDUAL RETIREMENT ANNUITY UNDER SECTION
30 408(b) OF THE INTERNAL REVENUE CODE THAT IS ESTABLISHED ON BEHALF OF THE
31 DESIGNATED BENEFICIARY AND THAT WILL BE TREATED AS AN INHERITED INDIVIDUAL
32 RETIREMENT PLAN PURSUANT TO SECTION 402(c)(11) OF THE INTERNAL REVENUE CODE.
33 IN ORDER TO BE ABLE TO ROLLOVER THE DISTRIBUTION, THE DISTRIBUTION OTHERWISE
34 MUST SATISFY THE DEFINITION OF AN ELIGIBLE ROLLOVER DISTRIBUTION AS DEFINED
35 IN SECTION 402(c)(4) OF THE INTERNAL REVENUE CODE. IN APPLYING THIS
36 SUBSECTION, A NONSPOUSE ROLLOVER IS NOT SUBJECT TO THE DIRECT ROLLOVER
37 REQUIREMENTS UNDER SECTION 401(a)(31) OF THE INTERNAL REVENUE CODE, THE
38 ROLLOVER NOTICE REQUIREMENTS UNDER SECTION 402(f) OF THE INTERNAL REVENUE

1 CODE OR THE MANDATORY WITHHOLDING REQUIREMENTS UNDER SECTION 3405(c) OF THE
2 INTERNAL REVENUE CODE.

3 I. FOR PLAN YEARS OCCURRING BEFORE JANUARY 1, 2007, THE PERIOD FOR
4 PROVIDING THE ROLLOVER NOTICE AS REQUIRED UNDER SECTION 402(f) OF THE
5 INTERNAL REVENUE CODE IS NO LESS THAN THIRTY DAYS AND NO MORE THAN NINETY
6 DAYS BEFORE THE DATE OF DISTRIBUTION AND, FOR PLAN YEARS BEGINNING FROM AND
7 AFTER DECEMBER 31, 2006, THE PERIOD FOR PROVIDING THE ROLLOVER NOTICE AS
8 REQUIRED UNDER SECTION 402(f) OF THE INTERNAL REVENUE CODE IS NO LESS THAN
9 THIRTY DAYS AND NO MORE THAN ONE HUNDRED EIGHTY DAYS BEFORE THE DATE OF
10 DISTRIBUTION.

11 ~~G.~~ J. Service shall be credited to a member's individual credited
12 service account in accordance with rules the local board prescribes. In no
13 case shall more than twelve months of credited service be credited on account
14 of all service rendered by a member in any one year. In no case shall
15 service be credited for any period during which the member is not employed in
16 a designated position, except as provided by sections 38-921 and 38-922.

17 ~~H.~~ K. Credited service is forfeited if the amounts prescribed in
18 subsection C, D or E of this section are paid or are transferred in
19 accordance with this section.

20 ~~I.~~ L. If a former member becomes reemployed with the same employer
21 within two years after the former member's termination date, a member may
22 have forfeited credited service attributable to service rendered during a
23 prior period of service as an employee restored on satisfaction of each of
24 the following conditions:

25 1. The member files with the plan a written application for
26 reinstatement of forfeited credited service within ninety days after again
27 becoming an employee.

28 2. The retirement fund is paid the total amount previously withdrawn
29 pursuant to subsection C, D or E of this section plus compound interest from
30 the date of withdrawal to the dates of repayment. Interest shall be computed
31 at the rate of nine ~~per cent~~ PERCENT for each year compounded each year from
32 the date of withdrawal to the date of repayment. Forfeited credited service
33 shall not be restored until complete payment is received by the fund.

34 3. The required payment is completed within one year after returning
35 to employee status.

36 ~~J.~~ M. If a member who receives a severance refund on termination of
37 employment pursuant to subsection C, D or E of this section is subsequently
38 reemployed by an employer, the member's prior service credits are cancelled,
39 and the board shall credit service only from the date the member's most

1 recent reemployment period commenced. However, a present active member of
2 the plan who received a refund of accumulated contributions from the plan
3 pursuant to subsection C, D or E of this section, forfeited credited service
4 pursuant to subsection H- K of this section and becomes reemployed with the
5 same employer two years or more after the member's termination date or
6 becomes reemployed with another employer may elect to redeem any part of that
7 forfeited credited service by paying into the plan any amounts required
8 pursuant to this subsection. A present active member who elects to redeem
9 any part of forfeited credited service for which the member is deemed
10 eligible by the board shall pay into the plan the amounts previously paid or
11 transferred as a refund of the member's accumulated contributions plus an
12 amount, computed by the plan's actuary that is necessary to equal the
13 increase in the actuarial present value of projected benefits resulting from
14 the redemption calculated using the actuarial methods and assumptions
15 prescribed by the plan's actuary. On satisfaction of this obligation, the
16 board shall reinstate the member's prior service credits.

17 ~~K-~~ N. A retired member may become employed by an employer in a
18 designated position and continue to receive a pension if the employment
19 occurs at least twelve months after retirement. The retired member shall not
20 contribute to the fund and shall not accrue credited service. If a retired
21 member becomes employed by an employer in a designated position before twelve
22 months after retirement:

23 1. Payment of the retired member's pension shall be suspended until
24 the retired member again ceases to be an employee. The amount of pension
25 shall not be changed on account of service as an employee subsequent to
26 retirement.

27 2. The retired member shall not contribute to the fund and shall not
28 accrue credited service.

29 Sec. 3. Section 38-885.01, Arizona Revised Statutes, is amended to
30 read:

31 38-885.01. Reverse deferred retirement option plan; purpose;
32 delayed repeal

33 A. A reverse deferred retirement option plan is established. The
34 purpose of the reverse deferred retirement option plan is to add flexibility
35 to the plan and to provide members who elect to participate in the reverse
36 deferred retirement option plan access to a lump sum benefit in addition to
37 their normal monthly retirement benefit on actual retirement.

1 B. Until June 30, 2016, the board shall offer the reverse deferred
2 retirement option plan to members on a voluntary basis as an alternative
3 method of benefit accrual under the plan.

4 C. Any member who is eligible for a normal pension pursuant to section
5 38-885, who is not awarded an accidental, ordinary or total and permanent
6 disability pension and who has at least twenty-four years of credited
7 service, or in the case of a dispatcher, who has at least twenty-five years
8 of credited service, is eligible to participate in the reverse deferred
9 retirement option plan.

10 D. A member who elects to participate in the reverse deferred
11 retirement option plan shall voluntarily and irrevocably:

12 1. Designate a reverse deferred retirement option plan date that is
13 the first day of the calendar month immediately following a member's
14 completion of twenty-four years of credited service or a date not more than
15 sixty consecutive months before the date the member elects to participate in
16 the reverse deferred retirement option plan, whichever is later.

17 2. Agree to terminate employment on the date the member elects to
18 participate in the reverse deferred retirement option plan.

19 3. Receive benefits from the plan on termination of employment at the
20 same time and in the same manner as otherwise prescribed in this article
21 using the factors of credited service and average monthly salary in effect on
22 the reverse deferred retirement option plan date.

23 E. On election, a reverse deferred retirement option plan
24 participation account is established within the plan on behalf of each
25 reverse deferred retirement option plan participant. All benefits accrued
26 pursuant to this article shall be accounted for in the reverse deferred
27 retirement option plan participation account. A reverse deferred retirement
28 option plan participant does not have a claim on the assets of the plan with
29 respect to the member's reverse deferred retirement option plan participation
30 account and assets shall not be set aside for any reverse deferred retirement
31 option plan participant that are separate from all other system assets.

32 F. All amounts credited to a member's reverse deferred retirement
33 option plan participation account are fully vested.

34 G. A member's reverse deferred retirement option plan participation
35 account shall be credited with the following:

36 1. An amount that is credited as though accrued monthly from the
37 reverse deferred retirement option plan date to the date the member elected
38 to participate in the reverse deferred retirement option plan and that is
39 computed in the same manner as a normal retirement benefit using the factors

1 of credited service and average monthly salary in effect on the reverse
2 deferred retirement option plan date.

3 2. An amount that is credited as though accrued monthly and that
4 represents interest at a rate equal to the yield on a five year treasury note
5 as of the first day of the month as published by the federal reserve board.

6 H. Employee and employer contributions pursuant to section 38-891 that
7 are deposited during the period of the reverse deferred retirement option
8 plan are not eligible to be refunded to the employer or member.

9 I. The participant is not entitled to receive any amount prescribed by
10 section 38-905 or 38-906 during the reverse deferred retirement option plan
11 participation period.

12 J. The form of payment shall be a lump sum distribution. ~~If allowed~~
13 ~~by the internal revenue service, the participant may elect to transfer the~~
14 ~~lump sum distribution to an eligible retirement plan or individual retirement~~
15 ~~account.~~ THE MEMBER OR THE MEMBER'S BENEFICIARY MAY MAKE A DIRECT ROLLOVER
16 OF THE LUMP SUM DISTRIBUTION TO AN ELIGIBLE RETIREMENT PLAN UNDER THE SAME
17 RULES SPECIFIED IN SECTION 38-884, SUBSECTIONS G, H AND I.

18 K. The reverse deferred retirement option plan shall not jeopardize in
19 any way the tax qualified status of the plan under the rules of the internal
20 revenue service. The board may adopt additional provisions to the extent
21 necessary or appropriate for the reverse deferred retirement option plan to
22 comply with applicable federal laws or rules.

23 L. This section is repealed from and after June 30, 2016."

24 Renumber to conform

25 Page 2, between lines 41 and 42, insert:

26 "Sec. 6. Section 38-907, Arizona Revised Statutes, is amended to read:
27 38-907. Credit for military service

28 A. A member of the plan who has at least ten years of credited service
29 with the plan may receive credited service for periods of active military
30 service performed before employment with the member's current employer if:

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

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

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

38 4. The member pays the cost to purchase the prior active military
39 service. The cost is the amount necessary to equal the increase in the

1 actuarial present value of projected benefits resulting from the additional
2 credited service.

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

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

12 1. Was an active member of the plan on the day before the member began
13 military service.

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

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

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

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

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

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

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

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

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

38 2. If the employer cannot reasonably determine the member's rate of
39 compensation for the period that the member was ordered into military

1 service, contributions shall be based on the member's average rate of
2 compensation during the twelve-month period immediately preceding the period
3 of military service.

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

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

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

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

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

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

31 I. FOR PLAN YEARS BEGINNING AFTER DECEMBER 31, 2008, A MEMBER WHO DOES
32 NOT CURRENTLY PERFORM SERVICES FOR AN EMPLOYER BY REASON OF QUALIFIED
33 MILITARY SERVICE AS DEFINED IN SECTION 414(u)(5) OF THE INTERNAL REVENUE CODE
34 IS NOT CONSIDERED HAVING A SEVERANCE FROM EMPLOYMENT DURING THAT QUALIFIED
35 MILITARY SERVICE. ANY PAYMENTS BY THE EMPLOYER TO THE MEMBER DURING THE
36 QUALIFIED MILITARY SERVICE SHALL BE CONSIDERED COMPENSATION TO THE EXTENT
37 THOSE PAYMENTS DO NOT EXCEED THE AMOUNTS THE MEMBER WOULD HAVE RECEIVED IF
38 THE MEMBER HAD CONTINUED TO PERFORM SERVICES FOR THE EMPLOYER RATHER THAN
39 ENTERING QUALIFIED MILITARY SERVICE.

House Amendments to S.B. 1054

1 J. FOR DEATHS OCCURRING FROM AND AFTER DECEMBER 31, 2006 IN THE CASE
2 OF A MEMBER WHO DIES WHILE PERFORMING QUALIFIED MILITARY SERVICE AS DEFINED
3 IN SECTION 414(u)(5) OF THE INTERNAL REVENUE CODE, THE SURVIVORS OF THE
4 MEMBER ARE ENTITLED TO ANY BENEFITS, OTHER THAN BENEFIT ACCRUALS RELATING TO
5 THE PERIOD OF QUALIFIED MILITARY SERVICE, PROVIDED UNDER THE PLAN AS THOUGH
6 THE MEMBER RESUMED AND THEN TERMINATED EMPLOYMENT ON ACCOUNT OF DEATH."
7 Renumber to conform
8 Amend title to conform

BOB THORPE

1054bt
03/04/2015
9:02 AM
C: mjh

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1054

DATE March 5, 2015 MOTION: Ypa

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese		✓			
Mr. Larkin		✓			
Mr. Lovas					✓
Mr. Olson					✓
Mr. Petersen		✓			
Mr. Saldate		✓			
Ms. Townsend		✓			
Mr. Ackerley, Vice-Chairman		✓			
Mr. Thorpe, Chairman		✓			
		7	0	0	2

APPROVED:

Bob Thorpe
 BOB THORPE, Chairman
 JOHN C. ACKERLEY, Vice-Chairman

Mary Reilly
 COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1055

EORP; health benefits; retirement benefits

Sponsor: Senator Lesko

X Committee on Government & Higher Education

Caucus and COW

House Engrossed

OVERVIEW

SB 1055 makes changes to the lump sum payment of permanent benefit increases (PBI) and the health insurance/accident premium benefit program under the Elected Officials' Retirement Plan (EORP).

HISTORY

General

EORP is administered under the umbrella of the Public Safety Personnel Retirement System (PSPRS) for elected officials and judges. EORP is a defined benefit plan where the pension benefit is determined by formula based on compensation and years of service. Laws 2013, Chapter 217 closed the EORP permanently to new members, beginning on January 1, 2014. New elected officials and judges participate in the Elected Officials Defined Contribution Retirement System.

Health /Accident Insurance Premium Benefit

Pursuant to Arizona Revised Statutes (A.R.S.) §§ 38-817, 38-651.01 and 38-782, for retirees and eligible survivors under EORP that elect group health insurance and/or accident insurance coverage through the Arizona State Retirement System group plan, the Arizona Department of Administration (ADOA) group plan or a group plan through an employer, EORP will pay a premium benefit of up to:

Single	Premium Benefit	Family	Premium Benefit
Non-Medicare Eligible	\$150/month	None Medicare Eligible	\$260/month
Medicare Eligible	\$100/month	All with Medicare	\$170/month
		One with or without Medicare	\$215/month

This amount is reduced according to the following schedule depending on a retiree's years of service:

Years of Service	Percent of Premium Benefit
7.0-7.9	90%
6.0-6.9	75%
5.0-5.9	60%
Less than 5.0	0

Permanent Benefit Increases

The EORP PBI is outlined in A.R.S. § 38-818 and was modified through Laws 2011, Chapter 357* in A.R.S. § 38-818.01. PBIs are paid to retirees on a monthly basis, depending on the rate of return for the overall plan and the funded status of the EORP account. A.R.S. § 38-819 allows a retiree or survivor to ask the PSPRS Board of Trustees to have the PBI paid in a lump sum payment, if the normal payment would impact the person receiving any social service program provided to the retiree by the local, state or federal government. Current law makes this lump sum payment eligible for a direct rollover distribution into another retirement account or plan.

*The 2011 PBI changes are the subject of ongoing litigation. Changes to pre-Laws 2011, Chapter 357 retirees were declared invalid by the Arizona Supreme Court in 2014 (Fields v. Elected Officials' Retirement Plan, 234 Ariz. 214 (2014)).

IRS Favorable Determination Letter

A favorable determination letter is a document issued by the Internal Revenue Service (IRS) upon request regarding the qualified status of a retirement plan under the Internal Revenue Code (IRC), § 401(a) (IRS Favorable Determination Publication). According to the IRS, employers who sponsor retirement plans are generally not required to apply for a determination letter from the IRS; however, having a favorable determination letter provides the employer with reliance that:

- The plan is qualified under IRC § 401(a); and
- The plan's trust is exempt under IRC § 501(a)

PROVISIONS

1. Makes lump sum PBI payments ineligible for a direct rollover distribution into another retirement account.
2. States that if a EORP member who is eligible for the health/accident insurance premium benefit forfeits interest in the account before termination of EORP, the amount of the forfeiture must be quickly applied to reduce employer contributions required to fund the health insurance benefit.
3. Makes the changes in the section related to the health/accident insurance premium benefit retroactive to May 15, 1990.
4. Makes technical changes.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1055

(Reference to Senate engrossed bill)

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

2 "Section 1. Section 38-801, Arizona Revised Statutes, is amended to
3 read:

4 38-801. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Accumulated contributions" means the sum of all member
7 contributions deducted from the member's salary pursuant to section 38-810,
8 subsection A plus the amount transferred to the fund on behalf of the member
9 plus the amount deposited in the fund pursuant to section 38-816.

10 2. "Actuarial equivalent" means equality in present value of the
11 aggregate amounts expected to be received under two different forms of
12 payment, based on mortality and interest assumptions adopted by the board.

13 3. "Alternate payee" means the spouse or former spouse of a
14 participant as designated in a domestic relations order.

15 4. "Alternate payee's portion" means benefits that are payable to an
16 alternate payee pursuant to a plan approved domestic relations order.

17 5. "Average yearly salary" means the result obtained by dividing the
18 total salary paid to an employee during a considered period by the number of
19 years, including fractional years, in which the salary was received. The
20 considered period shall be:

21 (a) For an elected official who becomes a member of the plan before
22 January 1, 2012, the three consecutive years within the last ten completed
23 years of credited service as an elected official that yield the highest
24 average. If a member does not have three consecutive years of credited
25 service as an elected official, the considered period is the member's last
26 consecutive period of employment with a plan employer immediately before
27 retirement.

Adopted # of Verbals _____
Failed _____ Withdrawn _____
Not Offered _____ Analysts Initials _____

Attachment 2

1 (b) For an elected official who becomes a member of the plan on or
2 after January 1, 2012, the five consecutive years within the last ten
3 completed years of credited service as an elected official that yield the
4 highest average. If a member does not have five consecutive years of
5 credited service as an elected official, the considered period is the
6 member's last consecutive period of employment with a plan employer
7 immediately before retirement.

8 6. "Board" means the board of trustees of the system.

9 7. "Credited service" means the number of whole and fractional years
10 of a member's service as an elected official after the elected official's
11 effective date of participation for which member and employer contributions
12 are on deposit with the fund, plus credited service transferred to the plan
13 from another retirement system or plan for public employees of this state,
14 plus service as an elected official before the elected official's effective
15 date of participation that is being funded pursuant to a joinder agreement
16 pursuant to section 38-815 or service that was redeemed pursuant to section
17 38-816. Credited service does not include periods of service for which an
18 active member is uncompensated by the employer and for which no contributions
19 to the plan are made.

20 8. "Cure period" means the ninety-day period in which a participant or
21 alternate payee may submit an amended domestic relations order and request a
22 determination, calculated from the time the plan issues a determination
23 finding that a previously submitted domestic relations order did not qualify
24 as a plan approved domestic relations order.

25 9. "Determination" means a written document that indicates to a
26 participant and alternate payee whether a domestic relations order qualifies
27 as a plan approved domestic relations order.

28 10. "Determination period" means the ninety-day period in which the
29 plan must review a domestic relations order that is submitted by a
30 participant or alternate payee to determine whether the domestic relations
31 order qualifies as a plan approved domestic relations order, calculated from

1 the time the plan mails a notice of receipt to the participant and alternate
2 payee.

3 11. "Direct rollover" means a payment by the plan to an eligible
4 retirement plan that is specified by the distributee.

5 12. "Distributee" means a member, a member's surviving spouse or a
6 member's spouse or former spouse who is the alternate payee under a plan
7 approved domestic relations order.

8 13. "Domestic relations order" means an order of a court of this state
9 that is made pursuant to the domestic relations laws of this state and that
10 creates or recognizes the existence of an alternate payee's right to, or
11 assigns to an alternate payee the right to, receive a portion of the benefits
12 payable to a participant.

13 14. "Effective date of participation" means August 7, 1985, except
14 with respect to employers and their elected officials whose contributions to
15 the plan commence after that date, in which case the effective date of their
16 participation in the plan is specified in the applicable joinder agreement.

17 15. "Elected official" means:

18 (a) Every elected official of this state who was a member of the plan
19 on December 31, 2013.

20 (b) Every elected official of each county of this state who was a
21 member of the plan on December 31, 2013.

22 (c) Every justice of the supreme court, every judge of the court of
23 appeals, every judge of the superior court and every full-time superior court
24 commissioner, except full-time superior court commissioners who failed to
25 make a timely election of membership under the judges' retirement plan,
26 repealed on August 7, 1985, who was a member of the plan on December 31,
27 2013.

28 (d) The administrator of the board if the administrator is a natural
29 person but only if the administrator is employed by the board before January
30 1, 2012.

1 (e) Each elected official of an incorporated city or town whose
2 employer has executed a proper joinder agreement for coverage of its elected
3 officials and who was a member of the plan on December 31, 2013.

4 16. "Eligible child" means an unmarried child of a deceased active or
5 retired member who meets one of the following qualifications:

6 (a) Is under eighteen years of age.

7 (b) Is at least eighteen years of age and under twenty-three years of
8 age only during any period that the child is a full-time student.

9 (c) Is under a disability that began before the child attained
10 twenty-three years of age and remains a dependent of the surviving spouse or
11 guardian.

12 17. "Eligible retirement plan" means any of the following that accepts
13 a distributee's eligible rollover distribution:

14 (a) An individual retirement account described in section 408(a) of
15 the internal revenue code.

16 (b) An individual retirement annuity described in section 408(b) of
17 the internal revenue code.

18 (c) An annuity plan described in section 403(a) of the internal
19 revenue code.

20 (d) A qualified trust described in section 401(a) of the internal
21 revenue code.

22 (e) An annuity contract described in section 403(b) of the internal
23 revenue code.

24 (f) An eligible deferred compensation plan described in section 457(b)
25 of the internal revenue code that is maintained by a state, a political
26 subdivision of a state or any agency or instrumentality of a state or a
27 political subdivision of a state and that agrees to separately account for
28 amounts transferred into the eligible deferred compensation plan from this
29 plan.

30 18. "Eligible rollover distribution" means a payment to a distributee,
31 but does not include any of the following:

1 (a) Any distribution that is one of a series of substantially equal
2 periodic payments made not less frequently than annually for the life or life
3 expectancy of the member or the joint lives or joint life expectancies of the
4 member and the member's beneficiary or for a specified period of ten years or
5 more.

6 (b) Any distribution to the extent the distribution is required under
7 section 401(a)(9) of the internal revenue code.

8 (c) The portion of any distribution that is not includable in gross
9 income.

10 (d) ANY DISTRIBUTION MADE TO SATISFY THE REQUIREMENTS OF SECTION 415
11 OF THE INTERNAL REVENUE CODE.

12 (e) HARDSHIP DISTRIBUTIONS.

13 (f) SIMILAR ITEMS DESIGNATED BY THE COMMISSIONER OF THE UNITED STATES
14 INTERNAL REVENUE SERVICE IN REVENUE RULINGS, NOTICES AND OTHER GUIDANCE
15 PUBLISHED IN THE INTERNAL REVENUE BULLETIN.

16 19. "Employer" means a department, agency or political subdivision of
17 this state that makes employer contributions to the plan pursuant to section
18 38-810 on behalf of an elected official who participates in the plan.

19 20. "Fund" means the elected officials' retirement plan fund.

20 21. "Notice of receipt" means a written document that is issued by the
21 plan to a participant and alternate payee and that states that the plan has
22 received a domestic relations order and a request for a determination that
23 the domestic relations order is a plan approved domestic relations order.

24 22. "Participant" means a member who is subject to a domestic
25 relations order.

26 23. "Participant's portion" means benefits that are payable to a
27 participant pursuant to a plan approved domestic relations order.

28 24. "Pension" means a series of monthly payments to a person who is
29 entitled to receive benefits under the plan.

30 25. "Personal representative" means the personal representative of a
31 deceased alternate payee.

1 26. "Physician" means a physician who is licensed pursuant to title
2 32, chapter 13 or 17.

3 27. "Plan" means the elected officials' retirement plan.

4 28. "Plan approved domestic relations order" means a domestic
5 relations order that the plan approves as meeting all the requirements for a
6 plan approved domestic relations order as otherwise prescribed in this
7 article.

8 29. "PLAN YEAR" OR "FISCAL YEAR" MEANS THE PERIOD BEGINNING ON JULY 1
9 OF ANY YEAR AND ENDING ON JUNE 30 OF THE NEXT SUCCEEDING YEAR.

10 ~~29.~~ 30. "Retired member" means a person who is being paid a pension
11 based on the person's credited service as a member of the plan.

12 ~~30.~~ 31. "Segregated funds" means the amount of benefits that would
13 currently be payable to an alternate payee pursuant to a domestic relations
14 order under review by the plan, or a domestic relations order submitted to
15 the plan that failed to qualify as a plan approved domestic relations order,
16 if the domestic relations order were determined to be a plan approved
17 domestic relations order.

18 ~~31.~~ 32. "System" means the public safety personnel retirement system.

19 Sec. 2. Section 38-804, Arizona Revised Statutes, is amended to read:
20 38-804. Membership; termination; definition

21 A. Except as otherwise provided in this section, all elected officials
22 are members of the plan, except that a state elected official who is subject
23 to term limits may elect not to participate in the plan. The state elected
24 official who is subject to term limits shall make the election in writing and
25 file the election with the board within thirty days after the state elected
26 official assumes office. The election is effective on the first day of the
27 state elected official's eligibility for that term of office. The election
28 not to participate is specific for that term of office. If a state elected
29 official who is subject to term limits fails to make an election as provided
30 in this subsection, the state elected official is deemed to have elected to
31 participate in the plan. The election not to participate in the plan is
32 irrevocable and constitutes a waiver of all benefits provided by the plan for

1 the state elected official's entire term, except for any benefits accrued by
2 the state elected official in the plan for periods of participation before
3 being elected to an office subject to term limits or any benefits expressly
4 provided by law. The state elected official who elects not to participate in
5 the plan shall participate in the Arizona state retirement system unless the
6 state elected official makes an irrevocable election not to participate in
7 the Arizona state retirement system as provided in section 38-727.

8 B. All elected officials who are members of the plan on December 31,
9 2013 may remain members of the plan under the terms and limitations of this
10 article.

11 C. If a member who becomes a member of the plan before January 1, 2012
12 ceases to hold office for any reason other than death or retirement, within
13 twenty days after filing a completed application with the board, the member
14 is entitled to receive the following amounts, less any benefit payments the
15 member has received and any amount the member may owe to the plan:

16 1. If the member has less than five years of credited service with the
17 plan, the member may withdraw the member's accumulated contributions from the
18 plan.

19 2. If the member has five or more years of credited service with the
20 plan, the member may withdraw the member's accumulated contributions plus an
21 amount equal to the amount determined as follows:

22 (a) 5.0 to 5.9 years of credited service, twenty-five ~~per-cent~~ PERCENT
23 of all member contributions deducted from the member's salary pursuant to
24 section 38-810, subsection A.

25 (b) 6.0 to 6.9 years of credited service, forty ~~per-cent~~ PERCENT of
26 all member contributions deducted from the member's salary pursuant to
27 section 38-810, subsection A.

28 (c) 7.0 to 7.9 years of credited service, fifty-five ~~per-cent~~ PERCENT
29 of all member contributions deducted from the member's salary pursuant to
30 section 38-810, subsection A.

1 (d) 8.0 to 8.9 years of credited service, seventy ~~per-cent~~ PERCENT of
2 all member contributions deducted from the member's salary pursuant to
3 section 38-810, subsection A.

4 (e) 9.0 to 9.9 years of credited service, eighty-five ~~per-cent~~ PERCENT
5 of all member contributions deducted from the member's salary pursuant to
6 section 38-810, subsection A.

7 (f) 10.0 or more years of credited service, one hundred ~~per-cent~~
8 PERCENT of all member contributions deducted from the member's salary
9 pursuant to section 38-810, subsection A.

10 D. If a member has more than ten years of credited service with the
11 plan, leaves the monies prescribed in subsection C of this section on account
12 with the plan for more than thirty days after termination of employment and
13 after that time period requests a refund of those monies, the member is
14 entitled to receive the amount prescribed in subsection B of this section
15 plus interest at a rate determined by the board for each year computed from
16 and after the member's termination of employment.

17 E. If an elected official who becomes a member of the plan on or after
18 January 1, 2012 ceases to hold office for any reason other than death or
19 retirement, within twenty days after filing a completed application with the
20 board, the member may withdraw the member's accumulated contributions from
21 the plan and shall be paid the member's accumulated contributions plus
22 interest at a rate determined by the board as of the date of termination,
23 less any benefit payments the member has received and any amount the member
24 may owe to the plan.

25 F. If the amount prescribed in subsection C, D or E of this section
26 includes monies that are an eligible rollover distribution and the member
27 elects to have the distribution paid directly to an eligible retirement plan
28 or individual retirement account or annuity and specifies the eligible
29 retirement plan or individual retirement account or annuity to which the
30 distribution is to be paid, the distribution shall be made in the form of a
31 direct trustee-to-trustee transfer to the specified eligible retirement plan.
32 The distribution shall be made in the form and at the time prescribed by the

1 board. A member who receives the amount prescribed in subsection C, D or E
2 of this section from the plan or who elects a transfer pursuant to this
3 subsection forfeits the member's credited service, and all rights to benefits
4 under the plan and membership in the plan terminate.

5 G. FOR DISTRIBUTIONS OCCURRING FROM AND AFTER DECEMBER 31, 2007, A
6 MEMBER OR A MEMBER'S BENEFICIARY, INCLUDING A NONSPOUSE DESIGNATED
7 BENEFICIARY TO THE EXTENT PERMITTED UNDER SUBSECTION H OF THIS SECTION, MAY
8 ROLLOVER AN ELIGIBLE ROLLOVER DISTRIBUTION AS DEFINED IN SECTION 402(c)(4) OF
9 THE INTERNAL REVENUE CODE TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT, IF, FOR
10 DISTRIBUTIONS OCCURRING BEFORE JANUARY 1, 2010, THE MEMBER OR THE MEMBER'S
11 BENEFICIARY SATISFIES THE REQUIREMENTS FOR MAKING A ROTH INDIVIDUAL
12 RETIREMENT ACCOUNT CONTRIBUTION UNDER SECTION 408A(c)(3)(B) OF THE INTERNAL
13 REVENUE CODE, AS IN EFFECT ON THE DATE OF THE ROLLOVER. ANY AMOUNT ROLLED
14 OVER TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT IS INCLUDED IN THE GROSS INCOME
15 OF THE MEMBER OR THE MEMBER'S BENEFICIARY TO THE EXTENT THE AMOUNTS WOULD
16 HAVE BEEN INCLUDED IN GROSS INCOME IF NOT ROLLED OVER AS REQUIRED UNDER
17 SECTION 408A(d)(3)(A) OF THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS
18 SUBSECTION, THE ADMINISTRATOR IS NOT RESPONSIBLE FOR ENSURING THE MEMBER OR
19 THE MEMBER'S BENEFICIARY IS ELIGIBLE TO MAKE A ROLLOVER TO A ROTH INDIVIDUAL
20 RETIREMENT ACCOUNT.

21 H. FOR DISTRIBUTIONS MADE FROM AND AFTER DECEMBER 31, 2009, A
22 NONSPOUSE DESIGNATED BENEFICIARY AS DEFINED IN SECTION 401(a)(9)(E) OF THE
23 INTERNAL REVENUE CODE MAY ELECT TO DIRECTLY ROLLOVER AN ELIGIBLE ROLLOVER
24 DISTRIBUTION TO AN INDIVIDUAL RETIREMENT ACCOUNT UNDER SECTION 408(a) OF THE
25 INTERNAL REVENUE CODE OR AN INDIVIDUAL RETIREMENT ANNUITY UNDER SECTION
26 408(b) OF THE INTERNAL REVENUE CODE THAT IS ESTABLISHED ON BEHALF OF THE
27 DESIGNATED BENEFICIARY AND THAT WILL BE TREATED AS AN INHERITED INDIVIDUAL
28 RETIREMENT PLAN PURSUANT TO SECTION 402(c)(11) OF THE INTERNAL REVENUE
29 CODE. IN ORDER TO BE ABLE TO ROLLOVER THE DISTRIBUTION, THE DISTRIBUTION
30 OTHERWISE MUST SATISFY THE DEFINITION OF AN ELIGIBLE ROLLOVER DISTRIBUTION AS
31 DEFINED IN SECTION 402(c)(4) OF THE INTERNAL REVENUE CODE. IN APPLYING THIS
32 SUBSECTION, A NONSPOUSE ROLLOVER IS NOT SUBJECT TO THE DIRECT ROLLOVER

1 REQUIREMENTS UNDER SECTION 401(a)(31) OF THE INTERNAL REVENUE CODE, THE
2 ROLLOVER NOTICE REQUIREMENTS UNDER SECTION 402(f) OF THE INTERNAL REVENUE
3 CODE OR THE MANDATORY WITHHOLDING REQUIREMENTS UNDER SECTION 3405(c) OF THE
4 INTERNAL REVENUE CODE.

5 I. FOR PLAN YEARS OCCURRING BEFORE JANUARY 1, 2007, THE PERIOD FOR
6 PROVIDING THE ROLLOVER NOTICE AS REQUIRED UNDER SECTION 402(f) OF THE
7 INTERNAL REVENUE CODE IS NO LESS THAN THIRTY DAYS AND NO MORE THAN NINETY
8 DAYS BEFORE THE DATE OF DISTRIBUTION AND, FOR PLAN YEARS BEGINNING FROM AND
9 AFTER DECEMBER 31, 2006, THE PERIOD FOR PROVIDING THE ROLLOVER NOTICE AS
10 REQUIRED UNDER SECTION 402(f) OF THE INTERNAL REVENUE CODE IS NO LESS THAN
11 THIRTY DAYS AND NO MORE THAN ONE HUNDRED EIGHTY DAYS BEFORE THE DATE OF
12 DISTRIBUTION.

13 ~~G~~ J. In no case shall more than twelve months of credited service be
14 credited on account of all service rendered by a member in any one year.

15 ~~H~~ K. If an elected official who has terminated the member's
16 membership in the plan pursuant to subsection C of this section is
17 subsequently elected, appointed or hired on or after January 1, 2014, the
18 elected official is not eligible to become a member of the plan but is
19 subject to article 3.1 of this chapter.

20 ~~I~~ L. Notwithstanding subsection ~~H~~ K of this section, if an elected
21 official files a written election form with the board within ninety days
22 after the day of the member's reemployment as an elected official and repays
23 the amount previously withdrawn pursuant to subsection C or D of this section
24 within one year after the date of the member's reemployment as an elected
25 official, with interest on that amount at the rate of nine per cent for each
26 year, compounded each year from the date of withdrawal to the date of
27 repayment, credited service shall be restored. Credited service shall not be
28 restored until complete repayment is made to the fund.

29 ~~J~~ M. An elected official who is elected, appointed or hired on or
30 after January 1, 2014 and who was not a member of the plan on December 31,
31 2013 is not eligible to become a member of the plan but is subject to article
32 3.1 of this chapter.

1 ~~K~~ N. If a retired member subsequently becomes an elected official,
2 contributions shall not be made by the retired member and credited service
3 shall not accrue while the retired member is holding office.

4 ~~L~~ O. In addition to subsection ~~K~~ N of this section, if a retired
5 member subsequently becomes, by reason of election or reelection, an elected
6 official of the same office from which the member retired within a time
7 period following the member's retirement that is less than one full term for
8 that office, the member shall not receive a pension. If the elected official
9 ceases to hold the same office, the elected official is entitled to receive
10 the same pension the elected official was receiving when the elected
11 official's pension was discontinued pursuant to this subsection. Nothing in
12 this subsection prohibits a retired judge called by the supreme court to
13 active duties of a judge pursuant to section 38-813 from receiving retirement
14 benefits."

15 Renumber to conform

16 Page 3, between lines 7 and 8, insert:

17 "Sec. 5. Section 38-820, Arizona Revised Statutes, is amended to read:
18 38-820. Credit for military service

19 A. A member of the plan who has at least ten years of credited service
20 with the plan may receive credited service for periods of active military
21 service performed before employment with the member's current employer if:

22 1. The member was honorably separated from the military service.
23 2. The period of military service for which the member receives
24 credited service does not exceed sixty months.

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

29 4. The member pays the cost to purchase the prior active military
30 service. The cost is the amount necessary to equal the increase in the
31 actuarial present value of projected benefits resulting from the additional
32 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 plan 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 (38 United States Code part III, chapter 43).
7 The member's employer shall make employer contributions and the member shall
8 make the member contributions pursuant to subsection C of this section if the
9 member meets the following requirements:

10 1. Was an active member of the plan on the day before the member began
11 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:

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

4 2. If the employer cannot reasonably determine the member's rate of
5 compensation for the period that the member was ordered into military
6 service, contributions shall be based on the member's average rate of
7 compensation during the twelve-month period immediately preceding the period
8 of military service.

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

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

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

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

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

30 H. In addition to, but not in duplication of, ~~the provisions of~~
31 subsection B of this section, beginning December 12, 1994 contributions,
32 benefits and credited service provided pursuant to this section shall be

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

4 I. FOR PLAN YEARS BEGINNING AFTER DECEMBER 31, 2008, A MEMBER WHO DOES
5 NOT CURRENTLY PERFORM SERVICES FOR AN EMPLOYER BY REASON OF QUALIFIED
6 MILITARY SERVICE AS DEFINED IN SECTION 414(u)(5) OF THE INTERNAL REVENUE CODE
7 IS NOT CONSIDERED HAVING A SEVERANCE FROM EMPLOYMENT DURING THAT QUALIFIED
8 MILITARY SERVICE. ANY PAYMENTS BY THE EMPLOYER TO THE MEMBER DURING THE
9 QUALIFIED MILITARY SERVICE SHALL BE CONSIDERED COMPENSATION TO THE EXTENT
10 THOSE PAYMENTS DO NOT EXCEED THE AMOUNTS THE MEMBER WOULD HAVE RECEIVED IF
11 THE MEMBER HAD CONTINUED TO PERFORM SERVICES FOR THE EMPLOYER RATHER THAN
12 ENTERING QUALIFIED MILITARY SERVICE.

13 J. FOR DEATHS OCCURRING FROM AND AFTER DECEMBER 31, 2006, IN THE CASE
14 OF A MEMBER WHO DIES WHILE PERFORMING QUALIFIED MILITARY SERVICE AS DEFINED
15 IN SECTION 414(u)(5) OF THE INTERNAL REVENUE CODE, THE SURVIVORS OF THE
16 MEMBER ARE ENTITLED TO ANY BENEFITS, OTHER THAN BENEFIT ACCRUALS RELATING TO
17 THE PERIOD OF QUALIFIED MILITARY SERVICE, PROVIDED UNDER THE PLAN AS THOUGH
18 THE MEMBER RESUMED AND THEN TERMINATED EMPLOYMENT ON ACCOUNT OF DEATH."

19 Renumber to conform

20 Amend title to conform

BOB THORPE

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03/03/2015
04:50 PM
C: mjh

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1055

DATE March 5, 2015 MOTION: Open

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese		✓			
Mr. Larkin		✓			
Mr. Lovas					✓
Mr. Olson					✓
Mr. Petersen		✓			
Mr. Saldate		✓			
Ms. Townsend		✓			
Mr. Ackerley, Vice-Chairman		✓			
Mr. Thorpe, Chairman		✓			
		7	0	0	2

APPROVED:

Bob Thorpe
BOB THORPE, Chairman
JOHN C. ACKERLEY, Vice-Chairman

Mary Reilly
COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1057

PSPRS; health benefits; retirement benefits

Sponsor: Senator Lesko

X Committee on Government & Higher Education

Caucus and COW

House Engrossed

OVERVIEW

SB 1057 makes changes to the lump sum payment of permanent benefit increases (PBI) and the health insurance/accident premium benefit program under the Public Safety Personnel Retirement System (PSPRS).

HISTORY

General

PSPRS was established by the Legislature in 1968 as a defined benefit retirement plan for peace officers and firefighters. The PSPRS Fund is supported by member contributions, employer contributions and investment earnings. Monies in PSPRS are pooled for investment purposes, but each employer maintains a separate account for pension payments, and each employer has its own contribution rate based on the cost of the benefit and unfunded liability associated with that employer's account. Employee contribution rates are established in statute (Arizona Revised Statutes (A.R.S.) § 38-843). PSPRS is managed by a Board of Trustees, consisting of seven members, who are statutorily responsible for the management of PSPRS investments. Each employer also has a local board that makes eligibility and disability determinations.

Health /Accident Insurance Premium Benefit

Pursuant to A.R.S. §§ 38-857, 38-651.01 and 38-782, for retirees and eligible survivors under PSPRS that elect group health insurance and/or accident insurance coverage through the Arizona State Retirement System group plan, the Arizona Department of Administration group plan or a group plan through an employer, PSPRS will pay a premium benefit of up to:

Single	Premium Benefit	Family	Premium Benefit
Non-Medicare Eligible	\$150/month	None Medicare Eligible	\$260/month
Medicare Eligible	\$100/month	All with Medicare	\$170/month
		One with or without Medicare	\$215/month

Permanent Benefit Increases

The PSPRS PBI formula is outlined in A.R.S. § 38-856 and was modified through Laws 2011, Chapter 357* in A.R.S. § 38-856.02. PBIs are paid to retirees on a monthly basis, depending on the rate of return for the overall plan and the funded status of the PSPRS account. A.R.S. § 38-856.01 allows a retiree or survivor to ask the PSPRS Board of Trustees to have the PBI paid in a lump sum payment, if the normal payment would impact the person receiving any social service

program provided to the retiree by the local, state or federal government. Current law makes this lump sum payment eligible for a direct rollover distribution into another retirement account or plan.

*The 2011 PBI changes are the subject of ongoing litigation. Changes to pre-Laws 2011, Chapter 357 retirees were declared invalid by the Arizona Supreme Court in 2014 (Fields v. Elected Officials' Retirement Plan, 234 Ariz. 214 (2014)).

IRS Favorable Determination Letter

A favorable determination letter is a document issued by the Internal Revenue Service (IRS) upon request regarding the qualified status of a retirement plan under the Internal Revenue Code (IRC), § 401(a) (IRS Favorable Determination Publication). According to the IRS, employers who sponsor retirement plans are generally not required to apply for a determination letter from the IRS; however, having a favorable determination letter provides the employer with reliance that:

- The plan is qualified under IRC § 401(a); and
- The plan's trust is exempt under IRC § 501(a)

PROVISIONS

1. Makes lump sum PBI payments ineligible for a direct rollover distribution into another retirement account.
2. States that if a PSPRS member who is eligible for the health/accident insurance premium benefit forfeits interest in the account before termination of PSPRS, the amount of the forfeiture must be quickly applied to reduce employer contributions required to fund the health insurance benefit.
3. Removes the purchase of a handgun or shotgun at less than fair market value from the benefits provided under PSPRS for retirees.
4. Makes the change in the section related to the health/accident insurance premium benefit retroactive to September 29, 1988.
5. Makes technical changes.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1057

(Reference to Senate engrossed bill)

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

2 "Section 1. Section 38-842, Arizona Revised Statutes, is amended to
3 read:

4 38-842. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Accidental disability" means a physical or mental condition that
7 the local board finds totally and permanently prevents an employee from
8 performing a reasonable range of duties within the employee's job
9 classification and that was incurred in the performance of the employee's
10 duty.

11 2. "Accumulated contributions" means, for each member, the sum of the
12 amount of the member's aggregate contributions made to the fund and the
13 amount, if any, attributable to the employee's contributions before the
14 member's effective date under another public retirement system, other than
15 the federal social security act, and transferred to the fund minus the
16 benefits paid to or on behalf of the member.

17 3. "Actuarial equivalent" means equality in present value of the
18 aggregate amounts expected to be received under two different forms of
19 payment, based on mortality and interest assumptions adopted by the board.

20 4. "Alternate payee" means the spouse or former spouse of a
21 participant as designated in a domestic relations order.

22 5. "Alternate payee's portion" means benefits that are payable to an
23 alternate payee pursuant to a plan approved domestic relations order.

24 6. "Annuitant" means a person who is receiving a benefit pursuant to
25 section 38-846.01.

26 7. "Average monthly benefit compensation" means the result obtained by
27 dividing the total compensation paid to an employee during a considered
28 period by the number of months, including fractional months, in which such
29 compensation was received. For an employee who becomes a member of the

1 system before January 1, 2012, the considered period shall be the three
2 consecutive years within the last twenty completed years of credited service
3 that yield the highest average. For an employee who becomes a member of the
4 system on or after January 1, 2012, the considered period is the five
5 consecutive years within the last twenty completed years of credited service
6 that yield the highest average. In the computation under this paragraph, a
7 period of nonpaid or partially paid industrial leave shall be considered
8 based on the compensation the employee would have received in the employee's
9 job classification if the employee was not on industrial leave.

10 8. "Board" means the board of trustees of the system, who are the
11 persons appointed to invest and operate the fund.

12 9. "Catastrophic disability" means a physical and not a psychological
13 condition that the local board determines prevents the employee from totally
14 and permanently engaging in any gainful employment and that results from a
15 physical injury incurred in the performance of the employee's duty.

16 10. "Certified peace officer" means a peace officer certified by the
17 Arizona peace officer standards and training board.

18 11. "Claimant" means any member or beneficiary who files an
19 application for benefits pursuant to this article.

20 12. "Compensation" means, for the purpose of computing retirement
21 benefits, base salary, overtime pay, shift differential pay, military
22 differential wage pay, compensatory time used by an employee in lieu of
23 overtime not otherwise paid by an employer and holiday pay paid to an
24 employee by the employer for the employee's performance of services in an
25 eligible group on a regular monthly, semimonthly or biweekly payroll basis
26 and longevity pay paid to an employee at least every six months for which
27 contributions are made to the system pursuant to section 38-843,
28 subsection D. Compensation does not include, for the purpose of computing
29 retirement benefits, payment for unused sick leave, payment in lieu of
30 vacation, payment for unused compensatory time or payment for any fringe
31 benefits. In addition, compensation does not include, for the purpose of
32 computing retirement benefits, payments made directly or indirectly by the
33 employer to the employee for work performed for a third party on a contracted

1 basis or any other type of agreement under which the third party pays or
2 reimburses the employer for the work performed by the employee for that third
3 party, except for third party contracts between public agencies for law
4 enforcement, criminal, traffic and crime suppression activities training or
5 fire, wildfire, emergency medical or emergency management activities or where
6 the employer supervises the employee's performance of law enforcement,
7 criminal, traffic and crime suppression activities training or fire,
8 wildfire, emergency medical or emergency management activities. For the
9 purposes of this paragraph, "base salary" means the amount of compensation
10 each employee is regularly paid for personal services rendered to an employer
11 before the addition of any extra monies, including overtime pay, shift
12 differential pay, holiday pay, longevity pay, fringe benefit pay and similar
13 extra payments.

14 13. "Credited service" means the member's total period of service
15 before the member's effective date of participation, plus those compensated
16 periods of the member's service thereafter for which the member made
17 contributions to the fund.

18 14. "Cure period" means the ninety-day period in which a participant
19 or alternate payee may submit an amended domestic relations order and request
20 a determination, calculated from the time the system issues a determination
21 finding that a previously submitted domestic relations order did not qualify
22 as a plan approved domestic relations order.

23 15. "Depository" means a bank in which all monies of the system are
24 deposited and held and from which all expenditures for benefits, expenses and
25 investments are disbursed.

26 16. "Determination" means a written document that indicates to a
27 participant and alternate payee whether a domestic relations order qualifies
28 as a plan approved domestic relations order.

29 17. "Determination period" means the ninety-day period in which the
30 system must review a domestic relations order that is submitted by a
31 participant or alternate payee to determine whether the domestic relations
32 order qualifies as a plan approved domestic relations order, calculated from

1 the time the system mails a notice of receipt to the participant and
2 alternate payee.

3 18. "Direct rollover" means a payment by the system to an eligible
4 retirement plan that is specified by the distributee.

5 19. "Distributee" means a member, a member's surviving spouse or a
6 member's spouse or former spouse who is the alternate payee under a plan
7 approved domestic relations order.

8 20. "Domestic relations order" means an order of a court of this state
9 that is made pursuant to the domestic relations laws of this state and that
10 creates or recognizes the existence of an alternate payee's right to, or
11 assigns to an alternate payee the right to, receive a portion of the benefits
12 payable to a participant.

13 21. "Effective date of participation" means July 1, 1968, except with
14 respect to employers and their covered employees whose contributions to the
15 fund commence thereafter, the effective date of their participation in the
16 system is as specified in the applicable joinder agreement.

17 22. "Effective date of vesting" means the date a member's rights to
18 benefits vest pursuant to section 38-844.01.

19 23. "Eligible child" means an unmarried child of a deceased member or
20 retired member who meets one of the following qualifications:

21 (a) Is under eighteen years of age.

22 (b) Is at least eighteen years of age and under twenty-three years of
23 age only during any period that the child is a full-time student.

24 (c) Is under a disability that began before the child attained
25 twenty-three years of age and remains a dependent of the surviving spouse or
26 guardian.

27 24. "Eligible groups" means only the following who are regularly
28 assigned to hazardous duty:

29 (a) Municipal police officers who are certified peace officers.

30 (b) Municipal fire fighters.

31 (c) Paid full-time fire fighters employed directly by a fire district
32 organized pursuant to section 48-803 or 48-804 or a joint powers authority
33 pursuant to section 48-805.01 with three or more full-time fire fighters, but

1 not including fire fighters employed by a fire district pursuant to a
2 contract with a corporation.

3 (d) State highway patrol officers who are certified peace officers.

4 (e) State fire fighters.

5 (f) County sheriffs and deputies who are certified peace officers.

6 (g) Game and fish wardens who are certified peace officers.

7 (h) Police officers who are certified peace officers and fire fighters
8 of a nonprofit corporation operating a public airport pursuant to sections
9 28-8423 and 28-8424. A police officer shall be designated pursuant to
10 section 28-8426 to aid and supplement state and local law enforcement
11 agencies and a fire fighter's sole duty shall be to perform fire fighting
12 services, including services required by federal regulations.

13 (i) Police officers who are certified peace officers and who are
14 appointed by the Arizona board of regents.

15 (j) Police officers who are certified peace officers and who are
16 appointed by a community college district governing board.

17 (k) State attorney general investigators who are certified peace
18 officers.

19 (l) County attorney investigators who are certified peace officers.

20 (m) Police officers who are certified peace officers and who are
21 employed by an Indian reservation police agency.

22 (n) Fire fighters who are employed by an Indian reservation fire
23 fighting agency.

24 (o) Department of liquor licenses and control investigators who are
25 certified peace officers.

26 (p) Arizona department of agriculture officers who are certified peace
27 officers.

28 (q) Arizona state parks board rangers and managers who are certified
29 peace officers.

30 (r) County park rangers who are certified peace officers.

31 25. "Eligible retirement plan" means any of the following that accepts
32 a distributee's eligible rollover distribution:

1 (a) An individual retirement account described in section 408(a) of
2 the internal revenue code.

3 (b) An individual retirement annuity described in section 408(b) of
4 the internal revenue code.

5 (c) An annuity plan described in section 403(a) of the internal
6 revenue code.

7 (d) A qualified trust described in section 401(a) of the internal
8 revenue code.

9 (e) An annuity contract described in section 403(b) of the internal
10 revenue code.

11 (f) An eligible deferred compensation plan described in section 457(b)
12 of the internal revenue code that is maintained by a state, a political
13 subdivision of a state or any agency or instrumentality of a state or a
14 political subdivision of a state and that agrees to separately account for
15 amounts transferred into the eligible deferred compensation plan from this
16 plan.

17 26. "Eligible rollover distribution" means a payment to a distributee,
18 but does not include any of the following:

19 (a) Any distribution that is one of a series of substantially equal
20 periodic payments made not less frequently than annually for the life or life
21 expectancy of the member or the joint lives or joint life expectancies of the
22 member and the member's beneficiary or for a specified period of ten years or
23 more.

24 (b) Any distribution to the extent the distribution is required under
25 section 401(a)(9) of the internal revenue code.

26 (c) The portion of any distribution that is not includable in gross
27 income.

28 (d) ANY DISTRIBUTION MADE TO SATISFY THE REQUIREMENTS OF SECTION 415
29 OF THE INTERNAL REVENUE CODE.

30 (e) HARDSHIP DISTRIBUTIONS.

31 (f) SIMILAR ITEMS DESIGNATED BY THE COMMISSIONER OF THE UNITED STATES
32 INTERNAL REVENUE SERVICE IN REVENUE RULINGS, NOTICES AND OTHER GUIDANCE
33 PUBLISHED IN THE INTERNAL REVENUE BULLETIN.

1 27. "Employee" means any person who is employed by a participating
2 employer and who is a member of an eligible group but does not include any
3 persons compensated on a contractual or fee basis. If an eligible group
4 requires certified peace officer status or fire fighter certification and at
5 the option of the local board, employee may include a person who is training
6 to become a certified peace officer or fire fighter.

7 28. "Employers" means:

8 (a) Cities contributing to the fire fighters' relief and pension fund
9 as provided in sections 9-951 through 9-971 or statutes amended thereby and
10 antecedent thereto, as of June 30, 1968 on behalf of their full-time paid
11 fire fighters.

12 (b) Cities contributing under the state police pension laws as
13 provided in sections 9-911 through 9-934 or statutes amended thereby and
14 antecedent thereto, as of June 30, 1968 on behalf of their municipal
15 policemen.

16 (c) The state highway patrol covered under the state highway patrol
17 retirement system.

18 (d) The state, or any political subdivision of this state, including
19 towns, cities, fire districts, joint powers authorities, counties and
20 nonprofit corporations operating public airports pursuant to sections 28-8423
21 and 28-8424, that has elected to participate in the system on behalf of an
22 eligible group of public safety personnel pursuant to a joinder agreement
23 entered into after July 1, 1968.

24 (e) Indian tribes that have elected to participate in the system on
25 behalf of an eligible group of public safety personnel pursuant to a joinder
26 agreement entered into after July 1, 1968.

27 29. "Fund" means the public safety personnel retirement fund, which is
28 the fund established to receive and invest contributions accumulated under
29 the system and from which benefits are paid.

30 30. "Local board" means the retirement board of the employer, who are
31 the persons appointed to administer the system as it applies to their members
32 in the system.

1 31. "Member" means any full-time employee who meets all of the
2 following qualifications:

3 (a) Who is either a paid municipal police officer, a paid fire
4 fighter, a law enforcement officer who is employed by this state including
5 the director thereof, a state fire fighter who is primarily assigned to fire
6 fighting duties, a fire fighter or police officer of a nonprofit corporation
7 operating a public airport pursuant to sections 28-8423 and 28-8424, all
8 ranks designated by the Arizona law enforcement merit system council, a state
9 attorney general investigator who is a certified peace officer, a county
10 attorney investigator who is a certified peace officer, a department of
11 liquor licenses and control investigator who is a certified peace officer, an
12 Arizona department of agriculture officer who is a certified peace officer,
13 an Arizona state parks board ranger or manager who is a certified peace
14 officer, a county park ranger who is a certified peace officer, a person who
15 is a certified peace officer and who is employed by an Indian reservation
16 police agency, a fire fighter who is employed by an Indian reservation fire
17 fighting agency or an employee included in a group designated as eligible
18 employees under a joinder agreement entered into by their employer after July
19 1, 1968 and who is or was regularly assigned to hazardous duty or, beginning
20 retroactively to January 1, 2009, who is a police chief or a fire chief.

21 (b) Who, on or after the employee's effective date of participation,
22 is receiving compensation for personal services rendered to an employer or
23 would be receiving compensation except for an authorized leave of absence.

24 (c) Whose customary employment is at least forty hours per week or,
25 for those employees who customarily work fluctuating work weeks, whose
26 customary employment averages at least forty hours per week.

27 (d) Who is engaged to work for more than six months in a calendar
28 year.

29 (e) Who, if economic conditions exist, is required to take furlough
30 days or reduce the hours of the employee's normal work week below forty hours
31 but not less than thirty hours per pay cycle, and maintain the employee's
32 active member status within the system as long as the hour change does not
33 extend beyond twelve consecutive months.

1 (f) Who has not attained age sixty-five before the employee's
2 effective date of participation or who was over age sixty-five with
3 twenty-five years or more of service prior to the employee's effective date
4 of participation.

5 32. "Normal retirement date" means:

6 (a) For an employee who becomes a member of the system before January
7 1, 2012, the first day of the calendar month immediately following the
8 employee's completion of twenty years of service or the employee's
9 sixty-second birthday and the employee's completion of fifteen years of
10 service.

11 (b) For an employee who becomes a member of the system on or after
12 January 1, 2012, the first day of the calendar month immediately following
13 the employee's completion of twenty-five years of service if the employee is
14 at least fifty-two and one-half years of age.

15 33. "Notice of receipt" means a written document that is issued by the
16 system to a participant and alternate payee and that states that the system
17 has received a domestic relations order and a request for a determination
18 that the domestic relations order is a plan approved domestic relations
19 order.

20 34. "Ordinary disability" means a physical condition that the local
21 board determines will prevent an employee totally and permanently from
22 performing a reasonable range of duties within the employee's department or a
23 mental condition that the local board determines will prevent an employee
24 totally and permanently from engaging in any substantial gainful activity.

25 35. "Participant" means a member who is subject to a domestic
26 relations order.

27 36. "Participant's portion" means benefits that are payable to a
28 participant pursuant to a plan approved domestic relations order.

29 37. "Pension" means a series of monthly amounts that are payable to a
30 person who is entitled to receive benefits under the plan but does not
31 include an annuity that is payable pursuant to section 38-846.01.

32 38. "Personal representative" means the personal representative of a
33 deceased alternate payee.

1 39. "Physician" means a physician who is licensed pursuant to title
2 32, chapter 13 or 17.

3 40. "Plan approved domestic relations order" means a domestic
4 relations order that the system approves as meeting all the requirements for
5 a plan approved domestic relations order as otherwise prescribed in this
6 article.

7 41. "PLAN YEAR" OR "FISCAL YEAR" MEANS THE PERIOD BEGINNING ON JULY 1
8 OF ANY YEAR AND ENDING ON JUNE 30 OF THE NEXT SUCCEEDING YEAR.

9 ~~41.~~ 42. "Regularly assigned to hazardous duty" means regularly
10 assigned to duties of the type normally expected of municipal police
11 officers, municipal or state fire fighters, eligible fire district fire
12 fighters, state highway patrol officers, county sheriffs and deputies, fish
13 and game wardens, fire fighters and police officers of a nonprofit
14 corporation operating a public airport pursuant to sections 28-8423 and
15 28-8424, police officers who are appointed by the Arizona board of regents or
16 a community college district governing board, state attorney general
17 investigators who are certified peace officers, county attorney investigators
18 who are certified peace officers, department of liquor licenses and control
19 investigators who are certified peace officers, Arizona department of
20 agriculture officers who are certified peace officers, Arizona state parks
21 board rangers and managers who are certified peace officers, county park
22 rangers who are certified peace officers, police officers who are certified
23 peace officers and who are employed by an Indian reservation police agency or
24 fire fighters who are employed by an Indian reservation fire fighting agency.
25 Those individuals who are assigned solely to support duties such as
26 secretaries, stenographers, clerical personnel, clerks, cooks, maintenance
27 personnel, mechanics and dispatchers are not assigned to hazardous duty
28 regardless of their position classification title. Since the normal duties
29 of those jobs described in this paragraph are constantly changing, questions
30 as to whether a person is or was previously regularly assigned to hazardous
31 duty shall be resolved by the local board on a case-by-case basis.
32 Resolutions by local boards are subject to rehearing and appeal.

1 ~~42.~~ 43. "Retirement" or "retired" means termination of employment
2 after a member has fulfilled all requirements for a pension or, for an
3 employee who becomes a member of the system on or after January 1, 2012,
4 attains the age and service requirements for a normal retirement date.
5 Retirement shall be considered as commencing on the first day of the month
6 immediately following a member's last day of employment or authorized leave
7 of absence, if later.

8 ~~43.~~ 44. "Segregated funds" means the amount of benefits that would
9 currently be payable to an alternate payee pursuant to a domestic relations
10 order under review by the system, or a domestic relations order submitted to
11 the system that failed to qualify as a plan approved domestic relations
12 order, if the domestic relations order were determined to be a plan approved
13 domestic relations order.

14 ~~44.~~ 45. "Service" means the last period of continuous employment of
15 an employee by the employers before the employee's retirement, except that if
16 such period includes employment during which the employee would not have
17 qualified as a member had the system then been effective, such as employment
18 as a volunteer fire fighter, then only twenty-five ~~per-cent~~ PERCENT of such
19 noncovered employment shall be considered as service. Any absence that is
20 authorized by an employer shall not be considered as interrupting continuity
21 of employment if the employee returns within the period of authorized
22 absence. Transfers between employers also shall not be considered as
23 interrupting continuity of employment. Any period during which a member is
24 receiving sick leave payments or a temporary disability pension shall be
25 considered as service. Notwithstanding any other provision of this
26 paragraph, any period during which a person was employed as a full-time paid
27 fire fighter for a corporation that contracted with an employer to provide
28 firefighting services on behalf of the employer shall be considered as
29 service if the employer has elected at its option to treat part or all of the
30 period the firefighter worked for the company as service in its applicable
31 joinder agreement. Any reference in this system to the number of years of
32 service of an employee shall be deemed to include fractional portions of a
33 year.

1 45- 46. "State" means the state of Arizona, including any department,
2 office, board, commission, agency or other instrumentality of the state.

3 46- 47. "System" means the public safety personnel retirement system
4 established by this article.

5 47- 48. "Temporary disability" means a physical or mental condition
6 that the local board finds totally and temporarily prevents an employee from
7 performing a reasonable range of duties within the employee's department and
8 that was incurred in the performance of the employee's duty.

9 Sec. 2. Section 38-844.08, Arizona Revised Statutes, is amended to
10 read:

11 38-844.08. Payment of deferred retirement option plan benefits

12 A. On the simultaneous termination of deferred retirement option plan
13 participation and employment, a member is entitled to receive all of the
14 following:

15 1. The monthly retirement allowance in the amount determined pursuant
16 to section 38-845 that was credited monthly to the member's deferred
17 retirement option plan participation account at the date of termination of
18 deferred retirement option plan participation.

19 2. All amounts credited to the member's deferred retirement option
20 plan participation account on the effective date of termination of deferred
21 retirement option plan participation.

22 3. Interest on the amount credited pursuant to section 38-844.05,
23 subsection C, paragraph 3 at a rate equal to two per-cent PERCENT but only if
24 the average annual return of the system over the period of years established
25 by the board for use in the calculation of the actuarial value of assets is
26 at least two per-cent PERCENT for the previous fiscal year.

27 B. The form of payment shall be a lump sum distribution. ~~If allowed~~
28 ~~by the internal revenue service, the participant may elect to transfer the~~
29 ~~lump sum distribution to an eligible retirement plan or individual retirement~~
30 ~~account.~~ THE MEMBER OR THE MEMBER'S BENEFICIARY MAY MAKE A DIRECT ROLLOVER
31 OF THE LUMP SUM DISTRIBUTION TO AN ELIGIBLE RETIREMENT PLAN UNDER THE SAME
32 RULES SPECIFIED IN SECTION 38-846.02, SUBSECTIONS E, F AND G."

33 Renumber to conform

1 Page 2, between lines 25 and 26, insert:

2 "Sec. 4. Section 38-846.02, Arizona Revised Statutes, is amended to
3 read:

4 38-846.02. Termination of membership

5 A. On termination of employment for any reason other than death or
6 retirement, within twenty days after filing a completed application with the
7 board, a member who becomes a member of the system before January 1, 2012 is
8 entitled to receive the following amounts, less any benefit payments the
9 member has received or any amount the member may owe to the system:

10 1. If the member has less than five years of credited service with the
11 system, the member may withdraw the member's accumulated contributions from
12 the system.

13 2. If the member has five or more years of credited service with the
14 system, the member may withdraw the member's accumulated contributions plus
15 an amount equal to the amount determined as follows:

16 (a) 5.0 to 5.9 years of credited service, ~~twenty-five per-cent~~ PERCENT
17 of all member contributions deducted from the member's salary pursuant to
18 section 38-843, subsection C.

19 (b) 6.0 to 6.9 years of credited service, ~~forty per-cent~~ PERCENT of
20 all member contributions deducted from the member's salary pursuant to
21 section 38-843, subsection C.

22 (c) 7.0 to 7.9 years of credited service, ~~fifty-five per-cent~~ PERCENT
23 of all member contributions deducted from the member's salary pursuant to
24 section 38-843, subsection C.

25 (d) 8.0 to 8.9 years of credited service, ~~seventy per-cent~~ PERCENT of
26 all member contributions deducted from the member's salary pursuant to
27 section 38-843, subsection C.

28 (e) 9.0 to 9.9 years of credited service, ~~eighty-five per-cent~~ PERCENT
29 of all member contributions deducted from the member's salary pursuant to
30 section 38-843, subsection C.

31 (f) 10.0 or more years of credited service, ~~one hundred per-cent~~
32 PERCENT of all member contributions deducted from the member's salary
33 pursuant to section 38-843, subsection C.

1 B. If a member who becomes a member of the system before January 1,
2 2012 has more than ten years of credited service with the system, leaves the
3 monies prescribed in subsection A of this section on account with the system
4 for more than thirty days after termination of employment and after that time
5 period requests a refund of those monies, the member is entitled to receive
6 the amount prescribed in subsection A of this section plus interest at a rate
7 determined by the board for each year computed from and after the member's
8 termination of employment.

9 C. On termination of employment for any reason other than death or
10 retirement, within twenty days after filing a completed application with the
11 board, a member who becomes a member of the system on or after January 1,
12 2012 is entitled to receive a lump sum payment equal to the member's
13 accumulated contribution plus interest at a rate determined by the board as
14 of the date of termination, less any benefit payments the member has received
15 as of the date of termination or any amount the member may owe to the system.

16 D. If the amount prescribed in subsection A, B or C of this section
17 includes monies that are an eligible rollover distribution and the member
18 elects to have the distribution paid directly to an eligible retirement plan
19 or individual retirement account or annuity and specifies the eligible
20 retirement plan or individual retirement account or annuity to which the
21 distribution is to be paid, the distribution shall be made in the form of a
22 direct trustee-to-trustee transfer to the specified eligible retirement plan.
23 The distribution shall be made in the form and at the time prescribed by the
24 board. A member who withdraws the amount prescribed in subsection A, B or C
25 of this section from the system or who elects a transfer pursuant to this
26 section forfeits all rights to benefits under the system and rights to
27 rehearing and appeal, except as provided in section 38-849.

28 E. FOR DISTRIBUTIONS OCCURRING FROM AND AFTER DECEMBER 31, 2007, A
29 MEMBER OR A MEMBER'S BENEFICIARY, INCLUDING A NONSPOUSE DESIGNATED
30 BENEFICIARY TO THE EXTENT PERMITTED UNDER SUBSECTION F OF THIS SECTION, MAY
31 ROLLOVER AN ELIGIBLE ROLLOVER DISTRIBUTION AS DEFINED IN SECTION 402(c)(4) OF
32 THE INTERNAL REVENUE CODE TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT, IF, FOR
33 DISTRIBUTIONS OCCURRING BEFORE JANUARY 1, 2010, THE MEMBER OR THE MEMBER'S

1 BENEFICIARY SATISFIES THE REQUIREMENTS FOR MAKING A ROTH INDIVIDUAL
2 RETIREMENT ACCOUNT CONTRIBUTION UNDER SECTION 408A(c)(3)(B) OF THE INTERNAL
3 REVENUE CODE, AS IN EFFECT ON THE DATE OF THE ROLLOVER. ANY AMOUNT ROLLED
4 OVER TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT IS INCLUDED IN THE GROSS INCOME
5 OF THE MEMBER OR THE MEMBER'S BENEFICIARY TO THE EXTENT THE AMOUNTS WOULD
6 HAVE BEEN INCLUDED IN GROSS INCOME IF NOT ROLLED OVER AS REQUIRED UNDER
7 SECTION 408A(d)(3)(A) OF THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS
8 SUBSECTION, THE ADMINISTRATOR IS NOT RESPONSIBLE FOR ENSURING THE MEMBER OR
9 THE MEMBER'S BENEFICIARY IS ELIGIBLE TO MAKE A ROLLOVER TO A ROTH INDIVIDUAL
10 RETIREMENT ACCOUNT.

11 F. FOR DISTRIBUTIONS MADE FROM AND AFTER DECEMBER 31, 2009, A
12 NONSPOUSE DESIGNATED BENEFICIARY AS DEFINED IN SECTION 401(a)(9)(E) OF THE
13 INTERNAL REVENUE CODE MAY ELECT TO DIRECTLY ROLLOVER AN ELIGIBLE ROLLOVER
14 DISTRIBUTION TO AN INDIVIDUAL RETIREMENT ACCOUNT UNDER SECTION 408(a) OF THE
15 INTERNAL REVENUE CODE OR AN INDIVIDUAL RETIREMENT ANNUITY UNDER SECTION
16 408(b) OF THE INTERNAL REVENUE CODE THAT IS ESTABLISHED ON BEHALF OF THE
17 DESIGNATED BENEFICIARY AND THAT WILL BE TREATED AS AN INHERITED INDIVIDUAL
18 RETIREMENT PLAN PURSUANT TO SECTION 402(c)(11) OF THE INTERNAL REVENUE CODE.
19 IN ORDER TO BE ABLE TO ROLLOVER THE DISTRIBUTION, THE DISTRIBUTION OTHERWISE
20 MUST SATISFY THE DEFINITION OF AN ELIGIBLE ROLLOVER DISTRIBUTION AS DEFINED
21 IN SECTION 402(c)(4) OF THE INTERNAL REVENUE CODE. IN APPLYING THIS
22 SUBSECTION, A NONSPOUSE ROLLOVER IS NOT SUBJECT TO THE DIRECT ROLLOVER
23 REQUIREMENTS UNDER SECTION 401(a)(31) OF THE INTERNAL REVENUE CODE, THE
24 ROLLOVER NOTICE REQUIREMENTS UNDER SECTION 402(f) OF THE INTERNAL REVENUE
25 CODE OR THE MANDATORY WITHHOLDING REQUIREMENTS UNDER SECTION 3405(c) OF THE
26 INTERNAL REVENUE CODE.

27 G. FOR PLAN YEARS OCCURRING BEFORE JANUARY 1, 2007, THE PERIOD FOR
28 PROVIDING THE ROLLOVER NOTICE AS REQUIRED UNDER SECTION 402(f) OF THE
29 INTERNAL REVENUE CODE IS NO LESS THAN THIRTY DAYS AND NO MORE THAN NINETY
30 DAYS BEFORE THE DATE OF DISTRIBUTION AND, FOR PLAN YEARS BEGINNING FROM AND
31 AFTER DECEMBER 31, 2006, THE PERIOD FOR PROVIDING THE ROLLOVER NOTICE AS
32 REQUIRED UNDER SECTION 402(f) OF THE INTERNAL REVENUE CODE IS NO LESS THAN

1 THIRTY DAYS AND NO MORE THAN ONE HUNDRED EIGHTY DAYS BEFORE THE DATE OF
2 DISTRIBUTION."

3 Renumber to conform

4 Page 4, between lines 20 and 21, insert:

5 "Sec. 7. Section 38-858, Arizona Revised Statutes, is amended to read:
6 38-858. Credit for military service

7 A. A member of the system who has at least ten years of service with
8 the system may receive credited service for periods of active military
9 service performed before employment with the member's current employer if:

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

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

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

17 4. The member pays the cost to purchase the prior active military
18 service. The cost is the amount necessary to equal the increase in the
19 actuarial present value of projected benefits resulting from the additional
20 credited service.

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

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

30 1. Was an active member of the system on the day before the member
31 began military service.

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

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

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

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

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

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

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

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

20 1. Contributions shall be based on the compensation that the member
21 would have received but for the period that the member was ordered into
22 active military service.

23 2. If the employer cannot reasonably determine the member's rate of
24 compensation for the period that the member was ordered into military
25 service, contributions shall be based on the member's average rate of
26 compensation during the twelve-month period immediately preceding the period
27 of military service.

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

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

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

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

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

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

24 I. FOR PLAN YEARS BEGINNING AFTER DECEMBER 31, 2008, A MEMBER WHO DOES
25 NOT CURRENTLY PERFORM SERVICES FOR AN EMPLOYER BY REASON OF QUALIFIED
26 MILITARY SERVICE AS DEFINED IN SECTION 414(u)(5) OF THE INTERNAL REVENUE CODE
27 IS NOT CONSIDERED HAVING A SEVERANCE FROM EMPLOYMENT DURING THAT QUALIFIED
28 MILITARY SERVICE. ANY PAYMENTS BY THE EMPLOYER TO THE MEMBER DURING THE
29 QUALIFIED MILITARY SERVICE SHALL BE CONSIDERED COMPENSATION TO THE EXTENT
30 THOSE PAYMENTS DO NOT EXCEED THE AMOUNTS THE MEMBER WOULD HAVE RECEIVED IF
31 THE MEMBER HAD CONTINUED TO PERFORM SERVICES FOR THE EMPLOYER RATHER THAN
32 ENTERING QUALIFIED MILITARY SERVICE.

House Amendments to S.B. 1057

1 J. FOR DEATHS OCCURRING FROM AND AFTER DECEMBER 31, 2006, IN THE CASE
2 OF A MEMBER WHO DIES WHILE PERFORMING QUALIFIED MILITARY SERVICE AS DEFINED
3 IN SECTION 414(u)(5) OF THE INTERNAL REVENUE CODE, THE SURVIVORS OF THE
4 MEMBER ARE ENTITLED TO ANY BENEFITS, OTHER THAN BENEFIT ACCRUALS RELATING TO
5 THE PERIOD OF QUALIFIED MILITARY SERVICE, PROVIDED UNDER THE SYSTEM AS THOUGH
6 THE MEMBER RESUMED AND THEN TERMINATED EMPLOYMENT ON ACCOUNT OF DEATH."

7 Renumber to conform

8 Amend title to conform

BOB THORPE

1057bt
03/04/2015
8:25 AM
C: mjh

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1057

DATE March 5, 2015 MOTION: ayes

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Mr. Olson					✓
Mr. Petersen		✓			
Mr. Saldate		✓			
Ms. Townsend		✓			
Mr. Ackerley, Vice-Chairman		✓			
Mr. Thorpe, Chairman		✓			
		8	0	0	1

APPROVED:

Bob Thorpe
 BOB THORPE, Chairman
 JOHN C. ACKERLEY, Vice-Chairman

Meg Ralby
 COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1071

tax lien deeds; aggregate fees

Sponsors: Senators Smith, McGuire; Representative Stevens, et al.

X Committee on Government & Higher Education

Caucus and COW

House Engrossed

OVERVIEW

SB 1071 limits fees that a county treasurer (Treasurer) may charge for a judgment deed conveying property on which a lien was sold to an aggregate amount not to exceed \$500.

HISTORY

Arizona Revised Statutes (A.R.S.) § 41-18101 stipulates that a Treasurer shall secure unpaid delinquent tax payments by selling tax liens at an aggregate amount equal to all unpaid taxes, penalties, interest and charges due on the property for current and proceeding years. Each year the Treasurer must hold an auction where investors bid to purchase tax liens, the investor who bids the lowest interest rate wins the lien through the payment of delinquent taxes.

Once a sale of delinquent taxes occurs, the Treasurer will provide a certificate of purchase (CP) which describes the real property on which a lien is sold and lists details of the sale. Statute allows the Treasurer to collect ten dollars from the purchaser for each CP. (A.R.S. § 42-18118)

A real property tax lien may be redeemed within three years of the date of its sale by the owner, the owner's agent, assignee or attorney, or any person who has legal or equitable claim in the property. In order to redeem a lien, an individual must pay the amount for which the lien was sold with the interest that is specified on the CP, the taxes accruing after the sale and statutory fees paid by the purchaser. (A.R.S. §§ 42-18151, 42-18152)

Pursuant to A.R.S. § 42-18201, in cases that a lien has not been redeemed within three years of its sale, the purchaser of the lien may bring an action to foreclose the right to redeem to the county's superior court. If the court finds the sale valid, it will enter a judgment to foreclose the right to redeem, which directs the Treasurer to expeditiously execute and deliver to the party in whose favor the judgment is entered, a deed conveying the property described in the CP. (A.R.S. § 42-18204)

Current statute states that once a purchaser receives a certified copy of the judgment foreclosing the right to redeem, they shall pay a \$50 fee to the Treasurer's office. The Treasurer's office must then execute and deliver a deed conveying the property from the judgment to the purchaser. Laws 2004, Chapter 232 increased the judgment deed fee from \$10 to \$50.

PROVISIONS

1. Stipulates that a Treasurer's fees for a deed conveying property listed in a judgment foreclosing the right to redeem shall not to exceed an aggregate amount of \$500 in cases where ten or more parcels are involved.

SB 1071

2. Makes the changes in this section apply retroactively to any judgment that is entered before the effective date of this act for which the deed has not been obtained.

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1071

DATE March 5, 2015 MOTION: dp

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese			✓		
Mr. Larkin		✓			
Mr. Lovas		✓			
Mr. Olson		✓			
Mr. Petersen		✓			
Mr. Saldate			✓		
Ms. Townsend		✓			
Mr. Ackerley, Vice-Chairman			✓		
Mr. Thorpe, Chairman		✓			
		6	3	0	0

APPROVED:

Bob Thorpe
 BOB THORPE, Chairman
 JOHN C. ACKERLEY, Vice-Chairman

Therese Reilly
 COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1073

public records; redaction; former judges

Sponsor: Senator Smith

X Committee on Government & Higher Education
Caucus and COW
House Engrossed

OVERVIEW

SB 1073 allows former judges and United States Immigration Court judges to request that their personal information be kept confidential from public records.

HISTORY

There are several sections of statute pertaining to the right of eligible persons to request that their personal information, including their telephone number and address, not be accessible to the public.

Eligible person is defined as a former public official, peace officer, spouse of a peace officer, spouse or minor child of a deceased peace officer, justice, judge, commissioner, public defender, prosecutor, code enforcement officer, adult or juvenile corrections officer, corrections support staff member, probation officer, member of the board of executive clemency, law enforcement support staff member, national guard member who is acting in support of a law enforcement agency, person who is protected under an order of protection or injunction against harassment, person who is a participant in the address confidentiality program, or a firefighter who is assigned to the Arizona Counterterrorism Center in the Department of Public Safety.

Statute requires persons requesting confidentiality of personal information to submit an affidavit request for redaction (affidavit application). Public employees and officials shall file the affidavit to the presiding judge of the superior court (Presiding Judge) in the county where the individual requesting redaction resides. Peace officers and certain individuals, who have similar occupations, shall submit an affidavit to a commanding officer who will file it with the Presiding Judge.

The Presiding Judge shall file a petition with the clerk of the superior court (Clerk) on behalf of the affiants and review the petitions and affidavits. If it is decided that action will reduce danger to the individual or that the person is in actual danger of physical harm, the Presiding Judge will order the county recorder to redact the necessary information from public records.

PROVISIONS

1. Expands the definition of *judge* to include former judges and United States Immigration Court judges.
2. Specifies that former judges are not required to include a description of position and duties on an affidavit to request public record confidentiality.
3. Contains an emergency clause.

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1073

DATE March 5, 2015 MOTION: Ap

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese			✓		
Mr. Larkin	✓	✓			
Mr. Lovas			✓		
Mr. Olson	✓	✓			
Mr. Petersen	✓	✓			
Mr. Saldate	✓	✓			
Ms. Townsend	✓				✓
Mr. Ackerley, Vice-Chairman	✓	✓			
Mr. Thorpe, Chairman		✓			
		6	2	0	1

APPROVED:

Bob Thorpe
BOB THORPE, Chairman
JOHN C. ACKERLEY, Vice-Chairman

Meg Reilly
COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1096

ASRS; actuarial valuation method

Sponsor: Senator Lesko

X Committee on Government & Higher Education

Caucus and COW

House Engrossed

OVERVIEW

SB 1096 allows the Board of the Arizona State Retirement System (ASRS) to determine which actuarial cost method to use in valuation and contribution calculations and expands the annual employer contributions report to include information on ASRS's funded status and returns.

HISTORY

General

ASRS was established by the Legislature in 1953 to provide retirement benefits to state employees. Active teachers voted to join ASRS in 1954, and were folded into the plan in 1955. ASRS is a defined benefit plan, providing a monthly benefit to retired members, based on years of service, salary, age and which retirement option is chosen. ASRS also provides a retiree health benefit supplement and long term disability program. As of June 30, 2014, ASRS had 551,296 members, including 207,566 active members and 127,881 retired members and survivor beneficiaries.

Actuarial Cost Methods

According to ASRS, an actuarial cost method is a framework for funding a pension plan. It divides the total liability for future benefits of all current members into two parts:

- Future service liabilities
- Past service liabilities

The future service liabilities portion is referred to as the normal cost, which is defined in Arizona Revised Statutes (A.R.S.) § 38-711. Past service liabilities are compared to the overall value of assets to determine liability or surplus. If the amount is negative, this is referred to as the unfunded actuarial accrued liability (UAAL) of the plan. The actuarial cost method determines how to split the total liability between plan experience and assumptions, and how to account for differences between projections and actual results. A.R.S. § 38-737 uses the normal cost and an amortization of past service liabilities, smoothed over a period determined by the ASRS Board, to determine the employer contributions required for a particular fiscal year (FY).

The Governmental Accounting Standards Board (GASB) establishes standards of accounting and financial reporting for U.S. state and local governments. In 2012, GASB issued new financial reporting requirements for pensions and pension plans (GASB 67 & 68) that went into effect in June 2013 and June 2014. These require pension liabilities to be reported using the Entry Age Cost Actuarial Method (EAC). Conversely, A.R.S. § 38-737 and A.R.S. § 38-711 require the use of the Projected Unit Credit Method (PUC).

SB 1096

Both the PUC and the EAC are generally accepted actuarial methods; both calculate actuarial cost based on normal cost and the UAAL. The difference is how the two concepts are weighted, based on their respective formulas. GASB only requires that EAC be used for reporting purposes, and does not require the use of that formula for any plan determinations.

Annual Report on Employer Contributions

A.R.S. § 38-737 requires ASRS to provide a report on the employer contribution rate for the upcoming FY to the Governor, Speaker of the House of Representatives and President of the Senate (Report). A preliminary version of the Report is due on November 1st and the final report is due on December 15th of each year.

PROVISIONS

1. Requires the ASRS Board to determine which generally accepted actuarial cost method to use in the annual actuarial valuation and for purposes of calculating employer contributions, beginning on June 30, 2016.
2. Retains the exclusive use of the PUC for valuations and contribution calculations until June 30, 2016.
3. Deletes the requirement for ASRS to provide a preliminary Report by November 1 of each year.
4. Expands the contents of the final Report to also include all of the following as of June 30 of the previous FY:
 - a. The UAAL
 - b. Funded status of the ASRS Plan, based on the:
 - i. Actuarial value of assets; and
 - ii. Market value of assets
 - c. Annualized Rate of Return (ROR)
 - d. Ten-year ROR
5. Makes technical and conforming changes.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1096

(Reference to Senate engrossed bill)

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

2 "Section 1. Section 38-711, Arizona Revised Statutes, is amended to
3 read:

4 38-711. Definitions

5 In this article, unless the context otherwise requires:

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

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

14 3. "ASRS" means the Arizona state retirement system established by
15 this article.

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

18 5. "Average monthly compensation" means:

19 (a) For a member whose membership in ASRS commenced before January 1,
20 1984 and who left the member's contributions on deposit or reinstated
21 forfeited credited service pursuant to section 38-742 for a period of
22 employment that commenced before January 1, 1984, the higher of either:

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

Adopted # of Verbals _____

Failed _____ Withdrawn _____

Not Offered _____ Analysts Initials _____

Attachment 17

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

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

31 (c) For a member whose membership in ASRS commenced on or after July
32 1, 2011, the monthly average of compensation on which contributions were

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 13. "Employer" means:

12 (a) This state.

13 (b) Participating political subdivisions.

14 (c) Participating political subdivision entities.

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

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

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

21 (a) Has not retired.

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

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

24 (d) Has not withdrawn contributions from ASRS.

25 17. "Interest" means the assumed actuarial investment earnings rate
26 approved by the board.

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

29 19. "Investment manager" means the persons, companies, banks,
30 insurance company investment funds, mutual fund companies, management or any
31 combinations of those entities that are appointed by ASRS and that have
32 responsibility and authority for investment of the monies of ASRS.

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

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

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

7 23. "Member":

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

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

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

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

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

22 (f) Does not include any leased employee. For the purposes of section
23 414(n) of the internal revenue code, "leased employee" means an individual
24 who:

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

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

29 (iii) Performs services under the primary direction or control of the
30 employer.

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

1 25. "Normal costs" means the sum of the individual normal costs for
2 all active members for each fiscal year. The normal cost for an individual
3 active member is the cost that is assigned to the fiscal year, THROUGH JUNE
4 29, 2016, using the projected unit credit method AND, BEGINNING JUNE 30,
5 2016, USING THE ACTUARIAL COST METHOD DETERMINED BY THE BOARD PURSUANT TO
6 SECTION 38-714.

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

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

10 (a) For a member whose membership commenced before July 1, 2011:

11 (i) A member's sixty-fifth birthday.

12 (ii) A member's sixty-second birthday and completion of at least ten
13 years of credited service.

14 (iii) The first day that the sum of a member's age and years of total
15 credited service equals eighty.

16 (b) For a member whose membership commenced on or after July 1, 2011:

17 (i) A member's sixty-fifth birthday.

18 (ii) A member's sixty-second birthday and completion of at least ten
19 years of credited service.

20 (iii) A member's sixtieth birthday and completion of at least
21 twenty-five years of credited service.

22 (iv) A member's fifty-fifth birthday and completion of at least thirty
23 years of credited service.

24 28. "Political subdivision" means any political subdivision of this
25 state and includes a political subdivision entity.

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

27 (a) That is located in this state.

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

30 (c) Where a majority of the membership of the entity is composed of
31 political subdivisions.

1 (d) Whose primary purpose is the performance of a government related
2 service.

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

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

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

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

13 (c) In determining average monthly compensation pursuant to paragraph
14 5 of this section, the service year is considered to be twelve months of
15 compensation.

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

18 33. "Vested" means that a member is eligible to receive a future
19 retirement benefit."

20 Renumber to conform

21 Amend title to conform

BOB THORPE

1096bt
03/03/2015
05:03 PM
C: mjh

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1096

DATE March 5, 2015 MOTION: dpa

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Mr. Olson					✓
Mr. Petersen		✓			
Mr. Saldate		✓			
Ms. Townsend		✓			
Mr. Ackerley, Vice-Chairman		✓			
Mr. Thorpe, Chairman		✓			
		8	0	0	1

APPROVED:

Bob Thorpe
 BOB THORPE, Chairman
 JOHN C. ACKERLEY, Vice-Chairman

Meg Reilly
 COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1097

ASRS; health insurance benefits

Sponsor: Senator Lesko

X Committee on Government & Higher Education

Caucus and COW

House Engrossed

OVERVIEW

SB 1097 makes changes to the health insurance/accident premium benefit program under the Arizona State Retirement System (ASRS).

HISTORY

General

ASRS was established by the Legislature in 1953 to provide retirement benefits to state employees. Active teachers voted to join ASRS in 1954, and were folded into the plan in 1955. ASRS is a defined benefit plan, providing a monthly benefit to retired members, based on years of service, salary, age and which retirement option is chosen. ASRS also provides a retiree health benefit supplement and long term disability program. As of June 30, 2014, ASRS had 551,296 members, including 207,566 active members and 127,881 retired members and survivor beneficiaries.

Health /Accident Insurance Premium Benefit

Pursuant to Arizona Revised Statutes (A.R.S.) § 38-783, for retirees and eligible survivors under ASRS that elect group health insurance and/or accident insurance coverage through the ASRS group plan, the Arizona Department of Administration group plan or a group plan through an employer, ASRS will pay a premium benefit of up to:

Single	Premium Benefit	Family	Premium Benefit
Non-Medicare Eligible	\$150/month	None Medicare Eligible	\$260/month
Medicare Eligible	\$100/month	All with Medicare	\$170/month
		One with or without Medicare	\$215/month

The amount of benefit depends on the number of years of credited service, as follows:

Years of Service	Percent of Premium Benefit
9.0-9.9	90%
8.0-8.9	80%
7.0-7.9	70%
6.0-6.9	60%
5.0-5.9	50%
Less than 5.0	0

IRS Favorable Determination Letter

A favorable determination letter is a document issued by the Internal Revenue Service (IRS) upon request regarding the qualified status of a retirement plan under the Internal Revenue Code (IRC), § 401(a). (IRS Favorable Determination Publication). According to the IRS, employers who sponsor retirement plans are generally not required to apply for a determination letter from the IRS; however, having a favorable determination letter provides the employer with reliance that:

- The plan is qualified under IRC § 401(a); and
- The plan's trust is exempt under IRC § 501(a)

The benefits of having a qualified retirement plan and operating the plan according to its terms as approved by the IRS are:

- The employer can deduct contributions made to the plan up to the applicable limits;
- The plan participants can defer income taxes on the amounts contributed to the plan (other than Roth contributions); and
- Contributions grow tax-deferred until distributed from the plan.

PROVISIONS

1. States that if an ASRS member who is eligible for the health/accident insurance premium benefit forfeits interest in the account before termination of ASRS, the amount of the forfeiture must be quickly applied to reduce employer contributions required to fund the health insurance benefit.
2. Makes the change in the section related to the health/accident insurance premium benefit retroactive to June 30, 2013.
3. Makes technical changes.

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1097

DATE March 5, 2015 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Mr. Olson					✓
Mr. Petersen		✓			
Mr. Saldate		✓			
Ms. Townsend		✓			
Mr. Ackerley, Vice-Chairman		✓			
Mr. Thorpe, Chairman		✓			
		8	0	0	1

APPROVED:

Bob Thorpe
BOB THORPE, Chairman
JOHN C. ACKERLEY, Vice-Chairman

Max Reilly
COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1119

NOW: ASRS; purchase of credited service

Sponsor: Senator Lesko

X Committee on Government & Higher Education

Caucus and COW

House Engrossed

OVERVIEW

SB 1119 removes the five-year cap on the purchase of prior years of service for Arizona State Retirement System (ASRS) members whose membership date started before July 20, 2011 and requires ASRS members to have at least five years of service in ASRS before purchasing prior service, if their membership date is on or after July 1, 2010.

HISTORY

General

ASRS was established by the Legislature in 1953 to provide retirement benefits to state employees. Active teachers voted to join ASRS in 1954, and were folded into the plan in 1955. ASRS is a defined benefit plan, providing a monthly benefit to retired members, based on years of service, salary, age and which retirement option is chosen. ASRS also provides a retiree health benefit supplement and long term disability program. As of June 30, 2014, ASRS had 551,296 members, including 207,566 active members and 127,881 retired members and survivor beneficiaries.

Service Purchase

Arizona Revised Statutes (A.R.S.) § 38-743 allows members of ASRS to purchase previous years of public service by paying to ASRS an actuarially determined amount as set by the ASRS Board. This benefit was first established in 1987, originally allowing members to purchase up to five years of service at the actuarially determined present value of the benefit. In 1996, the five-year limit was removed and the method for calculating the cost of the purchase was changed to present normal cost (Laws 1996, Ch. 185). In 2004, the Legislature restored the use of the actuarial present value to determine the cost for purchasing service (Laws 2004, Ch. 252). In 2009, the Legislature added a requirement that *beginning on July 1, 2010*, a member needed to have five years of service in ASRS prior to purchasing any other type of public service (Laws 2009, Ch. 36). In 2011, the Legislature returned the five-year cap for years that can be purchased (Laws 2011, Ch. 357) and increased the number of years a member is required to have in the system prior to purchasing service to 10. *The effective date of this amendment was July 20, 2011.* Laws 2012, Ch. 362 restored the five-year threshold of service in ASRS.

Ms. Pendergast was a teacher in ASRS who left the state for approximately 10 years, before returning to and once again becoming an active ASRS member. After Laws 2011, Chapter 357 became effective, Ms. Pendergast sought to purchase just under 10 years of service from her time out of state, however ASRS denied her application due to the five year cap. The Arizona Court of Appeals, District One, determined that the Laws 2011, Ch. 357 unconstitutionally diminished

SB 1119

her vested rights to public retirement system benefits (Pendergast v. Arizona State Retirement System, 234 Ariz. 535 (2014)).

PROVISIONS

1. Establishes a two-tiered system for ASRS members who wish to purchase prior years of service as follows:
 - a. ASRS members whose date of membership is on or after July 20, 2011 are limited to purchasing no more than five years of prior service.
 - b. ASRS members whose date of membership is prior to July 20, 2011 are not limited in the number of years of prior service that may be purchased.
2. Returns language applying the requirement for ASRS members to have five years of ASRS service before purchasing other types of service to members with membership dates on or after July 1, 2010. This was the date applicable to this restriction prior to Laws 2011, Chapter 357.
3. Applies the service purchase time caps and prior year service requirements to the following:
 - a. Prior public service
 - b. Time spent on unpaid leave of absence
 - c. Military service
4. Makes technical changes.

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1119

DATE March 5, 2015 MOTION: AP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Mr. Olson					✓
Mr. Petersen		✓			
Mr. Saldate		✓			
Ms. Townsend		✓			
Mr. Ackerley, Vice-Chairman		✓			
Mr. Thorpe, Chairman		✓			
		8	0	0	1

APPROVED:

Bob Thorpe
BOB THORPE, Chairman
JOHN C. ACKERLEY, Vice-Chairman

May Reilly
COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1441

official state metal; copper

Sponsors: Senators Smith, Allen, Begay, et al.

X Committee on Government & Higher Education

Caucus and COW

House Engrossed

OVERVIEW

SB 1441 makes copper the official state metal.

HISTORY

Arizona Revised Statutes Title 41, Chapter 4.1, Article 5 makes several designations of state emblems including: the bola tie as the state neckwear, turquoise as the state gemstone, petrified wood as the state fossil, and the Grand Canyon State as the state nickname.

According to the Arizona Mining Association, the mining industry employed 51,200 individuals and produced approximately 65% of the nation's copper. Copper is also considered the first of the five C's of Arizona's industry: copper, cattle, cotton, citrus and climate. (mining facts)

PROVISIONS

1. Designates copper as the official state metal.

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1441

DATE March 5, 2015 MOTION: dp

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Mr. Olson					✓
Mr. Petersen		✓			
Mr. Saldate		✓			
Ms. Townsend					✓
Mr. Ackerley, Vice-Chairman		✓			
Mr. Thorpe, Chairman		✓			
		7	0	0	2

APPROVED:

Bob Thorpe
BOB THORPE, Chairman
JOHN C. ACKERLEY, Vice-Chairman

Mary Rully
COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1449

public monies; investment; pooled collateral

Sponsor: Senator Farnsworth D

X Committee on Government & Higher Education

Caucus and COW

House Engrossed

OVERVIEW

SB 1449 makes various changes to the Statewide Pooled Collateral Program (Program).

HISTORY

Laws 2013, Chapter 157 created the Program to provide a means for eligible depositories to aggregate collateral for public deposits and to ensure that taxpayer funds deposited into a federally insured depository, in excess of the Federal Deposit Insured Corporation (FDIC) insured amount, are backed by 102% collateral. The Program also created a Statewide Pooled Collateral Administrator (Administrator), appointed by the Treasurer, to oversee all collateral on behalf of all public depositors and to ensure that the requirements of the Program are adhered to.

PROVISIONS

1. Removes each of the following forms of acceptable collateral of an eligible depository:
 - a. Registered warrants of the state, county or political subdivisions.
 - b. First mortgages and trust deeds on improved, unencumbered real estate.
2. Requires the Administrator to provide written consent before withdrawals of collateral.
 - a. Substitutions of collateral may be made with notification of the Administrator.
3. Specifies that if a political subdivision's aggregate monies available for deposit are less than the maximum coverage amount of the FDIC, rather than \$100,000, the subdivision must award the deposit of the funds to an eligible depository in accordance with a subdivision ordinance or resolution.
 - a. Specifies that deposits less than the maximum coverage amount of the FDIC are not subject to collateral requirements.
4. Stipulates that *public deposits* do not include monies collateralized pursuant to the U.S. Department of Housing and Urban Development (HUD) regulations.
5. Specifies that each of the following are not *public depositors*:
 - a. Charter Schools.
 - b. Native American tribes or tribal entities.
 - c. Federal agencies.
 - d. Housing authorities with deposits secured in accordance with HUD regulations.
6. Defines *public monies* as monies belonging to or received or held by officers of public debtors in their official capacity.
7. Makes technical and conforming changes.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 1449

(Reference to Senate engrossed bill)

- 1 Page 6, line 26, strike "DEBTORS" insert "DEPOSITORS"
- 2 Amend title to conform

BOB THORPE

1449-p1-thorpe
3/3/15
2:54 PM
H:ajs

Adopted <input checked="" type="checkbox"/>	# of Verbals _____
Failed _____	Withdrawn _____
Not Offered _____	Analysts Initials _____

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1449

DATE March 5, 2015 MOTION: dpa

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Mr. Olson					✓
Mr. Petersen					✓
Mr. Saldate		✓			
Ms. Townsend					✓
Mr. Ackerley, Vice-Chairman		✓			
Mr. Thorpe, Chairman		✓			
		6	0	0	3

APPROVED:

Bob Thorpe
BOB THORPE, Chairman
JOHN C. ACKERLEY, Vice-Chairman

Max Reilly
COMMITTEE SECRETARY

ATTACHMENT _____



HOUSE OF REPRESENTATIVES

SB 1451

investment of trust monies

Sponsor: Senator Farnsworth D

X Committee on Government & Higher Education

Caucus and COW

House Engrossed

OVERVIEW

SB 1451 modifies statutes relating to financial procedures of the State Treasurer.

HISTORY

The duties of the Treasurer are outlined in Arizona Revised Statutes (A.R.S.) § 41-172. Primarily, the Treasurer's Office:

- Manages a balance of more than \$13 billion in fixed income and equity investments in 25 different investment pools. (State Treasurer's Office)
 - > These investments are comprised of state taxes, fees and other revenues; local government investment deposits; and state land trust endowment funds.
- Directs the state's banking services.
- Maintains and invests state money

The Treasurer is granted statutory authority to invest state trust and treasury monies. A.R.S. § 35-310 defines *treasury monies* as all monies in the Arizona State Treasury (Treasury) or in its custody, while *trust monies* are defined as Treasury monies entrusted to the state for the purpose of safekeeping or investment.

A.R.S. § 35-315 requires the Treasurer to award a servicing bank contract to a qualified bank presenting the highest value for banking services. A servicing bank contract is awarded for a maximum five-year term.

PROVISIONS

1. Requires bonds or other evidences of indebtedness for which the Treasurer invests trust and treasury monies to carry an investment grade rating by a nationally recognized bond rating agency.
 - a. Currently, these evidences must carry an investment grade rating by Moody's Investors Service or Standard & Poor's Rating Service.
2. Requires all State Transportation Board funding obligation interest rates to be based on bond interest rates with comparable maturity dates as determined by the pricing system used by the State Treasurer.
 - a. Currently, these interest rates must mirror comparable rates most recently published in the Wall Street Journal.
3. Decreases the asset threshold to become a state servicing bank from \$200 million to \$100 million.
4. Removes specified dates outlined in the servicing bank selection process.

SB 1451

5. Authorizes the Treasurer to use investment earnings to pay for software to assist with the analysis, tracking and trading of securities.
6. Makes technical changes.

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON GOVERNMENT AND HIGHER EDUCATION BILL NO. SB 1451

DATE March 5, 2015 MOTION: dp

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Friese		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Mr. Olson					✓
Mr. Petersen		✓			
Mr. Saldate		✓			
Ms. Townsend					✓
Mr. Ackerley, Vice-Chairman		✓			
Mr. Thorpe, Chairman		✓			
		7	0	0	2

APPROVED:

Bob Thorpe
BOB THORPE, Chairman
JOHN C. ACKERLEY, Vice-Chairman

Mary Reilly
COMMITTEE SECRETARY

ATTACHMENT _____