

State of Arizona  
Senate  
Fifty-second Legislature  
First Regular Session  
2015

# SENATE BILL 1097

AN ACT

AMENDING SECTION 38-783, ARIZONA REVISED STATUTES; RELATING TO THE ARIZONA STATE RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 38-783, Arizona Revised Statutes, is amended to  
3 read:

4 38-783. Retired members; dependents; health insurance; premium  
5 payment; separate account; definitions

6 A. Subject to subsections G, H and I of this section, the board shall  
7 pay from ASRS assets part of the single coverage premium of any health and  
8 accident insurance for each retired MEMBER, contingent annuitant or member  
9 with a disability of ASRS if the member elects to participate in the coverage  
10 provided by ASRS or section 38-651.01 or elects to participate in a health  
11 and accident insurance program provided or administered by an employer or  
12 paid for, in whole or in part, by an employer to an insurer. A contingent  
13 annuitant must be receiving a monthly retirement benefit from ASRS in order  
14 to obtain any premium payment provided by this section. The board shall pay:

15 1. Up to one hundred fifty dollars per month for a member of ASRS who  
16 is not eligible for medicare if the retired MEMBER or member with a  
17 disability has ten or more years of credited service.

18 2. Up to one hundred dollars per month for each member of ASRS who is  
19 eligible for medicare if the retired MEMBER or member with a disability has  
20 ten or more years of credited service.

21 B. Subject to subsections G, H and I of this section, the board shall  
22 pay from ASRS assets part of the family coverage premium of any health and  
23 accident insurance for a retired MEMBER, contingent annuitant or member with  
24 a disability of ASRS who elects family coverage and who otherwise qualifies  
25 for payment pursuant to subsection A of this section. If a member of ASRS  
26 and the member's spouse are both either retired or have disabilities under  
27 ASRS and apply for family coverage, the member who elects family coverage is  
28 entitled to receive the payments under this section as if they were both  
29 applying under a single coverage premium unless the payment under this  
30 section for family coverage is greater. Payment under this subsection is in  
31 the following amounts:

32 1. Up to two hundred sixty dollars per month if the member of ASRS and  
33 one or more dependents are not eligible for medicare.

34 2. Up to one hundred seventy dollars per month if the member of ASRS  
35 and one or more dependents are eligible for medicare.

36 3. Up to two hundred fifteen dollars per month if either:

37 (a) The member of ASRS is not eligible for medicare and one or more  
38 dependents are eligible for medicare.

39 (b) The member of ASRS is eligible for medicare and one or more  
40 dependents are not eligible for medicare.

41 C. In addition each retired MEMBER, contingent annuitant or member  
42 with a disability of ASRS with less than ten years of credited service and a  
43 dependent of such a retired MEMBER, contingent annuitant or member with a  
44 disability who elects to participate in the coverage provided by ASRS or  
45 section 38-651.01 or who elects to participate in a health and accident

1 insurance program provided or administered by an employer or paid for, in  
2 whole or in part, by an employer to an insurer is entitled to receive a  
3 proportion of the full benefit prescribed by subsection A or B of this  
4 section according to the following schedule:

- 5 1. 9.0 to 9.9 years of credited service, ninety ~~per-cent~~ PERCENT.
- 6 2. 8.0 to 8.9 years of credited service, eighty ~~per-cent~~ PERCENT.
- 7 3. 7.0 to 7.9 years of credited service, seventy ~~per-cent~~ PERCENT.
- 8 4. 6.0 to 6.9 years of credited service, sixty ~~per-cent~~ PERCENT.
- 9 5. 5.0 to 5.9 years of credited service, fifty ~~per-cent~~ PERCENT.
- 10 6. Those with less than five years of credited service do not qualify  
11 for the benefit.

12 D. The board shall not pay more than the amount prescribed in this  
13 section for a member of ASRS.

14 E. Notwithstanding subsections A, B and C of this section, for a  
15 member who retires on or after August 2, 2012, the board shall not make a  
16 payment under this section to a retired MEMBER, contingent annuitant or  
17 member with a disability who is enrolled in an employer's active employee  
18 group health and accident insurance program either as the insured or as a  
19 dependent, except that if the retired MEMBER, contingent annuitant or member  
20 with a disability is enrolled as a dependent and the premium paid to the  
21 employer's active employee group health and accident insurance program is not  
22 subsidized by the employer, the retired MEMBER, contingent annuitant or  
23 member with a disability is entitled to receive the amount provided in  
24 subsection A of this section.

25 F. The board shall establish a separate account that consists of the  
26 benefits provided by this section. The board shall not use or divert any  
27 part of the corpus or income of the account for any purpose other than the  
28 provision of benefits under this section unless the liabilities of ASRS to  
29 provide the benefits are satisfied. If the liabilities of ASRS to provide  
30 the benefits described in this section are satisfied, the board shall return  
31 any amount remaining in the account to the employer.

32 G. Payment of the benefits provided by this section is subject to the  
33 following conditions:

34 1. The payment of the benefits is subordinate to the payment of  
35 retirement benefits payable by ASRS.

36 2. The total of contributions for the benefits and actual  
37 contributions for life insurance protection, if any, shall not exceed  
38 twenty-five ~~per-cent~~ PERCENT of the total actual employer and employee  
39 contributions to ASRS, less contributions to fund past service credits, after  
40 the day the account is established.

41 3. The board shall deposit the benefits provided by this section in  
42 the account.

43 4. The contributions by the employer to the account shall be  
44 reasonable and ascertainable.

1 H. A member who elects to receive a retirement benefit pursuant to  
2 section 38-760, subsection B, paragraph 1 may elect at the time of retirement  
3 an optional form of health and accident insurance premium benefit payment  
4 pursuant to this subsection as follows:

5 1. The optional premium benefit payment shall be an amount prescribed  
6 by subsection A, B or C of this section that is actuarially reduced to the  
7 retiring member for life. The amount of the optional premium benefit payment  
8 shall be the actuarial equivalent of the premium benefit payment to which the  
9 retired member would otherwise be entitled. The election in a manner  
10 prescribed by the board shall name the contingent annuitant and may be  
11 revoked at any time before the retiring member's effective date of  
12 retirement. At any time after benefits have commenced, the member may name a  
13 different contingent annuitant or rescind the election by written notice to  
14 the board as follows:

15 (a) If the retired member names a different contingent annuitant, the  
16 optional premium benefit payment shall be adjusted to the actuarial  
17 equivalent of the original premium benefit payment based on the age of the  
18 new contingent annuitant. The adjustment shall include all postretirement  
19 increases or decreases in amounts prescribed by subsection A, B or C of this  
20 section that are authorized by law after the retired member's date of  
21 retirement. Payment of this adjusted premium benefit payment shall continue  
22 under the provisions of the optional premium benefit payment previously  
23 elected by the retired member. A retired member cannot name a different  
24 contingent annuitant if the retired member has at any time rescinded the  
25 optional form of health and accident insurance premium benefit payment.

26 (b) If the retired member rescinds the election, the retired member  
27 shall thereafter receive the premium benefit payment that the retired member  
28 would otherwise be entitled to receive if the retired member had not elected  
29 the optional premium benefit payment, including all postretirement increases  
30 or decreases in amounts prescribed by subsection A, B or C of this section  
31 that are authorized by law after the member's date of retirement. The  
32 increased benefit payment shall continue during the remainder of the retired  
33 member's lifetime. The decision to rescind shall be irrevocable.

34 2. If, at the time of the retired member's death:

35 (a) The retired member was receiving a reduced premium benefit payment  
36 based on an amount prescribed in subsection B or C of this section and the  
37 contingent annuitant is eligible for family health and accident insurance  
38 coverage, the contingent annuitant is entitled to receive a premium benefit  
39 payment based on an amount prescribed in subsection B or C of this section  
40 times the reduction factor applied to the retired member's premium benefit  
41 payment times the joint and survivor option reduction factor elected by the  
42 retired member at the time of retirement pursuant to section 38-760,  
43 subsection B, paragraph 1.

44 (b) The retired member was receiving a reduced premium benefit payment  
45 based on an amount prescribed in subsection A or C of this section and the

1 contingent annuitant is eligible for single health and accident insurance  
2 coverage, the contingent annuitant is entitled to receive a premium benefit  
3 payment based on an amount prescribed in subsection A or C of this section  
4 times the reduction factor applied to the retired member's premium benefit  
5 payment times the joint and survivor option reduction factor elected by the  
6 retired member at the time of retirement pursuant to section 38-760,  
7 subsection B, paragraph 1.

8 (c) The retired member was receiving a reduced premium benefit payment  
9 based on an amount prescribed in subsection B or C of this section and the  
10 contingent annuitant is not eligible for family health and accident insurance  
11 coverage, the contingent annuitant is entitled to receive a premium benefit  
12 payment based on an amount prescribed in subsection A or C of this section  
13 times the reduction factor applied to the retired member's premium benefit  
14 payment times the joint and survivor option reduction factor elected by the  
15 retired member at the time of retirement pursuant to section 38-760,  
16 subsection B, paragraph 1.

17 I. A member who elects to receive a retirement benefit pursuant to  
18 section 38-760, subsection B, paragraph 2 may elect at the time of retirement  
19 an optional form of health and accident insurance premium benefit payment  
20 pursuant to this subsection as follows:

21 1. The optional premium benefit payment shall be an amount prescribed  
22 by subsection A, B or C of this section that is actuarially reduced with  
23 payments for five, ten or fifteen years that are not dependent on the  
24 continued lifetime of the retired member but whose payments continue for the  
25 retired member's lifetime beyond the five, ten or fifteen year period. The  
26 election in a manner prescribed by the board shall name the contingent  
27 annuitant and may be revoked at any time before the retiring member's  
28 effective date of retirement. At any time after benefits have commenced, the  
29 member may name a different contingent annuitant or rescind the election by  
30 written notice to the board. If the retired member rescinds the election,  
31 the retired member shall thereafter receive the premium benefit payment that  
32 the retired member would otherwise be entitled to receive if the retired  
33 member had not elected the optional premium benefit payment, including all  
34 postretirement increases or decreases in amounts prescribed by subsection A,  
35 B or C of this section that are authorized by law after the member's date of  
36 retirement. The increased benefit payment shall continue during the  
37 remainder of the retired member's lifetime. The decision to rescind shall be  
38 irrevocable.

39 2. If, at the time of the retired member's death:

40 (a) The retired member was receiving a reduced premium benefit payment  
41 based on an amount prescribed in subsection B or C of this section and the  
42 contingent annuitant is eligible for family health and accident insurance  
43 coverage, the contingent annuitant is entitled to receive a premium benefit  
44 payment based on an amount prescribed in subsection B or C of this section  
45 times the period certain and life option reduction factor elected by the

1 retired member at the time of retirement pursuant to section 38-760,  
2 subsection B, paragraph 2.

3 (b) The retired member was receiving a reduced premium benefit payment  
4 based on an amount prescribed in subsection A or C of this section and the  
5 contingent annuitant is eligible for single health and accident insurance  
6 coverage, the contingent annuitant is entitled to receive a premium benefit  
7 payment based on an amount prescribed in subsection A or C of this section  
8 times the period certain and life option reduction factor elected by the  
9 retired member at the time of retirement pursuant to section 38-760,  
10 subsection B, paragraph 2.

11 (c) The retired member was receiving a reduced premium benefit payment  
12 based on an amount prescribed in subsection B or C of this section and the  
13 contingent annuitant is not eligible for family health and accident insurance  
14 coverage, the contingent annuitant is entitled to receive a premium benefit  
15 payment based on an amount prescribed in subsection A or C of this section  
16 times the period certain and life option reduction factor elected by the  
17 retired member at the time of retirement pursuant to section 38-760,  
18 subsection B, paragraph 2.

19 J. If, at the time of retirement, a retiring member does not elect to  
20 receive a reduced premium benefit payment pursuant to subsection H or I of  
21 this section, the retired member's contingent annuitant is not eligible at  
22 any time for the optional premium benefit payment.

23 K. IF A MEMBER WHO IS ELIGIBLE FOR BENEFITS PURSUANT TO THIS SECTION  
24 FORFEITS THE MEMBER'S INTEREST IN THE ACCOUNT BEFORE THE TERMINATION OF ASRS,  
25 AN AMOUNT EQUAL TO THE AMOUNT OF THE FORFEITURE SHALL BE APPLIED AS SOON AS  
26 POSSIBLE TO REDUCE EMPLOYER CONTRIBUTIONS TO FUND THE BENEFITS PROVIDED BY  
27 THIS SECTION.

28 ~~K.~~ L. A contingent annuitant is not eligible for any premium benefit  
29 payment if the contingent annuitant was not enrolled in an eligible health  
30 and accident insurance plan at the time of the retired member's death or if  
31 the contingent annuitant is not the dependent beneficiary or insured  
32 surviving dependent as provided in section 38-782.

33 ~~L.~~ M. For the purposes of this section:

34 1. "Account" means the separate account established pursuant to  
35 subsection F of this section.

36 2. "Credited service" includes prior service.

37 3. "Prior service" means service for this state or a political  
38 subdivision of this state before membership in the defined contribution  
39 program administered by ASRS.

40 4. "Subsidized" means a portion of the total premium is paid by the  
41 employer, but does not necessarily mean a plan in which the employer uses  
42 blended rates to determine the total premium.

43 Sec. 2. Retroactivity

44 Section 38-783, Arizona Revised Statutes, as amended by this act,  
45 applies retroactively to from and after June 30, 2013.