

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

CHAPTER 37
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
46 insurance program provided or administered by an employer or paid for, in

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

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

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

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

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

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

- 33 1. The payment of the benefits is subordinate to the payment of
34 retirement benefits payable by ASRS.
- 35 2. The total of contributions for the benefits and actual
36 contributions for life insurance protection, if any, shall not exceed
37 twenty-five ~~per-cent~~ PERCENT of the total actual employer and employee
38 contributions to ASRS, less contributions to fund past service credits, after
39 the day the account is established.
- 40 3. The board shall deposit the benefits provided by this section in
41 the account.
- 42 4. The contributions by the employer to the account shall be
43 reasonable and ascertainable.
- 44 H. A member who elects to receive a retirement benefit pursuant to
45 section 38-760, subsection B, paragraph 1 may elect at the time of retirement

1 an optional form of health and accident insurance premium benefit payment
2 pursuant to this subsection as follows:

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

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

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

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

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

42 (b) The retired member was receiving a reduced premium benefit payment
43 based on an amount prescribed in subsection A or C of this section and the
44 contingent annuitant is eligible for single health and accident insurance
45 coverage, the contingent annuitant is entitled to receive a premium benefit
46 payment based on an amount prescribed in subsection A or C of this section

1 times the reduction factor applied to the retired member's premium benefit
2 payment times the joint and survivor option reduction factor elected by the
3 retired member at the time of retirement pursuant to section 38-760,
4 subsection B, paragraph 1.

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

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

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

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

37 (a) The retired member was receiving a reduced premium benefit payment
38 based on an amount prescribed in subsection B or C of this section and the
39 contingent annuitant is eligible for family health and accident insurance
40 coverage, the contingent annuitant is entitled to receive a premium benefit
41 payment based on an amount prescribed in subsection B or C of this section
42 times the period certain and life option reduction factor elected by the
43 retired member at the time of retirement pursuant to section 38-760,
44 subsection B, paragraph 2.

45 (b) The retired member was receiving a reduced premium benefit payment
46 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 period certain and life option reduction factor elected by the
5 retired member at the time of retirement pursuant to section 38-760,
6 subsection B, paragraph 2.

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

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

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

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

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

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

32 2. "Credited service" includes prior service.

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

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

39 Sec. 2. Retroactivity

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

APPROVED BY THE GOVERNOR MARCH 23, 2015.

S.B. 1097

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 23, 2015.