

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

**CHAPTER 62**  
**SENATE BILL 1054**

AN ACT

AMENDING SECTIONS 38-881, 38-884, 38-885.01, 38-905.01, 38-906 AND 38-907,  
ARIZONA REVISED STATUTES; RELATING TO THE CORRECTIONS OFFICER RETIREMENT  
PLAN.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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25 previously withdrawn accumulated member contributions that are repaid to the  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.

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

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

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

37 7. "Average monthly salary" means, for an employee who becomes a  
38 member of the plan before January 1, 2012, one-thirty-sixth of the aggregate  
39 amount of salary that is paid a member by a participating employer during a  
40 period of thirty-six consecutive months of service in which the member  
41 received the highest salary within the last one hundred twenty months of  
42 service and, for an employee who becomes a member of the plan on or after  
43 January 1, 2012, one-sixtieth of the aggregate amount of salary that is paid  
44 a member by a participating employer during a period of sixty consecutive  
45 months of service in which the member received the highest salary within the  
46 last one hundred twenty months of service. Average monthly salary means the

1 aggregate amount of salary that is paid a member divided by the member's  
2 months of service if the member has less than thirty-six or sixty months of  
3 service. In the computation under this paragraph, a period of nonpaid or  
4 partially paid industrial leave shall be considered based on the salary the  
5 employee would have received in the employee's job classification if the  
6 employee was not on industrial leave.

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

10 9. "Board" means the board of trustees of the public safety personnel  
11 retirement system.

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

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

18 12. "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 plan issues a determination  
21 finding that a previously submitted domestic relations order did not qualify  
22 as a plan approved domestic relations order.

23 13. "Designated position" means:

24 (a) For a county:

25 (i) A county detention officer.

26 (ii) A nonuniformed employee of a sheriff's department whose primary  
27 duties require direct contact with inmates.

28 (b) For the state department of corrections and the department of  
29 juvenile corrections, only the following specifically designated positions:

30 (i) Food service.

31 (ii) Nursing personnel.

32 (iii) Corrections physician assistant.

33 (iv) Therapist.

34 (v) Corrections dental assistant.

35 (vi) Hygienist.

36 (vii) Corrections medical assistant.

37 (viii) Correctional service officer, including assistant deputy  
38 warden, deputy warden, warden and superintendent.

39 (ix) State correctional program officer.

40 (x) Parole or community supervision officers.

41 (xi) Investigators.

42 (xii) Teachers.

43 (xiii) Institutional maintenance workers.

44 (xiv) Youth corrections officer.

45 (xv) Youth program officer.

46 (xvi) Behavioral health treatment unit managers.

1 (xvii) The director and assistant directors of the department of  
2 juvenile corrections and the superintendent of the state educational system  
3 for committed youth.

4 (xviii) The director, deputy directors and assistant directors of the  
5 state department of corrections.

6 (xix) Other positions designated by the local board of the state  
7 department of corrections or the local board of the department of juvenile  
8 corrections pursuant to section 38-891.

9 (c) For a city or town, a city or town detention officer.

10 (d) For an employer of an eligible group as defined in section 38-842,  
11 full-time dispatchers.

12 (e) For the judiciary, probation, surveillance and juvenile detention  
13 officers and those positions designated by the local board of the judiciary  
14 pursuant to section 38-891.

15 (f) For the department of public safety, state detention officers.

16 14. "Determination" means a written document that indicates to a  
17 participant and alternate payee whether a domestic relations order qualifies  
18 as a plan approved domestic relations order.

19 15. "Determination period" means the ninety-day period in which the  
20 plan must review a domestic relations order that is submitted by a  
21 participant or alternate payee to determine whether the domestic relations  
22 order qualifies as a plan approved domestic relations order, calculated from  
23 the time the plan mails a notice of receipt to the participant and alternate  
24 payee.

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

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

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

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

37 (a) Is under eighteen years of age.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 (e) HARDSHIP DISTRIBUTIONS.

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

32 22. "Employee" means a person employed by a participating employer in  
33 a designated position.

34 23. "Employer" means an agency or department of this state or a  
35 political subdivision of this state that has one or more employees in a  
36 designated position.

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

38 25. "Juvenile detention officer" means a juvenile detention officer  
39 responsible for the direct custodial supervision of juveniles who are  
40 detained in a county juvenile detention center.

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

44 27. "Member" means any employee who meets all of the following  
45 qualifications:

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

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

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

7 28. "Normal retirement date" means:

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

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

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

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

28 31. "Participant" means a member who is subject to a domestic  
29 relations order.

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

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

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

39 35. "Personal representative" means the personal representative of a  
40 deceased alternate payee.

41 36. "Physician" means a physician who is licensed pursuant to title  
42 32, chapter 13 or 17.

43 37. "Plan approved domestic relations order" means a domestic  
44 relations order that the plan approves as meeting all the requirements for a  
45 plan approved domestic relations order as otherwise prescribed in this  
46 article.



1           A. Each employee of a participating employer is a member of the plan  
2 unless the employee is receiving a pension from the plan. A person employed  
3 shall undergo a medical examination performed by a designated physician or a  
4 physician working in a clinic that is appointed by the local board or, in the  
5 case of a state correctional officer who is employed by the state department  
6 of corrections, complete a physical examination pursuant to section 41-1822,  
7 subsection B. For the purposes of subsection B of this section, the  
8 designated physician or a physician working in a clinic that is appointed by  
9 the local board may be the employer's regular employee or contractor.

10           B. The purpose of the medical examination authorized by this section  
11 is to identify a member's physical or mental condition or injury that existed  
12 or occurred before the member's date of membership in the plan. Any employee  
13 who fails or refuses to submit to the medical examination prescribed in this  
14 section is deemed to waive all rights to disability benefits under this  
15 article. Medical examinations conducted under this article shall be  
16 conducted by a physician and shall not be conducted or used for purposes of  
17 hiring, advancement, discharge, job training or other terms, conditions and  
18 privileges of employment unrelated to receipt or qualification for pension  
19 benefits or service credits from the fund. This subsection does not affect  
20 or impair the right of an employer to prescribe medical or physical standards  
21 for employees or prospective employees.

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

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

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

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

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

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

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

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

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

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

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

21 F. If the refund includes monies that are an eligible rollover  
22 distribution and the member elects to have the distribution paid directly to  
23 an eligible retirement plan or individual retirement account or annuity and  
24 specifies the eligible retirement plan or individual retirement account or  
25 annuity to which the distribution is to be paid, the distribution shall be  
26 made in the form of a direct trustee-to-trustee transfer to the specified  
27 eligible retirement plan. The distribution shall be made in the form and at  
28 the time prescribed by the board.

29 G. FOR DISTRIBUTIONS OCCURRING FROM AND AFTER DECEMBER 31, 2007, A  
30 MEMBER OR A MEMBER'S BENEFICIARY, INCLUDING A NONSPOUSE DESIGNATED  
31 BENEFICIARY TO THE EXTENT PERMITTED UNDER SUBSECTION H OF THIS SECTION, MAY  
32 ROLLOVER AN ELIGIBLE ROLLOVER DISTRIBUTION AS DEFINED IN SECTION 402(c)(4) OF  
33 THE INTERNAL REVENUE CODE TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT, IF, FOR  
34 DISTRIBUTIONS OCCURRING BEFORE JANUARY 1, 2010, THE MEMBER OR THE MEMBER'S  
35 BENEFICIARY SATISFIES THE REQUIREMENTS FOR MAKING A ROTH INDIVIDUAL  
36 RETIREMENT ACCOUNT CONTRIBUTION UNDER SECTION 408A(c)(3)(B) OF THE INTERNAL  
37 REVENUE CODE, AS IN EFFECT ON THE DATE OF THE ROLLOVER. ANY AMOUNT ROLLED  
38 OVER TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT IS INCLUDED IN THE GROSS INCOME  
39 OF THE MEMBER OR THE MEMBER'S BENEFICIARY TO THE EXTENT THE AMOUNTS WOULD  
40 HAVE BEEN INCLUDED IN GROSS INCOME IF NOT ROLLED OVER AS REQUIRED UNDER  
41 SECTION 408A(d)(3)(A) OF THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS  
42 SUBSECTION, THE ADMINISTRATOR IS NOT RESPONSIBLE FOR ENSURING THE MEMBER OR  
43 THE MEMBER'S BENEFICIARY IS ELIGIBLE TO MAKE A ROLLOVER TO A ROTH INDIVIDUAL  
44 RETIREMENT ACCOUNT.

45 H. FOR DISTRIBUTIONS MADE FROM AND AFTER DECEMBER 31, 2009, A  
46 NONSPOUSE DESIGNATED BENEFICIARY AS DEFINED IN SECTION 401(a)(9)(E) OF THE

1 INTERNAL REVENUE CODE MAY ELECT TO DIRECTLY ROLLOVER AN ELIGIBLE ROLLOVER  
2 DISTRIBUTION TO AN INDIVIDUAL RETIREMENT ACCOUNT UNDER SECTION 408(a) OF THE  
3 INTERNAL REVENUE CODE OR AN INDIVIDUAL RETIREMENT ANNUITY UNDER SECTION  
4 408(b) OF THE INTERNAL REVENUE CODE THAT IS ESTABLISHED ON BEHALF OF THE  
5 DESIGNATED BENEFICIARY AND THAT WILL BE TREATED AS AN INHERITED INDIVIDUAL  
6 RETIREMENT PLAN PURSUANT TO SECTION 402(c)(11) OF THE INTERNAL REVENUE CODE.  
7 IN ORDER TO BE ABLE TO ROLLOVER THE DISTRIBUTION, THE DISTRIBUTION OTHERWISE  
8 MUST SATISFY THE DEFINITION OF AN ELIGIBLE ROLLOVER DISTRIBUTION AS DEFINED  
9 IN SECTION 402(c)(4) OF THE INTERNAL REVENUE CODE. IN APPLYING THIS  
10 SUBSECTION, A NONSPOUSE ROLLOVER IS NOT SUBJECT TO THE DIRECT ROLLOVER  
11 REQUIREMENTS UNDER SECTION 401(a)(31) OF THE INTERNAL REVENUE CODE, THE  
12 ROLLOVER NOTICE REQUIREMENTS UNDER SECTION 402(f) OF THE INTERNAL REVENUE  
13 CODE OR THE MANDATORY WITHHOLDING REQUIREMENTS UNDER SECTION 3405(c) OF THE  
14 INTERNAL REVENUE CODE.

15 I. FOR PLAN YEARS OCCURRING BEFORE JANUARY 1, 2007, THE PERIOD FOR  
16 PROVIDING THE ROLLOVER NOTICE AS REQUIRED UNDER SECTION 402(f) OF THE  
17 INTERNAL REVENUE CODE IS NO LESS THAN THIRTY DAYS AND NO MORE THAN NINETY  
18 DAYS BEFORE THE DATE OF DISTRIBUTION AND, FOR PLAN YEARS BEGINNING FROM AND  
19 AFTER DECEMBER 31, 2006, THE PERIOD FOR PROVIDING THE ROLLOVER NOTICE AS  
20 REQUIRED UNDER SECTION 402(f) OF THE INTERNAL REVENUE CODE IS NO LESS THAN  
21 THIRTY DAYS AND NO MORE THAN ONE HUNDRED EIGHTY DAYS BEFORE THE DATE OF  
22 DISTRIBUTION.

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

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

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

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

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



1 C. Any member who is eligible for a normal pension pursuant to section  
2 38-885, who is not awarded an accidental, ordinary or total and permanent  
3 disability pension and who has at least twenty-four years of credited  
4 service, or in the case of a dispatcher, who has at least twenty-five years  
5 of credited service, is eligible to participate in the reverse deferred  
6 retirement option plan.

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

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

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

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

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

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

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

33 1. An amount that is credited as though accrued monthly from the  
34 reverse deferred retirement option plan date to the date the member elected  
35 to participate in the reverse deferred retirement option plan and that is  
36 computed in the same manner as a normal retirement benefit using the factors  
37 of credited service and average monthly salary in effect on the reverse  
38 deferred retirement option plan date.

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

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

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

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

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

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

16 Sec. 4. Section 38-905.01, Arizona Revised Statutes, is amended to  
17 read:

18 38-905.01. Lump sum payment of benefit increases

19 Notwithstanding any provision of this article, the board, at the  
20 request of a retired member, a survivor or the retired member's or survivor's  
21 guardian or conservator, may pay any increase in retirement benefits pursuant  
22 to this article in a lump sum payment based on the actuarial present value of  
23 the increase in the retirement benefits if the payment of the increase in  
24 retirement benefits would result in ineligibility for, reduction of or  
25 elimination of social service programs provided to the retired member or  
26 survivor by this state, a political subdivision of this state or the federal  
27 government. ~~Lump sum payments made pursuant to this section are eligible for~~  
28 ~~a direct rollover distribution.~~

29 Sec. 5. Section 38-906, Arizona Revised Statutes, is amended to read:

30 38-906. Group health and accident coverage for retired members;  
31 payment; forfeiture of interest

32 A. ~~Upon~~ ON notification, the board shall pay from the assets of the  
33 separate account established pursuant to subsection G of this section part of  
34 the single coverage premium of any group health and accident insurance for  
35 each retired member or survivor of the plan who receives a pension and who  
36 has elected to participate in coverage provided by section 38-651.01 or  
37 38-782 or any other retiree health and accident insurance coverage provided  
38 or administered by a participating employer in the plan. The board shall pay  
39 up to:

40 1. One hundred fifty dollars per month for each retired member or  
41 survivor of the plan who is not eligible for medicare.

42 2. One hundred dollars per month for each retired member or survivor  
43 of the plan who is eligible for medicare.

44 B. ~~Upon~~ ON notification, the board shall pay from the assets of the  
45 separate account established pursuant to subsection G of this section part of  
46 the family coverage premium of any group health and accident insurance for

1 each retired member or survivor of the plan who elects family coverage and  
2 who otherwise qualifies for payment pursuant to subsection A of this section.  
3 Payment under this subsection is in the following amounts:

4 1. Up to two hundred sixty dollars per month if the retired member or  
5 survivor of the plan and one or more dependents are not eligible for  
6 medicare.

7 2. Up to one hundred seventy dollars per month if the retired member  
8 or survivor of the plan and one or more dependents are eligible for medicare.

9 3. Up to two hundred fifteen dollars if either:

10 (a) The retired member or survivor of the plan is not eligible for  
11 medicare and one or more dependents are eligible for medicare.

12 (b) The retired member or survivor of the plan is eligible for  
13 medicare and one or more dependents are not eligible for medicare.

14 C. The board shall not pay more than the amount prescribed in this  
15 section for a benefit recipient as a member or survivor of the plan.

16 D. A retired member or survivor of the plan may elect to purchase  
17 individual health care coverage and receive a payment pursuant to this  
18 section through the retired member's former employer if that former employer  
19 assumes the administrative functions associated with the payment, including  
20 verification that the payment is used to pay for health insurance coverage if  
21 the payment is made to the retired member or survivor of the plan.

22 E. This section does not apply to a retired member of the plan who  
23 becomes a member on or after ~~the effective date of this amendment to this~~  
24 ~~section~~ SEPTEMBER 13, 2013 and who is reemployed and participates in health  
25 care coverage provided by the member's new employer.

26 F. This section does not apply to a survivor of the plan whose  
27 deceased spouse becomes a member on or after ~~the effective date of this~~  
28 ~~amendment to this section~~ SEPTEMBER 13, 2013 and who is reemployed and  
29 participates in health care coverage provided by the survivor's new employer.

30 G. The board shall establish a separate account that consists of the  
31 benefits provided pursuant to this section. The board shall deposit the  
32 benefits provided by this section in the account. The board shall not use or  
33 divert any part of the corpus or income of the account for any purpose other  
34 than the provision of benefits pursuant to this section unless the  
35 liabilities to provide the benefits pursuant to this section are satisfied.  
36 If the liabilities to provide the benefits described in this section are  
37 satisfied, the board shall return any amount remaining in the account to the  
38 employer.

39 H. Payment of the benefits provided by this section is subject to the  
40 following conditions:

41 1. The payment of the benefits is subordinate to the payment of  
42 retirement benefits payable by the plan.

43 2. The total of contributions for the benefits and actual  
44 contributions for life insurance protection, if any, shall not exceed  
45 twenty-five ~~per cent~~ PERCENT of the total actual employer and employee

1 contributions to the plan, minus the contributions to fund past service  
2 credits, after the day the account is established.

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

5 I. IF A MEMBER WHO IS ELIGIBLE FOR BENEFITS UNDER THIS SECTION  
6 FORFEITS THE MEMBER'S INTEREST IN THE ACCOUNT BEFORE THE TERMINATION OF THE  
7 PLAN, AN AMOUNT EQUAL TO THE AMOUNT OF THE FORFEITURE SHALL BE APPLIED AS  
8 SOON AS POSSIBLE TO REDUCE EMPLOYER CONTRIBUTIONS TO FUND THE BENEFITS  
9 PROVIDED BY THIS SECTION.

10 Sec. 6. Section 38-907, Arizona Revised Statutes, is amended to read:

11 38-907. Credit for military service

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43           H. In addition to, but not in duplication of, ~~the provisions of~~  
44 subsection B of this section, beginning December 12, 1994 contributions,  
45 benefits and credited service provided pursuant to this section shall be  
46 provided pursuant to section 414(u) of the internal revenue code, and this

1 section shall be interpreted in a manner consistent with that internal  
2 revenue code section.

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

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

18 Sec. 7. Retroactivity

19 Section 38-906, Arizona Revised Statutes, as amended by this act,  
20 applies retroactively to from and after September 26, 1990.

APPROVED BY THE GOVERNOR MARCH 26, 2015.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 27, 2015.