

PROPOSED AMENDMENT
SENATE AMENDMENTS TO H.B. 2118
(Reference to House engrossed bill)

1 Page 1, between lines 1 and 2 insert:

2 "Section 1. Section 38-615, Arizona Revised Statutes, is amended to
3 read:

4 38-615. Payment for accumulated sick leave; requirements; limit;
5 definition

6 A. An officer or employee of ~~the~~ THIS state, subject to legislative
7 appropriation, or an officer or employee of a county, subject to
8 authorization by the board of supervisors, is eligible, on retirement, to
9 receive benefits as follows:

10 1. An officer or employee who has at least five hundred but less than
11 seven hundred fifty hours of sick leave ~~shall~~ IS ENTITLED TO receive payments
12 equal to twenty-five per cent of the officer's or employee's salary at the
13 officer's or employee's current hourly rate for each hour of accumulated sick
14 leave.

15 2. An officer or employee who has at least seven hundred fifty but
16 less than one thousand hours of sick leave ~~shall~~ IS ENTITLED TO receive
17 payments equal to thirty-three per cent of the officer's or employee's salary
18 at the officer's or employee's current hourly rate for each hour of
19 accumulated sick leave.

20 3. An officer or employee who has at least one thousand hours of sick
21 leave ~~shall~~ IS ENTITLED TO receive payments equal to fifty per cent of the
22 officer's or employee's salary at the officer's or employee's current hourly
23 rate for each hour of accumulated sick leave not to exceed one thousand five
24 hundred hours of accumulated sick leave.

1 ~~B. An officer or employee who receives payments as provided in~~
2 ~~subsection A of this section shall not receive more than thirty thousand~~
3 ~~dollars. If an officer or employee receives payments pursuant to subsection~~
4 ~~A of this section, the officer or employee shall be paid the amount due the~~
5 ~~officer or employee in installments over a three year period.~~

6 B. IN ORDER TO BE ELIGIBLE TO RECEIVE PAYMENTS PURSUANT TO
7 SUBSECTION A OF THIS SECTION:

8 1. AN OFFICER OR EMPLOYEE MUST ESTABLISH A RETIREMENT DATE NOT LATER
9 THAN THIRTY-ONE DAYS AFTER TERMINATION OF EMPLOYMENT BY QUALIFYING WITH AN
10 AUTHORIZED RETIREMENT SYSTEM OR PLAN OF THIS STATE.

11 2. THE RETIREMENT DATE MUST BE EFFECTIVE NOT LATER THAN THIRTY-ONE
12 DAYS AFTER TERMINATION OF EMPLOYMENT.

13 3. AN OFFICER OR EMPLOYEE SHALL ELECT RETIREMENT BENEFITS THAT ARE
14 DEFINED NOT LATER THAN THIRTY-ONE DAYS AFTER TERMINATION OF EMPLOYMENT.

15 C. AN OFFICER OR EMPLOYEE WHO RECEIVES PAYMENTS AS PROVIDED IN
16 SUBSECTION A OF THIS SECTION SHALL NOT RECEIVE MORE THAN THIRTY THOUSAND
17 DOLLARS.

18 D. IF AN OFFICER OR EMPLOYEE RECEIVES PAYMENTS PURSUANT TO
19 SUBSECTION A OF THIS SECTION, THE OFFICER OR EMPLOYEE SHALL BE PAID THE
20 AMOUNT DUE THE OFFICER OR EMPLOYEE EITHER IN A LUMP SUM OR IN INSTALLMENTS
21 OVER A THREE YEAR PERIOD.

22 ~~E.~~ E. If an officer or employee dies before the officer or employee
23 receives the total payment due to the officer or employee or if an officer or
24 employee is eligible for normal retirement but has not retired at the time of
25 the officer's or employee's death, the officer's or employee's beneficiary
26 ~~shall~~ IS ENTITLED TO receive the balance due to the officer or employee in a
27 lump sum.

28 ~~F.~~ F. Notwithstanding any other law:

29 1. The cash value of the sick leave credit pursuant to subsection A of
30 this section shall not be used to compute the average salary.

1 2. The payment authorized by this section for accumulated sick leave
2 is not salary or compensation for the purposes of making retirement
3 contributions or computing any pension benefit.

4 3. THE SICK LEAVE MUST BE AVAILABLE FOR USE BY THE OFFICER OR EMPLOYEE
5 AT THE TIME OF TERMINATION OF EMPLOYMENT. THIS SECTION DOES NOT APPLY TO
6 PREVIOUSLY FORFEITED SICK LEAVE.

7 ~~E.~~ G. ~~The provisions of~~ This section ~~apply~~ APPLIES to an officer or
8 employee of ~~the~~ THIS state or a county who is eligible to participate in the
9 Arizona state retirement system as provided in chapter 5, article 2 of this
10 title, in the public safety personnel retirement system as provided in
11 chapter 5, article 4 of this title, in the corrections officer retirement
12 plan as provided in chapter 5, article 6 of this title or in an optional
13 retirement program established by the Arizona board of regents pursuant to
14 section 15-1628.

15 ~~F.~~ H. This section applies retroactively to July 1, 1998 to an
16 officer or employee of a university under the jurisdiction of the Arizona
17 board of regents who participates in a federal retirement system, except that
18 this section does not apply to a participant in a federal retirement system
19 if the participant receives any sick leave payment from the federal
20 government.

21 ~~G.~~ I. ~~The provisions of~~ This section ~~shall apply~~ APPLIES only to
22 officers or employees of ~~the~~ THIS state or a county whose compensation
23 regulations provide for a forfeiture of sick leave on retirement.

24 ~~H.~~ J. For the purposes of this section, "hourly rate" means an
25 officer's or employee's hourly salary on retirement, excluding overtime pay
26 and pay for unused annual leave.

27 Sec. 2. Section 38-711, Arizona Revised Statutes, is amended to read:

28 38-711. Definitions

29 In this article, unless the context otherwise requires:

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

1 as prescribed in section 38-736.

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

6 3. "ASRS" means the Arizona state retirement system established by
7 this article.

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

10 5. "Average monthly compensation" means:

11 (a) For a member whose membership in ASRS commenced before January 1,
12 1984 and who left the member's contributions on deposit or reinstated
13 forfeited credited service pursuant to section 38-742 for a period of
14 employment that commenced before January 1, 1984, the monthly average of
15 compensation on which contributions were remitted during a period of sixty
16 consecutive months during which the member receives the highest compensation
17 within the last one hundred twenty months of credited service. Any month for
18 which no contributions are reported to ASRS or that falls within a period of
19 nonpaid or partially paid leave of absence or sabbatical leave shall be
20 excluded from the computation. The sixty consecutive months may entirely
21 precede, may be both before and after or may be completely after any excluded
22 months. If the member was employed for less than sixty consecutive months,
23 the average monthly compensation is based on the total consecutive months
24 worked. Payments for accumulated vacation or annual leave, sick leave,
25 compensatory time or other forms of termination pay which, before August 12,
26 2005, constitute compensation for members whose membership in ASRS commenced
27 before January 1, 1984, do not cease to be included as compensation if paid
28 in the form of nonelective employer contributions under a 26 United States
29 Code section 403(b) plan if all payments of employer and employee
30 contributions are made at the time of termination. Contributions shall be
31 made to ASRS on these amounts pursuant to sections 38-735, 38-736 and 38-737.

1 (b) Effective July 1, 1985, the monthly average of compensation on
2 which contributions were remitted during a period of thirty-six consecutive
3 months during which a member receives the highest compensation within the
4 last one hundred twenty months of credited service. Any month for which no
5 contributions are reported to ASRS or that falls within a period of nonpaid
6 or partially paid leave of absence or sabbatical leave shall be excluded from
7 the computation. The thirty-six consecutive months may entirely precede, may
8 be both before and after or may be completely after any excluded months. If
9 the member was employed for less than thirty-six consecutive months, the
10 average monthly compensation shall be based on the total consecutive months
11 worked. This subdivision applies only to members whose membership in ASRS
12 was effective after December 31, 1983 or who agree in writing as a binding
13 condition of eligibility for being granted the benefit advantages available
14 under this subdivision to have their benefit computed on the basis of the
15 definition of compensation.

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

17 7. "Compensation" means the gross amount paid to a member by an
18 employer as salary or wages, including amounts that are subject to deferred
19 compensation or tax shelter agreements, for services rendered to or for an
20 employer, or that would have been paid to the member except for the member's
21 election or a legal requirement that all or part of the gross amount be used
22 for other purposes, but does not include amounts paid in excess of
23 compensation limits established in section 38-746. Compensation includes
24 amounts paid as salary or wages to a member by a second employer **IF THE**
25 **MEMBER MEETS THE REQUIREMENTS PRESCRIBED IN PARAGRAPH 23, SUBDIVISION (b) OF**
26 **THIS SECTION WITH THAT SECOND EMPLOYER.** Compensation, as provided in
27 paragraph 5, subdivision (b) of this section, does not include:

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

32 (b) Damages, costs, attorney fees, interest or other penalties paid

1 pursuant to a court order or a compromise settlement or agreement to satisfy
2 a grievance or claim even though the amount of the payment is based in whole
3 or in part on previous salary or wage levels, except that, if the court order
4 or compromise settlement or agreement directs salary or wages to be paid for
5 a specific period of time, the payment is compensation for that specific
6 period of time. If the amount directed to be paid is less than the actual
7 salary or wages that would have been paid for the period if service had been
8 performed, the contributions for the period shall be based on the amount of
9 compensation that would have been paid if the service had been performed.

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

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

14 (e) AMOUNTS THAT ARE PAID AS SALARY OR WAGES TO A MEMBER FOR WHICH
15 EMPLOYER CONTRIBUTIONS HAVE NOT BEEN PAID.

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

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

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

23 (a) Annualized compensation of the typical pay period amount
24 immediately before the date of a request to ASRS to purchase credited service
25 pursuant to section 38-743, 38-744 or 38-745. The typical pay period amount
26 shall be determined by taking the five pay periods immediately before the
27 date of a request, disregarding the highest and lowest compensation amount
28 pay periods and averaging the three remaining pay periods.

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

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

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

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

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

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

17 13. "Employer" means:

18 (a) This state.

19 (b) Participating political subdivisions.

20 (c) Participating political subdivision entities.

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

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

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

27 (a) Has not retired.

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

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

30 (d) Has not withdrawn contributions from ASRS.

31 17. "Interest" means the assumed actuarial investment earnings rate
32 approved by the board.

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

3 19. "Investment management" means the persons, companies, banks,
4 insurance company investment funds, mutual fund companies, management or any
5 combinations of those entities that are appointed by ASRS and that have
6 responsibility and authority for investment of the monies of ASRS.

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

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

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

13 23. "Member":

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

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

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

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

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

28 (f) Does not include any leased employee. For the purposes of section
29 414(n) of the internal revenue code, "leased employee" means an individual
30 who:

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

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

4 (iii) Performs services under the primary direction or control of the
5 employer.

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

7 25. "Normal costs" means the sum of the individual normal costs for all
8 active members for each fiscal year. The normal cost for an individual
9 active member is the cost that is assigned to the fiscal year using the
10 projected unit credit method.

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

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

14 (a) A member's sixty-fifth birthday.

15 (b) A member's sixty-second birthday and completion of at least ten
16 years of credited service.

17 (c) The first day that the sum of a member's age and years of total
18 credited service equals eighty.

19 28. "Political subdivision" means any political subdivision of this
20 state and includes a political subdivision entity.

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

22 (a) That is located in this state.

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

25 (c) Where a majority of the membership of the entity is composed of
26 political subdivisions.

27 (d) Whose primary purpose is the performance of a government related
28 service.

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

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

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

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

8 (c) In determining average monthly compensation pursuant to paragraph
9 5 of this section, the service year is considered to be twelve months of
10 compensation.

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

13 33. "Vested" means that a member is eligible to receive a future
14 retirement benefit.

15 Sec. 3. Section 38-715, Arizona Revised Statutes, is amended to read:

16 38-715. Director: powers and duties

17 A. The board shall appoint a director. The term of the director is
18 one year and expires on June 30. On expiration of a director's term, the
19 board may reappoint the director for another term. The board may remove the
20 director at any time for cause.

21 B. The director shall appoint a deputy director and assistant
22 directors with the approval of the board.

23 C. The director, under the supervision of the board, shall:

24 1. Administer this article, except the investment powers and duties of
25 investment management.

26 2. Hire employees and services the director deems necessary and
27 prescribe their duties.

28 3. Prescribe procedures to be followed by members and their
29 beneficiaries in filing applications for benefits.

30 4. Be responsible for:

31 (a) Income and the collection of income and the accuracy of all
32 expenditures.

1 (b) Maintaining books and maintaining and processing records of ASRS.

2 (c) The investment of temporary surplus monies only in obligations of
3 the United States government or agencies whose obligations are guaranteed by
4 the United States government, commercial paper or banker's acceptances for a
5 term of not more than fifteen days.

6 (d) Providing continuing education programs for the board to keep the
7 board members informed of current issues and information needed to carry out
8 their duties.

9 5. Perform additional powers and duties as may be prescribed by the
10 board and delegated to the director.

11 D. The director, under the supervision and approval of the board, may:

12 1. Delegate duties and responsibilities to such state departments as
13 the director deems feasible and desirable to administer this article.

14 2. Appoint a custodian for the safekeeping of all investments owned by
15 ASRS and register stocks, bonds and other investments in the name of a
16 nominee.

17 3. Invest marketable securities owned by ASRS by entering into
18 security loan agreements with one or more security lending entities. For the
19 purpose of this paragraph:

20 (a) "Marketable securities" means securities that are freely and
21 regularly traded on recognized exchanges or marketplaces.

22 (b) "Security loan agreement" means a written contract under which
23 ASRS, as lender, agrees to lend specific marketable securities for a period
24 of not more than one year. ASRS, under a security loan agreement, shall
25 retain the right to collect from the borrower all dividends, interest,
26 premiums and rights and any other distributions to which ASRS otherwise would
27 have been entitled. During the term of a security loan agreement ASRS shall
28 waive the right to vote the securities that are the subject of the agreement.
29 A security loan agreement shall provide for termination by either party on
30 terms mutually acceptable to the parties. The borrower shall deliver
31 collateral to ASRS or its designated representative. At all times during the
32 term of any security loan agreement the collateral shall be in an amount

1 equal to at least one hundred per cent of the market value of the loaned
2 securities. A security loan agreement shall provide for payment of
3 additional collateral on a daily basis, or at such other less frequent
4 intervals as the value of the loaned securities increases. A security loan
5 agreement with a security lending entity shall contain the terms and
6 conditions of the fees to be paid to a security lending entity for servicing
7 the security loan agreement. ASRS shall pay the fees approved by the board
8 to the security lending entity for servicing a security loan agreement from
9 the revenues of the security lending program.

10 4. Establish one or more reserve holding accounts, into which the
11 board shall close periodically the account balances of inactive accounts. If
12 any person files a claim and furnishes proof of ownership of any amounts in
13 any inactive account the claim shall be paid from the reserve holding account
14 on the same basis as if no action had been taken under this paragraph.
15 Interest and supplemental credits shall be allocated to each reserve holding
16 account on June 30 of each year, as determined by the board. For the
17 purposes of this paragraph, "inactive account" means an account to which
18 contributions have not been paid for six months or more.

19 5. Make retirement under this article effective retroactively to on or
20 after the day following the date employment is terminated if the member was
21 unable to apply before the retroactive effective date through no fault of the
22 member.

23 E. The director, under supervision of the governing committee for tax
24 deferred annuity and deferred compensation plans, may hire and supervise
25 employees and obtain services the director deems necessary to administer
26 article 5 of this chapter. The tax deferred annuity and deferred
27 compensation programs established pursuant to article 5 of this chapter shall
28 bear the costs for these employees and services.

29 F. The director and all persons employed by the director ~~shall be~~
30 ~~compensated as determined pursuant~~ ARE NOT SUBJECT to section 38-611 OR TITLE
31 41, CHAPTER 4, ARTICLE 5 OR 6.

1 Sec. 4. Section 38-730, Arizona Revised Statutes, is amended to read:

2 38-730. Charter city or ASRS retirement service credits:
3 transfers

4 A. On application the retirement service credits of an employee of a
5 charter city that is not an employer under ASRS or an employee of an employer
6 that is an employer under ASRS whose job functions are shifted by law from
7 one employer jurisdiction to another shall be transferred to the retirement
8 system of the new employer.

9 B. An employee of a charter city that is not an employer under ASRS or
10 an employee of an employer that is an employer under ASRS who becomes
11 employed by the other employer jurisdiction may apply to have the employee's
12 retirement service credits transferred to the retirement system of the new
13 employer. The retirement service credits of an employee of a charter city
14 that is not an employer under ASRS shall not be transferred unless the
15 governing body of that city approves the transfer. The retirement service
16 credits of an employee of an employer that is an employer under ASRS shall
17 not be transferred unless the board approves the transfer.

18 C. The retirement system that transfers the retirement service credits
19 shall pay to the retirement system of the new employer an amount equal to the
20 present value, as of the date of the transfer, of all benefits generated by
21 the transferred service credits in the retirement system of the new employer
22 as determined by the governing board of the retirement system of the new
23 employer. The amount of any payment under this subsection shall include the
24 accumulated retirement contributions of the employee whose retirement service
25 credits are transferred.

26 D. The accumulated retirement contributions of an employee whose
27 retirement service credits are transferred that are paid to the retirement
28 system of the new employer shall not be withdrawn by the employee unless the
29 employee's employment terminates.

30 E. THE RETIREMENT SYSTEM TO WHICH THE EMPLOYEE IS TRANSFERRING SHALL
31 NOT APPLY SERVICE CREDITS TO THE EMPLOYEE'S ACCOUNT UNTIL SUCH TIME AS
32 COMPLETE PAYMENT IS MADE TO THE RETIREMENT SYSTEM TO WHICH THE EMPLOYEE IS

1 TRANSFERRING. ON COMPLETION OF THE TRANSFER PROVIDED FOR IN THIS SECTION,
2 THE EMPLOYEE'S RIGHTS IN THE RETIREMENT SYSTEM FROM WHICH THE EMPLOYEE IS
3 TRANSFERRING ARE EXTINGUISHED.

4 Sec. 5. Section 38-743, Arizona Revised Statutes, is amended to read:
5 38-743. Public service credit

6 A. If an active member of ASRS or a member who is receiving benefits
7 pursuant to section 38-797.07 was previously employed by the United States
8 government, a state, TERRITORY, COMMONWEALTH, OVERSEAS POSSESSION OR INSULAR
9 AREA of the United States or a political subdivision of a state, TERRITORY,
10 COMMONWEALTH, OVERSEAS POSSESSION OR INSULAR AREA of the United States,
11 excluding any time worked for a prison while the member was incarcerated, the
12 member may receive credited service for this prior employment if the member
13 pays into ASRS the amount prescribed in subsection B of this section.

14 B. A member who elects to receive credit for service with the United
15 States government, a state, TERRITORY, COMMONWEALTH, OVERSEAS POSSESSION OR
16 INSULAR AREA of the United States or a political subdivision of a state,
17 TERRITORY, COMMONWEALTH, OVERSEAS POSSESSION OR INSULAR AREA of the United
18 States shall pay to ASRS an amount equal to the present value of the
19 additional benefit that is derived from the purchased credited service using
20 the actuarial assumptions that are approved by the board.

21 C. A member who previously was a member of another public employee
22 retirement system and who receives or is eligible to receive retirement
23 benefits from that system for any period of employment is ineligible to
24 receive retirement benefits from ASRS for the same period.

25 D. BEGINNING JULY 1, 2010, A MEMBER SHALL HAVE AT LEAST FIVE YEARS OF
26 CREDITED SERVICE IN ASRS BEFORE ELECTING TO RECEIVE CREDIT FOR SERVICE
27 PURSUANT TO THIS SECTION.

28 Sec. 6. Section 38-744, Arizona Revised Statutes, is amended to read:
29 38-744. Leave of absence; credit for leave without pay

30 A. If an active member of ASRS or a member who is receiving benefits
31 pursuant to section 38-797.07 is officially granted a leave of absence from
32 employment without pay and returns to employment with the same employer,

1 unless employment could not be resumed because of disability or
2 nonavailability of a position, the member may elect to be credited with
3 service for retirement purposes for not more than one year of the leave by
4 paying to ASRS the amounts as provided in subsection B of this section, if
5 the member has not withdrawn contributions from ASRS and the member's
6 employer has certified that the leave of absence benefits or is in the best
7 interests of the employer.

8 B. A member who elects to be credited with a leave period as provided
9 in subsection A of this section shall pay to ASRS an amount equal to the
10 present value of the additional benefit that is derived from the purchased
11 credited service using the actuarial assumptions that are approved by the
12 board.

13 C. BEGINNING JULY 1, 2010, A MEMBER SHALL HAVE AT LEAST FIVE YEARS OF
14 CREDITED SERVICE IN ASRS BEFORE ELECTING TO RECEIVE CREDIT FOR SERVICE
15 PURSUANT TO THIS SECTION.

16 ~~C.~~ D. For the purposes of subsection A of this section, each employer
17 shall adopt rules establishing guidelines for a leave of absence that
18 benefits or is in the best interests of the employer.

19 Sec. 7. Section 38-745, Arizona Revised Statutes, as amended by Laws
20 2007, chapter 244, section 1, is amended to read:

21 38-745. Credit for military service

22 A. An active member of ASRS or a member who is receiving benefits
23 pursuant to section 38-797.07 may purchase credited service in ASRS for
24 active military service if ~~both~~ ALL of the following apply:

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

26 2. The member submits a copy of the member's military service record
27 (DD-214) or its equivalent with the member's application for military service
28 credit.

29 3. BEGINNING JULY 1, 2010, A MEMBER HAS AT LEAST FIVE YEARS OF
30 CREDITED SERVICE IN ASRS.

31 B. The cost to purchase military service credit is an amount equal to
32 the present value of the additional benefit that is derived from the

1 purchased credited service using the actuarial assumptions that are approved
2 by the board.

3 C. An active member of ASRS who is called to active military service
4 may receive credited service for not more than sixty months of active
5 military service, except as provided by the uniformed services employment and
6 reemployment rights act (38 United States Code section 4312(c)). The
7 member's employer shall make employer contributions and member contributions
8 for the member if the member meets the following requirements:

9 1. Was an active member of ASRS on the day before the member began
10 active military service.

11 2. Is a member of the Arizona national guard or is a member of the
12 reserves of any military establishment of the United States.

13 3. Volunteers or is ordered into active military service of the United
14 States as part of a military call-up.

15 4. One of the following occurs:

16 (a) Is honorably separated from active military service and returns to
17 employment for the same employer from which the member left for active
18 military service within ninety days after the date active military service is
19 terminated.

20 (b) Is hospitalized as a result of military service and returns to
21 employment for the same employer from which the member left for active
22 military service within ninety days after release from service related
23 hospitalization.

24 (c) Becomes disabled as a result of or during the military service and
25 is unable to return to the same employer.

26 (d) Dies as a result of or during the military service.

27 D. Contributions made pursuant to subsection C of this section shall
28 be for the period of time beginning on the date the member began active
29 military service and ending on the later of one of the following dates:

30 1. The date the member is separated from active military service.

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

4 3. One year after the date of disability.

5 4. The date the member dies as a result of or during active military
6 service.

7 E. Notwithstanding any other law, on payment of the contributions made
8 pursuant to subsection C of this section, the member shall be credited with
9 service for retirement purposes for the period of time of active military
10 service of not more than sixty months.

11 F. The employer shall make contributions pursuant to subsection C of
12 this section as follows:

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

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

21 3. If a member has been employed less than twelve months before being
22 ordered into active military service, the employer shall make contributions
23 based on the employment period immediately preceding the period of active
24 military service.

25 4. Employer contributions shall be made in a lump sum and without
26 penalty when the member returns to employment, when it is determined that the
27 member is unable to return to employment because of a disability as a result
28 of or that occurred during military service or on receipt of the member's
29 death certificate. If a member suffers a service related death, the employer
30 shall make the employer and member contributions up to and including the date
31 of the member's death. Death benefits shall be calculated as prescribed by
32 law.

1 G. In computing the length of total credited service of a member for
2 the purpose of determining retirement benefits or eligibility, the period of
3 military service, as prescribed by this section, shall be included.

4 H. Notwithstanding any other law, the member is not required to
5 reimburse the member's employer or ASRS for any contribution made pursuant to
6 subsection C of this section.

7 I. In addition to, but not in duplication of, the provisions of
8 subsection C of this section, contributions, benefits and credited service
9 provided pursuant to this section shall be provided in accordance with
10 section 414(u) of the internal revenue code.

11 Sec. 8. Repeal

12 Section 38-745, Arizona Revised Statutes, as amended by Laws 2007,
13 chapter 244, section 2, is repealed.

14 Sec. 9. Title 38, chapter 5, article 2, Arizona Revised Statutes, is
15 amended by adding section 38-748, to read:

16 38-748. Employer payment for ineligible persons: definitions

17 A. IF AN EMPLOYER PAYS CONTRIBUTIONS ON BEHALF OF ANY PERSON WHO IS
18 NOT ELIGIBLE BY STATUTE FOR ASRS MEMBERSHIP AND EITHER ASRS OR A COURT
19 DETERMINES THAT ASRS IS LEGALLY OBLIGATED TO PROVIDE THAT PERSON WITH ANY
20 BENEFIT OR CREDIT UNDER THIS ARTICLE OR ARTICLE 2.1 OF THIS CHAPTER, THE
21 EMPLOYER SHALL PAY TO ASRS ANY UNFUNDED LIABILITY RESULTING FROM THE
22 PROVISION OF BENEFITS OR CREDIT TO THE PERSON.

23 B. IF THE EMPLOYER DOES NOT REMIT FULL PAYMENT OF THE UNFUNDED
24 LIABILITY PURSUANT TO SUBSECTION A OF THIS SECTION WITHIN NINETY DAYS AFTER
25 BEING NOTIFIED BY ASRS OF THE AMOUNT DUE, THE UNPAID AMOUNT ACCRUES INTEREST
26 UNTIL THE AMOUNT IS PAID IN FULL.

27 C. CREDITED SERVICE CEASES TO ACCRUE AS OF THE DATE THAT ASRS OR A
28 COURT FIRST DETERMINES THAT ASRS IS LEGALLY OBLIGATED TO PROVIDE ANY BENEFIT
29 OR CREDIT TO THE PERSON.

30 D. IF THE AMOUNT IN THE PERSON'S ASRS ACCOUNT IS GREATER THAN THE
31 PRESENT VALUE OF THE BENEFIT OR CREDIT, ASRS SHALL RETAIN THE ENTIRE ACCOUNT

1 AND SHALL NOT BE REQUIRED TO REFUND, CREDIT OR OFFSET ANY EXCESS AGAINST
2 FUTURE CONTRIBUTIONS.

3 E. THIS SECTION APPLIES TO AN EMPLOYER THAT EMPLOYS, EITHER DIRECTLY
4 OR INDIRECTLY, A PERSON WHO PERFORMS SERVICES FOR A THIRD-PARTY ORGANIZATION
5 AND THAT DOES NOT HAVE A WRITTEN REPRESENTATION BY ASRS OF THE PERSON'S
6 ELIGIBILITY.

7 F. FOR THE PURPOSES OF THIS SECTION:

8 1. "AMOUNT IN THE PERSON'S ASRS ACCOUNT" MEANS TWO TIMES THE PERSON'S
9 RETIREMENT CONTRIBUTIONS MADE PURSUANT TO SECTION 38-736:

10 (a) PLUS:

11 (i) INTEREST ON THE PERSON'S RETIREMENT CONTRIBUTIONS MADE PURSUANT TO
12 SECTION 38-736.

13 (ii) ANY CONTRIBUTIONS MADE FOR THE PURCHASE OF SERVICE CREDITS
14 PURSUANT TO SECTION 38-742, 38-743, 38-744 OR 38-745.

15 (iii) INTEREST ON THE AMOUNT CONTRIBUTED FOR THE PURCHASE OF SERVICE
16 CREDITS PURSUANT TO SECTION 38-742, 38-743, 38-744 OR 38-745.

17 (b) MINUS ANY AMOUNTS PAID BY ASRS PURSUANT TO THIS ARTICLE OR ARTICLE
18 2.1 OF THIS CHAPTER.

19 2. "INTEREST" MEANS THE INTEREST RATE ASSUMPTION THAT IS APPROVED BY
20 ASRS FOR ACTUARIAL EQUIVALENCY.

21 3. "UNFUNDED LIABILITY" MEANS THE AMOUNT, IF ANY, THAT THE PRESENT
22 VALUE OF THE PERSON'S BENEFIT OR CREDIT, USING THE ACTUARIAL ASSUMPTIONS
23 APPROVED BY ASRS, EXCEEDS THE AMOUNT IN THE PERSON'S ASRS ACCOUNT CALCULATED
24 AS OF THE DATE THAT ASRS OR A COURT FIRST DETERMINES THAT ASRS IS LEGALLY
25 OBLIGATED TO PROVIDE ANY BENEFIT OR CREDIT TO THE PERSON.

26 Sec. 10. Section 38-749, Arizona Revised Statutes, is amended to read:

27 38-749. Employer termination incentive program; employer payment
28 of actuarial cost; definition

29 A. If a termination incentive program that is offered by an employer
30 results in an actuarial unfunded liability to ASRS, the employer shall pay to
31 ASRS the amount of the unfunded liability. ASRS shall determine the amount
32 of the unfunded liability in consultation with its actuary.

1 B. An employer shall notify ASRS if the employer plans to implement a
2 termination incentive program that may affect ASRS funding.

3 C. If ASRS determines that an employer has implemented a termination
4 incentive program that results in an actuarial unfunded liability to ASRS,
5 ASRS shall assess the cost of the unfunded liability to that employer. If
6 the employer does not remit full payment of all monies due within ninety days
7 after being notified by ASRS of the amount due, the unpaid amount accrues
8 interest until the amount is paid in full. The interest rate is the interest
9 rate assumption that is approved by the board for actuarial equivalency for
10 the period in question to the date payment is received.

11 D. For the purposes of this section, "termination incentive program":
12 1. Means a total increase in compensation of thirty per cent or more
13 that is given to a member in any one or more years ~~of the last three years~~
14 before termination **THAT ARE USED TO CALCULATE THE MEMBER'S AVERAGE MONTHLY**
15 **COMPENSATION** if that increase in compensation is used to calculate the
16 member's retirement benefit and that increase in compensation is not
17 attributed to a:—

18 ~~(a) promotion.~~

19 ~~(b) Reclassification of the position.~~

20 ~~(c) Merit or a cost of living increase.~~

21 2. Means **ANYTHING OF VALUE, INCLUDING** any monies, credited service or
22 points that the employer provides to **OR ON BEHALF OF** a member ~~in exchange for~~
23 ~~a~~ **THAT IS CONDITIONED ON THE** member's ~~written agreement to terminate on or~~
24 ~~before a date certain~~ **TERMINATION EXCEPT FOR.**—

25 ~~3. Does not include~~ payments to an employee for:—

26 ~~(a) Compensation for~~ accrued vacation.—

27 ~~(b) Compensation for accrued,~~ sick leave.—

28 ~~(c)~~ **OR** compensatory time **UNLESS THE PAYMENT IS ENHANCED BEYOND THE**
29 **EMPLOYER'S CUSTOMARY PAYMENT.**

1 Sec. 11. Section 38-757, Arizona Revised Statutes, is amended to read:

2 38-757. Normal retirement

3 A. After application on a form prescribed by the director, a member
4 may retire on reaching the member's normal retirement date.

5 B. Except as provided in section 38-768 ~~and subsection C of this~~
6 ~~section~~, a member who meets the requirements for retirement benefits at
7 normal retirement shall receive a monthly life annuity that equals the result
8 of paragraph 1 multiplied by paragraph 2 when those paragraphs are defined as
9 follows:

10 1. The number of whole and fractional years of credited service times
11 the following:

12 (a) 2.10 per cent if the member does not have more than 19.99 years of
13 credited service.

14 (b) 2.15 per cent if the member has at least 20.00 years of credited
15 service but not more than 24.99 years of credited service.

16 (c) 2.20 per cent if the member has at least 25.00 years of credited
17 service but not more than 29.99 years of credited service.

18 (d) 2.30 per cent if the member has at least 30.00 years of credited
19 service.

20 2. The member's average monthly compensation.

21 ~~C. For a person who becomes a member on or after the effective date of~~
22 ~~this amendment to this section, the amount of a member's monthly life annuity~~
23 ~~computed pursuant to subsection B of this section shall not be more than~~
24 ~~eighty per cent of the member's average monthly compensation. This~~
25 ~~limitation does not preclude benefit increases pursuant to section 38-767.~~

26 ~~D.~~ C. Employers shall provide evidence of, and certify to, in a
27 manner provided by the board, the member's average monthly compensation if
28 that information is not already available from the records of ASRS.

1 Sec. 12. Section 38-762, Arizona Revised Statutes, is amended to read:

2 38-762. Survivor benefits before retirement: definition

3 A. On the ~~termination of employment by~~ death of any active or inactive
4 member before retirement, the designated beneficiary of the member shall be
5 paid a survivor benefit equal to the sum of both of the following:

6 1. Two times the member's contribution and interest to the defined
7 benefit plan established by this article for credited service that a member
8 earned by working for an employer, plus all contributions and interest made
9 for the purchase of military service, leave without pay or other public
10 service credit.

11 2. The amount of the member's employee account and the member's
12 employer account together with supplemental credits, if any, transferred from
13 the defined contribution program administered by ASRS to the defined benefit
14 program established by this article.

15 B. Subsection A, paragraphs 1 and 2 of this section shall be
16 accumulated at compound interest at a rate determined by the board through
17 the day of the payment of the benefit.

18 C. In lieu of a single payment, a designated beneficiary who is
19 eligible for a survivor benefit pursuant to subsection A of this section of
20 more than five thousand dollars may elect to receive the actuarial equivalent
21 of the survivor benefit pursuant to one of the following options:

22 1. A monthly income for five, ten or fifteen years certain and for
23 life thereafter.

24 2. Another form of optional benefits approved by the board.

25 D. On the death of an active or inactive member who has reached an
26 early retirement date applicable to the member or who has a minimum of
27 fifteen years of credited service and whose designated beneficiary is a
28 spouse, child under the age of twenty-one or handicapped child age twenty-one
29 or older, including a legally adopted child or a stepchild, ASRS shall pay
30 the designated beneficiary a survivor benefit equal to the present value, on
31 the date following the date of the member's death, of the life annuity that
32 would have been payable to the designated beneficiary if the member had

1 retired on the date of the member's death and elected to receive an annuity
2 in the form of a joint and survivor annuity providing the same amount of
3 annuity to the surviving beneficiary as the reduced amount that would have
4 been payable during the lifetime of the member. If there is more than one
5 designated beneficiary under this subsection, ASRS shall determine the amount
6 of the annuity and its present value as if the oldest of the beneficiaries
7 was the sole beneficiary. Payment under this subsection shall be in lieu of,
8 but not less than, any payment under subsection A of this section. Payment
9 under this subsection, at the election of the designated beneficiary, may be
10 made in a single sum or may be made in accordance with subsection C of this
11 section. A beneficiary may not elect this option unless a benefit of
12 twenty-five dollars or more per month is payable to the designated
13 beneficiary or the designated beneficiary's estate.

14 E. If a member dies before distribution of the member's benefits
15 commences, the member's entire benefits shall be distributed within the
16 required distribution provisions of section 401(a)(9) of the internal revenue
17 code and the regulations that are issued under that section by the United
18 States secretary of the treasury as prescribed in section 38-775.

19 F. If a deceased member did not designate a beneficiary or the
20 beneficiary named by a member predeceases the member, ASRS shall pay the
21 member's survivor benefit to the following persons in the following order of
22 priority:

- 23 1. The member's surviving spouse.
- 24 2. The member's surviving children, including adopted children, in
25 equal shares.
- 26 3. The member's surviving parents in equal shares.
- 27 4. The member's estate.

28 G. Any payment pursuant to this section is payment for the account of
29 the member or the member's beneficiary and all persons entitled to payment
30 and, to the extent of the payment, is a full and complete discharge of all
31 liability of the board or ASRS, or both, under or in connection with ASRS.

1 H. For the purposes of this section, "designated beneficiary" means
2 any individual designated by the member as the member's beneficiary.

3 Sec. 13. Section 38-766, Arizona Revised Statutes, is amended to read:

4 38-766. Retired members; return to work; suspension of benefits;
5 exceptions; maximum benefit

6 A. A retired member who is engaged to work by an employer for at least
7 twenty weeks in each fiscal year and at least twenty hours per week resumes
8 active membership in ASRS. ASRS shall suspend payment of the member's
9 retirement benefits until the member either:

10 1. Terminates employment **AND FILES AN APPLICATION FOR RERETIREMENT ON**
11 **A FORM THAT IS APPROVED BY THE DIRECTOR.**

12 2. Attains a normal retirement date, ~~and~~ no longer meets the
13 requirements for active membership pursuant to this subsection **AND FILES AN**
14 **APPLICATION FOR RERETIREMENT ON A FORM THAT IS APPROVED BY THE DIRECTOR.**

15 B. A member who satisfies subsection A, paragraph 1 or 2 of this
16 section is entitled to receive an annuity recomputed to include the
17 additional compensation and credited service. However, the recomputed
18 annuity shall be in the original optional form chosen pursuant to section
19 38-760, with the same beneficiary, if applicable, as when the member first
20 retired, **UNLESS THE MEMBER HAS RESUMED ACTIVE MEMBERSHIP FOR AT LEAST SIXTY**
21 **CONSECUTIVE MONTHS.** A member who retired under a provision of law allowing
22 increased benefits if the retirement occurred during a specific period of
23 time and who subsequently becomes an employee under ASRS shall not retain the
24 increased benefits under the prior law when benefits are computed for the
25 member's most recent retirement.

26 C. **NOTWITHSTANDING SUBSECTION A OF THIS SECTION, ASRS SHALL NOT**
27 **SUSPEND THE PAYMENT OF RETIREMENT BENEFITS IF A RETIRED MEMBER BEGINS OR**
28 **RETURNS TO EMPLOYMENT WITH AN EMPLOYER IN A POSITION THAT SATISFIES ALL OF**
29 **THE FOLLOWING:**

30 1. **RESULTS IN A TRUE CHANGE IN POSITION, JOB DUTIES AND JOB TITLE FROM**
31 **THE POSITION OCCUPIED BY THE MEMBER BEFORE ASRS RETIREMENT.**

1 ~~4.~~ 3. If the retired member returns to work as a teacher, the retired
2 member's employment is not subject to the requirements prescribed in sections
3 15-538, 15-538.01 and 15-539 through 15-543.

4 ~~5. The retired member acknowledges in writing the provisions of this~~
5 ~~section.~~

6 B. A RETIRED MEMBER'S ELECTION TO RETURN TO WORK UNDER THIS SECTION IS
7 IRREVOCABLE FOR THE REMAINDER OF THE RETIRED MEMBER'S EMPLOYMENT FOR WHICH
8 THE RETIREE MADE THE ELECTION.

9 C. THE RETIRED MEMBER SHALL ACKNOWLEDGE THIS SECTION IN WRITING AND
10 FILE THE ACKNOWLEDGEMENT WITH THE EMPLOYER WITHIN THIRTY DAYS OF RETURNING TO
11 WORK.

12 ~~B.~~ D. An employer of a retired member who returns to work pursuant to
13 this section shall not pay contributions on behalf of the retired member
14 pursuant to section 38-736, 38-737 or 38-797.05.

15 E. A retired member who returns to work pursuant to this section does
16 not accrue credited service, MEMBER SERVICE AS PROVIDED IN SECTION 15-1628,
17 SUBSECTION B, PARAGRAPH 4, ADDITIONAL ACCOUNT BALANCES, retirement benefits
18 or long-term disability program benefits pursuant to article 2.1 of this
19 chapter for the period the retired member returns to work. THE PERIOD THE
20 RETIRED MEMBER RETURNS TO WORK IS NOT ELIGIBLE FOR PURCHASE UNDER SECTION
21 38-743 OR 38-744.

22 Sec. 15. Section 38-783, Arizona Revised Statutes, is amended to read:

23 ~~38-783.~~ Retired members; dependents; health insurance; premium
24 payment; separate account; definitions

25 A. Subject to subsections ~~J, K and L~~ G, H AND I of this section, the
26 board shall pay from ASRS assets part of the single coverage premium of any
27 health and accident insurance for each retired, contingent annuitant or
28 disabled member of ASRS if the member elects to participate in the coverage
29 provided by ASRS or section 38-651.01 or elects to participate in a health
30 and accident insurance program provided or administered by an employer or
31 paid for, in whole or in part, by an employer to an insurer. A contingent

1 annuitant must be receiving a monthly retirement benefit from ASRS in order
2 to obtain any premium payment provided by this section. The board shall pay:

3 1. Up to one hundred fifty dollars per month for a member of ASRS who
4 is not eligible for medicare if the retired or disabled member has ten or
5 more years of credited service.

6 2. Up to one hundred dollars per month for each member of ASRS who is
7 eligible for medicare if the retired or disabled member has ten or more years
8 of credited service.

9 B. Subject to subsections ~~J, K and L~~ G, H AND I of this section, the
10 board shall pay from ASRS assets part of the family coverage premium of any
11 health and accident insurance for a retired, contingent annuitant or disabled
12 member of ASRS who elects family coverage and who otherwise qualifies for
13 payment pursuant to subsection A of this section. If a member of ASRS and
14 the member's spouse are both either retired or disabled under ASRS and apply
15 for family coverage, the member who elects family coverage is entitled to
16 receive the payments under this section as if they were both applying under a
17 single coverage premium unless the payment under this section for family
18 coverage is greater. Payment under this subsection is in the following
19 amounts:

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

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

24 3. Up to two hundred fifteen dollars per month if either:
25 (a) The member of ASRS is not eligible for medicare and one or more
26 dependents are eligible for medicare.

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

29 C. In addition each retired, contingent annuitant or disabled member
30 of ASRS with less than ten years of credited service and a dependent of such
31 a retired, contingent annuitant or disabled member who elects to participate
32 in the coverage provided by ASRS or section 38-651.01 or who elects to

1 participate in a health and accident insurance program provided or
2 administered by an employer or paid for, in whole or in part, by an employer
3 to an insurer is entitled to receive a proportion of the full benefit
4 prescribed by subsection A, ~~OR B, E, F, O or P~~ of this section according to
5 the following schedule:

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

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

15 ~~E. In addition to the payments provided by subsection A of this
16 section, through June 30, 2005, the board shall pay an insurance premium
17 benefit for medical coverage, not including limited benefit coverage as
18 defined in section 20-1137, for each retired, contingent annuitant or
19 disabled member of ASRS who is eligible for a premium benefit payment
20 pursuant to subsection A of this section and who lives in a nonservice area
21 as follows:~~

22 ~~1. Up to three hundred dollars per month for a member of ASRS who is
23 not eligible for medicare if the retired or disabled member has ten or more
24 years of credited service. To qualify for this additional benefit, a retired
25 or disabled member of ASRS shall pay out-of-pocket medical insurance premiums
26 of at least one hundred twenty-five dollars per month.~~

27 ~~2. Up to one hundred seventy dollars per month for a member of ASRS
28 who is eligible for medicare if the retired or disabled member has ten or
29 more years of credited service. To qualify for this additional benefit, a
30 retired or disabled member of ASRS shall pay out-of-pocket medical insurance
31 premiums of at least one hundred dollars per month.~~

1 ~~F. In addition to the payments provided by subsection B of this~~
2 ~~section, through June 30, 2005, the board shall pay from ASRS assets part of~~
3 ~~the family coverage premium for medical coverage, not including limited~~
4 ~~benefit coverage as defined in section 20-1137, for a retired, contingent~~
5 ~~annuitant or disabled member of ASRS who is eligible for a premium benefit~~
6 ~~payment pursuant to subsection B of this section, who is enrolled in a family~~
7 ~~medical plan and who lives in a nonservice area as follows:~~

8 ~~1. Up to six hundred dollars per month if the member of ASRS and one~~
9 ~~or more dependents are not eligible for medicare and the retired or disabled~~
10 ~~member of ASRS has ten or more years of credited service. To qualify for~~
11 ~~this additional benefit, a retired or disabled member shall pay out of pocket~~
12 ~~medical insurance premiums of at least four hundred twenty-five dollars per~~
13 ~~month.~~

14 ~~2. Up to three hundred fifty dollars per month if the member of ASRS~~
15 ~~and one or more dependents are eligible for medicare and the retired or~~
16 ~~disabled member of ASRS has ten or more years of credited service. To~~
17 ~~qualify for this additional benefit, a retired or disabled member shall pay~~
18 ~~out of pocket medical insurance premiums of at least two hundred dollars per~~
19 ~~month.~~

20 ~~3. If the retired or disabled member of ASRS has ten or more years of~~
21 ~~credited service, up to four hundred seventy dollars per month if either:~~

22 ~~(a) The member of ASRS is not eligible for medicare and one or more~~
23 ~~dependents are eligible for medicare.~~

24 ~~(b) The member of ASRS is eligible for medicare and one or more~~
25 ~~dependents are not eligible for medicare.~~

26 ~~To qualify for this additional benefit, a retired or disabled member shall~~
27 ~~pay out of pocket medical insurance premiums of at least four hundred dollars~~
28 ~~per month.~~

29 ~~G. A retired, contingent annuitant or disabled member of ASRS who is~~
30 ~~enrolled in a managed care program in a nonservice area is not eligible for~~
31 ~~the payment prescribed in subsection E, F, O or P of this section.~~

1 ~~H.~~ E. A retired, contingent annuitant or disabled member of ASRS may
2 elect to purchase individual health care coverage and receive a payment
3 pursuant to this section through the retired or disabled member's employer if
4 that employer assumes the administrative functions associated with the
5 payment, including verification that the payment is used to pay for health
6 insurance coverage if the payment is made to the retired or disabled member.

7 ~~I.~~ F. The board shall establish a separate account that consists of
8 the benefits provided by this section. The board shall not use or divert any
9 part of the corpus or income of the account for any purpose other than the
10 provision of benefits under this section unless the liabilities of ASRS to
11 provide the benefits are satisfied. If the liabilities of ASRS to provide
12 the benefits described in this section are satisfied, the board shall return
13 any amount remaining in the account to the employer.

14 ~~J.~~ G. Payment of the benefits provided by this section is subject to
15 the following conditions:

16 1. The payment of the benefits is subordinate to the payment of
17 retirement benefits payable by ASRS.

18 2. The total of contributions for the benefits and actual
19 contributions for life insurance protection, if any, shall not exceed
20 twenty-five per cent of the total actual employer and employee contributions
21 to ASRS, less contributions to fund past service credits, after the day the
22 account is established.

23 3. The board shall deposit the benefits provided by this section in
24 the account.

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

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

31 1. The optional premium benefit payment shall be an amount prescribed
32 by subsection A, B, ~~OR C, E, F, G or P~~ of this section that is actuarially

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

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

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

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

31 (a) The retired member was receiving a reduced premium benefit payment
32 based on an amount prescribed in subsection B, ~~OR C, F or P~~ of this section

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

8 (b) The retired member was receiving a reduced premium benefit payment
9 based on an amount prescribed in subsection A, ~~OR C, E or O~~ of this section
10 and the contingent annuitant is eligible for single health and accident
11 insurance coverage, the contingent annuitant is entitled to receive a premium
12 benefit payment based on an amount prescribed in subsection A, ~~OR C, E or O~~
13 of this section times the reduction factor applied to the retired member's
14 premium benefit payment times the joint and survivor option reduction factor
15 elected by the retired member at the time of retirement pursuant to section
16 38-760, subsection B, paragraph 1.

17 (c) The retired member was receiving a reduced premium benefit payment
18 based on an amount prescribed in subsection B, ~~OR C, F or P~~ of this section
19 and the contingent annuitant is not eligible for family health and accident
20 insurance coverage, the contingent annuitant is entitled to receive a premium
21 benefit payment based on an amount prescribed in subsection A, ~~OR C, E or O~~
22 of this section times the reduction factor applied to the retired member's
23 premium benefit payment times the joint and survivor option reduction factor
24 elected by the retired member at the time of retirement pursuant to section
25 38-760, subsection B, paragraph 1.

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

30 1. The optional premium benefit payment shall be an amount prescribed
31 by subsection A, B, ~~OR C, E, F, O or P~~ of this section that is actuarially
32 reduced with payments for five, ten or fifteen years that are not dependent

1 on the continued lifetime of the retired member but whose payments continue
2 for the retired member's lifetime beyond the five, ten or fifteen year
3 period. The election in a manner prescribed by the board shall name the
4 contingent annuitant and may be revoked at any time before the retiring
5 member's effective date of retirement. At any time after benefits have
6 commenced, the member may name a different contingent annuitant or rescind
7 the election by written notice to the board. If the retired member rescinds
8 the election, the retired member shall thereafter receive the premium benefit
9 payment that the retired member would otherwise be entitled to receive if the
10 retired member had not elected the optional premium benefit payment,
11 including all postretirement increases or decreases in amounts prescribed by
12 subsection A, ~~B, OR C, E, F, O or P~~ of this section that are authorized by
13 law after the member's date of retirement. The increased benefit payment
14 shall continue during the remainder of the retired member's lifetime. The
15 decision to rescind shall be irrevocable.

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

17 (a) The retired member was receiving a reduced premium benefit payment
18 based on an amount prescribed in subsection ~~B, OR C, F or P~~ of this section
19 and the contingent annuitant is eligible for family health and accident
20 insurance coverage, the contingent annuitant is entitled to receive a premium
21 benefit payment based on an amount prescribed in subsection ~~B, OR C, F or P~~
22 of this section times the period certain and life option reduction factor
23 elected by the retired member at the time of retirement pursuant to section
24 38-760, subsection B, paragraph 2.

25 (b) The retired member was receiving a reduced premium benefit payment
26 based on an amount prescribed in subsection ~~A, OR C, E or O~~ of this section
27 and the contingent annuitant is eligible for single health and accident
28 insurance coverage, the contingent annuitant is entitled to receive a premium
29 benefit payment based on an amount prescribed in subsection ~~A, OR C, E or O~~
30 of this section times the period certain and life option reduction factor
31 elected by the retired member at the time of retirement pursuant to section
32 38-760, subsection B, paragraph 2.

1 (c) The retired member was receiving a reduced premium benefit payment
2 based on an amount prescribed in subsection B, ~~OR C, F or P~~ of this section
3 and the contingent annuitant is not eligible for family health and accident
4 insurance coverage, the contingent annuitant is entitled to receive a premium
5 benefit payment based on an amount prescribed in subsection A, ~~OR C, E or O~~
6 of this section times the period certain and life option reduction factor
7 elected by the retired member at the time of retirement pursuant to section
8 38-760, subsection B, paragraph 2.

9 ~~M.~~ J. If, at the time of retirement, a retiring member does not elect
10 to receive a reduced premium benefit payment pursuant to subsection ~~K or L~~ H
11 OR I of this section, the retired member's contingent annuitant is not
12 eligible at any time for the optional premium benefit payment.

13 ~~N.~~ K. A contingent annuitant is not eligible for any premium benefit
14 payment if the contingent annuitant was not enrolled in an eligible health
15 and accident insurance plan at the time of the retired member's death or if
16 the contingent annuitant is not the dependent beneficiary or insured
17 surviving dependent as provided in section 38-782.

18 ~~O. In addition to the payments provided by subsection A of this~~
19 ~~section, beginning July 1, 2005 through June 30, 2009, the board shall pay an~~
20 ~~insurance premium benefit for medical coverage, not including limited benefit~~
21 ~~coverage as defined in section 20-1137, for each medicare eligible retired,~~
22 ~~contingent annuitant or disabled member of ASRS who is eligible for a premium~~
23 ~~benefit payment pursuant to subsection A of this section and who lives in a~~
24 ~~nonservice area of up to one hundred seventy dollars per month for a member~~
25 ~~of ASRS who is eligible for medicare if the retired or disabled member has~~
26 ~~ten or more years of credited service. To qualify for this additional~~
27 ~~benefit, a retired or disabled member of ASRS shall pay out of pocket medical~~
28 ~~insurance premiums of at least one hundred dollars per month.~~

29 ~~P. In addition to the payments provided by subsection B of this~~
30 ~~section, beginning July 1, 2005 through June 30, 2009, the board shall pay~~
31 ~~from ASRS assets part of the family coverage premium for medical coverage,~~
32 ~~not including limited benefit coverage as defined in section 20-1137, for a~~

~~1 medicare eligible retired, contingent annuitant or disabled member of ASRS
2 who is eligible for a premium benefit payment pursuant to subsection B of
3 this section, who is enrolled in a family medical plan and who lives in a
4 nonservice area as follows:~~

~~5 1. Up to three hundred fifty dollars per month if the member of ASRS
6 and one or more dependents are eligible for medicare and the retired or
7 disabled member of ASRS has ten or more years of credited service. To
8 qualify for this additional benefit, a retired or disabled member shall pay
9 out-of-pocket medical insurance premiums of at least two hundred dollars per
10 month.~~

~~11 2. If the retired or disabled member of ASRS has ten or more years of
12 credited service, up to four hundred seventy dollars per month if the member
13 of ASRS is eligible for medicare and one or more dependents are not eligible
14 for medicare. To qualify for this additional benefit, a retired or disabled
15 member shall pay out-of-pocket medical insurance premiums of at least four
16 hundred dollars per month.~~

~~17~~ L. For the purposes of this section:

18 1. "Account" means the separate account established pursuant to
19 subsection ~~I~~ F of this section.

20 2. "Credited service" includes prior service.

~~21 3. "Nonservice area" means an area in this state in which ASRS
22 pursuant to section 38-782, the department of administration pursuant to
23 section 38-651.01 or any employer does not provide or administer a health
24 care services organization program, excluding any preferred provider
25 organization program or individual health indemnity policy, for which the
26 retired, contingent annuitant or disabled member of ASRS is eligible.~~

~~27~~ 3. "Prior service" means service for this state or a political
28 subdivision of this state before membership in the defined contribution
29 program administered by ASRS."

30 Renumber to conform

1 Page 6, after line 12, insert:

2 "Sec. 20. Repeal
3 Laws 2007, chapter 244, section 4 is repealed.

4 Sec. 21. Dual employment; prior and current second employment;
5 exemption from compensation definition

6 A. Notwithstanding section 38-711, paragraph 7, Arizona Revised
7 Statutes, as amended by this act, "compensation" includes amounts paid as
8 salary or wages to a member by a second employer and the second employer
9 shall remit contributions required by title 38, chapter 5, articles 2 and
10 2.1, Arizona Revised Statutes, regardless of whether the employee meets the
11 requirements prescribed in section 38-711, paragraph 23, subdivision (b),
12 Arizona Revised Statutes, as amended by this act, if both of the following
13 apply:

14 1. The employee performed services for the same second employer
15 between January 1, 2005 and December 31, 2009 and was not engaged to work at
16 least twenty weeks in each fiscal year and at least twenty hours each week by
17 that second employer.

18 2. The employee resumes or continues employment with the same second
19 employer before January 1, 2012 and is not engaged to work at least twenty
20 weeks in each fiscal year and at least twenty hours each week by that second
21 employer.

22 B. If the employee is contributing pursuant to subsection A of this
23 section and the employee leaves employment for more than thirty consecutive
24 days during the employee's service year, as defined in section 38-711,
25 paragraph 31, Arizona Revised Statutes, as amended by this act, this section
26 no longer applies and the employee is subject to section 38-711, paragraph 7,
27 Arizona Revised Statutes, as amended by this act.

28 Sec. 22. Effective date

29 Section 38-711, Arizona Revised Statutes, as amended by this act, is
30 effective from and after December 31, 2009.

1 Sec. 23. Retroactivity

2 A. Section 38-745, Arizona Revised Statutes, as amended by Laws 2007,
3 chapter 244, section 1 and this act, applies retroactively to from and after
4 June 30, 2009.

5 B. Sections 8 and 20 of this act are effective retroactively to from
6 and after June 30, 2009.”

7

8 Amend title to conform

RON GOULD

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