

State of Arizona
Senate
Fifty-third Legislature
First Regular Session
2017

CHAPTER 163

SENATE BILL 1442

AN ACT

AMENDING SECTIONS 38-843 AND 38-848.02, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-863; AMENDING SECTIONS 38-865, 38-867, 38-870, 38-870.01 AND 38-870.06, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4.2, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-870.07; AMENDING SECTION 38-881, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-881.01; AMENDING SECTIONS 38-884, 38-885 AND 38-885.01, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-885.02; AMENDING SECTIONS 38-886.01, 38-888, 38-891 AND 38-895.01, ARIZONA REVISED STATUTES; REPEALING SECTIONS 38-905, 38-905.01, 38-905.02, 38-905.03 AND 38-905.04, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 38-905.05 AND 38-905.06; AMENDING SECTION 38-911, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-914; 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 38-843, Arizona Revised Statutes, is amended to
3 read:

4 **38-843. Contributions**

5 A. Each employer who participates in the system on behalf of a
6 group of employees who were covered under a prior public retirement
7 system, other than the federal social security act, shall transfer all
8 securities and monies attributable to the taxes and contributions of the
9 state other than the state contribution to social security, the employer
10 and the employees for the covered group of employees under the other
11 system, such transfer to be made to the fund subject to all existing
12 liabilities and on or within sixty days following the employer's effective
13 date. All monies and securities transferred to the fund shall be credited
14 to the employer's account in the fund. A record of the market value and
15 the cost value of such transferred contributions shall be maintained for
16 actuarial and investment purposes.

17 B. As determined by actuarial valuations reported to the employer
18 and the local board by the board of trustees, each employer shall make
19 contributions sufficient under such actuarial valuations to meet both the
20 normal cost for members hired before July 1, 2017 plus the actuarially
21 determined amount required to amortize the unfunded accrued liability on a
22 level percent of compensation basis for all employees of the employer who
23 are members of the system or participants as defined in section 38-865,
24 paragraph 7, subdivision (a), ITEM (i) over, beginning July 1, 2017, a
25 closed period of not more than twenty years, EXCEPT AS PROVIDED IN
26 SUBSECTION I OF THIS SECTION, that is established by the board of trustees
27 taking into account the recommendation of the system's actuary, except
28 that, beginning with fiscal year 2006-2007, except as otherwise provided,
29 the employer contribution rate shall not be less than eight percent of
30 compensation. For any employer whose actual contribution rate is less
31 than eight percent of compensation for fiscal year 2006-2007, that
32 employer's contribution rate is not subject to the eight percent minimum
33 but, for fiscal year 2006-2007 and each year thereafter, shall be at least
34 five percent and not more than the employer's actual contribution rate.
35 An employer shall have the option of paying a higher level percent of
36 compensation thereby reducing its unfunded past service liability. An
37 employer shall also have the option of increasing its contributions in
38 order to reduce the contributions required from its members under
39 subsection C of this section, except that if an employer elects this
40 option the employer shall pay the same higher level percentage
41 contribution for all members of the eligible group. A county employer
42 that elected to pay a higher level percentage contribution rate may
43 eliminate that higher level percentage contribution rate amount for
44 members who are hired on or after January 1, 2015. During a period when
45 an employee is on industrial leave and the employee elects to continue

1 contributions during the period of industrial leave, the employer shall
2 make the contributions based on the compensation the employee would have
3 received in the employee's job classification if the employee was in
4 normal employment status. All contributions made by the employers and all
5 state taxes allocated to the fund shall be irrevocable and shall be used
6 to pay benefits under the system or to pay expenses of the system and
7 fund. The minimum employer contribution that is paid and that is in
8 excess of the normal cost plus the actuarially determined amount required
9 to amortize the unfunded accrued liability as calculated pursuant to this
10 subsection shall be used to reduce future employer contribution increases
11 and shall not be used to pay for an increase in benefits that are
12 otherwise payable to members. The board shall separately account for
13 these monies in the fund. Forfeitures arising because of severance of
14 employment before a member becomes eligible for a pension or any other
15 reason shall be applied to reduce the cost of the employer, not to
16 increase the benefits otherwise payable to members. After the close of
17 any fiscal year, if the system's actuary determines that the actuarial
18 valuation of an employer's account contains excess valuation assets other
19 than excess valuation assets that were in the employer's account as of
20 fiscal year 2004-2005 and is more than one hundred percent funded, the
21 board shall account for fifty percent of the excess valuation assets in a
22 stabilization reserve account. After the close of any fiscal year, if the
23 system's actuary determines that the actuarial valuation of an employer's
24 account has a valuation asset deficiency and an unfunded actuarial accrued
25 liability, the board shall use any valuation assets in the stabilization
26 reserve account for that employer, to the extent available, to limit the
27 decline in that employer's funding ratio to not more than two percent.

28 C. Each member who was hired before July 1, 2017, throughout the
29 member's period of service from the member's effective date of
30 participation, shall contribute to the fund an amount equal to the amount
31 prescribed in subsection E of this section, except as provided in
32 subsection B of this section. Each member who was hired on or after
33 July 1, 2017, throughout the member's period of service from the member's
34 effective date of participation, shall contribute to the fund an amount
35 equal to the amount prescribed in subsection G of this section. During a
36 period when an employee is on industrial leave and the employee elects to
37 continue contributions during the period of industrial leave, the employee
38 shall make the employee's contribution based on the compensation the
39 employee would have received in the employee's job classification if the
40 employee was in normal employment status. Contributions of members shall
41 be required as a condition of employment and membership in the system and
42 shall be made by payroll deductions. Every employee shall be deemed to
43 consent to such deductions. Payment of an employee's compensation, less
44 such payroll deductions, shall constitute a full and complete discharge
45 and satisfaction of all claims and demands by the employee relating to

1 remuneration for the employee's services rendered during the period
2 covered by the payment, except with respect to the benefits provided under
3 the system. A member may not, under any circumstance, borrow from, take a
4 loan against or remove contributions from the member's account before the
5 termination of membership in the plan or the receipt of a pension.

6 D. Each employer shall transfer to the board the employer and
7 employee contributions provided for in subsections B, C and G of this
8 section within ten working days after each payroll date. Contributions
9 transferred after that date shall include a penalty of ten percent per
10 annum, compounded annually, for each day the contributions are late, such
11 penalty to be paid by the employer. Delinquent payments due under this
12 subsection, together with interest charges as provided in this subsection,
13 may be recovered by action in a court of competent jurisdiction against an
14 employer liable for the payments or, at the request of the board, may be
15 deducted from any other monies, including excise revenue taxes, payable to
16 such employer by any department or agency of this state.

17 E. The amount contributed by a member who was hired before July 1,
18 2017 pursuant to subsection C of this section is:

19 1. Through June 30, 2011, 7.65 percent of the member's
20 compensation.

21 2. For fiscal year 2011-2012, 8.65 percent of the member's
22 compensation.

23 3. For fiscal year 2012-2013, 9.55 percent of the member's
24 compensation.

25 4. For fiscal year 2013-2014, 10.35 percent of the member's
26 compensation.

27 5. For fiscal year 2014-2015, 11.05 percent of the member's
28 compensation.

29 6. For fiscal year 2015-2016 and each fiscal year thereafter, 11.65
30 percent of the member's compensation or 33.3 percent of the sum of the
31 member's contribution rate from the preceding fiscal year and the
32 aggregate computed employer contribution rate that is calculated pursuant
33 to subsection B of this section, whichever is lower, except that the
34 member contribution rate shall not be less than 7.65 percent of the
35 member's compensation and the employer contribution rate shall not be less
36 than the rate prescribed in subsection B of this section.

37 F. For fiscal year 2011-2012 and each fiscal year thereafter, the
38 amount of the member's contribution that exceeds 7.65 percent of the
39 member's compensation shall not be used to reduce the employer's
40 contributions that are calculated pursuant to subsection B of this
41 section.

42 G. For members hired on or after July 1, 2017, the employer and
43 member contributions are determined as follows:

44 1. As determined by actuarial valuations reported to the employer
45 and the local board by the board of trustees, each employer shall make

1 contributions sufficient under such actuarial valuations to pay fifty
2 percent of both the normal cost plus the actuarially determined amount
3 required to amortize the total unfunded accrued liability for each
4 employer attributable only to those members hired on or after July 1,
5 2017. For each year that new unfunded liabilities are attributable to the
6 employer's own members hired on or after July 1, 2017, a new amortization
7 base representing the most recent annual gain or loss, smoothed over a
8 period not more than five years as determined by the board, shall be
9 created on a level-dollar basis over a closed period equal to the average
10 expected remaining service lives of all members but not more than ten
11 years, as determined by the board.

12 2. The remaining fifty percent of both the normal cost and
13 actuarially determined amount required to amortize the total unfunded
14 accrued liability as determined pursuant to paragraph 1 of this subsection
15 shall be divided by the total number of the employer's members who were
16 hired on or after July 1, 2017 such that each member contributes an equal
17 percentage of the member's compensation. Member contributions shall begin
18 simultaneously with membership in the system and shall be made by payroll
19 deduction.

20 H. In any fiscal year, an employer's contribution to the system in
21 combination with member contributions may not be less than the actuarially
22 determined normal cost for that fiscal year. The board may not suspend
23 contributions to the system unless both of the following apply:

24 1. The retirement system actuary, based on the annual valuation,
25 determines that continuing to accrue excess earnings could result in
26 disqualification of the system's tax-exempt status under the provisions of
27 the United States internal revenue code.

28 2. The board determines that the receipt of any additional
29 contributions required under this section would conflict with its
30 fiduciary responsibility.

31 I. FOR THE PURPOSES OF CALCULATING UNFUNDDED LIABILITY AMORTIZATION
32 PAYMENTS PURSUANT TO SUBSECTION B OF THIS SECTION, AN EMPLOYER MAY MAKE A
33 ONE-TIME ELECTION TO REQUEST THAT THE BOARD USE A CLOSED PERIOD OF NOT
34 MORE THAN THIRTY YEARS IF THE EMPLOYER MEETS BOTH OF THE FOLLOWING
35 REQUIREMENTS:

36 1. THE GOVERNING BODY OF THE EMPLOYER ADOPTS A RESOLUTION
37 REQUESTING THE LONGER AMORTIZATION PERIOD AND SPECIFYING THE ACTUARIAL
38 VALUATION DATE FOR WHICH THE NEW AMORTIZATION PERIOD IS TO BEGIN. THE
39 ACTUARIAL VALUATION DATE CHOSEN MUST BE THE SYSTEM'S FISCAL YEAR END
40 EITHER IMMEDIATELY BEFORE OR IMMEDIATELY AFTER THE DATE OF THE RESOLUTION.

41 2. THE EMPLOYER SUBMITS A WRITTEN REQUEST FOR THE LONGER
42 AMORTIZATION PERIOD ALONG WITH THE ADOPTED RESOLUTION TO THE ADMINISTRATOR
43 OF THE BOARD.

44 J. FOR THE PURPOSES OF SUBSECTION I OF THIS SECTION, EMPLOYER DOES
45 NOT INCLUDE THIS STATE OR ANY STATE AGENCY.

1 ~~K.~~ If a member's employment is terminated with an employer by
2 either party, the total liability under the system associated with the
3 member's service with the employer remains with the employer.

4 Sec. 2. Section 38-848.02, Arizona Revised Statutes, is amended to
5 read:

6 **38-848.02. Board of trustees; report on employer and employee
7 costs: posting funding ratio**

8 A. On or before December 31 of each year, the board of trustees
9 shall provide to the legislature, and the joint legislative budget
10 committee and post on its website the shared cost structure of employees
11 and employers, the funding status and the rate of return. The report to
12 the legislature shall include when the trigger to the reduction in the
13 employee rates is being met.

14 **THE BOARD OF TRUSTEES SHALL POST ON ITS WEBSITE FOR EACH PLAN
15 THE BOARD ADMINISTERS EACH EMPLOYER'S FUNDING RATIO.**

16 Sec. 3. Title 38, chapter 5, article 4, Arizona Revised Statutes,
17 is amended by adding section 38-863, to read:

18 **38-863. Employer disclosure: funding ratio**

19 **AN EMPLOYER SHALL DISCLOSE THE EMPLOYER'S FUNDING RATIO FOR EACH OF
20 THE EMPLOYER'S ELIGIBLE GROUPS UNDER THE SYSTEM ON THE EMPLOYER'S PUBLIC
21 WEBSITE.**

22 Sec. 4. Section 38-865, Arizona Revised Statutes, is amended to
23 read:

24 **38-865. Definitions**

25 In this article, unless the context otherwise requires:

26 1. "Annuity account" means an account that is established for each
27 participant to record the deposit of participant contributions, employer
28 contributions and interest, dividends or other accumulations credited on
29 behalf of the participant.

30 2. "Board" means the board of trustees of the public safety
31 personnel retirement system established by section 38-848.

32 3. "Compensation":

33 (a) **FOR PARTICIPANTS AS DEFINED IN PARAGRAPH 7, SUBDIVISION (a) OF
34 THIS SECTION,** has the same meaning prescribed in section 38-842.

35 (b) **FOR PARTICIPANTS AS DEFINED IN PARAGRAPH 7, SUBDIVISION (b) OF
36 THIS SECTION, MEANS SALARY AS DEFINED IN SECTION 38-881.**

37 4. "Defined contribution plan" means the public safety personnel
38 defined contribution retirement plan established pursuant to this article.

39 5. "Employer" has the same meaning prescribed in section 38-842 **OR
40 38-881, AS APPLICABLE.**

41 6. "Employer contribution" means an amount deposited by an
42 employer, from the employer's own monies, in the participant's annuity
43 account on a periodic basis coinciding with the participant's regular pay
44 period.

1 7. "Participant" means:

2 (a) A member as defined in section 38-842, paragraph 31,
3 SUBDIVISION (a), excluding subdivision (a), item (vi), who is one of the
4 following:

5 ~~(a)~~ (i) An employee who is hired on or after July 1, 2017, who
6 makes the irrevocable election to participate solely in the defined
7 contribution plan established pursuant to this article and who was not an
8 active, an inactive or a retired member of the system or a member of the
9 system with a disability on June 30, 2017.

10 ~~(b)~~ (ii) An employee who is hired on or after July 1, 2017, who is
11 not covered by the federal old age and survivors insurance system and who
12 makes the irrevocable election to participate in the system or is enrolled
13 in the system pursuant to section 38-842.01, subsection A.

14 (b) A MEMBER AS DEFINED IN SECTION 38-881, PARAGRAPH 27,
15 SUBDIVISION (a) OR (b) WHO IS ONE OF THE FOLLOWING:

16 (i) AN EMPLOYEE WHO IS HIRED ON OR AFTER JULY 1, 2018 AND WHO WAS
17 NOT AN ACTIVE, AN INACTIVE OR A RETIRED MEMBER OF THE CORRECTIONS OFFICER
18 RETIREMENT PLAN OR A MEMBER OF THE CORRECTIONS OFFICER RETIREMENT PLAN
19 WITH A DISABILITY ON JUNE 30, 2018.

20 (ii) AN EMPLOYEE WHO IS HIRED ON OR AFTER JULY 1, 2018, WHO IS IN A
21 DESIGNATED POSITION AS DEFINED IN SECTION 38-881, PARAGRAPH 13,
22 SUBDIVISION (g), WHO MAKES THE IRREVOCABLE ELECTION PURSUANT TO SECTION
23 38-881.01 TO PARTICIPATE SOLELY IN THE DEFINED CONTRIBUTION PLAN
24 ESTABLISHED PURSUANT TO THIS ARTICLE AND WHO WAS NOT AN ACTIVE, AN
25 INACTIVE OR A RETIRED MEMBER OF THE CORRECTIONS OFFICER RETIREMENT PLAN OR
26 A MEMBER OF THE CORRECTIONS OFFICER RETIREMENT PLAN WITH A DISABILITY ON
27 JUNE 30, 2018.

28 8. "Pensionable compensation" means the amount of the participant's
29 annual compensation that does not exceed the limitation specified in
30 section 38-843.04 OR 38-895.01, AS APPLICABLE.

31 9. "System" means the public safety personnel retirement system
32 established by article 4 of this chapter.

33 Sec. 5. Section 38-867, Arizona Revised Statutes, is amended to
34 read:

35 38-867. Contributions: member: employer: pickup

36 A. Each participant in the defined contribution plan shall
37 contribute the following percentage of the participant's gross pensionable
38 compensation by salary reduction that shall be deposited in the
39 participant's annuity account:

40 1. For a participant as defined in section 38-865, paragraph 7,
41 subdivision ~~(b)~~ (a), ITEM (ii), three percent.

42 2. For a participant as defined in section 38-865, paragraph 7,
43 subdivision (a), ITEM (i), nine percent.

44 3. FOR A PARTICIPANT AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
45 SUBDIVISION (b), SEVEN PERCENT.

1 B. A participant as defined in section 38-865 may make a one-time
2 irrevocable election, before the participant is eligible to participate in
3 any qualified plan of the employer, to contribute more than the percentage
4 of the participant's gross pensionable compensation specified in this
5 section, up to the amount allowable under section 415(c) of the internal
6 revenue code. ~~, WHICH~~ A PARTICIPANT AS DEFINED IN SECTION 38-865,
7 PARAGRAPH 7, SUBDIVISION (b) MAY MAKE A ONE-TIME IRREVOCABLE ELECTION,
8 BEFORE THE PARTICIPANT IS ELIGIBLE TO PARTICIPATE IN ANY QUALIFIED PLAN OF
9 THE EMPLOYER, TO CONTRIBUTE LESS THAN THE PERCENTAGE OF THE PARTICIPANT'S
10 GROSS PENSIONABLE COMPENSATION SPECIFIED IN THIS SECTION BUT MAY NOT ELECT
11 TO CONTRIBUTE LESS THAN FIVE PERCENT OF THE PARTICIPANT'S GROSS
12 PENSIONABLE COMPENSATION. THE ELECTION MADE PURSUANT TO THIS SUBSECTION
13 shall be the participant's contribution rate for the remainder of the
14 participant's employment with any employer under the system OR THE
15 CORRECTIONS OFFICER RETIREMENT PLAN, AS APPLICABLE.

16 C. Although designated as employee contributions, all participant
17 contributions made to the defined contribution plan shall be picked up and
18 paid by the employer in lieu of contributions by the employee. The
19 contributions picked up by an employer may be made through a reduction in
20 the participant's compensation. A participant in the defined contribution
21 plan may not choose to receive the contributed amounts directly instead of
22 the employer paying the amounts to the defined contribution plan. All
23 participant contributions that are picked up by the employer as provided
24 in this subsection shall be treated as employer contributions under
25 section 414(h) of the internal revenue code, shall be excluded from THE
26 participant's gross income for federal and state income tax purposes and
27 are includable in the gross income of the participant or the participant's
28 beneficiaries only in the taxable year in which they are distributed.

29 D. Each employer shall annually make a contribution equal to the
30 following percentages of each participant's gross pensionable
31 compensation:

32 1. For a participant AS defined in section 38-865, paragraph 7,
33 subdivision ~~(b)~~ (a), ITEM (ii), three percent.

34 2. For a participant AS defined in section 38-865, paragraph 7,
35 subdivision (a), ITEM (i), nine percent.

36 3. FOR A PARTICIPANT AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
37 SUBDIVISION (b), FIVE PERCENT.

38 E. The pro rata share of the amount paid in subsection D of this
39 section shall be paid on each date that a participant contribution is made
40 and shall be credited to the participant's annuity account.

41 F. A participant of the defined contribution plan may not take
42 loans on any portion of the accumulated assets in the participant's
43 annuity account.

1 G. Each participant as defined in section 38-865, paragraph 7,
2 subdivision (a), ITEM (i) AND SUBDIVISION (b) and each employer shall
3 contribute to the public safety personnel defined contribution retirement
4 plan disability program established by article 4.2 of this chapter.

5 H. A participant's contributions and earnings on those
6 contributions are immediately vested.

7 I. A participant AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
8 SUBDIVISION (a) is fully vested in the defined contribution plan after ten
9 years of service, with employer contributions vesting at a rate of ten
10 percent per year.

11 J. A PARTICIPANT AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
12 SUBDIVISION (b) IS FULLY VESTED IN THE DEFINED CONTRIBUTION PLAN AFTER
13 THREE YEARS OF SERVICE, WITH THE EMPLOYER CONTRIBUTIONS VESTING AT THE
14 FOLLOWING RATES:

15 1. TWENTY-FIVE PERCENT AFTER THE FIRST YEAR OF SERVICE.

16 2. FIFTY PERCENT AFTER THE SECOND YEAR OF SERVICE.

17 3. ONE HUNDRED PERCENT AFTER THE THIRD YEAR OF SERVICE.

18 K. IF A PARTICIPANT AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
19 SUBDIVISION (b) DIES BEFORE COMPLETING THREE YEARS OF SERVICE, THE
20 EMPLOYER CONTRIBUTIONS ARE IMMEDIATELY FULLY VESTED.

21 Sec. 6. Section 38-870, Arizona Revised Statutes, is amended to
22 read:

23 38-870. Definitions

24 In this article, unless the context otherwise requires:

25 1. "Assets" means the accumulated resources of the disability
26 program.

27 2. "Board" means the board of trustees established by section
28 38-848.

29 3. "Compensation":

30 (a) FOR A PARTICIPANT AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
31 SUBDIVISION (a), ITEM (i), has the same meaning prescribed in section
32 38-842.

33 (b) FOR A PARTICIPANT AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
34 SUBDIVISION (b), MEANS SALARY AS DEFINED IN SECTION 38-881.

35 4. "Disability program" or "program" means the public safety
36 personnel defined contribution retirement plan disability program
37 established by this article.

38 5. "LOCAL BOARD" HAS THE SAME MEANING PRESCRIBED IN SECTION 38-842
39 OR 38-881, AS APPLICABLE.

40 5. 6. "Participant" means a participant who is in the public
41 safety personnel defined contribution retirement plan and who is a
42 participant as defined in section 38-865, paragraph 7, subdivision (a),
43 ITEM (i) OR SUBDIVISION (b).

44 6. 7. "Pensionable compensation" has the same meaning prescribed
45 in section 38-865.

1 Sec. 7. Section 38-870.01, Arizona Revised Statutes, is amended to
2 read:

3 **38-870.01. Disability program; administration; power and**
4 **duties of the board; hearing**

5 A. The public safety personnel defined contribution retirement plan
6 disability program is established for participants in the public safety
7 personnel defined contribution retirement plan who **EITHER** have elected to
8 participate solely in the defined contribution plan established pursuant
9 to article 4.1 of this chapter **OR ARE PARTICIPANTS AS DEFINED IN SECTION**
10 **38-865, PARAGRAPH 7, SUBDIVISION (b)**. The board shall administer the
11 disability program.

12 B. The board may delegate authority to administer the program as it
13 deems necessary and prudent to the administrator employed pursuant to
14 section 38-848.

15 C. The board, in the administration, management and operation of
16 the program, shall:

17 1. Account for the operation, administration and investment
18 expenses and allocate them against investment income.

19 2. Contract on a fee basis with an actuary to make an actuarial
20 valuation of the program based on the valuation method and valuation
21 assumptions recommended by the actuary and approved by the board. The
22 actuary shall be a member of the American academy of actuaries.

23 3. Contract on a fee basis with an independent auditing firm to
24 make an annual audit of the accounting records of the fund and file a copy
25 of the audit with the auditor general.

26 4. Invest the monies in the fund as provided in article 4 of this
27 chapter.

28 D. The board, in the administration, management and operation of
29 the program, may:

30 1. Employ services as it deems necessary.

31 2. Either keep invested monies separate or commingle invested
32 monies as it deems appropriate.

33 3. Do all acts, whether expressly authorized, that may be deemed
34 necessary or proper for the protection of the fund.

35 4. Determine the rights, benefits or obligations of any person
36 under this article and afford any person dissatisfied with a determination
37 of the person's rights, benefits or obligations under this article with a
38 hearing on the determination.

39 Sec. 8. Section 38-870.06, Arizona Revised Statutes, is amended to
40 read:

41 **38-870.06. Disability program benefit**

42 A. The **LOCAL** board shall follow the same procedures and method as
43 prescribed in section 38-844, **FOR A PARTICIPANT WHO IS EMPLOYED BY AN**
44 **EMPLOYER AS DEFINED IN SECTION 38-842, AND SECTION 38-886, FOR A**
45 **PARTICIPANT WHO IS EMPLOYED BY AN EMPLOYER AS DEFINED IN SECTION 38-881,**

1 to determine eligibility for and continuation of a disability benefit and
2 in computing the amount available to the participant. A PARTICIPANT IS
3 NOT ELIGIBLE FOR A DISABILITY BENEFIT UNDER THIS ARTICLE FOR AN ORDINARY
4 DISABILITY AS DEFINED IN SECTION 38-881.

5 B. A participant, AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
6 SUBDIVISION (a), ITEM (i), who meets the requirements for a disability
7 pension as prescribed in section 38-844 shall receive a monthly disability
8 benefit equal to a monthly disability pension that would be provided to a
9 public safety personnel retirement system member who is hired on or after
10 July 1, 2017, reduced by an amount equal to the monthly annuitized value
11 of the participant's annuity account under article 4.1 of this chapter
12 that does not include a cost-of-living adjustment, as determined by the
13 board. A PARTICIPANT, AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
14 SUBDIVISION (b), WHO MEETS THE REQUIREMENTS FOR A DISABILITY PENSION AS
15 PRESCRIBED IN SECTION 38-886, EXCEPT FOR AN ORDINARY DISABILITY, SHALL
16 RECEIVE A MONTHLY DISABILITY BENEFIT EQUAL TO A MONTHLY DISABILITY PENSION
17 THAT WOULD BE PROVIDED TO A CORRECTIONS OFFICER RETIREMENT PLAN MEMBER WHO
18 IS HIRED ON OR AFTER JULY 1, 2018, REDUCED BY AN AMOUNT EQUAL TO THE
19 MONTHLY ANNUITIZED VALUE OF THE PARTICIPANT'S ANNUITY ACCOUNT UNDER
20 ARTICLE 4.1 OF THIS CHAPTER THAT DOES NOT INCLUDE A COST-OF-LIVING
21 ADJUSTMENT, AS DETERMINED BY THE BOARD. In determining the monthly
22 annuitized offset value of the participant's annuity account under article
23 4.1 of this chapter to be used in reducing the disability benefit paid
24 pursuant to this section, the board shall instruct ~~the ITS~~ actuary ~~for the~~
25 ~~public safety personnel retirement system~~ to calculate the monthly payment
26 that would be paid to the participant assuming the participant had elected
27 a straight life annuity commencing on the participant's date of
28 disability, using the mortality and interest factors then used by the
29 actuary in determining the valuation of the public safety personnel
30 retirement system OR THE CORRECTIONS OFFICER RETIREMENT PLAN, AS
31 APPLICABLE.

32 Sec. 9. Title 38, chapter 5, article 4.2, Arizona Revised Statutes,
33 is amended by adding section 38-870.07, to read:

34 38-870.07. Death benefits; surviving spouse; eligible child

35 A. IF A PARTICIPANT, AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
36 SUBDIVISION (b), IS KILLED IN THE LINE OF DUTY OR DIES FROM INJURIES
37 SUFFERED IN THE LINE OF DUTY, THE LOCAL BOARD SHALL FOLLOW THE SAME
38 PROCEDURES AND METHODS AS PRESCRIBED IN SECTION 38-888 TO DETERMINE
39 ELIGIBILITY FOR AND THE CONTINUATION OF A DEATH BENEFIT TO A SURVIVING
40 SPOUSE OR ANY ELIGIBLE CHILD.

41 B. A SURVIVING SPOUSE OR ELIGIBLE CHILD OF A PARTICIPANT AS
42 SPECIFIED IN SUBSECTION A OF THIS SECTION WHO MEETS THE REQUIREMENTS FOR A
43 DEATH BENEFIT AS PRESCRIBED IN SECTION 38-888 SHALL RECEIVE A MONTHLY
44 DEATH BENEFIT EQUAL TO A MONTHLY DEATH PENSION THAT WOULD BE PROVIDED TO A
45 CORRECTIONS OFFICER RETIREMENT PLAN MEMBER WHO IS HIRED ON OR AFTER

1 JULY 1, 2018, REDUCED BY AN AMOUNT EQUAL TO THE MONTHLY ANNUITIZED VALUE
2 OF THE PARTICIPANT'S ANNUITY ACCOUNT UNDER ARTICLE 4.1 OF THIS CHAPTER
3 THAT DOES NOT INCLUDE A COST-OF-LIVING ADJUSTMENT, AS DETERMINED BY THE
4 BOARD. IN DETERMINING THE MONTHLY ANNUITIZED OFFSET VALUE OF THE
5 PARTICIPANT'S ANNUITY ACCOUNT UNDER ARTICLE 4.1 OF THIS CHAPTER TO BE USED
6 IN REDUCING THE DEATH BENEFIT PAID PURSUANT TO THIS SECTION, THE BOARD
7 SHALL INSTRUCT ITS ACTUARY TO CALCULATE THE MONTHLY PAYMENT THAT WOULD BE
8 PAID TO THE SURVIVING SPOUSE OR ELIGIBLE CHILD ASSUMING THE PARTICIPANT
9 HAD ELECTED A STRAIGHT LIFE ANNUITY COMMENCING ON THE PARTICIPANT'S DATE
10 OF DEATH, USING THE MORTALITY AND INTEREST FACTORS THEN USED BY THE
11 ACTUARY IN DETERMINING THE VALUATION OF THE CORRECTIONS OFFICER RETIREMENT
12 PLAN.

13 Sec. 10. Section 38-881, Arizona Revised Statutes, is amended to
14 read:

15 **38-881. Definitions**

16 In this article, unless the context otherwise requires:

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

22 (a) Physical contact with inmates, prisoners, parolees or persons
23 on probation.

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

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

33 2. "Accumulated member contributions" means for each member the sum
34 of the amount of all the member's contributions deducted from the member's
35 salary and paid to the fund, plus member contributions transferred to the
36 fund by another retirement plan covering public employees of this state,
37 plus previously withdrawn accumulated member contributions that are repaid
38 to the fund in accordance with this article, minus any benefits paid to or
39 on behalf of a member.

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

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

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

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

5 7. "Average monthly salary" means: —

6 (a) For an employee who becomes a member of the plan:

7 (i) Before January 1, 2012, one-thirty-sixth of the aggregate
8 amount of salary that is paid a member by a participating employer during
9 a period of thirty-six consecutive months of service in which the member
10 received the highest salary within the last one hundred twenty months of
11 service. ~~and, for an employee who becomes a member of the plan~~

12 (ii) On or after January 1, 2012 **AND BEFORE JULY 1, 2018**,
13 one-sixtieth of the aggregate amount of salary that is paid a member by a
14 participating employer during a period of sixty consecutive months of
15 service in which the member received the highest salary within the last
16 one hundred twenty months of service. ~~Average monthly salary means~~

17 (iii) **ON OR AFTER JULY 1, 2018, ONE-SIXTIETH OF THE AGGREGATE**
18 **AMOUNT OF SALARY THAT IS PAID A MEMBER BY A PARTICIPATING EMPLOYER DURING**
19 **A PERIOD OF SIXTY CONSECUTIVE MONTHS OF SERVICE IN WHICH THE MEMBER**
20 **RECEIVED THE HIGHEST SALARY WITHIN THE LAST ONE HUNDRED TWENTY MONTHS OF**
21 **SERVICE.**

22 (b) The aggregate amount of salary that is paid a member divided by
23 the member's months of service if the member has less than thirty-six or
24 sixty months of service. In the computation under this paragraph, a
25 period of nonpaid or partially paid industrial leave shall be considered
26 based on the salary the employee would have received in the employee's job
27 classification if the employee was not on industrial leave.

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

31 9. "Board" means the board of trustees of the public safety
32 personnel retirement system.

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

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

40 12. "Cure period" means the ninety-day period in which a
41 participant or alternate payee may submit an amended domestic relations
42 order and request a determination, calculated from the time the plan
43 issues a determination finding that a previously submitted domestic
44 relations order did not qualify as a plan approved domestic relations
45 order.

1 13. "Designated position" means:

2 (a) For a county:

3 (i) A county detention officer.

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

6 (b) For the state department of corrections and the department of
7 juvenile corrections, only the following specifically designated
8 positions:

9 (i) Food service.

10 (ii) Nursing personnel.

11 (iii) Corrections physician assistant.

12 (iv) Therapist.

13 (v) Corrections dental assistant.

14 (vi) Hygienist.

15 (vii) Corrections medical assistant.

16 (viii) Correctional service officer, including assistant deputy
17 warden, deputy warden, warden and superintendent.

18 (ix) State correctional program officer.

19 (x) Parole or community supervision officers.

20 (xi) Investigators.

21 (xii) Teachers.

22 (xiii) Institutional maintenance workers.

23 (xiv) Youth corrections officer.

24 (xv) Youth program officer.

25 (xvi) Behavioral health treatment unit managers.

26 (xvii) The director and assistant directors of the department of
27 juvenile corrections and the superintendent of the state educational
28 system for committed youth.

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

31 (xix) Other positions designated by the local board of the state
32 department of corrections or the local board of the department of juvenile
33 corrections pursuant to section 38-891.

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

35 (d) For an employer of an eligible group as defined in section
36 38-842, full-time dispatchers.

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

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

41 (g) **FOR THE JUDICIARY, PROBATION AND SURVEILLANCE OFFICERS.**

42 14. "Determination" means a written document that indicates to a
43 participant and alternate payee whether a domestic relations order
44 qualifies as a plan approved domestic relations order.

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

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

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

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

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

19 (a) Is under eighteen years of age.

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

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

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

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

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

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

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

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

37 (f) An eligible deferred compensation plan described in section
38 457(b) of the internal revenue code that is maintained by a state, a
39 political subdivision of a state or any agency or instrumentality of a
40 state or a political subdivision of a state and that agrees to separately
41 account for amounts transferred into the eligible deferred compensation
42 plan from this plan.

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

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

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

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

10 (d) Any distribution made to satisfy the requirements of section
11 415 of the internal revenue code.

12 (e) Hardship distributions.

13 (f) Similar items designated by the commissioner of the United
14 States internal revenue service in revenue rulings, notices and other
15 guidance published in the internal revenue bulletin.

16 22. "Employee" means a person employed by a participating employer
17 in a designated position.

18 23. "Employer" means an agency or department of this state or a
19 political subdivision of this state that has one or more employees in a
20 designated position.

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

22 25. "Juvenile detention officer" means a juvenile detention officer
23 responsible for the direct custodial supervision of juveniles who are
24 detained in a county juvenile detention center.

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

28 27. "Member":

29 (a) Means any employee who meets all of the following
30 qualifications:

31 (i) Who is a full-time paid person employed by a participating
32 employer in a designated position.

33 (ii) Who is receiving salary for personal services rendered to
34 a participating employer or would be receiving salary except for an
35 authorized leave of absence.

36 (iii) Whose customary employment is at least forty hours each
37 week.

38 (b) INCLUDES AN EMPLOYEE WHO MEETS THE REQUIREMENTS OF SUBDIVISION

39 (a) OF THIS PARAGRAPH, WHO IS HIRED ON OR AFTER JULY 1, 2018, WHO IS IN A
40 DESIGNATED POSITION AS DEFINED IN PARAGRAPH 13, SUBDIVISION (g) OF THIS
41 SECTION AND WHO MAKES THE IRREVOCABLE ELECTION TO PARTICIPATE IN THE PLAN
42 PURSUANT TO SECTION 38-881.01.

43 (c) EXCEPT AS PROVIDED IN SUBDIVISION (b) OF THIS PARAGRAPH, DOES
44 NOT INCLUDE AN EMPLOYEE WHO IS HIRED ON OR AFTER JULY 1, 2018, UNLESS THE

1 EMPLOYEE WAS AN ACTIVE, AN INACTIVE OR A RETIRED MEMBER OF THE PLAN OR A
2 MEMBER OF THE PLAN WITH A DISABILITY ON JUNE 30, 2018.

3 28. "Normal retirement date" means:

4 (a) For an employee who becomes a member of the plan before January
5 1, 2012, the first day of the calendar month immediately following the
6 employee's completion of twenty years of service or, in the case of a
7 dispatcher, twenty-five years of service, the employee's sixty-second
8 birthday and completion of ten years of service or the month in which the
9 sum of the employee's age and years of credited service equals eighty.

10 (b) For an employee who becomes a member of the plan on or after
11 January 1, 2012 **AND BEFORE JULY 1, 2018**, the first day of the calendar
12 month immediately following the employee's completion of twenty-five years
13 of service if the employee is at least fifty-two and one-half years of age
14 or the employee's sixty-second birthday and completion of ten years of
15 service.

16 (c) **FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER**
17 **JULY 1, 2018, THE FIRST DAY OF THE CALENDAR MONTH IMMEDIATELY FOLLOWING**
18 **THE EMPLOYEE'S COMPLETION OF TEN YEARS OF CREDITED SERVICE IF THE EMPLOYEE**
19 **IS AT LEAST FIFTY-FIVE YEARS OF AGE.**

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

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

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

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

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

39 34. "Pension" means a series of monthly payments by the retirement
40 plan but does not include an annuity that is payable pursuant to section
41 38-911.

42 35. "Personal representative" means the personal representative of
43 a deceased alternate payee.

44 36. "Physician" means a physician who is licensed pursuant to title
45 32, chapter 13 or 17.

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

5 38. "Plan year" or "fiscal year" means the period beginning on July
6 1 of any year and ending on June 30 of the next succeeding year.

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

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

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

17 42. "Retirement plan" or "plan" means the corrections officer
18 retirement plan established by this article.

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

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

37 45. "Service" means employment rendered to a participating employer
38 as an employee in a designated position. Any absence that is authorized
39 by an employer, including any periods during which the employee is on an
40 employer sponsored long-term disability program, is considered as service
41 if the employee returns or is deemed by the employer to have returned to a
42 designated position within the period of the authorized absence.

43 46. "Total and permanent disability" means a physical or mental
44 condition that is not an accidental disability, that the local board finds
45 totally and permanently prevents a member from engaging in any gainful

1 employment and that is the direct and proximate result of the member's
2 performance of the member's duty as an employee of a participating
3 employer.

4 Sec. 11. Title 38, chapter 5, article 6, Arizona Revised Statutes,
5 is amended by adding section 38-881.01, to read:

6 38-881.01. Employees hired on or after July 1, 2018; defined
7 contribution plan; benefit election; disability

8 A. EXCEPT AS PROVIDED IN SUBSECTION B OF THIS SECTION, AN EMPLOYEE
9 WHO IS HIRED ON OR AFTER JULY 1, 2018, WHO IS A MEMBER AS DEFINED IN
10 SECTION 38-881, PARAGRAPH 27, SUBDIVISION (a) AND WHO WAS NOT AN ACTIVE,
11 AN INACTIVE OR A RETIRED MEMBER OF THE PLAN OR A MEMBER OF THE PLAN WITH A
12 DISABILITY ON JUNE 30, 2018 SHALL PARTICIPATE IN THE PUBLIC SAFETY
13 PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN ESTABLISHED PURSUANT TO
14 ARTICLE 4.1 OF THIS CHAPTER.

15 B. AN EMPLOYEE WHO IS HIRED ON OR AFTER JULY 1, 2018, WHO IS IN A
16 DESIGNATED POSITION AS DEFINED IN SECTION 38-881, PARAGRAPH 13,
17 SUBDIVISION (g) AND WHO WAS NOT AN ACTIVE, AN INACTIVE OR A RETIRED MEMBER
18 OF THE PLAN OR A MEMBER OF THE PLAN WITH A DISABILITY ON JUNE 30, 2018 IS
19 ELIGIBLE TO PARTICIPATE IN THE CORRECTIONS OFFICER RETIREMENT PLAN OR THE
20 PUBLIC SAFETY PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN ESTABLISHED
21 PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER, DEPENDING ON THE EMPLOYEE'S
22 ELECTION UNDER THIS SECTION. DURING THE FIRST SIXTY DAYS OF AN EMPLOYEE'S
23 EMPLOYMENT AND BEFORE THE EMPLOYEE MAKES A DECISION REGARDING THE
24 INDIVIDUAL'S RETIREMENT PLAN, THE BOARD SHALL PROVIDE EACH PROBATION AND
25 SURVEILLANCE OFFICER WHO IS HIRED ON OR AFTER JULY 1, 2018 LIVE, OBJECTIVE
26 EDUCATIONAL TRAINING, COUNSELING AND PARTICIPANT-SPECIFIC PLAN INFORMATION
27 ABOUT BOTH THE CORRECTIONS OFFICER RETIREMENT PLAN AND THE PUBLIC SAFETY
28 PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN OPTIONS. THE EMPLOYEE'S
29 PARTICIPATION IN EITHER THE PLAN OR THE PUBLIC SAFETY PERSONNEL DEFINED
30 CONTRIBUTION RETIREMENT PLAN ESTABLISHED PURSUANT TO ARTICLE 4.1 OF THIS
31 CHAPTER BEGINS NINETY DAYS AFTER THE DATE THE EMPLOYEE IS HIRED. UNLESS
32 THE ELECTIONS MADE UNDER THIS SECTION ARE MADE BEFORE THE NINETIETH DAY
33 AFTER THE DATE OF EMPLOYMENT, THE EMPLOYEE IS AUTOMATICALLY ENROLLED IN
34 THE PLAN FOR THE REMAINDER OF THE EMPLOYEE'S EMPLOYMENT WITH ANY EMPLOYER
35 UNDER THE PLAN. ANY ELECTION MADE UNDER THIS SECTION IS IRREVOCABLE AND
36 IS THE EMPLOYEE'S ELECTION FOR THE REMAINDER OF THE EMPLOYEE'S EMPLOYMENT
37 WITH ANY EMPLOYER UNDER THE PLAN, REGARDLESS OF WHETHER THE EMPLOYEE'S
38 EMPLOYMENT IS CONTINUOUS. THE EMPLOYEE MAY MAKE ONE OF THE FOLLOWING
39 IRREVOCABLE ELECTIONS:

40 1. TO PARTICIPATE SOLELY IN THE CORRECTIONS OFFICER RETIREMENT
41 PLAN.
42 2. TO PARTICIPATE SOLELY IN THE PUBLIC SAFETY PERSONNEL DEFINED
43 CONTRIBUTION RETIREMENT PLAN ESTABLISHED PURSUANT TO ARTICLE 4.1 OF THIS
44 CHAPTER.

1 C. IF AN EMPLOYEE SPECIFIED IN SUBSECTION B OF THIS SECTION IN THE
2 EMPLOYEE'S FIRST NINETY DAYS OF EMPLOYMENT IS DETERMINED TO BE ELIGIBLE
3 FOR AN ACCIDENTAL DISABILITY PENSION PURSUANT TO SECTION 38-886, THE
4 EMPLOYEE SHALL BE AUTOMATICALLY ENROLLED IN THE CORRECTIONS OFFICER
5 RETIREMENT PLAN FOR THE REMAINDER OF THE EMPLOYEE'S EMPLOYMENT WITH ANY
6 EMPLOYER UNDER THE PLAN COMMENCING ON THE EMPLOYEE'S DATE OF DISABILITY
7 AND SHALL RECEIVE AN ACCIDENTAL DISABILITY PENSION AS PRESCRIBED IN THIS
8 ARTICLE.

9 Sec. 12. Section 38-884, Arizona Revised Statutes, is amended to
10 read:

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

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

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

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

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

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

4 (a) 5.0 to 5.9 years of credited service, twenty-five percent of
5 all member contributions deducted from the member's salary pursuant to
6 section 38-891, subsection B.

7 (b) 6.0 to 6.9 years of credited service, forty percent of all
8 member contributions deducted from the member's salary pursuant to section
9 38-891, subsection B.

10 (c) 7.0 to 7.9 years of credited service, fifty-five percent of all
11 member contributions deducted from the member's salary pursuant to section
12 38-891, subsection B.

13 (d) 8.0 to 8.9 years of credited service, seventy percent of all
14 member contributions deducted from the member's salary pursuant to section
15 38-891, subsection B.

16 (e) 9.0 to 9.9 years of credited service, eighty-five percent of
17 all member contributions deducted from the member's salary pursuant to
18 section 38-891, subsection B.

19 (f) 10.0 or more years of credited service, one hundred percent of
20 all member contributions deducted from the member's salary pursuant to
21 section 38-891, subsection B.

22 D. If a member who becomes a member of the plan before January 1,
23 2012 has more than ten years of credited service with the plan, leaves the
24 monies prescribed in subsection C of this section on account with the plan
25 for more than thirty days after termination of employment and after that
26 time period requests a refund of those monies, the member is entitled to
27 receive the amount prescribed in subsection C of this section plus
28 interest at a rate determined by the board for each year computed from and
29 after the member's termination of employment.

30 E. The accumulated member contributions of a member who ceases to
31 be an employee for a reason other than death or retirement and who becomes
32 a member of the plan:

33 1. On or after January 1, 2012 **AND BEFORE JULY 1, 2018** shall be
34 paid to the member plus interest at a rate determined by the board as of
35 the date of termination within twenty days after filing with the plan a
36 written application for payment.

37 2. **FOR A MEMBER WHO HAS LESS THAN TEN YEARS OF CREDITED SERVICE
38 WITH THE PLAN, ON OR AFTER JULY 1, 2018 SHALL BE PAID TO THE MEMBER PLUS
39 INTEREST AT A RATE DETERMINED BY THE BOARD AS OF THE DATE OF TERMINATION
40 WITHIN TWENTY DAYS AFTER FILING WITH THE PLAN A WRITTEN APPLICATION FOR
41 PAYMENT.**

42 F. If the refund includes monies that are an eligible rollover
43 distribution and the member elects to have the distribution paid directly
44 to an eligible retirement plan or individual retirement account or annuity
45 and specifies the eligible retirement plan or individual retirement

1 account or annuity to which the distribution is to be paid, the
2 distribution shall be made in the form of a direct trustee-to-trustee
3 transfer to the specified eligible retirement plan. The distribution
4 shall be made in the form and at the time prescribed by the board.

5 G. For distributions occurring from and after December 31, 2007, a
6 member or a member's beneficiary, including a nonspouse designated
7 beneficiary to the extent permitted under subsection H of this section,
8 may roll over an eligible rollover distribution as defined in section
9 402(c)(4) of the internal revenue code to a Roth individual retirement
10 account, if, for distributions occurring before January 1, 2010, the
11 member or the member's beneficiary satisfies the requirements for making a
12 Roth individual retirement account contribution under section
13 408A(c)(3)(B) of the internal revenue code, as in effect on the date of
14 the rollover. Any amount rolled over to a Roth individual retirement
15 account is included in the gross income of the member or the member's
16 beneficiary to the extent the amounts would have been included in gross
17 income if not rolled over as required under section 408A(d)(3)(A) of the
18 internal revenue code. For the purposes of this subsection, the
19 administrator is not responsible for ensuring the member or the member's
20 beneficiary is eligible to make a rollover to a Roth individual retirement
21 account.

22 H. For distributions made from and after December 31, 2009, a
23 nonspouse designated beneficiary as defined in section 401(a)(9)(E) of the
24 internal revenue code may elect to directly roll over an eligible rollover
25 distribution to an individual retirement account under section 408(a) of
26 the internal revenue code or an individual retirement annuity under
27 section 408(b) of the internal revenue code that is established on behalf
28 of the designated beneficiary and that will be treated as an inherited
29 individual retirement plan pursuant to section 402(c)(11) of the internal
30 revenue code. In order to be able to roll over the distribution, the
31 distribution otherwise must satisfy the definition of an eligible rollover
32 distribution as defined in section 402(c)(4) of the internal revenue code.
33 In applying this subsection, a nonspouse rollover is not subject to the
34 direct rollover requirements under section 401(a)(31) of the internal
35 revenue code, the rollover notice requirements under section 402(f) of the
36 internal revenue code or the mandatory withholding requirements under
37 section 3405(c) of the internal revenue code.

38 I. For plan years occurring before January 1, 2007, the period for
39 providing the rollover notice as required under section 402(f) of the
40 internal revenue code is no less than thirty days and no more than ninety
41 days before the date of distribution and, for plan years beginning from
42 and after December 31, 2006, the period for providing the rollover notice
43 as required under section 402(f) of the internal revenue code is no less
44 than thirty days and no more than one hundred eighty days before the date
45 of distribution.

1 J. Service shall be credited to a member's individual credited
2 service account in accordance with rules the local board prescribes. In
3 no case shall more than twelve months of credited service be credited on
4 account of all service rendered by a member in any one year. In no case
5 shall service be credited for any period during which the member is not
6 employed in a designated position, except as provided by sections 38-921
7 and 38-922.

8 K. Credited service is forfeited if the amounts prescribed in
9 subsection C, D or E of this section are paid or are transferred in
10 accordance with this section.

11 L. If a former member becomes reemployed with the same employer
12 within two years after the former member's termination date, a member may
13 have forfeited credited service attributable to service rendered during a
14 prior period of service as an employee restored on satisfaction of each of
15 the following conditions:

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

19 2. The retirement fund is paid the total amount previously
20 withdrawn pursuant to subsection C, D or E of this section plus compound
21 interest from the date of withdrawal to the dates of repayment. Interest
22 shall be computed at the rate of nine percent for each year compounded
23 each year from the date of withdrawal to the date of repayment. Forfeited
24 credited service shall not be restored until complete payment is received
25 by the fund.

26 3. The required payment is completed within one year after
27 returning to employee status.

28 M. If a member who receives a severance refund on termination of
29 employment pursuant to subsection C, D or E of this section is
30 subsequently reemployed by an employer, the member's prior service credits
31 are cancelled, and the board shall credit service only from the date the
32 member's most recent reemployment period commenced. However, a present
33 active member of the plan who received a refund of accumulated
34 contributions from the plan pursuant to subsection C, D or E of this
35 section, forfeited credited service pursuant to subsection K of this
36 section and becomes reemployed with the same employer two years or more
37 after the member's termination date or becomes reemployed with another
38 employer may elect to redeem any part of that forfeited credited service
39 by paying into the plan any amounts required pursuant to this subsection.
40 A present active member who elects to redeem any part of forfeited
41 credited service for which the member is deemed eligible by the board
42 shall pay into the plan the amounts previously paid or transferred as a
43 refund of the member's accumulated contributions plus an amount, computed
44 by the plan's actuary that is necessary to equal the increase in the
45 actuarial present value of projected benefits resulting from the

1 redemption calculated using the actuarial methods and assumptions
2 prescribed by the plan's actuary. On satisfaction of this obligation, the
3 board shall reinstate the member's prior service credits.

4 N. A retired member may become employed by an employer in a
5 designated position and continue to receive a pension if the employment
6 occurs at least twelve months after retirement. The retired member shall
7 not contribute to the fund and shall not accrue credited service. If a
8 retired member becomes employed by an employer in a designated position
9 before twelve months after retirement:

10 1. Payment of the retired member's pension shall be suspended until
11 the retired member again ceases to be an employee. The amount of pension
12 shall not be changed on account of service as an employee subsequent to
13 retirement.

14 2. The retired member shall not contribute to the fund and shall
15 not accrue credited service.

16 0. Notwithstanding any other provision of this article, a member
17 who retires having met all of the qualifications for retirement and who
18 subsequently becomes an elected official, by election or appointment, is
19 not considered reemployed by the same employer.

20 Sec. 13. Section 38-885, Arizona Revised Statutes, is amended to
21 read:

22 **38-885. Normal retirement; conditions and pension**

23 A. A member may retire if the member:

24 1. Files a written application for normal retirement with the plan
25 in the form prescribed by the plan.

26 2. Ceases to be an employee before the date of retirement.

27 3. Meets one of the age and service requirements for normal
28 retirement prescribed in subsection B, ~~OR~~ D OR F OF THIS SECTION.

29 B. A member who becomes a member of the plan before January 1, 2012
30 is eligible for a normal retirement pension if the member satisfies one of
31 the following requirements:

32 1. Is at least sixty-two years of age and has ten or more years of
33 service.

34 2. Has twenty or more years of service or, in the case of a
35 dispatcher, twenty-five or more years of service.

36 3. The sum of the member's age and years of credited service equals
37 at least eighty.

38 C. A member who meets the requirements for a normal retirement
39 pension pursuant to subsection B OF THIS SECTION and who has twenty years
40 or twenty-five years, as applicable, of credited service is entitled to
41 receive a pension that equals fifty ~~per cent~~ PERCENT of the member's
42 average monthly salary, except that:

43 1. If the member retires with more than twenty years of credited
44 service the foregoing amount shall be increased by a monthly amount equal
45 to two ~~per cent~~ PERCENT of the member's average monthly salary multiplied

1 by the number of the member's years of credited service in excess of
2 twenty years, with pro rata increase for any fractional years, except that
3 if a member retires with twenty-five or more years of credited service the
4 foregoing amount shall be increased by a monthly amount equal to two and
5 one-half ~~per cent~~ PERCENT of the member's average monthly salary
6 multiplied by the number of the member's years of credited service in
7 excess of twenty years, with pro rata increase for any fractional year.

8 2. If the member retires pursuant to subsection B **OF THIS SECTION**
9 but has less than twenty years of credited service, the member is entitled
10 to receive a pension equal to the product of:

11 (a) Two and one-half ~~per cent~~ PERCENT of the member's average
12 monthly salary.

13 (b) The member's credited service.

14 D. A person who becomes a member of the plan on or after January 1,
15 2012 **AND BEFORE JULY 1, 2018** is eligible for a normal retirement pension
16 if the person satisfies one of the following requirements:

17 1. Is at least sixty-two years of age and has ten or more years of
18 service.

19 2. Is at least fifty-two and one-half years of age and has
20 twenty-five or more years of service.

21 E. A person who meets the requirements for a normal retirement
22 pension pursuant to subsection D **OF THIS SECTION** and who has twenty-five
23 years of credited service is entitled to receive a pension that equals
24 sixty-two and one-half ~~per cent~~ PERCENT of the member's average monthly
25 salary, except that:

26 1. If the person retires with more than twenty-five years of
27 credited service the foregoing amount shall be increased by a monthly
28 amount equal to two and one-half ~~per cent~~ PERCENT of the member's average
29 monthly salary multiplied by the number of the member's years of credited
30 service in excess of twenty-five years, with pro rata increase for any
31 fractional year.

32 2. If the person retires pursuant to subsection D **OF THIS SECTION**
33 but has less than twenty-five years of credited service, the person is
34 entitled to receive a pension equal to the product of:

35 (a) Two and one-half ~~per cent~~ PERCENT of the member's average
36 monthly salary.

37 (b) The member's credited service.

38 F. A MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JULY 1,
39 2018 IS ELIGIBLE FOR A NORMAL RETIREMENT PENSION IF THE MEMBER IS AT LEAST
40 FIFTY-FIVE YEARS OF AGE AND HAS TEN OR MORE YEARS OF CREDITED SERVICE. A
41 PERSON WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JULY 1, 2018 AND WHO
42 RETIRES ON OR AFTER THE MEMBER'S NORMAL RETIREMENT DATE SHALL RECEIVE A
43 MONTHLY AMOUNT EQUAL TO THE MEMBER'S AVERAGE MONTHLY SALARY MULTIPLIED BY
44 THE NUMBER OF WHOLE AND FRACTIONAL YEARS OF CREDITED SERVICE MULTIPLIED BY
45 THE FOLLOWING:

1 1. 1.25 PERCENT IF THE MEMBER HAS AT LEAST TEN YEARS OF CREDITED
2 SERVICE BUT LESS THAN FIFTEEN YEARS OF CREDITED SERVICE.

3 2. 1.50 PERCENT IF THE MEMBER HAS AT LEAST FIFTEEN YEARS OF
4 CREDITED SERVICE BUT LESS THAN TWENTY YEARS OF CREDITED SERVICE.

5 3. 1.75 PERCENT IF THE MEMBER HAS AT LEAST TWENTY YEARS OF CREDITED
6 SERVICE BUT LESS THAN TWENTY-TWO YEARS OF CREDITED SERVICE.

7 4. 2.00 PERCENT IF THE MEMBER HAS AT LEAST TWENTY-TWO YEARS OF
8 CREDITED SERVICE BUT LESS THAN TWENTY-FIVE YEARS OF CREDITED SERVICE.

9 5. 2.25 PERCENT IF THE MEMBER HAS AT LEAST TWENTY-FIVE YEARS OF
10 CREDITED SERVICE.

11 F. In no case shall the amount of a member's pension exceed
12 eighty ~~percent~~ PERCENT of the member's average monthly salary. Such
13 limitation does not preclude cost-of-living increases granted by the
14 legislature.

15 Sec. 14. Section 38-885.01, Arizona Revised Statutes, is amended to
16 read:

17 38-885.01. Reverse deferred retirement option plan; purpose

18 A. A reverse deferred retirement option plan is established. The
19 purpose of the reverse deferred retirement option plan is to add
20 flexibility to the plan and to provide members who elect to participate in
21 the reverse deferred retirement option plan access to a lump sum benefit
22 in addition to their normal monthly retirement benefit on actual
23 retirement.

24 B. The board shall offer the reverse deferred retirement option
25 plan to members on a voluntary basis as an alternative method of benefit
26 accrual under the plan.

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

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

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

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

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

5 E. On election, a reverse deferred retirement option plan
6 participation account is established within the plan on behalf of each
7 reverse deferred retirement option plan participant. All benefits accrued
8 pursuant to this article shall be accounted for in the reverse deferred
9 retirement option plan participation account. A reverse deferred
10 retirement option plan participant does not have a claim on the assets of
11 the plan with respect to the member's reverse deferred retirement option
12 plan participation account and assets shall not be set aside for any
13 reverse deferred retirement option plan participant that are separate from
14 all other system assets.

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

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

19 1. An amount that is credited as though accrued monthly from the
20 reverse deferred retirement option plan date to the date the member
21 elected to participate in the reverse deferred retirement option plan and
22 that is computed in the same manner as a normal retirement benefit using
23 the factors of credited service and average monthly salary in effect on
24 the reverse deferred retirement option plan date.

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

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

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

35 J. The form of payment shall be a lump sum distribution. The
36 member or the member's beneficiary may make a direct rollover of the lump
37 sum distribution to an eligible retirement plan under the same rules
38 specified in section 38-884, subsections G, H and I.

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

1 Sec. 15. Title 38, chapter 5, article 6, Arizona Revised Statutes,
2 is amended by adding section 38-885.02, to read:

38-885.02. Early retirement

4 MEMBERS WHO ARE HIRED ON OR AFTER JULY 1, 2018 AND WHO HAVE EARNED
5 AT LEAST TEN YEARS OF CREDITED SERVICE MAY RETIRE AT FIFTY-TWO AND
6 ONE-HALF YEARS OF AGE AND WILL RECEIVE AN ACTUARILLY EQUIVALENT
7 RETIREMENT BENEFIT TO THE BENEFIT AMOUNT PRESCRIBED IN SECTION 38-885,
8 SUBSECTION F.

9 Sec. 16. Section 38-886.01, Arizona Revised Statutes, is amended to
10 read:

38-886.01. Ordinary disability retirement; qualifications; amount of pension; conditions for continued payment of pension; definition

14 A. A member may retire and receive an ordinary disability pension
15 if the local board finds that all of the following conditions occur:

16 1. An application for disability retirement is filed with the
17 retirement plan or the local board by either the member or the member's
18 participating employer after the disabling incident or within one year
19 after the date the member ceases to be an employee and the member's
20 employment is terminated before the member's normal retirement date by
21 reason of ordinary disability. Timely application for an ordinary
22 disability pension is a prerequisite to receipt of the pension.

23 2. The member undergoes all medical examinations and tests ordered
24 by the local board and releases to the local board all medical reports and
25 records requested by the local board.

26 3. The local board determines that an ordinary disability condition
27 exists that meets the requirements for an ordinary disability.

28 4. The member is not participating in the reverse deferred
29 retirement option plan pursuant to section 38-885.01.

30 B. The effective date of an ordinary disability retirement shall
31 not predate the date of disability or the date the member ceases to be an
32 employee, and the disability pension payments shall not violate section
33 38-895.02

34 C. Except for a full-time dispatcher or a person who becomes a
35 member of the plan on or after January 1, 2012, the amount of an ordinary
36 disability pension is equal to a fraction times the member's normal
37 retirement pension that is computed pursuant to section 38-885, subsection
38 C as if the member had twenty years of credited service. The fraction is
39 the result obtained by dividing the member's actual years of credited
40 service, not to exceed twenty years of credited service, by twenty. For a
41 full-time dispatcher or a person who becomes a member of the plan on or
42 after January 1, 2012, the amount of an ordinary disability pension is
43 equal to a fraction times the member's normal retirement pension that is
44 computed pursuant to section 38-885, subsection ~~E~~ E as if the member
45 had twenty-five years of credited service OR SUBSECTION F AS IF THE MEMBER

1 HAD TWENTY-FIVE YEARS OF CREDITED SERVICE. The fraction is the result
2 obtained by dividing the member's actual years of credited service, not to
3 exceed twenty-five years of credited service, by twenty-five.

4 D. The local board may require a retired member with a disability
5 to undergo periodic reevaluation of the continuation of ordinary
6 disability. If the retired member with a disability refuses to submit to
7 reevaluation, the local board may suspend payment of the pension. If the
8 refusal continues for one year, the local board may revoke THE RIGHTS TO
9 THE PENSION OF the retired ~~member's~~ MEMBER with a disability ~~rights to the~~
10 ~~pension~~. An ordinary disability pension is terminated if the local board
11 finds the retired member no longer meets the requirements for ordinary
12 disability retirement. This subsection does not apply after a retired
13 member with a disability reaches the member's normal retirement date. The
14 amount of a disability pension shall not be recomputed at THE NORMAL
15 RETIREMENT DATE OF a retired ~~member's~~ MEMBER with a disability ~~normal~~
16 ~~retirement date~~.

17 E. A member does not qualify for an ordinary disability pension if
18 the local board determines that the member's disability results from any
19 of the following:

20 1. An injury suffered while engaged in a felonious criminal act or
21 enterprise.

22 2. Service in the armed forces of the United States that entitles
23 the member to a veteran's disability pension.

24 3. A physical or mental condition or injury that existed or
25 occurred before the member's date of membership in the plan.

26 F. Local boards shall base a finding of ordinary disability on
27 medical evidence that is obtained by a designated physician or a physician
28 working in a clinic selected by the local board and shall disregard any
29 other medical evidence or opinions. If the local board retains more than
30 one physician or clinic in connection with the application, the local
31 board shall resolve any material conflicts presented in the medical
32 evidence that is presented by the designated physicians or clinics.

33 G. If an ordinary disability ceases before a retired member reaches
34 the member's normal retirement date and the member is reemployed by an
35 employer under the plan, the pension payable on the member's subsequent
36 retirement shall be determined as provided in section 38-885.

37 H. For the purposes of this section, "ordinary disability" means a
38 physical condition that the local board determines will prevent an
39 employee from totally and permanently performing a reasonable range of
40 duties within the employee's department or a mental condition that the
41 local board determines will prevent an employee from totally and
42 permanently engaging in any substantial gainful activity.

1 Sec. 17. Section 38-888, Arizona Revised Statutes, is amended to
2 read:

3 **38-888. Pension to the surviving spouse of a member**

4 A. The surviving spouse of a deceased member is entitled to receive
5 a surviving spouse's pension if the spouse was married to the member on
6 the date of the member's death. Payment of a surviving spouse's pension
7 commences as of the last day of the month following the member's date of
8 death. The last payment shall be made as of the last day of the month in
9 which the surviving spouse's death occurs. The amount of a surviving
10 spouse's pension is forty ~~per cent~~ PERCENT of the deceased member's
11 average monthly salary. The surviving spouse shall file a written
12 application with the plan in order to receive the survivor benefit.

13 B. The surviving spouse of a deceased member who is killed in the
14 line of duty or dies from injuries suffered in the line of duty is
15 entitled to receive a monthly amount equal to the deceased member's
16 average monthly benefit compensation. For the purposes of this
17 subsection, "killed in the line of duty" means the decedent's death was
18 the direct and proximate result of physical injuries incurred in the
19 performance of the decedent's public safety duties and does not include
20 suicide.

21 C. IF A DECEASED MEMBER DOES NOT HAVE AN ELIGIBLE SURVIVING SPOUSE
22 OR THE PENSION OF THE ELIGIBLE SURVIVING SPOUSE IS TERMINATED, EACH
23 ELIGIBLE CHILD IS ENTITLED TO A CHILD'S PENSION AS CALCULATED PURSUANT TO
24 SECTION 38-904.

25 Sec. 18. Section 38-891, Arizona Revised Statutes, is amended to
26 read:

27 **38-891. Employer and member contributions**

28 A. As determined by actuarial valuations reported to the employers
29 and the local boards by the board, each employer shall make ~~level per cent~~
30 ~~of salary~~ contributions sufficient under the actuarial valuations to meet
31 both the normal cost FOR MEMBERS HIRED BEFORE JULY 1, 2018 plus the
32 actuarially determined amount required to amortize the unfunded accrued
33 liability ON A LEVEL PERCENT OF SALARY BASIS FOR ALL EMPLOYEES OF THE
34 EMPLOYER WHO ARE MEMBERS OF THE PLAN OR PARTICIPANTS AS DEFINED IN SECTION
35 38-865, PARAGRAPH 7, SUBDIVISION (b) over, beginning July 1, ~~2005~~ 2018, a
36 ~~rolling~~ CLOSED period of ~~at least twenty and~~ not more than ~~thirty~~ TWENTY
37 years, EXCEPT AS PROVIDED IN SUBSECTION M OR O OF THIS SECTION, that is
38 established by the board taking into account the recommendation of the
39 plan's actuary, except that, beginning with fiscal year 2006-2007, except
40 as otherwise provided, the employer contribution rate shall not be less
41 than six ~~per cent~~ PERCENT of salary. For any employer whose actual
42 contribution rate is less than six ~~per cent~~ PERCENT of salary for fiscal
43 year 2006-2007 and each year thereafter, that employer's contribution rate
44 shall be at least five ~~per cent~~ PERCENT and not more than the employer's
45 actual contribution rate. An employer may pay a higher level ~~per cent~~

1 PERCENT of salary thereby reducing its unfunded past service liability.
2 All contributions made by the employers and all state taxes allocated to
3 the fund shall be irrevocable and shall be used to pay benefits under the
4 plan or to pay expenses of the plan and fund. The minimum employer
5 contribution that is paid and that is in excess of the normal cost plus
6 the actuarially determined amount required to amortize the unfunded
7 accrued liability as calculated pursuant to this subsection shall be used
8 to reduce future employer contribution increases and shall not be used to
9 pay for an increase in benefits that are otherwise payable to members.
10 The board shall separately account for these monies in the fund.
11 Forfeitures arising because of severance of employment before a member
12 becomes eligible for a pension or for any other reason shall be applied to
13 reduce the cost to the employer, not to increase the benefits otherwise
14 payable to members. After the close of any fiscal year, if the plan's
15 actuary determines that the actuarial valuation of an employer's account
16 contains excess valuation assets other than excess valuation assets that
17 were in the employer's account as of fiscal year 2004-2005 and is more
18 than one hundred ~~per cent~~ PERCENT funded, the board shall account for
19 fifty ~~per cent~~ PERCENT of the excess valuation assets in a stabilization
20 reserve account. After the close of any fiscal year, if the plan's
21 actuary determines that the actuarial valuation of an employer's account
22 has a valuation asset deficiency and an unfunded actuarial accrued
23 liability, the board shall use any valuation assets in the stabilization
24 reserve account for that employer, to the extent available, to limit the
25 decline in that employer's funding ratio to not more than two ~~per cent~~
26 PERCENT.

27 B. Each member WHO WAS HIRED BEFORE JULY 1, 2018, shall contribute
28 the amount prescribed in subsection H of this section to the retirement
29 plan. EACH MEMBER WHO WAS HIRED ON OR AFTER JULY 1, 2018, THROUGH THE
30 MEMBER'S PERIOD OF SERVICE FROM THE MEMBER'S EFFECTIVE DATE OF
31 PARTICIPATION, SHALL CONTRIBUTE AN AMOUNT EQUAL TO THE AMOUNT PRESCRIBED
32 IN SUBSECTION K OF THIS SECTION. Member contributions shall be made by
33 payroll deduction. Continuation of employment by the member constitutes
34 consent and agreement to the deduction of the applicable member
35 contribution. Payment of the member's salary less the deducted
36 contributions constitutes full and complete discharge and satisfaction of
37 all claims and demands of the member relating to salary for services
38 rendered during the period covered by the payment. A member may not,
39 under any circumstance, borrow from, take a loan against or remove
40 contributions from the member's account before the termination of
41 membership in the plan or the receipt of a pension.

42 C. Each employer shall transfer to the board the employer and
43 employee contributions provided for in this section within ten working
44 days after each payroll date. Contributions transferred after that date
45 shall include a penalty of ten ~~per cent~~ PERCENT per annum, compounded

1 annually, for each day the contributions are late. The employer shall pay
2 this penalty. Delinquent payments due under this subsection, together
3 with interest charges as provided in this subsection, may be recovered by
4 action in a court of competent jurisdiction against an employer liable for
5 the payments or, at the request of the board, may be deducted from any
6 other monies, including excise revenue taxes, payable to the employer by
7 any department or agency of this state.

8 D. During a period when an employee is on industrial leave and the
9 employee elects to continue contributions during the period of industrial
10 leave, the employer and employee shall make contributions based on the
11 salary the employee would have received in the employee's job
12 classification if the employee was in normal employment status.

13 E. The local board of the state department of corrections or the
14 local board of the department of juvenile corrections may specify a
15 position within that department as a designated position if the position
16 is filled by an employee who has at least five years of credited service
17 under the plan, who is transferred to temporarily fill the position and
18 who makes a written request to the local board to specify the position as
19 a designated position within ninety days ~~or~~ AFTER being transferred. On
20 the employee leaving the position, the position is no longer a designated
21 position.

22 F. The local board of the state department of corrections, the
23 local board of the department of juvenile corrections or the local board
24 of a county, city or town that operates detention facilities may specify a
25 designated position within the department or facility as a nondesignated
26 position if the position is filled by an employee who has at least five
27 years of credited service under the Arizona state retirement system and
28 who makes a written request to the local board to specify the position as
29 a nondesignated position within ninety days ~~or~~ AFTER accepting the
30 position. On the employee leaving the position, the position reverts to a
31 designated position.

32 G. The local board of the judiciary may specify positions within
33 the administrative office of the courts that require direct contact with
34 and primarily provide training or technical expertise to county probation,
35 surveillance or juvenile detention officers as a designated position if
36 the position is filled by an employee who is a member of the plan
37 currently employed in a designated position as a probation, surveillance
38 or juvenile detention officer and who has at least five years of credited
39 service under the plan. An employee who fills such a position shall make
40 a written request to the local board to specify the position as a
41 designated position within ninety days ~~or~~ AFTER accepting the position.
42 On the employee leaving the position, the position reverts to a
43 nondesignated position.

1 H. The amount contributed by a member WHO WAS HIRED BEFORE JULY 1,
2 2018 pursuant to subsection B of this section is:

3 1. Through June 30, 2011, 8.41 ~~per cent~~ PERCENT of the member's
4 salary, except for a full-time dispatcher. The amount contributed by a
5 full-time dispatcher through June 30, 2011 is 7.96 ~~per cent~~ PERCENT of the
6 member's salary.

7 2. For fiscal year 2011-2012 and each fiscal year thereafter, 8.41
8 ~~per cent~~ PERCENT of the member's salary or fifty ~~per cent~~ PERCENT of the
9 sum of the member's contribution rate from the preceding fiscal year and
10 the aggregate computed employer contribution rate that is calculated
11 pursuant to subsection A of this section, whichever is lower, except that
12 the member contribution rate shall not be less than 7.65 ~~per cent~~ PERCENT
13 of the member's salary and the employer contribution rate shall not be
14 less than the rate prescribed in subsection A of this section.

15 I. Notwithstanding subsection H, paragraph 2 of this section, the
16 contribution rate for a full-time dispatcher is forty-five basis points
17 less than the member contribution amount calculated pursuant to subsection
18 H, paragraph 2 of this section, except that after the close of any fiscal
19 year, if the plan's actuary determines that the aggregate ratio of the
20 funding value of the accrued assets to the accrued liabilities of the fund
21 is at least one hundred ~~per cent~~ PERCENT, from and after June 30 of the
22 following year the member contribution rate for a full-time dispatcher is
23 equal to the member contribution rate for a member who is not a full-time
24 dispatcher.

25 J. For fiscal year 2011-2012 and each fiscal year thereafter, the
26 amount of the member's contribution that exceeds 8.41 ~~per cent~~ PERCENT of
27 the member's salary for a member other than a full-time dispatcher or 7.96
28 ~~per cent~~ PERCENT of the member's salary for a full-time dispatcher shall
29 not be used to reduce the employer's contributions that are calculated
30 pursuant to subsection A of this section.

31 K. FOR MEMBERS HIRED ON OR AFTER JULY 1, 2018, THE EMPLOYER AND
32 MEMBER CONTRIBUTIONS ARE DETERMINED AS FOLLOWS:

33 1. AS DETERMINED BY ACTUARIAL VALUATIONS REPORTED TO THE EMPLOYER
34 AND THE LOCAL BOARD BY THE BOARD OF TRUSTEES, EACH EMPLOYER SHALL MAKE
35 CONTRIBUTIONS SUFFICIENT UNDER SUCH ACTUARIAL VALUATIONS TO PAY 33.3
36 PERCENT OF THE NORMAL COST PLUS 50 PERCENT OF THE ACTUARILLY DETERMINED
37 AMOUNT REQUIRED TO AMORTIZE THE TOTAL UNFUNDED ACCRUED LIABILITY FOR EACH
38 EMPLOYER ATTRIBUTABLE ONLY TO THOSE MEMBERS HIRED ON OR AFTER JULY 1,
39 2018. FOR EACH YEAR THAT NEW UNFUNDED LIABILITIES ARE ATTRIBUTABLE TO THE
40 EMPLOYER'S OWN MEMBERS HIRED ON OR AFTER JULY 1, 2018, A NEW AMORTIZATION
41 BASE REPRESENTING THE MOST RECENT ANNUAL GAIN OR LOSS, SMOOTHED OVER A
42 PERIOD NOT MORE THAN FIVE YEARS AS DETERMINED BY THE BOARD, SHALL BE
43 CREATED ON A LEVEL-DOLLAR BASIS OVER A CLOSED PERIOD EQUAL TO THE AVERAGE
44 EXPECTED REMAINING SERVICE LIVES OF ALL MEMBERS BUT NOT MORE THAN TEN
45 YEARS, AS DETERMINED BY THE BOARD.

1 2. THE REMAINING 66.7 PERCENT OF THE NORMAL COST AND THE REMAINING
2 50 PERCENT OF THE ACTUARILLY DETERMINED AMOUNT REQUIRED TO AMORTIZE THE
3 TOTAL UNFUNDED ACCRUED LIABILITY AS DETERMINED PURSUANT TO PARAGRAPH 1 OF
4 THIS SUBSECTION SHALL BE DIVIDED BY THE TOTAL NUMBER OF THE EMPLOYER'S
5 MEMBERS WHO WERE HIRED ON OR AFTER JULY 1, 2018 SUCH THAT EACH MEMBER
6 CONTRIBUTES AN EQUAL PERCENTAGE OF THE MEMBER'S COMPENSATION. MEMBER
7 CONTRIBUTIONS SHALL BEGIN SIMULTANEOUSLY WITH MEMBERSHIP IN THE PLAN AND
8 SHALL BE MADE BY PAYROLL DEDUCTION.

9 L. IN ANY FISCAL YEAR, AN EMPLOYER'S CONTRIBUTION TO THE PLAN IN
10 COMBINATION WITH MEMBER CONTRIBUTIONS MAY NOT BE LESS THAN THE ACTUARILLY
11 DETERMINED NORMAL COST FOR THAT FISCAL YEAR. THE BOARD MAY NOT SUSPEND
12 CONTRIBUTIONS TO THE PLAN UNLESS BOTH OF THE FOLLOWING APPLY:

13 1. THE PLAN'S ACTUARY, BASED ON THE ANNUAL VALUATION, DETERMINES
14 THAT CONTINUING TO ACCRUE EXCESS EARNINGS COULD RESULT IN DISQUALIFICATION
15 OF THE PLAN'S TAX-EXEMPT STATUS UNDER THE PROVISIONS OF THE UNITED STATES
16 INTERNAL REVENUE CODE.

17 2. THE BOARD DETERMINES THAT THE RECEIPT OF ANY ADDITIONAL
18 CONTRIBUTIONS REQUIRED UNDER THIS SECTION WOULD CONFLICT WITH ITS
19 FIDUCIARY RESPONSIBILITY.

20 M. FOR THE PURPOSES OF CALCULATING UNFUNDED LIABILITY AMORTIZATION
21 PAYMENTS PURSUANT TO SUBSECTION A OF THIS SECTION, AN EMPLOYER MAY MAKE A
22 ONE-TIME ELECTION TO REQUEST THAT THE BOARD USE A CLOSED PERIOD OF NOT
23 MORE THAN THIRTY YEARS IF THE EMPLOYER MEETS BOTH OF THE FOLLOWING
24 REQUIREMENTS:

25 1. THE GOVERNING BODY OF THE EMPLOYER ADOPTS A RESOLUTION
26 REQUESTING THE LONGER AMORTIZATION PERIOD AND SPECIFYING THE ACTUARIAL
27 VALUATION DATE FOR WHICH THE NEW AMORTIZATION PERIOD IS TO BEGIN. THE
28 ACTUARIAL VALUATION DATE CHOSEN MUST BE THE PLAN'S FISCAL YEAR END EITHER
29 IMMEDIATELY BEFORE OR IMMEDIATELY AFTER THE DATE OF THE RESOLUTION.

30 2. THE EMPLOYER SUBMITS A WRITTEN REQUEST FOR THE LONGER
31 AMORTIZATION PERIOD ALONG WITH THE ADOPTED RESOLUTION TO THE ADMINISTRATOR
32 OF THE BOARD.

33 N. FOR THE PURPOSES OF SUBSECTION M OF THIS SECTION, EMPLOYER DOES
34 NOT INCLUDE THIS STATE OR ANY STATE AGENCY.

35 O. FOR THE PURPOSES OF CALCULATING UNFUNDED LIABILITY AMORTIZATION
36 PAYMENTS PURSUANT TO SUBSECTION A OF THIS SECTION, THE BOARD MAY USE A
37 CLOSED PERIOD OF NOT MORE THAN THIRTY YEARS FOR THE JUDICIARY.

38 P. IF A MEMBER'S EMPLOYMENT IS TERMINATED WITH AN EMPLOYER BY
39 EITHER PARTY, THE TOTAL LIABILITY UNDER THE PLAN ASSOCIATED WITH THE
40 MEMBER'S SERVICE WITH THE EMPLOYER REMAINS WITH THE EMPLOYER.

41 Sec. 19. Section 38-895.01, Arizona Revised Statutes, is amended to
42 read:

43 38-895.01. Compensation limitation; adjustments; definition

44 A. The annual compensation of each member taken into account for
45 purposes of the plan shall not exceed the following:

1 1. Beginning January 1, 1996 through December 31, 2001, one hundred
2 fifty thousand dollars.

3 2. EXCEPT FOR MEMBERS HIRED ON OR AFTER JULY 1, 2018, beginning
4 January 1, 2002, two hundred thousand dollars. THE BOARD SHALL ADJUST THE
5 TWO HUNDRED THOUSAND DOLLAR ANNUAL COMPENSATION LIMIT UNDER THIS PARAGRAPH
6 AT THE SAME TIME AND IN THE SAME MANNER AS ADJUSTED BY THE UNITED STATES
7 SECRETARY OF THE TREASURY UNDER SECTION 401(a)(17)(B) OF THE INTERNAL
8 REVENUE CODE. THE ADJUSTMENT UNDER THIS PARAGRAPH FOR A CALENDAR YEAR
9 APPLIES TO ANNUAL COMPENSATION FOR THE PLAN YEAR THAT BEGINS WITH OR
10 WITHIN THE CALENDAR YEAR.

11 3. FOR MEMBERS WHO ARE HIRED ON OR AFTER JULY 1, 2018, SEVENTY
12 THOUSAND DOLLARS. THE BOARD SHALL ADJUST THE SEVENTY THOUSAND DOLLAR
13 ANNUAL COMPENSATION LIMIT UNDER THIS PARAGRAPH AS PRESCRIBED IN SUBSECTION
14 C OF THIS SECTION. NOTWITHSTANDING THE ADJUSTMENTS MADE UNDER SUBSECTION
15 C OF THIS SECTION, THE LIMIT UNDER THIS PARAGRAPH, AS ADJUSTED BY THE
16 BOARD, MAY NOT EXCEED THE MAXIMUM COMPENSATION LIMIT OF SECTION 401(a)(17)
17 OF THE INTERNAL REVENUE CODE, AS ADJUSTED BY THE UNITED STATES SECRETARY
18 OF THE TREASURY.

19 B. If compensation under the plan is determined on a period of time
20 that contains fewer than twelve calendar months, the compensation limit
21 for that period of time is equal to the dollar limit for the calendar year
22 during which the period of time begins, multiplied by the fraction in
23 which the numerator is the number of full months in that period of time
24 and the denominator is twelve.

25 C. ~~The board shall adjust the annual compensation limits under this
26 section at the same time and in the same manner as adjusted by the United
27 States secretary of the treasury under section 401(a)(17)(B) of the
28 internal revenue code. The adjustment under this subsection for a
29 calendar year applies to annual compensation for the plan year that begins
30 with or within the calendar year.~~

31 C. BEGINNING IN FISCAL YEAR 2021-2022, AND EVERY THIRD FISCAL YEAR
32 THEREAFTER, THE BOARD SHALL ADJUST THE ANNUAL COMPENSATION LIMIT SPECIFIED
33 IN SUBSECTION A, PARAGRAPH 3 OF THIS SECTION BY THE AVERAGE CHANGE IN THE
34 PROBATION WAGE INDEX AS DETERMINED PURSUANT TO THIS SUBSECTION. THE BOARD
35 SHALL ANNUALLY PUBLISH THE PROBATION WAGE INDEX IN JANUARY. TO DETERMINE
36 THE PROBATION WAGE INDEX:

37 1. THE ADMINISTRATIVE OFFICE OF THE COURTS SHALL PROVIDE TO THE
38 BOARD PAY SCALES FOR THE MONTH OF JULY FOR THE CLASSIFICATIONS OF
39 PROBATION OFFICERS, BY COUNTY, ANNUALLY IN JULY.

40 2. THE BOARD SHALL DETERMINE THE WEIGHTED AVERAGE OF THE CHANGE IN
41 THE TOP OF THE PAY SCALE FOR PROBATION OFFICERS. THE AVERAGE CHANGE SHALL
42 BE WEIGHTED BY MEASURING EACH COUNTY'S TOTAL NUMBER OF MEMBERS DIVIDED BY
43 THE TOTAL NUMBER OF MEMBERS OF ALL COUNTIES REPRESENTED IN THE PROBATION
44 WAGE INDEX.

1 D. THE BOARD SHALL ESTABLISH A PROBATION WAGE INDEX THAT REFLECTS
2 THE CALCULATION MADE PURSUANT TO SUBSECTION C OF THIS SECTION.

3 E. FOR THE PURPOSES OF THIS SECTION, "PROBATION OFFICERS" MEANS THE
4 CLASSIFICATIONS OF PROBATION OFFICERS OR SURVEILLANCE OFFICERS OR THEIR
5 EQUIVALENT CLASSIFICATIONS.

6 Sec. 20. Repeal

7 Sections 38-905, 38-905.01, 38-905.02, 38-905.03 and 38-905.04,
8 Arizona Revised Statutes, are repealed.

9 Sec. 21. Title 38, chapter 5, article 6, Arizona Revised Statutes,
10 is amended by adding sections 38-905.05 and 38-905.06, to read:

11 38-905.05. Cost-of-living adjustment; members hired on or
12 before June 30, 2018

13 A. FOR MEMBERS HIRED ON OR BEFORE JUNE 30, 2018, EACH RETIRED
14 MEMBER OR SURVIVOR OF A RETIRED MEMBER IS ELIGIBLE TO RECEIVE A
15 COMPOUNDING COST-OF-LIVING ADJUSTMENT IN THE BASE BENEFIT AS PROVIDED IN
16 THIS SECTION. THE FIRST PAYMENT UNDER THIS SECTION SHALL BE MADE
17 IMMEDIATELY FOLLOWING THE FIRST YEAR THE COST-OF-LIVING ADJUSTMENT
18 SPECIFIED IN SUBSECTION C OF THIS SECTION IS PAID. THE COST-OF-LIVING
19 ADJUSTMENT SHALL BE MADE ON JULY 1 EACH YEAR THEREAFTER.

20 B. A RETIRED MEMBER OR A SURVIVOR OF A RETIRED MEMBER SHALL RECEIVE
21 ANNUALLY A COST-OF-LIVING ADJUSTMENT IN THE BASE BENEFIT BASED ON THE
22 AVERAGE ANNUAL PERCENTAGE CHANGE IN THE METROPOLITAN PHOENIX-MESA CONSUMER
23 PRICE INDEX PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF
24 LABOR STATISTICS, WITH THE IMMEDIATELY PRECEDING YEAR AS THE BASE YEAR FOR
25 MAKING THE DETERMINATION, NOT TO EXCEED ANNUALLY TWO PERCENT OF THE
26 RETIRED MEMBER'S OR SURVIVOR'S BASE BENEFIT.

27 C. IN THE FIRST YEAR OF A MEMBER'S RETIREMENT, THE COST-OF-LIVING
28 ADJUSTMENT SPECIFIED IN SUBSECTION B OF THIS SECTION SHALL BE PRORATED
29 BASED ON THE DATE OF RETIREMENT.

30 D. THE PLAN'S ACTUARY SHALL INCLUDE THE PROJECTED COST OF PROVIDING
31 THE COST-OF-LIVING ADJUSTMENT SPECIFIED IN SUBSECTION B OF THIS SECTION IN
32 THE CALCULATION OF NORMAL COST AND ACCRUED LIABILITY.

33 38-905.06. Cost-of-living adjustment; members hired on or
34 after July 1, 2018; definition

35 A. FOR MEMBERS WHO ARE HIRED ON OR AFTER JULY 1, 2018, EACH
36 ELIGIBLE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER MAY RECEIVE A
37 COMPOUNDING COST-OF-LIVING ADJUSTMENT IN THE BASE BENEFIT AS PROVIDED IN
38 THIS SECTION.

39 B. A RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER IS ELIGIBLE TO
40 RECEIVE A COST-OF-LIVING ADJUSTMENT UNDER THIS SECTION BEGINNING THE
41 EARLIER OF THE FIRST CALENDAR YEAR AFTER THE SEVENTH ANNIVERSARY OF THE
42 RETIRED MEMBER'S RETIREMENT OR WHEN THE RETIRED MEMBER IS OR WOULD HAVE
43 BEEN SIXTY YEARS OF AGE.

44 C. A COST-OF-LIVING ADJUSTMENT SHALL BE PAID ON JULY 1 EACH YEAR
45 THAT THE FUNDED RATIO FOR MEMBERS WHO ARE HIRED ON OR AFTER JULY 1, 2018

1 IS SEVENTY PERCENT OR MORE, AS REPORTED IN THE MOST RECENT ACTUARIAL
2 VALUATION.

3 D. AN ELIGIBLE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER SHALL
4 RECEIVE ANNUALLY A COST-OF-LIVING ADJUSTMENT IN THE BASE BENEFIT BASED ON
5 THE AVERAGE ANNUAL PERCENTAGE CHANGE IN THE METROPOLITAN PHOENIX-MESA
6 CONSUMER PRICE INDEX PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR,
7 BUREAU OF LABOR STATISTICS, WITH THE IMMEDIATELY PRECEDING YEAR AS THE
8 BASE YEAR FOR MAKING THE DETERMINATION, NOT TO EXCEED ANNUALLY THE
9 FOLLOWING:

10 1. TWO PERCENT OF THE RETIRED MEMBER'S OR SURVIVOR'S BASE BENEFIT
11 IF THE FUNDED RATIO FOR MEMBERS WHO ARE HIRED ON OR AFTER JULY 1, 2018 IS
12 NINETY PERCENT OR MORE, AS REPORTED IN THE MOST RECENT ACTUARIAL
13 VALUATION.

14 2. ONE AND ONE-HALF PERCENT OF THE RETIRED MEMBER'S OR SURVIVOR'S
15 BASE BENEFIT IF THE FUNDED RATIO FOR MEMBERS WHO ARE HIRED ON OR AFTER
16 JULY 1, 2018 IS EIGHTY PERCENT OR MORE BUT LESS THAN NINETY PERCENT, AS
17 REPORTED IN THE MOST RECENT ACTUARIAL VALUATION.

18 3. ONE PERCENT OF THE RETIRED MEMBER'S OR SURVIVOR'S BASE BENEFIT
19 IF THE FUNDED RATIO FOR MEMBERS WHO ARE HIRED ON OR AFTER JULY 1, 2018 IS
20 SEVENTY PERCENT OR MORE BUT LESS THAN EIGHTY PERCENT, AS REPORTED IN THE
21 MOST RECENT ACTUARIAL VALUATION.

22 E. THE PLAN'S ACTUARY SHALL INCLUDE THE PROJECTED COST OF PROVIDING
23 THE COST-OF-LIVING ADJUSTMENT SPECIFIED IN SUBSECTION D OF THIS SECTION IN
24 THE CALCULATION OF NORMAL COST AND ACCRUED LIABILITY.

25 F. FOR THE PURPOSES OF THIS SECTION, "FUNDED RATIO" MEANS THE RATIO
26 OF THE MARKET VALUE OF ASSETS TO THE ACTUAL ACCRUED LIABILITIES.

27 Sec. 22. Section 38-911, Arizona Revised Statutes, is amended to
28 read:

29 38-911. Deferred annuity: eligibility: amount: exception

30 A. If any member who has at least ten years of credited service
31 terminates employment for reasons other than retirement or disability, the
32 person may elect to receive a deferred annuity, except that if the person
33 withdraws the person's accumulated contributions from the plan, all rights
34 to a deferred annuity are forfeited. A deferred annuity is a lifetime
35 monthly payment that is actuarially equivalent to the annuitant's
36 accumulated contributions in the plan plus an equal amount paid by the
37 employer and commences on application on or after the sixty-second
38 birthday of the annuitant. The deferred annuity is not a retirement
39 benefit and annuitants are not entitled to receive any amount prescribed
40 by section 38-887, 38-888, 38-904, ~~38-905, 38-905.02~~ or 38-906.

41 B. This section does not apply to a member who becomes a member of
42 the plan on or after January 1, 2012 **AND BEFORE JULY 1, 2018**. Such a
43 person who attains a normal retirement date is eligible for retirement and
44 a retirement benefit even if the member terminates employment with an

1 employer before the age requirement for normal retirement if the member
2 attains the service requirement for normal retirement.

3 Sec. 23. Title 38, chapter 5, article 6, Arizona Revised Statutes,
4 is amended by adding section 38-914, to read:

5 **38-914. Employer disclosure; funding ratio**

6 **AN EMPLOYER SHALL DISCLOSE THE EMPLOYER'S FUNDING RATIO UNDER THE**
7 **PLAN ON THE EMPLOYER'S PUBLIC WEBSITE.**

8 Sec. 24. Conditional enactment

9 Section 38-885.01, Arizona Revised Statutes, as amended by this act,
10 sections 38-905, 38-905.01, 38-905.02, 38-905.03 and 38-905.04, Arizona
11 Revised Statutes, as repealed by this act, section 38-905.05, Arizona
12 Revised Statutes, as added by this act and section 38-911, Arizona Revised
13 Statutes, as amended by this act, do not become effective unless the
14 Constitution of Arizona is amended as prescribed in Senate concurrent
15 resolution 1023, fifty-third legislature, first regular session, by vote
16 of the people at the next general election.

APPROVED BY THE GOVERNOR APRIL 17, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 17, 2017.