

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 1. FOR THE PURPOSES OF CALCULATING UNFUNDED 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 B. 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 ~~(a)~~ (i) Who is a full-time paid person employed by a participating  
32 employer in a designated position.

33 ~~(b)~~ (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 ~~(c)~~ (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 O. 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.~~ G. In no case shall the amount of a member's pension exceed  
12 eighty ~~per cent~~ 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:

3           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 ACTUARIALLY 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:

11           38-886.01. Ordinary disability retirement; qualifications;  
12           amount of pension; conditions for continued  
13           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 ~~C~~ 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 ~~of~~ 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 ~~of~~ 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 ~~of~~ 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 ACTUARIALY 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 ACTUARIALY 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 ACTUARIALY  
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.