

PROPOSED AMENDMENT
SENATE AMENDMENTS TO S.B. 1442
(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

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

1 board of trustees taking into account the recommendation of the system's
2 actuary, except that, beginning with fiscal year 2006-2007, except as
3 otherwise provided, the employer contribution rate shall not be less than
4 eight percent of compensation. For any employer whose actual contribution
5 rate is less than eight percent of compensation for fiscal year 2006-2007,
6 that employer's contribution rate is not subject to the eight percent
7 minimum but, for fiscal year 2006-2007 and each year thereafter, shall be
8 at least five percent and not more than the employer's actual contribution
9 rate. An employer shall have the option of paying a higher level percent
10 of compensation thereby reducing its unfunded past service liability. An
11 employer shall also have the option of increasing its contributions in
12 order to reduce the contributions required from its members under
13 subsection C of this section, except that if an employer elects this option
14 the employer shall pay the same higher level percentage contribution for
15 all members of the eligible group. A county employer that elected to pay a
16 higher level percentage contribution rate may eliminate that higher level
17 percentage contribution rate amount for members who are hired on or after
18 January 1, 2015. During a period when an employee is on industrial leave
19 and the employee elects to continue contributions during the period of
20 industrial leave, the employer shall make the contributions based on the
21 compensation the employee would have received in the employee's job
22 classification if the employee was in normal employment status. All
23 contributions made by the employers and all state taxes allocated to the
24 fund shall be irrevocable and shall be used to pay benefits under the
25 system or to pay expenses of the system and fund. The minimum employer
26 contribution that is paid and that is in excess of the normal cost plus the
27 actuarially determined amount required to amortize the unfunded accrued
28 liability as calculated pursuant to this subsection shall be used to reduce
29 future employer contribution increases and shall not be used to pay for an
30 increase in benefits that are otherwise payable to members. The board
31 shall separately account for these monies in the fund. Forfeitures arising
32 because of severance of employment before a member becomes eligible for a
33 pension or any other reason shall be applied to reduce the cost of the

1 employer, not to increase the benefits otherwise payable to members. After
2 the close of any fiscal year, if the system's actuary determines that the
3 actuarial valuation of an employer's account contains excess valuation
4 assets other than excess valuation assets that were in the employer's
5 account as of fiscal year 2004-2005 and is more than one hundred percent
6 funded, the board shall account for fifty percent of the excess valuation
7 assets in a stabilization reserve account. After the close of any fiscal
8 year, if the system's actuary determines that the actuarial valuation of an
9 employer's account has a valuation asset deficiency and an unfunded
10 actuarial accrued liability, the board shall use any valuation assets in
11 the stabilization reserve account for that employer, to the extent
12 available, to limit the decline in that employer's funding ratio to not
13 more than two percent.

14 C. Each member who was hired before July 1, 2017, throughout the
15 member's period of service from the member's effective date of
16 participation, shall contribute to the fund an amount equal to the amount
17 prescribed in subsection E of this section, except as provided in
18 subsection B of this section. Each member who was hired on or after
19 July 1, 2017, throughout the member's period of service from the member's
20 effective date of participation, shall contribute to the fund an amount
21 equal to the amount prescribed in subsection G of this section. During a
22 period when an employee is on industrial leave and the employee elects to
23 continue contributions during the period of industrial leave, the employee
24 shall make the employee's contribution based on the compensation the
25 employee would have received in the employee's job classification if the
26 employee was in normal employment status. Contributions of members shall
27 be required as a condition of employment and membership in the system and
28 shall be made by payroll deductions. Every employee shall be deemed to
29 consent to such deductions. Payment of an employee's compensation, less
30 such payroll deductions, shall constitute a full and complete discharge and
31 satisfaction of all claims and demands by the employee relating to
32 remuneration for the employee's services rendered during the period covered
33 by the payment, except with respect to the benefits provided under the

1 system. A member may not, under any circumstance, borrow from, take a loan
2 against or remove contributions from the member's account before the
3 termination of membership in the plan or the receipt of a pension.

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

15 E. The amount contributed by a member who was hired before July 1,
16 2017 pursuant to subsection C of this section is:

- 17 1. Through June 30, 2011, 7.65 percent of the member's compensation.
- 18 2. For fiscal year 2011-2012, 8.65 percent of the member's
19 compensation.
- 20 3. For fiscal year 2012-2013, 9.55 percent of the member's
21 compensation.
- 22 4. For fiscal year 2013-2014, 10.35 percent of the member's
23 compensation.
- 24 5. For fiscal year 2014-2015, 11.05 percent of the member's
25 compensation.
- 26 6. For fiscal year 2015-2016 and each fiscal year thereafter, 11.65
27 percent of the member's compensation or 33.3 percent of the sum of the
28 member's contribution rate from the preceding fiscal year and the aggregate
29 computed employer contribution rate that is calculated pursuant to
30 subsection B of this section, whichever is lower, except that the member
31 contribution rate shall not be less than 7.65 percent of the member's
32 compensation and the employer contribution rate shall not be less than the
33 rate prescribed in subsection B of this section.

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

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

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

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

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

32 1. The retirement system actuary, based on the annual valuation,
33 determines that continuing to accrue excess earnings could result in

1 disqualification of the system's tax-exempt status under the provisions of
2 the United States internal revenue code.

3 2. The board determines that the receipt of any additional
4 contributions required under this section would conflict with its fiduciary
5 responsibility.

6 I. If a member's employment is terminated with an employer by either
7 party, the total liability under the system associated with the member's
8 service with the employer remains with the employer.

9 Sec. 2. Section 38-865, Arizona Revised Statutes, is amended to
10 read:

11 38-865. Definitions

12 In this article, unless the context otherwise requires:

13 1. "Annuity account" means an account that is established for each
14 participant to record the deposit of participant contributions, employer
15 contributions and interest, dividends or other accumulations credited on
16 behalf of the participant.

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

19 3. "Compensation":

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

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

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

26 5. "Employer" has the same meaning prescribed in section 38-842 OR
27 38-881, AS APPLICABLE.

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

31 7. "Participant" means:

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

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

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

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

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

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

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

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

1 Sec. 3. Section 38-867, Arizona Revised Statutes, is amended to
2 read:

3 38-867. Contributions; member; employer; pickup

4 A. Each participant in the defined contribution plan shall
5 contribute the following percentage of the participant's gross pensionable
6 compensation by salary reduction that shall be deposited in the
7 participant's annuity account:

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

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

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

14 B. A participant as defined in section 38-865 may make a one-time
15 irrevocable election, before the participant is eligible to participate in
16 any qualified plan of the employer, to contribute more than the percentage
17 of the participant's gross pensionable compensation specified in this
18 section, up to the amount allowable under section 415(c) of the internal
19 revenue code. ~~;~~ ~~which~~ A PARTICIPANT AS DEFINED IN SECTION 38-865, PARAGRAPH
20 7, SUBDIVISION (b) MAY MAKE A ONE-TIME IRREVOCABLE ELECTION, BEFORE THE
21 PARTICIPANT IS ELIGIBLE TO PARTICIPATE IN ANY QUALIFIED PLAN OF THE
22 EMPLOYER, TO CONTRIBUTE LESS THAN THE PERCENTAGE OF THE PARTICIPANT'S GROSS
23 PENSIONABLE COMPENSATION SPECIFIED IN THIS SECTION BUT MAY NOT ELECT TO
24 CONTRIBUTE LESS THAN FIVE PERCENT OF THE PARTICIPANT'S GROSS PENSIONABLE
25 COMPENSATION. THE ELECTION MADE PURSUANT TO THIS SUBSECTION shall be the
26 participant's contribution rate for the remainder of the participant's
27 employment with any employer under the system OR THE CORRECTIONS OFFICER
28 RETIREMENT PLAN, AS APPLICABLE.

29 C. Although designated as employee contributions, all participant
30 contributions made to the defined contribution plan shall be picked up and
31 paid by the employer in lieu of contributions by the employee. The
32 contributions picked up by an employer may be made through a reduction in
33 the participant's compensation. A participant in the defined contribution

1 plan may not choose to receive the contributed amounts directly instead of
2 the employer paying the amounts to the defined contribution plan. All
3 participant contributions that are picked up by the employer as provided in
4 this subsection shall be treated as employer contributions under section
5 414(h) of the internal revenue code, shall be excluded from THE
6 participant's gross income for federal and state income tax purposes and
7 are includable in the gross income of the participant or the participant's
8 beneficiaries only in the taxable year in which they are distributed.

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

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

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

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

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

20 F. A participant of the defined contribution plan may not take loans
21 on any portion of the accumulated assets in the participant's annuity
22 account.

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

27 H. A participant's contributions and earnings on those contributions
28 are immediately vested.

29 I. A participant AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
30 SUBDIVISION (a) is fully vested in the defined contribution plan after ten
31 years of service, with employer contributions vesting at a rate of ten
32 percent per year. A PARTICIPANT AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
33 SUBDIVISION (b) IS FULLY VESTED IN THE DEFINED CONTRIBUTION PLAN AFTER

1 THREE YEARS OF SERVICE, WITH THE EMPLOYER CONTRIBUTIONS VESTING AT THE
2 FOLLOWING RATES:

- 3 1. TWENTY-FIVE PERCENT AFTER THE FIRST YEAR OF SERVICE.
- 4 2. FIFTY PERCENT AFTER THE SECOND YEAR OF SERVICE.
- 5 3. ONE HUNDRED PERCENT AFTER THE THIRD YEAR OF SERVICE.

6 Sec. 4. Section 38-870, Arizona Revised Statutes, is amended to
7 read:

8 38-870. Definitions

9 In this article, unless the context otherwise requires:

10 1. "Assets" means the accumulated resources of the disability
11 program.

12 2. "Board" means the board of trustees established by section
13 38-848.

14 3. "Compensation":

15 (a) FOR A PARTICIPANT AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
16 SUBDIVISION (a), ITEM (i), has the same meaning prescribed in section
17 38-842.

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

20 4. "Disability program" or "program" means the public safety
21 personnel defined contribution retirement plan disability program
22 established by this article.

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

25 ~~5.~~ 6. "Participant" means a participant who is in the public safety
26 personnel defined contribution retirement plan and who is a participant as
27 defined in section 38-865, paragraph 7, subdivision (a), ITEM (i) OR
28 SUBDIVISION (b).

29 ~~6.~~ 7. "Pensionable compensation" has the same meaning prescribed in
30 section 38-865.

1 Sec. 5. 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 to
9 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 the
16 program, shall:

17 1. Account for the operation, administration and investment expenses
18 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 make
24 an annual audit of the accounting records of the fund and file a copy of
25 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 the
29 program, may:

30 1. Employ services as it deems necessary.

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

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

3 4. Determine the rights, benefits or obligations of any person under
4 this article and afford any person dissatisfied with a determination of the
5 person's rights, benefits or obligations under this article with a hearing
6 on the determination.

7 Sec. 6. Section 38-870.06, Arizona Revised Statutes, is amended to
8 read:

9 38-870.06. Disability program benefit

10 A. The LOCAL board shall follow the same procedures and method as
11 prescribed in section 38-844, FOR A PARTICIPANT WHO IS EMPLOYED BY AN
12 EMPLOYER AS DEFINED IN SECTION 38-842, AND SECTION 38-886.01, FOR A
13 PARTICIPANT WHO IS EMPLOYED BY AN EMPLOYER AS DEFINED IN SECTION 38-881, to
14 determine eligibility for and continuation of a disability benefit and in
15 computing the amount available to the participant.

16 B. A participant, AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
17 SUBDIVISION (a), ITEM (i), who meets the requirements for a disability
18 pension as prescribed in section 38-844 shall receive a monthly disability
19 benefit equal to a monthly disability pension that would be provided to a
20 public safety personnel retirement system member who is hired on or after
21 July 1, 2017, reduced by an amount equal to the monthly annuitized value of
22 the participant's annuity account under article 4.1 of this chapter that
23 does not include a cost-of-living adjustment, as determined by the
24 board. A PARTICIPANT, AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
25 SUBDIVISION (b), WHO MEETS THE REQUIREMENTS FOR A DISABILITY PENSION AS
26 PRESCRIBED IN SECTION 38-886.01 SHALL RECEIVE A MONTHLY DISABILITY BENEFIT
27 EQUAL TO A MONTHLY DISABILITY PENSION THAT WOULD BE PROVIDED TO A
28 CORRECTIONS OFFICER RETIREMENT PLAN MEMBER WHO IS HIRED ON OR AFTER JULY 1,
29 2018, REDUCED BY AN AMOUNT EQUAL TO THE MONTHLY ANNUITIZED VALUE OF THE
30 PARTICIPANT'S ANNUITY ACCOUNT UNDER ARTICLE 4.1 OF THIS CHAPTER THAT DOES
31 NOT INCLUDE A COST-OF-LIVING ADJUSTMENT, AS DETERMINED BY THE BOARD. In
32 determining the monthly annuitized offset value of the participant's
33 annuity account under article 4.1 of this chapter to be used in reducing

1 the disability benefit paid pursuant to this section, the board shall
2 instruct the actuary for the public safety personnel retirement system to
3 calculate the monthly payment that would be paid to the participant
4 assuming the participant had elected a straight life annuity commencing on
5 the participant's date of disability, using the mortality and interest
6 factors then used by the actuary in determining the valuation of the public
7 safety personnel retirement system **OR THE CORRECTIONS OFFICER RETIREMENT**
8 **PLAN, AS APPLICABLE.**

9 Sec. 7. Section 38-881, Arizona Revised Statutes, is amended to
10 read:

11 **38-881. Definitions**

12 In this article, unless the context otherwise requires:

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

18 (a) Physical contact with inmates, prisoners, parolees or persons on
19 probation.

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

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

28 2. "Accumulated member contributions" means for each member the sum
29 of the amount of all the member's contributions deducted from the member's
30 salary and paid to the fund, plus member contributions transferred to the
31 fund by another retirement plan covering public employees of this state,
32 plus previously withdrawn accumulated member contributions that are repaid

1 to the fund in accordance with this article, minus any benefits paid to or
2 on behalf of a member.

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

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

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

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

12 7. "Average monthly salary" means: ~~;~~

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

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

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

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

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

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

4 9. "Board" means the board of trustees of the public safety
5 personnel retirement system.

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

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

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

17 13. "Designated position" means:

18 (a) For a county:

19 (i) A county detention officer.

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

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

24 (i) Food service.

25 (ii) Nursing personnel.

26 (iii) Corrections physician assistant.

27 (iv) Therapist.

28 (v) Corrections dental assistant.

29 (vi) Hygienist.

30 (vii) Corrections medical assistant.

31 (viii) Correctional service officer, including assistant deputy
32 warden, deputy warden, warden and superintendent.

33 (ix) State correctional program officer.

1 (x) Parole or community supervision officers.

2 (xi) Investigators.

3 (xii) Teachers.

4 (xiii) Institutional maintenance workers.

5 (xiv) Youth corrections officer.

6 (xv) Youth program officer.

7 (xvi) Behavioral health treatment unit managers.

8 (xvii) The director and assistant directors of the department of
9 juvenile corrections and the superintendent of the state educational system
10 for committed youth.

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

13 (xix) Other positions designated by the local board of the state
14 department of corrections or the local board of the department of juvenile
15 corrections pursuant to section 38-891.

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

17 (d) For an employer of an eligible group as defined in section
18 38-842, full-time dispatchers.

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

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

23 (g) FOR THE JUDICIARY, PROBATION OFFICERS.

24 14. "Determination" means a written document that indicates to a
25 participant and alternate payee whether a domestic relations order
26 qualifies as a plan approved domestic relations order.

27 15. "Determination period" means the ninety-day period in which the
28 plan must review a domestic relations order that is submitted by a
29 participant or alternate payee to determine whether the domestic relations
30 order qualifies as a plan approved domestic relations order, calculated
31 from the time the plan mails a notice of receipt to the participant and
32 alternate payee.

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

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

6 18. "Domestic relations order" means an order of a court of this
7 state that is made pursuant to the domestic relations laws of this state
8 and that creates or recognizes the existence of an alternate payee's right
9 to, or assigns to an alternate payee the right to, receive a portion of the
10 benefits payable to a participant.

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

13 (a) Is under eighteen years of age.

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

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

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

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

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

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

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

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

31 (f) An eligible deferred compensation plan described in section
32 457(b) of the internal revenue code that is maintained by a state, a
33 political subdivision of a state or any agency or instrumentality of a

1 state or a political subdivision of a state and that agrees to separately
2 account for amounts transferred into the eligible deferred compensation
3 plan from this plan.

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

6 (a) Any distribution that is one of a series of substantially equal
7 periodic payments made not less frequently than annually for the life or
8 life expectancy of the member or the joint lives or joint life expectancies
9 of the member and the member's beneficiary or for a specified period of ten
10 years or more.

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

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

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

17 (e) Hardship distributions.

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

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

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

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

27 25. "Juvenile detention officer" means a juvenile detention officer
28 responsible for the direct custodial supervision of juveniles who are
29 detained in a county juvenile detention center.

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

33 27. "Member":

1 (a) Means any employee who meets all of the following
2 qualifications:

3 ~~(a)~~ (i) Who is a full-time paid person employed by a participating
4 employer in a designated position.

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

8 ~~(c)~~ (iii) Whose customary employment is at least forty hours each
9 week.

10 (b) INCLUDES AN EMPLOYEE WHO MEETS THE REQUIREMENTS OF SUBDIVISION
11 (a) OF THIS PARAGRAPH, WHO IS HIRED ON OR AFTER JULY 1, 2018, WHO IS IN A
12 DESIGNATED POSITION AS DEFINED IN PARAGRAPH 13, SUBDIVISION (g) OF THIS
13 SECTION AND WHO MAKES THE IRREVOCABLE ELECTION TO PARTICIPATE IN THE PLAN
14 PURSUANT TO SECTION 38-881.01.

15 (c) EXCEPT AS PROVIDED IN SUBDIVISION (b) OF THIS PARAGRAPH, DOES
16 NOT INCLUDE AN EMPLOYEE WHO IS HIRED ON OR AFTER JULY 1, 2018, UNLESS THE
17 EMPLOYEE WAS AN ACTIVE, AN INACTIVE OR A RETIRED MEMBER OF THE PLAN OR A
18 MEMBER OF THE PLAN WITH A DISABILITY ON JUNE 30, 2018.

19 28. "Normal retirement date" means:

20 (a) For an employee who becomes a member of the plan before January
21 1, 2012, the first day of the calendar month immediately following the
22 employee's completion of twenty years of service or, in the case of a
23 dispatcher, twenty-five years of service, the employee's sixty-second
24 birthday and completion of ten years of service or the month in which the
25 sum of the employee's age and years of credited service equals eighty.

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

32 (c) FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER
33 JULY 1, 2018, THE FIRST DAY OF THE CALENDAR MONTH IMMEDIATELY FOLLOWING THE

1 EMPLOYEE'S COMPLETION OF TEN YEARS OF CREDITED SERVICE IF THE EMPLOYEE IS
2 AT LEAST FIFTY-FIVE YEARS OF AGE.

3 29. "Notice of receipt" means a written document that is issued by
4 the plan to a participant and alternate payee and that states that the plan
5 has received a domestic relations order and a request for a determination
6 that the domestic relations order is a plan approved domestic relations
7 order.

8 30. "Ordinary disability" means a physical condition that the local
9 board determines will totally and permanently prevent an employee from
10 performing a reasonable range of duties within the employee's department or
11 a mental condition that the local board determines will totally and
12 permanently prevent an employee from engaging in any substantial gainful
13 activity.

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

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

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

22 34. "Pension" means a series of monthly payments by the retirement
23 plan but does not include an annuity that is payable pursuant to section
24 38-911.

25 35. "Personal representative" means the personal representative of a
26 deceased alternate payee.

27 36. "Physician" means a physician who is licensed pursuant to title
28 32, chapter 13 or 17.

29 37. "Plan approved domestic relations order" means a domestic
30 relations order that the plan approves as meeting all the requirements for
31 a plan approved domestic relations order as otherwise prescribed in this
32 article.

1 38. "Plan year" or "fiscal year" means the period beginning on July
2 1 of any year and ending on June 30 of the next succeeding year.

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

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

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

12 42. "Retirement plan" or "plan" means the corrections officer
13 retirement plan established by this article.

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

26 44. "Segregated funds" means the amount of benefits that would
27 currently be payable to an alternate payee pursuant to a domestic relations
28 order under review by the plan, or a domestic relations order submitted to
29 the plan that failed to qualify as a plan approved domestic relations
30 order, if the domestic relations order were determined to be a plan
31 approved domestic relations order.

32 45. "Service" means employment rendered to a participating employer
33 as an employee in a designated position. Any absence that is authorized by

1 an employer, including any periods during which the employee is on an
2 employer sponsored long-term disability program, is considered as service
3 if the employee returns or is deemed by the employer to have returned to a
4 designated position within the period of the authorized absence.

5 46. "Total and permanent disability" means a physical or mental
6 condition that is not an accidental disability, that the local board finds
7 totally and permanently prevents a member from engaging in any gainful
8 employment and that is the direct and proximate result of the member's
9 performance of the member's duty as an employee of a participating
10 employer.

11 Sec. 8. Title 38, chapter 5, article 6, Arizona Revised Statutes, is
12 amended by adding section 38-881.01, to read:

13 38-881.01. Employees hired on or after July 1, 2018; defined
14 contribution plan; benefit election; disability

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

22 B. AN EMPLOYEE WHO IS HIRED ON OR AFTER JULY 1, 2018, WHO IS IN A
23 DESIGNATED POSITION AS DEFINED IN SECTION 38-881, PARAGRAPH 13, SUBDIVISION
24 (g) AND WHO WAS NOT AN ACTIVE, AN INACTIVE OR A RETIRED MEMBER OF THE PLAN
25 OR A MEMBER OF THE PLAN WITH A DISABILITY ON JUNE 30, 2018 IS ELIGIBLE TO
26 PARTICIPATE IN THE CORRECTIONS OFFICER RETIREMENT PLAN OR THE PUBLIC SAFETY
27 PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN ESTABLISHED PURSUANT TO
28 ARTICLE 4.1 OF THIS CHAPTER, DEPENDING ON THE EMPLOYEE'S ELECTION UNDER
29 THIS SECTION. THE EMPLOYEE'S PARTICIPATION IN EITHER THE PLAN OR THE
30 PUBLIC SAFETY PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN ESTABLISHED
31 PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER BEGINS NINETY DAYS AFTER THE DATE
32 THE EMPLOYEE IS HIRED. UNLESS THE ELECTIONS MADE UNDER THIS SECTION ARE
33 MADE BEFORE THE NINETIETH DAY AFTER THE DATE OF EMPLOYMENT, THE EMPLOYEE IS

1 AUTOMATICALLY ENROLLED IN THE PLAN FOR THE REMAINDER OF THE EMPLOYEE'S
2 EMPLOYMENT WITH ANY EMPLOYER UNDER THE PLAN. ANY ELECTION MADE UNDER THIS
3 SECTION IS IRREVOCABLE AND IS THE EMPLOYEE'S ELECTION FOR THE REMAINDER OF
4 THE EMPLOYEE'S EMPLOYMENT WITH ANY EMPLOYER UNDER THE PLAN, REGARDLESS OF
5 WHETHER THE EMPLOYEE'S EMPLOYMENT IS CONTINUOUS. THE EMPLOYEE MAY MAKE ONE
6 OF THE FOLLOWING IRREVOCABLE ELECTIONS:

7 1. TO PARTICIPATE SOLELY IN THE CORRECTIONS OFFICER RETIREMENT PLAN.

8 2. TO PARTICIPATE SOLELY IN THE PUBLIC SAFETY PERSONNEL DEFINED
9 CONTRIBUTION RETIREMENT PLAN ESTABLISHED PURSUANT TO ARTICLE 4.1 OF THIS
10 CHAPTER.

11 C. IF AN EMPLOYEE SPECIFIED IN SUBSECTION B OF THIS SECTION IN THE
12 EMPLOYEE'S FIRST NINETY DAYS OF EMPLOYMENT IS DETERMINED TO BE ELIGIBLE FOR
13 AN ACCIDENTAL DISABILITY PENSION PURSUANT TO SECTION 38-886, THE EMPLOYEE
14 SHALL BE AUTOMATICALLY ENROLLED IN THE CORRECTIONS OFFICER RETIREMENT PLAN
15 FOR THE REMAINDER OF THE EMPLOYEE'S EMPLOYMENT WITH ANY EMPLOYER UNDER THE
16 PLAN COMMENCING ON THE EMPLOYEE'S DATE OF DISABILITY AND SHALL RECEIVE AN
17 ACCIDENTAL DISABILITY PENSION AS PRESCRIBED IN THIS ARTICLE.

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

20 38-884. Membership of retirement plan; termination; credited
21 service; redemption; reemployment

22 A. Each employee of a participating employer is a member of the plan
23 unless the employee is receiving a pension from the plan. A person
24 employed shall undergo a medical examination performed by a designated
25 physician or a physician working in a clinic that is appointed by the local
26 board or, in the case of a state correctional officer who is employed by
27 the state department of corrections, complete a physical examination
28 pursuant to section 41-1822, subsection B. For the purposes of subsection
29 B of this section, the designated physician or a physician working in a
30 clinic that is appointed by the local board may be the employer's regular
31 employee or contractor.

32 B. The purpose of the medical examination authorized by this section
33 is to identify a member's physical or mental condition or injury that

1 existed or occurred before the member's date of membership in the
2 plan. Any employee who fails or refuses to submit to the medical
3 examination prescribed in this section is deemed to waive all rights to
4 disability benefits under this article. Medical examinations conducted
5 under this article shall be conducted by a physician and shall not be
6 conducted or used for purposes of hiring, advancement, discharge, job
7 training or other terms, conditions and privileges of employment unrelated
8 to receipt or qualification for pension benefits or service credits from
9 the fund. This subsection does not affect or impair the right of an
10 employer to prescribe medical or physical standards for employees or
11 prospective employees.

12 C. If a member who becomes a member of the plan before January 1,
13 2012 ceases to be an employee for any reason other than death or
14 retirement, within twenty days after filing a completed application with
15 the board, the member is entitled to receive the following amounts, less
16 any benefit payments the member has received and any amount the member may
17 owe to the plan:

18 1. If the member has less than five years of credited service with
19 the plan, the member may withdraw the member's accumulated contributions
20 from the plan.

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

24 (a) 5.0 to 5.9 years of credited service, twenty-five percent of all
25 member contributions deducted from the member's salary pursuant to section
26 38-891, subsection B.

27 (b) 6.0 to 6.9 years of credited service, forty percent of all
28 member contributions deducted from the member's salary pursuant to section
29 38-891, subsection B.

30 (c) 7.0 to 7.9 years of credited service, fifty-five percent of all
31 member contributions deducted from the member's salary pursuant to section
32 38-891, subsection B.

1 (d) 8.0 to 8.9 years of credited service, seventy percent of all
2 member contributions deducted from the member's salary pursuant to section
3 38-891, subsection B.

4 (e) 9.0 to 9.9 years of credited service, eighty-five percent of all
5 member contributions deducted from the member's salary pursuant to section
6 38-891, subsection B.

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

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

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

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

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

30 F. If the refund includes monies that are an eligible rollover
31 distribution and the member elects to have the distribution paid directly
32 to an eligible retirement plan or individual retirement account or annuity
33 and specifies the eligible retirement plan or individual retirement account

1 or annuity to which the distribution is to be paid, the distribution shall
2 be made in the form of a direct trustee-to-trustee transfer to the
3 specified eligible retirement plan. The distribution shall be made in the
4 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, may
8 roll over an eligible rollover distribution as defined in section 402(c)(4)
9 of the internal revenue code to a Roth individual retirement account, if,
10 for distributions occurring before January 1, 2010, the member or the
11 member's beneficiary satisfies the requirements for making a Roth
12 individual retirement account contribution under section 408A(c)(3)(B) of
13 the internal revenue code, as in effect on the date of the rollover. Any
14 amount rolled over to a Roth individual retirement account is included in
15 the gross income of the member or the member's beneficiary to the extent
16 the amounts would have been included in gross income if not rolled over as
17 required under section 408A(d)(3)(A) of the internal revenue code. For the
18 purposes of this subsection, the administrator is not responsible for
19 ensuring the member or the member's beneficiary is eligible to make a
20 rollover to a Roth individual retirement account.

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

1 rollover notice requirements under section 402(f) of the internal revenue
2 code or the mandatory withholding requirements under section 3405(c) of the
3 internal revenue code.

4 I. For plan years occurring before January 1, 2007, the period for
5 providing the rollover notice as required under section 402(f) of the
6 internal revenue code is no less than thirty days and no more than ninety
7 days before the date of distribution and, for plan years beginning from and
8 after December 31, 2006, the period for providing the rollover notice as
9 required under section 402(f) of the internal revenue code is no less than
10 thirty days and no more than one hundred eighty days before the date of
11 distribution.

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

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

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

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

30 2. The retirement fund is paid the total amount previously withdrawn
31 pursuant to subsection C, D or E of this section plus compound interest
32 from the date of withdrawal to the dates of repayment. Interest shall be
33 computed at the rate of nine percent for each year compounded each year

1 from the date of withdrawal to the date of repayment. Forfeited credited
2 service shall not be restored until complete payment is received by the
3 fund.

4 3. The required payment is completed within one year after returning
5 to employee status.

6 M. If a member who receives a severance refund on termination of
7 employment pursuant to subsection C, D or E of this section is subsequently
8 reemployed by an employer, the member's prior service credits are
9 cancelled, and the board shall credit service only from the date the
10 member's most recent reemployment period commenced. However, a present
11 active member of the plan who received a refund of accumulated
12 contributions from the plan pursuant to subsection C, D or E of this
13 section, forfeited credited service pursuant to subsection K of this
14 section and becomes reemployed with the same employer two years or more
15 after the member's termination date or becomes reemployed with another
16 employer may elect to redeem any part of that forfeited credited service by
17 paying into the plan any amounts required pursuant to this subsection. A
18 present active member who elects to redeem any part of forfeited credited
19 service for which the member is deemed eligible by the board shall pay into
20 the plan the amounts previously paid or transferred as a refund of the
21 member's accumulated contributions plus an amount, computed by the plan's
22 actuary that is necessary to equal the increase in the actuarial present
23 value of projected benefits resulting from the redemption calculated using
24 the actuarial methods and assumptions prescribed by the plan's actuary. On
25 satisfaction of this obligation, the board shall reinstate the member's
26 prior service credits.

27 N. A retired member may become employed by an employer in a
28 designated position and continue to receive a pension if the employment
29 occurs at least twelve months after retirement. The retired member shall
30 not contribute to the fund and shall not accrue credited service. If a
31 retired member becomes employed by an employer in a designated position
32 before twelve months after retirement:

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

5 2. The retired member shall not contribute to the fund and shall not
6 accrue credited service.

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

11 Sec. 10. Section 38-885, Arizona Revised Statutes, is amended to
12 read:

13 38-885. Normal retirement; conditions and pension

14 A. A member may retire if the member:

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

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

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

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

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

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

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

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

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

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

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

16 (b) The member's credited service.

17 D. A person who becomes a member of the plan on or after January 1,
18 2012 AND BEFORE JULY 1, 2018 is eligible for a normal retirement pension if
19 the person satisfies one of the following requirements:

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

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

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

29 1. If the person retires with more than twenty-five years of
30 credited service the foregoing amount shall be increased by a monthly
31 amount equal to two and one-half ~~per cent~~ PERCENT of the member's average
32 monthly salary multiplied by the number of the member's years of credited

1 service in excess of twenty-five years, with pro rata increase for any
2 fractional year.

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

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

8 (b) The member's credited service.

9 F. A MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JULY 1,
10 2018 IS ELIGIBLE FOR A NORMAL RETIREMENT PENSION IF THE MEMBER IS AT LEAST
11 FIFTY-FIVE YEARS OF AGE AND HAS TEN OR MORE YEARS OF CREDITED SERVICE. A
12 PERSON WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JULY 1, 2018 AND WHO
13 RETIRES ON OR AFTER THE MEMBER'S NORMAL RETIREMENT DATE SHALL RECEIVE A
14 MONTHLY AMOUNT EQUAL TO THE MEMBER'S AVERAGE MONTHLY SALARY MULTIPLIED BY
15 THE NUMBER OF WHOLE AND FRACTIONAL YEARS OF CREDITED SERVICE MULTIPLIED BY
16 THE FOLLOWING:

17 1. 1.00 PERCENT IF THE MEMBER HAS AT LEAST TEN YEARS OF CREDITED
18 SERVICE BUT LESS THAN FIFTEEN YEARS OF CREDITED SERVICE.

19 2. 1.25 PERCENT IF THE MEMBER HAS AT LEAST FIFTEEN YEARS OF CREDITED
20 SERVICE BUT LESS THAN TWENTY YEARS OF CREDITED SERVICE.

21 3. 1.50 PERCENT IF THE MEMBER HAS AT LEAST TWENTY YEARS OF CREDITED
22 SERVICE BUT LESS THAN TWENTY-TWO YEARS OF CREDITED SERVICE.

23 4. 1.75 PERCENT IF THE MEMBER HAS AT LEAST TWENTY-TWO YEARS OF
24 CREDITED SERVICE BUT LESS THAN TWENTY-FIVE YEARS OF CREDITED SERVICE.

25 5. 2.00 PERCENT IF THE MEMBER HAS AT LEAST TWENTY-FIVE YEARS OF
26 CREDITED SERVICE.

27 ~~F.~~ G. In no case shall the amount of a member's pension exceed
28 eighty ~~per cent~~ PERCENT of the member's average monthly salary. Such
29 limitation does not preclude cost-of-living increases granted by the
30 legislature.

1 Sec. 11. Section 38-885.01, Arizona Revised Statutes, is amended to
2 read:

3 38-885.01. Reverse deferred retirement option plan; purpose

4 A. A reverse deferred retirement option plan is established. The
5 purpose of the reverse deferred retirement option plan is to add
6 flexibility to the plan and to provide members who elect to participate in
7 the reverse deferred retirement option plan access to a lump sum benefit in
8 addition to their normal monthly retirement benefit on actual retirement.

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

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

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

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

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

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

31 E. On election, a reverse deferred retirement option plan
32 participation account is established within the plan on behalf of each
33 reverse deferred retirement option plan participant. All benefits accrued

1 pursuant to this article shall be accounted for in the reverse deferred
2 retirement option plan participation account. A reverse deferred
3 retirement option plan participant does not have a claim on the assets of
4 the plan with respect to the member's reverse deferred retirement option
5 plan participation account and assets shall not be set aside for any
6 reverse deferred retirement option plan participant that are separate from
7 all other system assets.

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

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

12 1. An amount that is credited as though accrued monthly from the
13 reverse deferred retirement option plan date to the date the member elected
14 to participate in the reverse deferred retirement option plan and that is
15 computed in the same manner as a normal retirement benefit using the
16 factors of credited service and average monthly salary in effect on the
17 reverse deferred retirement option plan date.

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

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

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

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

32 K. The reverse deferred retirement option plan shall not jeopardize
33 in any way the tax qualified status of the plan under the rules of the

1 internal revenue service. The board may adopt additional provisions to the
2 extent necessary or appropriate for the reverse deferred retirement option
3 plan to comply with applicable federal laws or rules.

4 Sec. 12. Title 38, chapter 5, article 6, Arizona Revised Statutes,
5 is amended by adding section 38-885.02, to read:

6 38-885.02. Early retirement

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

11 Sec. 13. Section 38-886.01, Arizona Revised Statutes, is amended to
12 read:

13 38-886.01. Ordinary disability retirement; qualifications;
14 amount of pension; conditions for continued
15 payment of pension; definition

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

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

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

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

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

32 B. The effective date of an ordinary disability retirement shall not
33 predate the date of disability or the date the member ceases to be an

1 employee, and the disability pension payments shall not violate section
2 38-895.02.

3 C. Except for a full-time dispatcher or a person who becomes a
4 member of the plan on or after January 1, 2012, the amount of an ordinary
5 disability pension is equal to a fraction times the member's normal
6 retirement pension that is computed pursuant to section 38-885, subsection
7 C as if the member had twenty years of credited service. The fraction is
8 the result obtained by dividing the member's actual years of credited
9 service, not to exceed twenty years of credited service, by twenty. For a
10 full-time dispatcher or a person who becomes a member of the plan on or
11 after January 1, 2012, the amount of an ordinary disability pension is
12 equal to a fraction times the member's normal retirement pension that is
13 computed pursuant to section 38-885, subsection ~~C or~~ E as if the member had
14 twenty-five years of credited service **OR SUBSECTION F AS IF THE MEMBER HAD**
15 **TWENTY-FIVE YEARS OF CREDITED SERVICE**. The fraction is the result obtained
16 by dividing the member's actual years of credited service, not to exceed
17 twenty-five years of credited service, by twenty-five.

18 D. The local board may require a retired member with a disability to
19 undergo periodic reevaluation of the continuation of ordinary disability.
20 If the retired member with a disability refuses to submit to reevaluation,
21 the local board may suspend payment of the pension. If the refusal
22 continues for one year, the local board may revoke **THE RIGHTS TO THE**
23 **PENSION OF** the retired ~~member's~~ **MEMBER** with a disability ~~rights to the~~
24 ~~pension~~. An ordinary disability pension is terminated if the local board
25 finds the retired member no longer meets the requirements for ordinary
26 disability retirement. This subsection does not apply after a retired
27 member with a disability reaches the member's normal retirement date. The
28 amount of a disability pension shall not be recomputed at **THE NORMAL**
29 **RETIREMENT DATE OF** a retired ~~member's~~ **MEMBER** with a disability ~~normal~~
30 ~~retirement date~~.

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

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

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

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

7 F. Local boards shall base a finding of ordinary disability on
8 medical evidence that is obtained by a designated physician or a physician
9 working in a clinic selected by the local board and shall disregard any
10 other medical evidence or opinions. If the local board retains more than
11 one physician or clinic in connection with the application, the local board
12 shall resolve any material conflicts presented in the medical evidence that
13 is presented by the designated physicians or clinics.

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

18 H. For the purposes of this section, "ordinary disability" means a
19 physical condition that the local board determines will prevent an employee
20 from totally and permanently performing a reasonable range of duties within
21 the employee's department or a mental condition that the local board
22 determines will prevent an employee from totally and permanently engaging
23 in any substantial gainful activity.

24 Sec. 14. Section 38-891, Arizona Revised Statutes, is amended to
25 read:

26 38-891. Employer and member contributions

27 A. As determined by actuarial valuations reported to the employers
28 and the local boards by the board, each employer shall make ~~level per cent~~
29 ~~of salary~~ contributions sufficient under the actuarial valuations to meet
30 both the normal cost FOR MEMBERS HIRED BEFORE JULY 1, 2018 plus the
31 actuarially determined amount required to amortize the unfunded accrued
32 liability ON A LEVEL PERCENT OF SALARY BASIS FOR ALL EMPLOYEES OF THE
33 EMPLOYER WHO ARE MEMBERS OF THE PLAN OR PARTICIPANTS AS DEFINED IN SECTION

1 38-865, PARAGRAPH 7, SUBDIVISION (b) over, beginning July 1, ~~2005~~ 2018, a
2 ~~rolling~~ CLOSED period of ~~at least~~ NOT MORE THAN twenty ~~and not more than~~
3 ~~thirty~~ years that is established by the board taking into account the
4 recommendation of the plan's actuary, except that, beginning with fiscal
5 year 2006-2007, except as otherwise provided, the employer contribution
6 rate shall not be less than six ~~per cent~~ PERCENT of salary. For any
7 employer whose actual contribution rate is less than six ~~per cent~~ PERCENT
8 of salary for fiscal year 2006-2007 and each year thereafter, that
9 employer's contribution rate shall be at least five ~~per cent~~ PERCENT and
10 not more than the employer's actual contribution rate. An employer may pay
11 a higher level ~~per cent~~ PERCENT of salary thereby reducing its unfunded
12 past service liability. All contributions made by the employers and all
13 state taxes allocated to the fund shall be irrevocable and shall be used to
14 pay benefits under the plan or to pay expenses of the plan and fund. The
15 minimum employer contribution that is paid and that is in excess of the
16 normal cost plus the actuarially determined amount required to amortize the
17 unfunded accrued liability as calculated pursuant to this subsection shall
18 be used to reduce future employer contribution increases and shall not be
19 used to pay for an increase in benefits that are otherwise payable to
20 members. The board shall separately account for these monies in the
21 fund. Forfeitures arising because of severance of employment before a
22 member becomes eligible for a pension or for any other reason shall be
23 applied to reduce the cost to the employer, not to increase the benefits
24 otherwise payable to members. After the close of any fiscal year, if the
25 plan's actuary determines that the actuarial valuation of an employer's
26 account contains excess valuation assets other than excess valuation assets
27 that were in the employer's account as of fiscal year 2004-2005 and is more
28 than one hundred ~~per cent~~ PERCENT funded, the board shall account for fifty
29 ~~per cent~~ PERCENT of the excess valuation assets in a stabilization reserve
30 account. After the close of any fiscal year, if the plan's actuary
31 determines that the actuarial valuation of an employer's account has a
32 valuation asset deficiency and an unfunded actuarial accrued liability, the
33 board shall use any valuation assets in the stabilization reserve account

1 for that employer, to the extent available, to limit the decline in that
2 employer's funding ratio to not more than two ~~per cent~~ PERCENT.

3 B. Each member WHO WAS HIRED BEFORE JULY 1, 2018, shall contribute
4 the amount prescribed in subsection H of this section to the retirement
5 plan. EACH MEMBER WHO WAS HIRED ON OR AFTER JULY 1, 2018, THROUGH THE
6 MEMBER'S PERIOD OF SERVICE FROM THE MEMBER'S EFFECTIVE DATE OF
7 PARTICIPATION, SHALL CONTRIBUTE AN AMOUNT EQUAL TO THE AMOUNT PRESCRIBED IN
8 SUBSECTION K OF THIS SECTION. Member contributions shall be made by
9 payroll deduction. Continuation of employment by the member constitutes
10 consent and agreement to the deduction of the applicable member
11 contribution. Payment of the member's salary less the deducted
12 contributions constitutes full and complete discharge and satisfaction of
13 all claims and demands of the member relating to salary for services
14 rendered during the period covered by the payment. A member may not, under
15 any circumstance, borrow from, take a loan against or remove contributions
16 from the member's account before the termination of membership in the plan
17 or the receipt of a pension.

18 C. Each employer shall transfer to the board the employer and
19 employee contributions provided for in this section within ten working days
20 after each payroll date. Contributions transferred after that date shall
21 include a penalty of ten ~~per cent~~ PERCENT per annum, compounded annually,
22 for each day the contributions are late. The employer shall pay this
23 penalty. Delinquent payments due under this subsection, together with
24 interest charges as provided in this subsection, may be recovered by action
25 in a court of competent jurisdiction against an employer liable for the
26 payments or, at the request of the board, may be deducted from any other
27 monies, including excise revenue taxes, payable to the employer by any
28 department or agency of this state.

29 D. During a period when an employee is on industrial leave and the
30 employee elects to continue contributions during the period of industrial
31 leave, the employer and employee shall make contributions based on the
32 salary the employee would have received in the employee's job
33 classification if the employee was in normal employment status.

1 E. The local board of the state department of corrections or the
2 local board of the department of juvenile corrections may specify a
3 position within that department as a designated position if the position is
4 filled by an employee who has at least five years of credited service under
5 the plan, who is transferred to temporarily fill the position and who makes
6 a written request to the local board to specify the position as a
7 designated position within ninety days ~~of~~ AFTER being transferred. On the
8 employee leaving the position, the position is no longer a designated
9 position.

10 F. The local board of the state department of corrections, the local
11 board of the department of juvenile corrections or the local board of a
12 county, city or town that operates detention facilities may specify a
13 designated position within the department or facility as a nondesignated
14 position if the position is filled by an employee who has at least five
15 years of credited service under the Arizona state retirement system and who
16 makes a written request to the local board to specify the position as a
17 nondesignated position within ninety days ~~of~~ AFTER accepting the position.
18 On the employee leaving the position, the position reverts to a designated
19 position.

20 G. The local board of the judiciary may specify positions within the
21 administrative office of the courts that require direct contact with and
22 primarily provide training or technical expertise to county probation,
23 surveillance or juvenile detention officers as a designated position if the
24 position is filled by an employee who is a member of the plan currently
25 employed in a designated position as a probation, surveillance or juvenile
26 detention officer and who has at least five years of credited service under
27 the plan. An employee who fills such a position shall make a written
28 request to the local board to specify the position as a designated position
29 within ninety days ~~of~~ AFTER accepting the position. On the employee
30 leaving the position, the position reverts to a nondesignated position.

31 H. The amount contributed by a member WHO WAS HIRED BEFORE JULY 1,
32 2018 pursuant to subsection B of this section is:

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

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

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

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

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

31 1. AS DETERMINED BY ACTUARIAL VALUATIONS REPORTED TO THE EMPLOYER
32 AND THE LOCAL BOARD BY THE BOARD OF TRUSTEES, EACH EMPLOYER SHALL MAKE
33 CONTRIBUTIONS SUFFICIENT UNDER SUCH ACTUARIAL VALUATIONS TO PAY 33.3

1 PERCENT OF THE NORMAL COST PLUS 50 PERCENT OF THE ACTUARIALLY DETERMINED
2 AMOUNT REQUIRED TO AMORTIZE THE TOTAL UNFUNDED ACCRUED LIABILITY FOR EACH
3 EMPLOYER ATTRIBUTABLE ONLY TO THOSE MEMBERS HIRED ON OR AFTER JULY 1, 2018.
4 FOR EACH YEAR THAT NEW UNFUNDED LIABILITIES ARE ATTRIBUTABLE TO THE
5 EMPLOYER'S OWN MEMBERS HIRED ON OR AFTER JULY 1, 2018, A NEW AMORTIZATION
6 BASE REPRESENTING THE MOST RECENT ANNUAL GAIN OR LOSS, SMOOTHED OVER A
7 PERIOD NOT MORE THAN FIVE YEARS AS DETERMINED BY THE BOARD, SHALL BE
8 CREATED ON A LEVEL-DOLLAR BASIS OVER A CLOSED PERIOD EQUAL TO THE AVERAGE
9 EXPECTED REMAINING SERVICE LIVES OF ALL MEMBERS BUT NOT MORE THAN TEN
10 YEARS, AS DETERMINED BY THE BOARD.

11 2. THE REMAINING 66.7 PERCENT OF THE NORMAL COST AND THE REMAINING
12 50 PERCENT OF THE ACTUARIALLY DETERMINED AMOUNT REQUIRED TO AMORTIZE THE
13 TOTAL UNFUNDED ACCRUED LIABILITY AS DETERMINED PURSUANT TO PARAGRAPH 1 OF
14 THIS SUBSECTION SHALL BE DIVIDED BY THE TOTAL NUMBER OF THE EMPLOYER'S
15 MEMBERS WHO WERE HIRED ON OR AFTER JULY 1, 2018 SUCH THAT EACH MEMBER
16 CONTRIBUTES AN EQUAL PERCENTAGE OF THE MEMBER'S COMPENSATION. MEMBER
17 CONTRIBUTIONS SHALL BEGIN SIMULTANEOUSLY WITH MEMBERSHIP IN THE PLAN AND
18 SHALL BE MADE BY PAYROLL DEDUCTION.

19 L. IN ANY FISCAL YEAR, AN EMPLOYER'S CONTRIBUTION TO THE PLAN IN
20 COMBINATION WITH MEMBER CONTRIBUTIONS MAY NOT BE LESS THAN THE ACTUARIALLY
21 DETERMINED NORMAL COST FOR THAT FISCAL YEAR. THE BOARD MAY NOT SUSPEND
22 CONTRIBUTIONS TO THE PLAN UNLESS BOTH OF THE FOLLOWING APPLY:

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

27 2. THE BOARD DETERMINES THAT THE RECEIPT OF ANY ADDITIONAL
28 CONTRIBUTIONS REQUIRED UNDER THIS SECTION WOULD CONFLICT WITH ITS FIDUCIARY
29 RESPONSIBILITY.

30 M. IF A MEMBER'S EMPLOYMENT IS TERMINATED WITH AN EMPLOYER BY EITHER
31 PARTY, THE TOTAL LIABILITY UNDER THE PLAN ASSOCIATED WITH THE MEMBER'S
32 SERVICE WITH THE EMPLOYER REMAINS WITH THE EMPLOYER.

1 SECTION. THE FIRST PAYMENT UNDER THIS SECTION SHALL BE MADE IMMEDIATELY
2 FOLLOWING THE FIRST YEAR THE COST-OF-LIVING ADJUSTMENT SPECIFIED IN
3 SUBSECTION C OF THIS SECTION IS PAID. THE COST-OF-LIVING ADJUSTMENT SHALL
4 BE MADE ON JULY 1 EACH YEAR THEREAFTER.

5 B. A RETIRED MEMBER OR A SURVIVOR OF A RETIRED MEMBER SHALL RECEIVE
6 ANNUALLY A COST-OF-LIVING ADJUSTMENT IN THE BASE BENEFIT BASED ON THE
7 AVERAGE ANNUAL PERCENTAGE CHANGE IN THE METROPOLITAN PHOENIX-MESA CONSUMER
8 PRICE INDEX PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF
9 LABOR STATISTICS, WITH THE IMMEDIATELY PRECEDING YEAR AS THE BASE YEAR FOR
10 MAKING THE DETERMINATION, NOT TO EXCEED ANNUALLY TWO PERCENT OF THE RETIRED
11 MEMBER'S OR SURVIVOR'S BASE BENEFIT.

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

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

18 38-905.06. Cost-of-living adjustment: members hired on or
19 after July 1, 2018: definition

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

23 B. A RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER IS ELIGIBLE TO
24 RECEIVE A COST-OF-LIVING ADJUSTMENT UNDER THIS SECTION BEGINNING THE
25 EARLIER OF THE FIRST CALENDAR YEAR AFTER THE SEVENTH ANNIVERSARY OF THE
26 RETIRED MEMBER'S RETIREMENT OR WHEN THE RETIRED MEMBER IS OR WOULD HAVE
27 BEEN SIXTY YEARS OF AGE.

28 C. A COST-OF-LIVING ADJUSTMENT SHALL BE PAID ON JULY 1 EACH YEAR
29 THAT THE FUNDED RATIO FOR MEMBERS WHO ARE HIRED ON OR AFTER JULY 1, 2018 IS
30 SEVENTY PERCENT OR MORE, AS REPORTED IN THE MOST RECENT ACTUARIAL
31 VALUATION.

32 D. AN ELIGIBLE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER SHALL
33 RECEIVE ANNUALLY A COST-OF-LIVING ADJUSTMENT IN THE BASE BENEFIT BASED ON

1 THE AVERAGE ANNUAL PERCENTAGE CHANGE IN THE METROPOLITAN PHOENIX-MESA
2 CONSUMER PRICE INDEX PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR,
3 BUREAU OF LABOR STATISTICS, WITH THE IMMEDIATELY PRECEDING YEAR AS THE BASE
4 YEAR FOR MAKING THE DETERMINATION, NOT TO EXCEED ANNUALLY THE FOLLOWING:

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

8 2. ONE AND ONE-HALF PERCENT OF THE RETIRED MEMBER'S OR SURVIVOR'S
9 BASE BENEFIT IF THE FUNDED RATIO FOR MEMBERS WHO ARE HIRED ON OR AFTER JULY
10 1, 2018 IS EIGHTY PERCENT OR MORE BUT LESS THAN NINETY PERCENT, AS REPORTED
11 IN THE MOST RECENT ACTUARIAL VALUATION.

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

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

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

21 Sec. 18. Section 38-911, Arizona Revised Statutes, is amended to
22 read:

23 38-911. Deferred annuity; eligibility; amount; exception

24 A. If any member who has at least ten years of credited service
25 terminates employment for reasons other than retirement or disability, the
26 person may elect to receive a deferred annuity, except that if the person
27 withdraws the person's accumulated contributions from the plan, all rights
28 to a deferred annuity are forfeited. A deferred annuity is a lifetime
29 monthly payment that is actuarially equivalent to the annuitant's
30 accumulated contributions in the plan plus an equal amount paid by the
31 employer and commences on application on or after the sixty-second birthday
32 of the annuitant. The deferred annuity is not a retirement benefit and

1 annuitants are not entitled to receive any amount prescribed by section
2 38-887, 38-888, 38-904, ~~38-905, 38-905.02~~ or 38-906.

3 B. This section does not apply to a member who becomes a member of
4 the plan on or after January 1, 2012 AND BEFORE JULY 1, 2018. Such a
5 person who attains a normal retirement date is eligible for retirement and
6 a retirement benefit even if the member terminates employment with an
7 employer before the age requirement for normal retirement if the member
8 attains the service requirement for normal retirement.

9 Sec. 19. Conditional enactment

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

18 Amend title to conform

DAVID C. FARNSWORTH

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