

REFERENCE TITLE: EORP; PSPRS; CORP; modifications

State of Arizona
House of Representatives
Fifty-third Legislature
First Regular Session
2017

HB 2485

Introduced by
Representatives John: Coleman

AN ACT

AMENDING SECTIONS 38-644 AND 38-804, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-810.05; AMENDING SECTIONS 38-814, 38-840.06 AND 38-843, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 38-843.06 AND 38-843.07; AMENDING SECTIONS 38-844.08, 38-846.01, 38-846.02, 38-846.04, 38-849, 38-857, 38-866 AND 38-867, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4.1, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-867.01; AMENDING SECTIONS 38-870 AND 38-870.06, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4.2, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-870.07; AMENDING SECTION 38-884, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 38-895.03 AND 38-900.02; RELATING TO PUBLIC RETIREMENT SYSTEMS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 38-644, Arizona Revised Statutes, is amended to
3 read:

4 38-644. Eligibility

5 A. Except as provided in subsections B, C and D of this section, to
6 qualify for covered benefits under the program, a person must satisfy all
7 of the following criteria:

8 1. Be an active or retired member of the public safety personnel
9 retirement system or the corrections officer retirement plan OR A
10 PARTICIPANT IN THE PUBLIC SAFETY PERSONNEL DEFINED CONTRIBUTION RETIREMENT
11 PLAN.

12 2. Be one of the following:

13 (a) A firefighter who is or was regularly assigned to hazardous
14 duty of the type normally expected of a firefighter.

15 (b) A peace officer.

16 (c) A corrections officer employed by the state department of
17 corrections or the department of juvenile corrections, a detention officer
18 employed by a county, city or town or any other member as defined in
19 section 38-881 if the department, county, city, town or participating
20 employer as defined in section 38-881 has voluntarily established a
21 program and the corrections officer, detention officer or other member as
22 defined in section 38-881 voluntarily enrolled in the program and made the
23 payments pursuant to section 38-642, subsection D.

24 3. Have cancer that was first diagnosed after the person's date of
25 membership in the public safety personnel retirement system or corrections
26 officer retirement plan OR DATE OF PARTICIPATION IN THE PUBLIC SAFETY
27 PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN.

28 B. Persons who terminate employment with a participating employer
29 are not eligible for benefits under the program unless the person has made
30 a valid claim for payment of expenses under the program before termination
31 of employment.

32 C. On retirement, persons who were either receiving benefits under
33 the program before retirement or who are diagnosed with cancer subsequent
34 to retirement remain eligible for coverage under the program for five
35 months for each year of credited service accumulated toward retirement
36 under the public safety personnel retirement system or corrections officer
37 retirement plan OR FOR FIVE MONTHS FOR EACH YEAR OF SERVICE UNDER THE
38 PUBLIC SAFETY PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN.

39 D. A person whose eligibility to receive benefits under subsection
40 C of this section is expiring may continue to remain eligible for coverage
41 under the program if the person makes an election with the board and pays
42 to the board the cost of the premium as determined by the board at the
43 time determined by the board.

44 E. A person is not eligible for benefits under the program if there
45 is any evidence that the cancer that forms the basis for a benefit claim

1 under the program existed before the person's membership in the public
2 safety personnel retirement system or corrections officer retirement plan
3 OR THE PERSON'S PARTICIPATION IN THE PUBLIC SAFETY PERSONNEL DEFINED
4 CONTRIBUTION RETIREMENT PLAN.

5 Sec. 2. Section 38-804, Arizona Revised Statutes, is amended to
6 read:

7 38-804. Membership; termination; definition

8 A. Except as otherwise provided in this section, all elected
9 officials are members of the plan, except that a state elected official
10 who is subject to term limits may elect not to participate in the plan.
11 The state elected official who is subject to term limits shall make the
12 election in writing and file the election with the board within thirty
13 days after the state elected official assumes office. The election is
14 effective on the first day of the state elected official's eligibility for
15 that term of office. The election not to participate is specific for that
16 term of office. If a state elected official who is subject to term limits
17 fails to make an election as provided in this subsection, the state
18 elected official is deemed to have elected to participate in the plan.
19 The election not to participate in the plan is irrevocable and constitutes
20 a waiver of all benefits provided by the plan for the state elected
21 official's entire term, except for any benefits accrued by the state
22 elected official in the plan for periods of participation before being
23 elected to an office subject to term limits or any benefits expressly
24 provided by law. The state elected official who elects not to participate
25 in the plan shall participate in the Arizona state retirement system
26 unless the state elected official makes an irrevocable election not to
27 participate in the Arizona state retirement system as provided in section
28 38-727.

29 B. All elected officials who are members of the plan on December
30 31, 2013 may remain members of the plan under the terms and limitations of
31 this article.

32 C. If a member who becomes a member of the plan before January 1,
33 2012 ceases to hold office for any reason other than death or retirement,
34 within twenty days after filing a completed application with the board,
35 the member is entitled to receive the following amounts, less any benefit
36 payments the member has received and any amount the member may owe to the
37 plan:

38 1. If the member has less than five years of credited service with
39 the plan, the member may withdraw the member's accumulated contributions
40 from the plan.

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

1 (a) 5.0 to 5.9 years of credited service, twenty-five percent of
2 all member contributions deducted from the member's salary pursuant to
3 section 38-810, subsection A.

4 (b) 6.0 to 6.9 years of credited service, forty percent of all
5 member contributions deducted from the member's salary pursuant to section
6 38-810, subsection A.

7 (c) 7.0 to 7.9 years of credited service, fifty-five percent of all
8 member contributions deducted from the member's salary pursuant to section
9 38-810, subsection A.

10 (d) 8.0 to 8.9 years of credited service, seventy percent of all
11 member contributions deducted from the member's salary pursuant to section
12 38-810, subsection A.

13 (e) 9.0 to 9.9 years of credited service, eighty-five percent of
14 all member contributions deducted from the member's salary pursuant to
15 section 38-810, subsection A.

16 (f) 10.0 or more years of credited service, one hundred percent of
17 all member contributions deducted from the member's salary pursuant to
18 section 38-810, subsection A.

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

26 E. If an elected official who becomes a member of the plan on or
27 after January 1, 2012 ceases to hold office for any reason other than
28 death or retirement, within twenty days after filing a completed
29 application with the board, the member may withdraw the member's
30 accumulated contributions from the plan and shall be paid the member's
31 accumulated contributions plus interest at a rate determined by the board
32 as of the date of termination, less any benefit payments the member has
33 received and any amount the member may owe to the plan.

34 F. If the amount prescribed in subsection C, D or E of this section
35 includes monies that are an eligible rollover distribution and the member
36 elects to have the distribution paid directly to an eligible retirement
37 plan or individual retirement account or annuity and specifies the
38 eligible retirement plan or individual retirement account or annuity to
39 which the distribution is to be paid, the distribution shall be made in
40 the form of a direct trustee-to-trustee transfer to the specified eligible
41 retirement plan. The distribution shall be made in the form and at the
42 time prescribed by the board. A member who receives the amount prescribed
43 in subsection C, D or E of this section from the plan or who elects a
44 transfer pursuant to this subsection forfeits the member's credited

1 service, and all rights to benefits under the plan and membership in the
 2 plan terminate.

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

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

36 I. For plan years occurring before January 1, 2007, the period for
 37 providing the rollover notice as required under section 402(f) of the
 38 internal revenue code is ~~no~~ NOT less than thirty days and ~~no~~ NOT more than
 39 ninety days before the date of distribution and, for plan years beginning
 40 from and after December 31, 2006, the period for providing the rollover
 41 notice as required under section 402(f) of the internal revenue code is ~~no~~
 42 NOT less than thirty days and ~~no~~ NOT more than one hundred eighty days
 43 before the date of distribution.

44 J. In no case shall more than twelve months of credited service be
 45 credited on account of all service rendered by a member in any one year.

1 K. If an elected official who has terminated the member's
2 membership in the plan pursuant to subsection C of this section is
3 subsequently elected, appointed or hired on or after January 1, 2014, the
4 elected official is not eligible to become a member of the plan but is
5 subject to article 3.1 of this chapter.

6 L. Notwithstanding subsection K of this section, if an elected
7 official files a written election form with the board within ninety days
8 after the day of the member's reemployment as an elected official and
9 repays the amount previously withdrawn pursuant to subsection C or D of
10 this section within one year after the date of the member's reemployment
11 as an elected official, with interest on that amount at the rate of nine
12 ~~per cent~~ PERCENT for each year, compounded each year from the date of
13 withdrawal to the date of repayment, credited service shall be restored.
14 Credited service shall not be restored until complete repayment is made to
15 the fund.

16 M. An elected official who is elected, appointed or hired on or
17 after January 1, 2014 and who was not a member of the plan on December 31,
18 2013 is not eligible to become a member of the plan but is subject to
19 article 3.1 of this chapter.

20 N. If a retired member subsequently becomes an elected official,
21 contributions shall not be made by the retired member and credited service
22 shall not accrue while the retired member is holding office.

23 O. In addition to subsection N of this section, if a retired member
24 subsequently becomes, by reason of election or reelection, an elected
25 official of the same office from which the member retired within a time
26 period following the member's retirement that is less than one full term
27 for that office, the member shall not receive a pension. If the elected
28 official ceases to hold the same office, the elected official is entitled
29 to receive the same pension the elected official was receiving when the
30 elected official's pension was discontinued pursuant to this subsection.
31 Nothing in this subsection prohibits a retired judge called by the supreme
32 court to active duties of a judge pursuant to section 38-813 from
33 receiving retirement benefits.

34 Sec. 3. Title 38, chapter 5, article 3, Arizona Revised Statutes,
35 is amended by adding section 38-810.05, to read:

36 38-810.05. Required distributions

37 ALL DISTRIBUTIONS REQUIRED UNDER THIS ARTICLE SHALL BE DETERMINED
38 AND MADE PURSUANT TO SECTION 401(a)(9) OF THE INTERNAL REVENUE CODE AND
39 THE REGULATIONS THAT ARE ISSUED UNDER THAT SECTION BY THE UNITED STATES
40 SECRETARY OF THE TREASURY.

41 Sec. 4. Section 38-814, Arizona Revised Statutes, is amended to
42 read:

43 38-814. Termination of plan; adjustment and refund

44 A. If the plan terminates, each member's accrued benefits to the
45 date of termination become one hundred ~~per cent~~ PERCENT nonforfeitable to

1 the extent funded. After provision is made for all expenses of the plan,
2 including expenses of liquidation, the assets of the plan shall be
3 allocated by the payment or provision for the payment of benefits in the
4 following order of preference:

5 1. To pay each elected official and nonretired former elected
6 official an amount equal to his accumulated contributions.

7 2. To continue to pay pensions to retired members or their
8 beneficiaries.

9 3. To provide for potential rights of elected officials and former
10 elected officials on an equitable and nondiscriminatory basis according to
11 generally accepted actuarial principles.

12 4. To pay any excess to this state.

13 B. The allocations in subsection A **OF THIS SECTION** may be
14 implemented through the existing trust, a new trust instrument for that
15 purpose or the purchase by the board of insurance company contracts, or by
16 a combination of these methods. An elected official has no rights or
17 claims on the plan or this state beyond the capacity of the assets held by
18 the board to provide benefits in accordance with subsection A **OF THIS**
19 **SECTION**.

20 C. If the allocations produce a pension of less than twenty-five
21 dollars per month for any person, the board may pay a lump sum of
22 actuarial equivalent value in lieu of the pension.

23 **D. IF MORE THAN THE CORRECT AMOUNT OF EMPLOYER OR MEMBER**
24 **CONTRIBUTIONS IS PAID INTO THE PLAN BY AN EMPLOYER THROUGH A MISTAKE OF**
25 **FACT, THE BOARD SHALL RETURN THOSE CONTRIBUTIONS TO THE EMPLOYER IF THE**
26 **EMPLOYER REQUESTS RETURN OF THE CONTRIBUTIONS WITHIN ONE YEAR AFTER THE**
27 **DATE OF THE OVERPAYMENT. THE BOARD MAY NOT PAY AN EMPLOYER EARNINGS**
28 **ATTRIBUTABLE TO EXCESS CONTRIBUTIONS BUT SHALL REDUCE THE AMOUNT RETURNED**
29 **TO AN EMPLOYER PURSUANT TO THIS SUBSECTION BY THE AMOUNT OF LOSSES**
30 **ATTRIBUTABLE TO THE EXCESS CONTRIBUTIONS.**

31 Sec. 5. Section 38-840.06, Arizona Revised Statutes, is amended to
32 read:

33 **38-840.06. EODC disability program benefits**

34 **A.** In determining eligibility for and continuation of a disability
35 benefit and computing the amount available to a member, the board shall
36 follow the same procedures and methods as prescribed in section 38-806,
37 except that an elected official who no longer holds office must apply
38 within one year ~~of~~ **AFTER** terminating office and the credited service used
39 to compute the benefit shall be only the time earned while a member of the
40 elected officials' defined contribution retirement system established
41 pursuant to article 3.1 of this chapter. Payment of the disability
42 benefit will be made retroactive only to the date the board receives **AN**
43 application for the disability.

44 **B. A MEMBER WHO WAS ELECTED, APPOINTED OR HIRED ON OR AFTER JULY 1,**
45 **2017 AND WHO MEETS THE REQUIREMENTS FOR A DISABILITY PENSION AS PRESCRIBED**

1 IN SECTION 38-806 SHALL RECEIVE A MONTHLY DISABILITY BENEFIT EQUAL TO A
2 MONTHLY DISABILITY PENSION THAT WOULD BE PROVIDED TO A MEMBER WHO WAS
3 ELECTED, APPOINTED OR HIRED ON OR AFTER JANUARY 1, 2012 AND BEFORE JANUARY
4 1, 2014, REDUCED BY AN AMOUNT EQUAL TO THE MONTHLY ANNUITIZED VALUE OF THE
5 MEMBER'S ANNUITY ACCOUNT UNDER ARTICLE 3.1 OF THIS CHAPTER THAT DOES NOT
6 INCLUDE A COST-OF-LIVING ADJUSTMENT, AS DETERMINED BY THE BOARD. IN
7 DETERMINING THE MONTHLY ANNUITIZED OFFSET VALUE OF THE MEMBER'S ANNUITY
8 ACCOUNT UNDER ARTICLE 3.1 OF THIS CHAPTER TO BE USED IN REDUCING THE
9 DISABILITY BENEFIT PAID PURSUANT TO THIS SUBSECTION, THE BOARD SHALL
10 INSTRUCT THE ACTUARY FOR THE ELECTED OFFICIALS' RETIREMENT PLAN TO
11 CALCULATE THE MONTHLY PAYMENT THAT WOULD BE PAID TO THE MEMBER ASSUMING
12 THE MEMBER HAD ELECTED A STRAIGHT LIFE ANNUITY COMMENCING ON THE MEMBER'S
13 DATE OF DISABILITY, USING THE MORTALITY AND INTEREST FACTORS THEN USED BY
14 THE ACTUARY IN DETERMINING THE VALUATION OF THE ELECTED OFFICIALS'
15 RETIREMENT PLAN.

16 Sec. 6. Section 38-843, Arizona Revised Statutes, is amended to
17 read:

18 38-843. Contributions

19 A. Each employer who participates in the system on behalf of a
20 group of employees who were covered under a prior public retirement
21 system, other than the federal social security act, shall transfer all
22 securities and monies attributable to the taxes and contributions of the
23 state other than the state contribution to social security, the employer
24 and the employees for the covered group of employees under the other
25 system, such transfer to be made to the fund subject to all existing
26 liabilities and on or within sixty days following the employer's effective
27 date. All monies and securities transferred to the fund shall be credited
28 to the employer's account in the fund. A record of the market value and
29 the cost value of such transferred contributions shall be maintained for
30 actuarial and investment purposes.

31 B. 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 meet both the
34 normal cost for members hired before July 1, 2017 plus the actuarially
35 determined amount required to amortize the unfunded accrued liability on a
36 level percent of compensation basis for all employees of the employer who
37 are members of the system or participants as defined in section 38-865,
38 paragraph 7, subdivision (a) over, beginning July 1, 2017, a closed period
39 of not more than ~~twenty~~ THIRTY years that is established by the board of
40 trustees taking into account the recommendation of the system's actuary,
41 except that, beginning with fiscal year 2006-2007, except as otherwise
42 provided, the employer contribution rate shall not be less than eight
43 percent of compensation. For any employer whose actual contribution rate
44 is less than eight percent of compensation for fiscal year 2006-2007, that
45 employer's contribution rate is not subject to the eight percent minimum

1 but, for fiscal year 2006-2007 and each year thereafter, shall be at least
2 five percent and not more than the employer's actual contribution rate.
3 An employer shall have the option of paying a higher level percent of
4 compensation thereby reducing its unfunded past service liability. An
5 employer shall also have the option of increasing its contributions in
6 order to reduce the contributions required from its members under
7 subsection C of this section, except that if an employer elects this
8 option the employer shall pay the same higher level percentage
9 contribution for all members of the eligible group. A county employer
10 that elected to pay a higher level percentage contribution rate may
11 eliminate that higher level percentage contribution rate amount for
12 members who are hired on or after January 1, 2015. During a period when
13 an employee is on industrial leave and the employee elects to continue
14 contributions during the period of industrial leave, the employer shall
15 make the contributions based on the compensation the employee would have
16 received in the employee's job classification if the employee was in
17 normal employment status. All contributions made by the employers and all
18 state taxes allocated to the fund shall be irrevocable and shall be used
19 to pay benefits under the system or to pay expenses of the system and
20 fund. The minimum employer contribution that is paid and that is in
21 excess of the normal cost plus the actuarially determined amount required
22 to amortize the unfunded accrued liability as calculated pursuant to this
23 subsection shall be used to reduce future employer contribution increases
24 and shall not be used to pay for an increase in benefits that are
25 otherwise payable to members. The board shall separately account for
26 these monies in the fund. Forfeitures arising because of severance of
27 employment before a member becomes eligible for a pension or any other
28 reason shall be applied to reduce the cost of the employer, not to
29 increase the benefits otherwise payable to members. After the close of
30 any fiscal year, if the system's actuary determines that the actuarial
31 valuation of an employer's account contains excess valuation assets other
32 than excess valuation assets that were in the employer's account as of
33 fiscal year 2004-2005 and is more than one hundred percent funded, the
34 board shall account for fifty percent of the excess valuation assets in a
35 stabilization reserve account. After the close of any fiscal year, if the
36 system's actuary determines that the actuarial valuation of an employer's
37 account has a valuation asset deficiency and an unfunded actuarial accrued
38 liability, the board shall use any valuation assets in the stabilization
39 reserve account for that employer, to the extent available, to limit the
40 decline in that employer's funding ratio to not more than two percent.

41 C. Each member who was hired before July 1, 2017, throughout the
42 member's period of service from the member's effective date of
43 participation, shall contribute to the fund an amount equal to the amount
44 prescribed in subsection E of this section, except as provided in
45 subsection B of this section. Each member who was hired on or after July

1 1, 2017, throughout the member's period of service from the member's
 2 effective date of participation, shall contribute to the fund an amount
 3 equal to the amount prescribed in subsection G of this section. During a
 4 period when an employee is on industrial leave and the employee elects to
 5 continue contributions during the period of industrial leave, the employee
 6 shall make the employee's contribution based on the compensation the
 7 employee would have received in the employee's job classification if the
 8 employee was in normal employment status. Contributions of members shall
 9 be required as a condition of employment and membership in the system and
 10 shall be made by payroll deductions. Every employee shall be deemed to
 11 consent to such deductions. Payment of an employee's compensation, less
 12 such payroll deductions, shall constitute a full and complete discharge
 13 and satisfaction of all claims and demands by the employee relating to
 14 remuneration for the employee's services rendered during the period
 15 covered by the payment, except with respect to the benefits provided under
 16 the system. A member may not, under any circumstance, borrow from, take a
 17 loan against or remove contributions from the member's account before the
 18 termination of membership in the plan or the receipt of a pension.

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

30 E. The amount contributed by a member who was hired before July 1,
 31 2017 pursuant to subsection C of this section is:

- 32 1. Through June 30, 2011, 7.65 percent of the member's
 33 compensation.
- 34 2. For fiscal year 2011-2012, 8.65 percent of the member's
 35 compensation.
- 36 3. For fiscal year 2012-2013, 9.55 percent of the member's
 37 compensation.
- 38 4. For fiscal year 2013-2014, 10.35 percent of the member's
 39 compensation.
- 40 5. For fiscal year 2014-2015, 11.05 percent of the member's
 41 compensation.
- 42 6. For fiscal year 2015-2016 and each fiscal year thereafter, 11.65
 43 percent of the member's compensation or 33.3 percent of the sum of the
 44 member's contribution rate from the preceding fiscal year and the
 45 aggregate computed employer contribution rate that is calculated pursuant

1 to subsection B of this section, whichever is lower, except that the
2 member contribution rate shall not be less than 7.65 percent of the
3 member's compensation and the employer contribution rate shall not be less
4 than the rate prescribed in subsection B of this section.

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

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

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

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

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

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

41 2. The board determines that the receipt of any additional
42 contributions required under this section would conflict with its
43 fiduciary responsibility.

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

4 Sec. 7. Title 38, chapter 5, article 4, Arizona Revised Statutes,
5 is amended by adding sections 38-843.06 and 38-843.07, to read:

6 38-843.06. Required distributions

7 ALL DISTRIBUTIONS REQUIRED UNDER THIS ARTICLE SHALL BE DETERMINED
8 AND MADE PURSUANT TO SECTION 401(a)(9) OF THE INTERNAL REVENUE CODE AND
9 THE REGULATIONS THAT ARE ISSUED UNDER THAT SECTION BY THE UNITED STATES
10 SECRETARY OF THE TREASURY.

11 38-843.07. Adjustment and refund; termination of the system

12 A. IF MORE THAN THE CORRECT AMOUNT OF EMPLOYER OR MEMBER
13 CONTRIBUTIONS IS PAID INTO THE SYSTEM BY AN EMPLOYER THROUGH A MISTAKE OF
14 FACT, THE BOARD SHALL RETURN THOSE CONTRIBUTIONS TO THE EMPLOYER IF THE
15 EMPLOYER REQUESTS RETURN OF THE CONTRIBUTIONS WITHIN ONE YEAR AFTER THE
16 DATE OF THE OVERPAYMENT. THE BOARD MAY NOT PAY AN EMPLOYER EARNINGS
17 ATTRIBUTABLE TO EXCESS CONTRIBUTIONS BUT SHALL REDUCE THE AMOUNT RETURNED
18 TO AN EMPLOYER PURSUANT TO THIS SUBSECTION BY THE AMOUNT OF LOSSES
19 ATTRIBUTABLE TO THE EXCESS CONTRIBUTIONS.

20 B. ON TERMINATION OR PARTIAL TERMINATION OF THE SYSTEM, THE ACCRUED
21 BENEFIT OF EACH MEMBER IS, AS OF THE DATE OF TERMINATION OR PARTIAL
22 TERMINATION, FULLY VESTED AND NONFORFEITABLE TO THE EXTENT THEN FUNDED.

23 Sec. 8. Section 38-844.08, Arizona Revised Statutes, is amended to
24 read:

25 38-844.08. Payment of deferred retirement option plan
26 benefits

27 A. On the simultaneous termination of deferred retirement option
28 plan participation and employment, a member is entitled to receive all of
29 the following:

30 1. The monthly retirement allowance in the amount determined
31 pursuant to section 38-845 that was credited monthly to the member's
32 deferred retirement option plan participation account at the date of
33 termination of deferred retirement option plan participation.

34 2. All amounts credited to the member's deferred retirement option
35 plan participation account on the effective date of termination of
36 deferred retirement option plan participation.

37 3. Interest on the amount credited pursuant to section 38-844.05,
38 subsection C, paragraph 3 at a rate equal to two percent but only if the
39 average annual return of the system over the period of years established
40 by the board for use in the calculation of the actuarial value of assets
41 is at least two percent for the previous fiscal year.

42 B. The form of payment shall be a lump sum distribution. ~~The~~
43 ~~member or the member's beneficiary may make a direct rollover of the lump~~
44 ~~sum distribution to an eligible retirement plan under the same rules~~
45 ~~specified in section 38-846.02, subsections E, F and G. THAT IS DIRECTLY~~

1 DEPOSITED IN AN ACCOUNT CREATED FOR THE MEMBER IN THE PUBLIC SAFETY
2 PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN ESTABLISHED BY ARTICLE 4.1
3 OF THIS CHAPTER. ON DEPOSIT OF THE LUMP SUM PAYMENT, THE MEMBER SHALL
4 IMMEDIATELY BE ABLE TO EITHER WITHDRAW ALL OR ANY PORTION OF THE LUMP SUM
5 DEPOSIT OR DIRECTLY TRANSFER ALL OR ANY PORTION OF THE LUMP SUM DEPOSIT TO
6 AN ELIGIBLE RETIREMENT PLAN AS REQUIRED BY SECTION 401(a)(31) OF THE
7 INTERNAL REVENUE CODE.

8 Sec. 9. Section 38-846.01, Arizona Revised Statutes, is amended to
9 read:

10 38-846.01. Deferred annuity: exception

11 A. If any member who has at least ten years of credited service
12 terminates employment for reasons other than retirement or disability, the
13 member may elect to receive a deferred annuity, except that if the
14 annuitant withdraws all or part of the annuitant's accumulated
15 contributions in the system all rights in and to a deferred annuity shall
16 be forfeited by the annuitant. A deferred annuity is a lifetime monthly
17 payment actuarially equivalent to the annuitant's accumulated
18 contributions in the system plus an equal amount paid by the employer and
19 shall commence on application on or after the sixty-second birthday of the
20 annuitant. The annuity is not a retirement benefit and annuitants are not
21 entitled to receive any amount prescribed by section 38-845, subsection F
22 or section 38-846, ~~38-856, 38-856.02~~ 38-856.05 or 38-857.

23 B. This section does not apply to a member who becomes a member of
24 the system on or after January 1, 2012. For a member who is hired on or
25 after January 1, 2012 and before July 1, 2017, a member who attains a
26 normal retirement date is eligible for retirement and a retirement benefit
27 even if the member terminates employment with an employer before the age
28 requirement for normal retirement if the member attains the service
29 requirement for normal retirement. For a member who is hired on or after
30 July 1, 2017, a member who attains a normal retirement date is eligible
31 for retirement and a retirement benefit even if the member terminates
32 employment with an employer before the age requirement for normal
33 retirement if the member attains the credited service requirement for
34 normal retirement. Once a member described in this subsection reaches the
35 normal retirement age, the member may receive payments made under section
36 38-845.

37 Sec. 10. Section 38-846.02, Arizona Revised Statutes, is amended to
38 read:

39 38-846.02. Termination of membership

40 A. On termination of employment for any reason other than death or
41 retirement, within twenty days after filing a completed application with
42 the board, a member who becomes a member of the system before January 1,
43 2012 is entitled to receive the following amounts, less any benefit
44 payments the member has received or any amount the member may owe to the
45 system:

1 1. If the member has less than five years of credited service with
2 the system, the member may withdraw the member's accumulated contributions
3 from the system.

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

7 (a) 5.0 to 5.9 years of credited service, twenty-five percent of
8 all member contributions deducted from the member's salary pursuant to
9 section 38-843, subsection C.

10 (b) 6.0 to 6.9 years of credited service, forty percent of all
11 member contributions deducted from the member's salary pursuant to section
12 38-843, subsection C.

13 (c) 7.0 to 7.9 years of credited service, fifty-five percent of all
14 member contributions deducted from the member's salary pursuant to section
15 38-843, subsection C.

16 (d) 8.0 to 8.9 years of credited service, seventy percent of all
17 member contributions deducted from the member's salary pursuant to section
18 38-843, subsection C.

19 (e) 9.0 to 9.9 years of credited service, eighty-five percent of
20 all member contributions deducted from the member's salary pursuant to
21 section 38-843, subsection C.

22 (f) 10.0 or more years of credited service, one hundred percent of
23 all member contributions deducted from the member's salary pursuant to
24 section 38-843, subsection C.

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

33 C. On termination of employment for any reason other than death or
34 retirement, within twenty days after filing a completed application with
35 the board, a member who becomes a member of the system on or after January
36 1, 2012 is entitled to receive a lump sum payment equal to the member's
37 accumulated contribution plus interest at a rate determined by the board
38 as of the date of termination, less any benefit payments the member has
39 received as of the date of termination or any amount the member may owe to
40 the system.

41 D. If the amount prescribed in subsection A, B or C of this section
42 includes monies that are an eligible rollover distribution and the member
43 elects to have the distribution paid directly to an eligible retirement
44 plan or individual retirement account or annuity and specifies the
45 eligible retirement plan or individual retirement account or annuity to

1 which the distribution is to be paid, the distribution shall be made in
 2 the form of a direct trustee-to-trustee transfer to the specified eligible
 3 retirement plan. The distribution shall be made in the form and at the
 4 time prescribed by the board. A member who withdraws the amount
 5 prescribed in subsection A, B or C of this section from the system or who
 6 elects a transfer pursuant to this section forfeits all rights to benefits
 7 under the system and rights to rehearing and appeal, except as provided in
 8 section 38-849.

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

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

42 G. For plan years occurring before January 1, 2007, the period for
 43 providing the rollover notice as required under section 402(f) of the
 44 internal revenue code is ~~no~~ NOT less than thirty days and ~~no~~ NOT more than
 45 ninety days before the date of distribution and, for plan years beginning

1 from and after December 31, 2006, the period for providing the rollover
2 notice as required under section 402(f) of the internal revenue code is ~~π~~
3 NOT less than thirty days and ~~π~~ NOT more than one hundred eighty days
4 before the date of distribution.

5 Sec. 11. Section 38-846.04, Arizona Revised Statutes, is amended to
6 read:

7 38-846.04. Reinstatement of credited service; effect of prior
8 law

9 A. A member who received a severance refund on termination of
10 employment as provided in section 38-846.02, who is subsequently
11 reemployed by an employer and who redeposits the amount withdrawn with
12 interest as provided in section 38-849 or a member who redeems prior
13 service pursuant to statute is subject to the benefits and duties in
14 effect AT THE FOLLOWING TIMES FOR THE SPECIFIED SITUATIONS:

15 1. At the time of the member's ~~most recent~~ reemployment IF THE
16 MEMBER IS REEMPLOYED BY AN EMPLOYER OTHER THAN THE SAME EMPLOYER.

17 2. AT THE TIME OF THE MEMBER'S REEMPLOYMENT IF THE MEMBER IS
18 REEMPLOYED BY THE SAME EMPLOYER AT LEAST NINETY DAYS AFTER THE DATE OF
19 TERMINATION.

20 3. AT THE TIME OF THE MEMBER'S MOST RECENT TERMINATION IF THE
21 MEMBER IS REEMPLOYED BY THE SAME EMPLOYER IN ANY CAPACITY WITHIN NINETY
22 DAYS AFTER THE DATE OF TERMINATION.

23 B. ~~This~~ Subsection A OF THIS SECTION does not apply if a court of
24 competent jurisdiction orders reinstatement of benefits and duties under a
25 prior law.

26 C. IF A MEMBER WAS INITIALLY EMPLOYED ON OR AFTER JULY 1, 2017,
27 REGARDLESS OF WHETHER THE MEMBER RECEIVED A SEVERANCE REFUND OR REDEPOSITS
28 THE AMOUNT WITHDRAWN WITH INTEREST, THE MEMBER SHALL RETURN TO THE SYSTEM
29 AS IRREVOCABLY ELECTED PURSUANT TO SECTION 38-842.01.

30 ~~B.~~ D. A member who transfers credited service from one employer to
31 another employer pursuant to section 38-853 retains the benefits and
32 duties in effect at the time of the member's transfer.

33 Sec. 12. Section 38-849, Arizona Revised Statutes, is amended to
34 read:

35 38-849. Limitations on receiving pension; violation;
36 classification; reemployment after severance;
37 reinstatement of service credits; reemployment of
38 retired member or member with a disability;
39 definition

40 A. If a member is convicted of, or discharged because of, theft,
41 embezzlement, fraud or misappropriation of an employer's property or
42 property under the control of the employer, the member shall be subject to
43 restitution and fines imposed by a court of competent jurisdiction. The
44 court may order the restitution or fines to be paid from any payments
45 otherwise payable to the member from the retirement system.

1 B. A person who knowingly makes any false statement or who
2 falsifies or permits to be falsified any record of the system with an
3 intent to defraud the system is guilty of a class 5 felony. If any change
4 or error in the records results in any member or beneficiary receiving
5 from the system more or less than the member or beneficiary would have
6 been entitled to receive had the records been correct, the local board
7 shall correct such error, and as far as practicable shall adjust the
8 payments in such manner that the actuarial equivalent of the benefit to
9 which such member or beneficiary was correctly entitled shall be paid. If
10 a member is convicted of a crime specified in this subsection, section
11 13-713 applies.

12 C. If a member who received a severance refund on termination of
13 employment pursuant to section 38-846.02 becomes reemployed with the same
14 employer within two years after the former member's termination date, the
15 member may have forfeited credited service attributable to service
16 rendered during a prior period of service as an employee restored on
17 satisfaction of each of the following conditions:

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

21 2. The retirement fund is paid the total amount previously
22 withdrawn pursuant to section 38-846.02 plus compound interest from the
23 date of withdrawal to the date of repayment. Interest shall be computed
24 at the rate of nine percent for each year compounded each year from the
25 date of withdrawal to the date of repayment. Forfeited credited service
26 shall not be restored until complete payment is received by the fund.

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

29 D. If a member who received a severance refund on termination of
30 employment, as provided in section 38-846.02, is subsequently reemployed
31 by an employer, the member's prior service credits shall be cancelled and
32 service shall be credited only from the date the member's most recent
33 reemployment period commenced. However, a present active member of the
34 system who forfeited credited service, received a severance refund
35 pursuant to section 38-846.02 and becomes reemployed with the same
36 employer two years or more after the member's termination date or becomes
37 reemployed with another employer may elect to redeem any part of that
38 forfeited credited service by paying into the system any amounts required
39 pursuant to this subsection. A present active member who elects to redeem
40 any part of forfeited credited service for which the member is deemed
41 eligible by the board shall pay into the system the amounts previously
42 paid or transferred to the member as a severance refund plus an amount,
43 computed by the system's actuary that is necessary to equal the increase
44 in the actuarial present value of projected benefits resulting from the
45 redemption calculated using the actuarial methods and assumptions

1 prescribed by the system's actuary. On satisfaction of this obligation
2 the member's prior service credits shall be reinstated.

3 E. If a retired member becomes reemployed in any capacity by the
4 employer from which the member retired before one year from the date of
5 retirement or in the same position at any time following retirement:

6 1. The following apply:

7 (a) Within ten days after the retired member is reemployed, the
8 local board shall advise the system in writing of the retired member's
9 reemployment.

10 (b) The system shall not make pension payments to the retired
11 member during the period of reemployment.

12 (c) Employee contributions shall not be made on the retired
13 member's account, nor shall any service be credited during the period of
14 reemployment. On subsequent termination of employment by the retired
15 member, the retired member is entitled to receive a pension based on the
16 member's service and compensation before the date of the member's
17 reemployment. The employer shall pay the alternate contribution rate
18 pursuant to section 38-843.05.

19 2. Paragraph 1, subdivisions (a) and (b) of this subsection do not
20 apply if ~~either~~ ANY OF THE FOLLOWING OCCUR:

21 (a) The retired member becomes reemployed after sixty consecutive
22 days from the member's retirement date as a result of participating in an
23 open competitive new hire process for an entry level, nonsupervisory
24 position, except if the retired member is hired for the same position.

25 (b) The retired member is hired as a fire inspector or arson
26 investigator.

27 (c) THE RETIRED MEMBER ACCEPTS A JOB REASSIGNMENT AS AN
28 ACCOMMODATION IN ACCORDANCE WITH THE AMERICANS WITH DISABILITIES ACT OF
29 1990 DUE TO A DISABILITY THAT IS DIRECTLY RELATED TO THE RETIRED MEMBER
30 BEING AWARDED AN ACCIDENTAL DISABILITY, ORDINARY DISABILITY, CATASTROPHIC
31 DISABILITY OR TEMPORARY DISABILITY BENEFIT.

32 F. If a retired member is assigned voluntary duties acting as a
33 limited authority peace officer, pursuant to the Arizona peace officer
34 standards and training board rules, employee contributions shall not be
35 made on the retired member's account, and any service shall not be
36 credited during the period of reemployment. The employer shall not pay
37 the alternate contribution rate pursuant to section 38-843.05.

38 G. If after one year from the date of retirement a retired member
39 becomes reemployed by the employer from which the member retired in a
40 position other than the same position from which the member retired,
41 employee contributions shall not be made on the retired member's account,
42 and any service shall not be credited during the period of reemployment.
43 The employer shall pay the alternate contribution rate pursuant to section
44 38-843.05.

1 H. At any time following retirement, if the retired member becomes
2 employed by an employer, other than the employer from which the member
3 retired, in a position ordinarily filled by an employee of an eligible
4 group, employee contributions shall not be made on the retired member's
5 account, and any service shall not be credited during the period of
6 reemployment. The employer shall pay the alternate contribution rate
7 pursuant to section 38-843.05.

8 I. If a member who retired under an accidental or ordinary
9 disability becomes reemployed as an employee of an eligible group, section
10 38-844 applies and a determination shall be made by the local board as to
11 whether subsection E, F, G or H of this section applies.

12 J. The local board shall review all reemployment determinations and
13 voluntary assignments as described in subsection F of this section. If
14 the local board or the system is not provided the necessary information
15 required by the system to make a reemployment determination, the local
16 board and the system shall suspend pension payments until information is
17 received and a determination is made regarding whether the reemployment
18 meets the requirements of subsection E, F, G, H or I of this section.

19 K. A person who defrauds the system or who takes, converts, steals
20 or embezzles monies owned by or from the system and who fails or refuses
21 to return the monies to the system on the board's written request is
22 subject to civil suit by the system in the superior court in Maricopa
23 county. On entry of an order finding the person has defrauded the system
24 or taken, converted, stolen or embezzled monies owned by or from the
25 system, the court shall enter an order against that person and for the
26 system awarding the system all of its costs and expenses of any kind,
27 including attorney fees, that were necessary to successfully prosecute the
28 action. The court shall also grant the system a judicial lien on all of
29 the nonexempt property of the person against whom judgment is entered
30 pursuant to this subsection in an amount equal to all amounts awarded to
31 the system, plus interest at the rate prescribed by section 44-1201, until
32 all amounts owed are paid to the system.

33 L. Notwithstanding any other provision of this article, the board
34 may offset against any benefits otherwise payable by the system to an
35 active or retired member or survivor any court ordered amounts awarded to
36 the board and system and assessed against the member or survivor.

37 M. Notwithstanding any other provision of this article, a member
38 who retires having met all of the qualifications for retirement and who
39 subsequently becomes an elected official, by election or appointment, is
40 not considered reemployed by the same employer.

41 N. For the purposes of this section, "same position" means a
42 position in which the member performs substantially similar duties that
43 were performed and exercises substantially similar authority that was
44 exercised by the retired member before retirement.

1 Sec. 13. Section 38-857, Arizona Revised Statutes, is amended to
2 read:

3 38-857. Group health and accident coverage for retired
4 members; payment; forfeiture of interest

5 A. On notification, the board shall pay from the assets of the
6 separate account established pursuant to subsection G of this section part
7 of the single coverage premium of any group health and accident insurance
8 for each retired member or survivor of the system who receives a pension
9 and who has elected to participate in the coverage provided by section
10 38-651.01 or 38-782 or any other retiree health and accident insurance
11 coverage provided or administered by a participating employer of the
12 system OR A TAX-EXEMPT WELFARE BENEFIT TRUST DESCRIBED IN SECTION
13 501(c)(9) OF THE INTERNAL REVENUE CODE THAT PROVIDES FOR THE PAYMENT OF
14 SICKNESS, ACCIDENT, HOSPITALIZATION AND MEDICAL EXPENSES AND IS DESIGNED
15 FOR THE BENEFIT OF PUBLIC SAFETY PERSONNEL IN THIS STATE. The board shall
16 pay up to:

17 1. One hundred fifty dollars per month for each retired member or
18 survivor of the system who is not eligible for medicare.

19 2. One hundred dollars per month for each retired member or
20 survivor of the system who is eligible for medicare.

21 B. On notification, the board shall pay from assets of the separate
22 account established pursuant to subsection G of this section part of the
23 family coverage premium of any group health and accident insurance each
24 month for a benefit recipient who elects family coverage and otherwise
25 qualifies for payment pursuant to subsection A of this section. The board
26 shall pay up to:

27 1. Two hundred sixty dollars per month if the retired member or
28 survivor of the system and one or more dependents are not eligible for
29 medicare.

30 2. One hundred seventy dollars per month if the retired member or
31 survivor of the system and one or more dependents are eligible for
32 medicare.

33 3. Two hundred fifteen dollars per month if either:

34 (a) The retired member or survivor of the system is not eligible
35 for medicare and one or more dependents are eligible for medicare.

36 (b) The retired member or survivor of the system is eligible for
37 medicare and one or more dependents are not eligible for medicare.

38 C. The board shall not pay from assets of the fund more than the
39 amount prescribed in this section for a benefit recipient as a member or
40 survivor of the system.

41 D. A retired member or survivor of the system may elect to purchase
42 individual health care coverage and receive a payment pursuant to this
43 section through the retired member's former employer if that former
44 employer assumes the administrative functions associated with the payment,
45 including verification that the payment is used to pay for health

1 insurance coverage if the payment is made to the retired member or
2 survivor of the system.

3 E. This section does not apply to a retired member of the system
4 who becomes a member on or after September 13, 2013 and who is reemployed
5 and participates in health care coverage provided by the member's new
6 employer.

7 F. This section does not apply to a survivor of the system whose
8 deceased spouse becomes a member on or after September 13, 2013 and who is
9 reemployed and participates in health care coverage provided by the
10 survivor's new employer.

11 G. The board shall establish a separate account that consists of
12 the benefits provided in this section. The board shall deposit the
13 benefits provided by this section in the account. The board shall not use
14 or divert any part of the corpus or income of the account for any purpose
15 other than the provision of benefits pursuant to this section unless the
16 liabilities to provide the benefits pursuant to this section are
17 satisfied. If the liabilities to provide the benefits described in this
18 section are satisfied, the board shall return any amount remaining in the
19 account to the employer.

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

22 1. The payment of the benefits is subordinate to the payment of
23 retirement benefits payable by the system.

24 2. The total of the contributions for the benefits and actual
25 contributions for life insurance protection, if any, shall not exceed
26 twenty-five percent of the total actual employer and employee
27 contributions to the system, minus the contributions to fund past service
28 credits, after the day the account is established.

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

31 I. If a member who is eligible for benefits under this section
32 forfeits the member's interest in the account before the termination of
33 the plan, an amount equal to the amount of the forfeiture shall be applied
34 as soon as possible to reduce employer contributions to fund the benefits
35 provided by this section.

36 Sec. 14. Section 38-866, Arizona Revised Statutes, is amended to
37 read:

38 38-866. Defined contribution plan design; purpose; powers and
39 duties of the board; administration

40 A. The board shall establish, design and administer a defined
41 contribution plan to provide for the retirement of specified participants
42 beginning July 1, 2017.

43 B. The purpose of this article is to provide a defined contribution
44 plan that is fully funded on a current basis from employer and participant
45 contributions.

1 C. The legislature intends that the defined contribution plan for
2 participants under this article be designed to be a qualified governmental
3 plan under section 401(a) of the internal revenue code, as amended, or
4 successor provisions of law, and be exempt from taxation under section 501
5 of the internal revenue code. The board may adopt any additional
6 provision to the defined contribution plan that is necessary to fulfill
7 this intent. Consistent with this intent, the board may submit to the
8 internal revenue service a request for a determination letter that the
9 defined contribution plan is a plan qualified under section 401(a) of the
10 internal revenue code and a private letter ruling that all participant
11 contributions that are picked up by the employer as provided in section
12 38-867 shall be treated as employer contributions pursuant to section
13 414(h) of the internal revenue code.

14 D. The board shall:

15 1. Enter into a contract with a provider ~~OR PROVIDERS~~ to provide
16 ~~fully bundled~~ retirement plan investments, plan administration and
17 services to participants in the defined contribution plan. The contract
18 shall provide for appropriate long-term retirement-oriented investments
19 and ~~shall~~ MAY include both fixed and variable deferred annuities. The
20 board ~~shall~~ MAY consider all of the following when determining a company
21 with which to contract:

22 (a) The financial stability of the company and the ability of the
23 company to provide the contracted rights and benefits to the participants.

24 (b) The cost of the investments, plan administration and services
25 to the participants.

26 (c) The experience of the company in providing defined contribution
27 retirement plans in lieu of defined benefit plan participation to public
28 employees.

29 (d) The experience of the company in paying retirement income to
30 public employees.

31 (e) The experience of the company in providing plan education,
32 counseling and advice to participants in public employee retirement plans
33 that are offered in lieu of state defined benefit plan participation.

34 2. ~~Require under the contract that the provider~~ Provide education,
35 counseling and objective participant-specific plan advice to participants.
36 ANY PARTICIPANT-SPECIFIC ADVICE AND COUNSELING SHALL BE ADMINISTERED BY A
37 FEDERALLY REGISTERED INVESTMENT ADVISOR. THE FEDERALLY REGISTERED
38 INVESTMENT ADVISOR SHALL ACT AS A FIDUCIARY TO PARTICIPANTS AND IS
39 REQUIRED TO ACT IN THE PARTICIPANT'S BEST INTEREST. REGISTERED INVESTMENT
40 ADVISOR SERVICES MAY BE CONTRACTED FOR SEPARATELY FROM THE RECORDKEEPER TO
41 AVOID ANY CONFLICTS OF INTEREST REGARDING PRODUCT.

42 3. Require under the contract that the defined contribution plan
43 include not less than five ~~and not more than fifteen~~ predetermined
44 investment portfolio options to participants. The predetermined
45 investment portfolio options shall include options that reflect different

1 risk profiles and options that automatically reallocate and rebalance
2 contributions as a participant ages. In addition, the defined
3 contribution plan may permit participants to construct investment
4 portfolios using some or all of the investment options comprising the
5 predetermined investment portfolio options.

6 ~~4. Require under the contract that the defined contribution~~
7 ~~retirement plan offer participants a menu of lifetime annuity options,~~
8 ~~either fixed or variable or a combination of both.~~

9 E. The board may:

10 1. Employ other services it deems necessary, including legal
11 services, for the operation and administration of the defined contribution
12 plan.

13 2. Perform all acts, whether or not expressly authorized, that it
14 deems necessary and proper for the operation and protection of the plan.

15 F. The board shall adopt policies regarding the defined
16 contribution plan, including the administration of the participant and
17 employer contributions, investment options, termination of participation
18 in the defined contribution plan, administration of the payout options
19 under the defined contribution plan and administration of the participant
20 distributions.

21 G. The board shall participate in a competitive bid process at
22 least once every five years to contract with a private person or any
23 qualified company or companies to administer the defined contribution plan
24 established pursuant to this article.

25 H. Any contract for a third-party administrator of the defined
26 contribution plan shall include competitive fees and provisions requiring
27 quarterly meetings with the system, annual updates to the board on the
28 status of the defined contribution plan and quarterly statements to each
29 participant. On or before December 31 of each year, the board shall
30 report the status of the defined contribution plan to the governor, the
31 president of the senate, the speaker of the house of representatives and
32 the joint legislative budget committee.

33 Sec. 15. Section 38-867, Arizona Revised Statutes, is amended to
34 read:

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

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

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

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

1 B. A participant as defined in section 38-865 may make a one-time
2 irrevocable election, before the participant is eligible to participate in
3 any qualified plan of the employer, to contribute more than the percentage
4 of the participant's gross pensionable compensation specified in this
5 section, up to the amount allowable under section 415(c) of the internal
6 revenue code, which shall be the participant's contribution rate for the
7 remainder of the participant's employment with any employer under the
8 system.

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

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

25 1. For a participant defined in section 38-865, paragraph 7,
26 subdivision (b), three percent.

27 2. For a participant defined in section 38-865, paragraph 7,
28 subdivision (a), nine percent.

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

32 F. A participant of the defined contribution plan may not take
33 loans on any portion of the accumulated assets in the participant's
34 annuity account.

35 G. Each participant as defined in section 38-865, paragraph 7,
36 subdivision (a) and each employer shall contribute to the public safety
37 personnel defined contribution retirement plan disability program
38 established by article 4.2 of this chapter.

39 H. A participant's contributions and earnings on those
40 contributions are immediately vested. A participant is fully vested in
41 the defined contribution plan after ten years of service, with employer
42 contributions vesting at a rate of ten percent per year. IF A PARTICIPANT
43 DIES BEFORE COMPLETING TEN YEARS OF SERVICE, THE EMPLOYER CONTRIBUTIONS
44 ARE IMMEDIATELY FULLY VESTED.

1 Sec. 16. Title 38, chapter 5, article 4.1, Arizona Revised
2 Statutes, is amended by adding section 38-867.01, to read:

3 38-867.01. Rollover distribution from the system; definition

4 A. A LUMP SUM DISTRIBUTION MADE PURSUANT TO SECTION 38-844.08,
5 SUBSECTION B SHALL BE DEPOSITED IN THE ACCOUNT OF THE PARTICIPANT AS
6 DEFINED IN THIS SECTION AND MADE IMMEDIATELY AVAILABLE FOR THE PARTICIPANT
7 TO EITHER WITHDRAW ALL OR ANY PORTION OF THE LUMP SUM DEPOSIT OR DIRECTLY
8 TRANSFER ALL OR ANY PORTION OF THE LUMP SUM DEPOSIT TO AN ELIGIBLE
9 RETIREMENT PLAN AS REQUIRED BY SECTION 401(a)(31) OF THE INTERNAL REVENUE
10 CODE.

11 B. FOR THE PURPOSES OF THIS SECTION, "PARTICIPANT" MEANS A MEMBER
12 AS DEFINED IN SECTION 38-842, PARAGRAPH 31, EXCLUDING SUBDIVISION (a),
13 ITEM (vi), WHO IS HIRED BEFORE JANUARY 1, 2012 AND WHO HAS ELECTED TO
14 ENTER THE DEFERRED RETIREMENT OPTION PLAN ESTABLISHED BY SECTION
15 38-844.02.

16 Sec. 17. Section 38-870, Arizona Revised Statutes, is amended to
17 read:

18 38-870. Definitions

19 In this article, unless the context otherwise requires:

20 1. "Assets" means the accumulated resources of the disability
21 program.

22 2. "Board" means the board of trustees established by section
23 38-848.

24 3. "Compensation" has the same meaning prescribed in section
25 38-842.

26 4. "Disability program" or "program" means the public safety
27 personnel defined contribution retirement plan disability program
28 established by this article.

29 5. "LOCAL BOARD" HAS THE SAME MEANING PRESCRIBED IN SECTION 38-842.

30 ~~5.~~ 6. "Participant" means a participant who is in the public safety
31 personnel defined contribution retirement plan and who is a participant as
32 defined in section 38-865, paragraph 7, subdivision (a).

33 ~~6.~~ 7. "Pensionable compensation" has the same meaning prescribed in
34 section 38-865.

35 Sec. 18. Section 38-870.06, Arizona Revised Statutes, is amended to
36 read:

37 38-870.06. Disability program benefit

38 A. The LOCAL board shall follow the same procedures and method as
39 prescribed in section 38-844 to determine eligibility for and continuation
40 of a disability benefit and in computing the amount available to the
41 participant, EXCEPT THAT A PARTICIPANT IS NOT ELIGIBLE FOR A DISABILITY
42 BENEFIT UNDER THIS ARTICLE FOR AN ORDINARY DISABILITY AS DEFINED IN
43 SECTION 38-842.

1 B. A participant who meets the requirements for a disability
 2 pension as prescribed in section 38-844, **EXCEPT FOR AN ORDINARY**
 3 **DISABILITY**, shall receive a monthly disability benefit equal to a monthly
 4 disability pension that would be provided to a public safety personnel
 5 retirement system member who is hired on or after July 1, 2017, reduced by
 6 an amount equal to the monthly annuitized value of the participant's
 7 annuity account under article 4.1 of this chapter that does not include a
 8 cost-of-living adjustment, as determined by the board. In determining the
 9 monthly annuitized offset value of the participant's annuity account under
 10 article 4.1 of this chapter to be used in reducing the disability benefit
 11 paid pursuant to this section, the board shall instruct the actuary for
 12 the public safety personnel retirement system to calculate the monthly
 13 payment that would be paid to the participant assuming the participant had
 14 elected a straight life annuity commencing on the participant's date of
 15 disability, using the mortality and interest factors then used by the
 16 actuary in determining the valuation of the public safety personnel
 17 retirement system.

18 Sec. 19. Title 38, chapter 5, article 4.2, Arizona Revised
 19 Statutes, is amended by adding section 38-870.07, to read:

20 **38-870.07. Death benefits; survivor or eligible child**

21 **A. IF A PARTICIPANT, AS DEFINED IN SECTION 38-865, PARAGRAPH 7,**
 22 **SUBDIVISION (a), IS KILLED IN THE LINE OF DUTY OR DIES FROM INJURIES**
 23 **SUFFERED IN THE LINE OF DUTY, THE LOCAL BOARD SHALL FOLLOW THE SAME**
 24 **PROCEDURES AND METHODS AS PRESCRIBED IN SECTION 38-846 TO DETERMINE**
 25 **ELIGIBILITY FOR AND THE CONTINUATION OF A DEATH BENEFIT TO A SURVIVING**
 26 **SPOUSE OR ANY ELIGIBLE CHILD.**

27 **B. A SURVIVING SPOUSE OR ELIGIBLE CHILD OF A PARTICIPANT AS**
 28 **SPECIFIED IN SUBSECTION A OF THIS SECTION WHO MEETS THE REQUIREMENTS FOR A**
 29 **DEATH BENEFIT AS PRESCRIBED IN SECTION 38-846 SHALL RECEIVE A MONTHLY**
 30 **DEATH BENEFIT EQUAL TO A MONTHLY DEATH PENSION THAT WOULD BE PROVIDED TO A**
 31 **PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM MEMBER WHO IS HIRED ON OR AFTER**
 32 **JULY 1, 2017, REDUCED BY AN AMOUNT EQUAL TO THE MONTHLY ANNUITIZED VALUE**
 33 **OF THE PARTICIPANT'S ANNUITY ACCOUNT UNDER ARTICLE 4.1 OF THIS CHAPTER**
 34 **THAT DOES NOT INCLUDE A COST-OF-LIVING ADJUSTMENT, AS DETERMINED BY THE**
 35 **BOARD. IN DETERMINING THE MONTHLY ANNUITIZED OFFSET VALUE OF THE**
 36 **PARTICIPANT'S ANNUITY ACCOUNT UNDER ARTICLE 4.1 OF THIS CHAPTER TO BE USED**
 37 **IN REDUCING THE DEATH BENEFIT PAID PURSUANT TO THIS SECTION, THE BOARD**
 38 **SHALL INSTRUCT THE ACTUARY FOR THE PUBLIC SAFETY PERSONNEL RETIREMENT**
 39 **SYSTEM TO CALCULATE THE MONTHLY PAYMENT THAT WOULD BE PAID TO THE**
 40 **SURVIVING SPOUSE OR ELIGIBLE CHILD ASSUMING THE PARTICIPANT HAD ELECTED A**
 41 **STRAIGHT LIFE ANNUITY COMMENCING ON THE PARTICIPANT'S DATE OF DEATH, USING**
 42 **THE MORTALITY AND INTEREST FACTORS THEN USED BY THE ACTUARY IN DETERMINING**
 43 **THE VALUATION OF THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM.**

1 Sec. 20. Section 38-884, Arizona Revised Statutes, is amended to
2 read:

3 38-884. Membership of retirement plan; termination; credited
4 service; redemption; reemployment

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

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

28 C. If a member who becomes a member of the plan before January 1,
29 2012 ceases to be an employee for any reason other than death or
30 retirement, within twenty days after filing a completed application with
31 the board, the member is entitled to receive the following amounts, less
32 any benefit payments the member has received and any amount the member may
33 owe to the plan:

34 1. If the member has less than five years of credited service with
35 the plan, the member may withdraw the member's accumulated contributions
36 from the plan.

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

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

43 (b) 6.0 to 6.9 years of credited service, forty percent of all
44 member contributions deducted from the member's salary pursuant to section
45 38-891, subsection B.

1 (c) 7.0 to 7.9 years of credited service, fifty-five percent of all
2 member contributions deducted from the member's salary pursuant to section
3 38-891, subsection B.

4 (d) 8.0 to 8.9 years of credited service, seventy percent of all
5 member contributions deducted from the member's salary pursuant to section
6 38-891, subsection B.

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

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

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

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

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

35 G. For distributions occurring from and after December 31, 2007, a
36 member or a member's beneficiary, including a nonspouse designated
37 beneficiary to the extent permitted under subsection H of this section,
38 may roll over an eligible rollover distribution as defined in section
39 402(c)(4) of the internal revenue code to a Roth individual retirement
40 account, if, for distributions occurring before January 1, 2010, the
41 member or the member's beneficiary satisfies the requirements for making a
42 Roth individual retirement account contribution under section
43 408A(c)(3)(B) of the internal revenue code, as in effect on the date of
44 the rollover. Any amount rolled over to a Roth individual retirement
45 account is included in the gross income of the member or the member's

1 beneficiary to the extent the amounts would have been included in gross
 2 income if not rolled over as required under section 408A(d)(3)(A) of the
 3 internal revenue code. For the purposes of this subsection, the
 4 administrator is not responsible for ensuring the member or the member's
 5 beneficiary is eligible to make a rollover to a Roth individual retirement
 6 account.

7 H. For distributions made from and after December 31, 2009, a
 8 nonspouse designated beneficiary as defined in section 401(a)(9)(E) of the
 9 internal revenue code may elect to directly roll over an eligible rollover
 10 distribution to an individual retirement account under section 408(a) of
 11 the internal revenue code or an individual retirement annuity under
 12 section 408(b) of the internal revenue code that is established on behalf
 13 of the designated beneficiary and that will be treated as an inherited
 14 individual retirement plan pursuant to section 402(c)(11) of the internal
 15 revenue code. In order to be able to roll over the distribution, the
 16 distribution otherwise must satisfy the definition of an eligible rollover
 17 distribution as defined in section 402(c)(4) of the internal revenue
 18 code. In applying this subsection, a nonspouse rollover is ~~not~~
 19 the direct rollover requirements under section 401(a)(31) of the internal
 20 revenue code, the rollover notice requirements under section 402(f) of the
 21 internal revenue code ~~or~~ AND the mandatory withholding requirements under
 22 section 3405(c) of the internal revenue code.

23 I. For plan years occurring before January 1, 2007, the period for
 24 providing the rollover notice as required under section 402(f) of the
 25 internal revenue code is no less than thirty days and no more than ninety
 26 days before the date of distribution and, for plan years beginning from
 27 and after December 31, 2006, the period for providing the rollover notice
 28 as required under section 402(f) of the internal revenue code is no less
 29 than thirty days and no more than one hundred eighty days before the date
 30 of distribution.

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

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

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

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

4 2. The retirement fund is paid the total amount previously
5 withdrawn pursuant to subsection C, D or E of this section plus compound
6 interest from the date of withdrawal to the dates of repayment. Interest
7 shall be computed at the rate of nine percent for each year compounded
8 each year from the date of withdrawal to the date of repayment. Forfeited
9 credited service shall not be restored until complete payment is received
10 by the fund.

11 3. The required payment is completed within one year after
12 returning to employee status.

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

34 N. A retired member may become employed by an employer in a
35 designated position and continue to receive a pension if the employment
36 occurs at least twelve months after retirement. The retired member shall
37 not contribute to the fund and shall not accrue credited service. If a
38 retired member becomes employed by an employer in a designated position
39 before twelve months after retirement:

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

44 2. The retired member shall not contribute to the fund and shall
45 not accrue credited service.

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

5 Sec. 21. Title 38, chapter 5, article 6, Arizona Revised Statutes,
6 is amended by adding sections 38-895.03 and 38-900.02, to read:

7 38-895.03. Required distributions

8 ALL DISTRIBUTIONS REQUIRED UNDER THIS ARTICLE SHALL BE DETERMINED
9 AND MADE PURSUANT TO SECTION 401(a)(9) OF THE INTERNAL REVENUE CODE AND
10 THE REGULATIONS THAT ARE ISSUED UNDER THAT SECTION BY THE UNITED STATES
11 SECRETARY OF THE TREASURY.

12 38-900.02. Adjustment and refund; termination of plan

13 A. IF MORE THAN THE CORRECT AMOUNT OF EMPLOYER OR MEMBER
14 CONTRIBUTIONS IS PAID INTO THE PLAN BY AN EMPLOYER THROUGH A MISTAKE OF
15 FACT, THE BOARD SHALL RETURN THOSE CONTRIBUTIONS TO THE EMPLOYER IF THE
16 EMPLOYER REQUESTS RETURN OF THE CONTRIBUTIONS WITHIN ONE YEAR AFTER THE
17 DATE OF THE OVERPAYMENT. THE BOARD MAY NOT PAY AN EMPLOYER EARNINGS
18 ATTRIBUTABLE TO EXCESS CONTRIBUTIONS BUT SHALL REDUCE THE AMOUNT RETURNED
19 TO AN EMPLOYER PURSUANT TO THIS SUBSECTION BY THE AMOUNT OF LOSSES
20 ATTRIBUTABLE TO THE EXCESS CONTRIBUTIONS.

21 B. ON TERMINATION OR PARTIAL TERMINATION OF THE PLAN, THE ACCRUED
22 BENEFIT OF EACH MEMBER IS, AS OF THE DATE OF TERMINATION OR PARTIAL
23 TERMINATION, FULLY VESTED AND NONFORFEITABLE TO THE EXTENT THEN FUNDED.