

State of Arizona
Senate
Fifty-fourth Legislature
First Regular Session
2019

CHAPTER 158
SENATE BILL 1016

AN ACT

AMENDING SECTION 38-748, ARIZONA REVISED STATUTES; RELATING TO THE ARIZONA
STATE RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 38-748, Arizona Revised Statutes, is amended to
3 read:

4 38-748. Employer payments for ineligible contributions:
5 definitions

6 A. If an employer pays contributions on behalf of any person who is
7 not eligible by statute OR RULE for ASRS membership OR PAYS CONTRIBUTIONS
8 ON COMPENSATION THAT IS NOT ELIGIBLE BY STATUTE OR RULE FOR ASRS
9 CONTRIBUTIONS and either ASRS or a court determines that ASRS is legally
10 obligated to provide ~~that~~ A person with any benefit or credit under this
11 article or article 2.1 of this chapter BASED ON SUCH CONTRIBUTIONS, the
12 employer shall pay to ASRS any unfunded liability resulting from the
13 provision of benefits or credit to the person.

14 B. If the employer does not remit full payment of the unfunded
15 liability pursuant to subsection A of this section within ninety days
16 after being notified by ASRS of the amount due, the unpaid amount accrues
17 interest until the amount is paid in full.

18 C. Credited service ceases to accrue as of the date that ASRS or a
19 court first determines that ASRS is legally obligated to provide any
20 benefit or credit to the person.

21 D. If the amount in the person's ASRS account is greater than the
22 present value of the benefit or credit, ASRS shall retain the entire
23 account and ~~shall~~ IS not ~~be~~ required to refund, credit or offset any
24 excess against future contributions.

25 E. This section applies to an employer that employs, either
26 directly or indirectly, a person who performs services for a third-party
27 organization and that does not have a written representation by ASRS of
28 the person's eligibility.

29 F. For the purposes of this section:

30 1. "Amount in the person's ASRS account" means two times the
31 person's retirement contributions made pursuant to section 38-736:

32 (a) Plus:

33 (i) Interest on the person's retirement contributions made pursuant
34 to section 38-736.

35 (ii) Any contributions made for the purchase of service credits
36 pursuant to section 38-742, 38-743, 38-744 or 38-745.

37 (iii) Interest on the amount contributed for the purchase of
38 service credits pursuant to section 38-742, 38-743, 38-744 or 38-745.

39 (b) Minus any amounts paid by ASRS pursuant to this article or
40 article 2.1 of this chapter.

41 2. "Interest" means the interest rate assumption that is approved
42 by ASRS for actuarial equivalency.

43 3. "Unfunded liability" means:

44 (a) FOR A PERSON WHO IS NOT ELIGIBLE BY STATUTE OR RULE FOR ASRS
45 MEMBERSHIP, the amount, if any, that the present value of the person's

1 benefit or credit, using the actuarial assumptions approved by ASRS,
2 exceeds the amount in the person's ASRS account calculated as of the date
3 that ASRS or a court first determines that ASRS is legally obligated to
4 provide any benefit or credit to the person.

5 (b) FOR CONTRIBUTIONS ON COMPENSATION THAT IS NOT ELIGIBLE BY
6 STATUTE OR RULE FOR ASRS CONTRIBUTIONS, THE DIFFERENCE, IF ANY, OF THE
7 AMOUNT THAT THE PRESENT VALUE OF A PERSON'S BENEFIT OR CREDIT, USING THE
8 ACTUARIAL ASSUMPTIONS APPROVED BY ASRS, EXCEEDS THE AMOUNT OF THE PRESENT
9 VALUE OF THE BENEFIT OR CREDIT THE PERSON WOULD RECEIVE IF THE INELIGIBLE
10 CONTRIBUTIONS, AND THE COMPENSATION AND CREDIT ASSOCIATED WITH THOSE
11 INELIGIBLE CONTRIBUTIONS, HAD NOT BEEN REPORTED TO ASRS AND THE AMOUNT IN
12 THE PERSON'S ASRS ACCOUNT THAT IS ASSOCIATED WITH THE INELIGIBLE
13 CONTRIBUTIONS ON COMPENSATION.

APPROVED BY THE GOVERNOR APRIL 30, 2019.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 30, 2019.