

Senate Engrossed

defined contribution; health subsidy; disability

State of Arizona
Senate
Fifty-fifth Legislature
First Regular Session
2021

CHAPTER 330

SENATE BILL 1045

AN ACT

AMENDING SECTIONS 38-651.01, 38-845 AND 38-867, ARIZONA REVISED STATUTES;
AMENDING TITLE 38, CHAPTER 5, ARTICLE 4.1, ARIZONA REVISED STATUTES, BY
ADDING SECTION 38-869; 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 38-651.01, Arizona Revised Statutes, is amended
3 to read:

4 38-651.01. Group health and accident coverage for retired
5 public employees and elected officials and their
6 dependents

7 A. The department of administration, by rule, shall adopt standards
8 to establish group health and accident coverage for former employees who
9 worked for ~~the~~ THIS state ~~of Arizona~~ and who opt on retirement to enroll
10 or continue enrollment in the group health and accident coverage for
11 active employees working for ~~the~~ THIS state ~~of Arizona~~, or with a
12 disability, and receiving either income from a retirement program of this
13 state or long-term disability income benefits pursuant to section
14 38-651.03 or chapter 5, article 2.1 of this title and their dependents and
15 to establish eligibility for retired state employees or state employees
16 with a disability to participate in the coverage. The department of
17 administration may adopt rules that provide that if a retired insured or
18 insured person with a disability dies before an insured surviving
19 dependent, the insured surviving dependent is entitled to extended
20 coverage at group rates if the insured surviving dependent elects to
21 continue in the coverage within six months of the death of the retired
22 insured or insured person with a disability and the insured surviving
23 dependent agrees to pay the cost of the premium for group health and
24 accident insurance. On notification of the death, the department of
25 administration shall immediately notify an insured surviving dependent of
26 the provisions of this section. The department of administration may
27 enter into agreements with former state employees with a disability and
28 their dependents who elect to obtain the coverage provided by this
29 section. The agreements may include provisions for the payment of amounts
30 sufficient to pay for the premium and administrative expense of providing
31 the coverage. The department of administration may adopt rules that
32 provide that on the death of a state employee who at the time of death was
33 eligible for normal retirement pursuant to section 38-757 under the
34 Arizona state retirement system, the insured surviving spouse and eligible
35 dependent children are entitled to continue coverage under group rates
36 provided that the deceased insured state employee, spouse and dependent
37 children were insured at the time of the employee's death. The insured
38 surviving spouse shall be charged an amount sufficient to pay the full
39 premium for the coverage.

40 B. The department of administration, by rule, may adopt standards
41 to establish group health and accident coverage for former elected
42 officials of this state or its political subdivisions and their dependents
43 and to establish eligibility for former elected officials to participate
44 in the coverage. Qualifications for eligibility shall include that the
45 former elected official has at least five years of credited service in the

1 elected officials' retirement plan pursuant to chapter 5 of this title,
2 had been covered under a group health or group health and accident plan
3 while serving as an elected official and had been serving as an elected
4 official on or after January 1, 1983. The department of administration
5 may adopt rules that provide that on the death of an elected official or
6 insured former elected official, the insured surviving spouse is entitled
7 to coverage at group rates provided that the deceased insured former
8 elected official met or would have met the qualifications for eligibility
9 pursuant to this subsection or that the deceased elected official would
10 have met the qualifications for eligibility had the deceased not been in
11 office at the time of death. Except as provided in subsection J of this
12 section, the insured former elected official or the insured surviving
13 spouse shall be charged amounts that are sufficient to pay for the premium
14 and state administrative expense of providing coverage. Notwithstanding
15 subsection J of this section, the standards shall provide that all or any
16 portion of the former state employees or former elected officials or their
17 dependents shall be grouped with officers and employees of ~~the~~ THIS state
18 and its departments and agencies or their dependents as necessary to
19 obtain health and accident coverage at favorable rates.

20 C. The Arizona state retirement system board may enter into
21 agreements with state employee members of the system and plan who are
22 retired or who have a disability, retired members of the elected
23 officials' defined contribution retirement system established pursuant to
24 chapter 5, article 3.1 of this title and retired participants of the
25 public safety personnel defined contribution retirement plan established
26 pursuant to chapter 5, article 4.1 of this title who elect to obtain the
27 coverage provided pursuant to subsection A of this section. The
28 agreements may include provision for the deduction from the retirement
29 benefits of participants of a retirement program of this state who elect
30 to obtain coverage of amounts sufficient to pay for the premium not
31 covered under retirement benefits and state administrative expense of
32 providing coverage.

33 D. Retired state employee members or state employee members with a
34 disability of the public safety personnel retirement system, the public
35 safety personnel defined contribution retirement plan established pursuant
36 to chapter 5, article 4.1 of this title, the elected officials' retirement
37 plan, the elected officials' defined contribution retirement system
38 established pursuant to chapter 5, article 3.1 of this title, the
39 corrections officer retirement plan or the optional retirement programs
40 authorized pursuant to section 15-1628 who opt on retirement to enroll or
41 continue enrollment in the group health and accident coverage for active
42 employees working for ~~the~~ THIS state ~~of Arizona~~ and their dependents and
43 who are receiving benefits from the public safety personnel retirement
44 system, the public safety personnel defined contribution retirement plan
45 established pursuant to chapter 5, article 4.1 of this title, the elected

1 officials' retirement plan, the elected officials' defined contribution
2 retirement system established pursuant to chapter 5, article 3.1 of this
3 title, the corrections officer retirement plan or the optional retirement
4 programs authorized pursuant to section 15-1628 may participate in group
5 health and accident coverage provided pursuant to this section. The
6 department of administration shall adopt rules that are necessary for the
7 implementation of this subsection.

8 E. The board of trustees of the public safety personnel retirement
9 system may enter into agreements with retired state employee members and
10 their dependents who elect to obtain the coverage provided pursuant to
11 this section. The agreements may include provision for the deduction from
12 the retirement benefits of participants of a retirement program of this
13 state who elect to obtain coverage of amounts sufficient to pay for the
14 premium not covered under retirement benefits and state administrative
15 expense of providing coverage.

16 F. The board of trustees of the public safety personnel retirement
17 system may enter into agreements with retired judges and retired elected
18 officials and their dependents who elect to obtain the coverage provided
19 pursuant to this section. The agreements may include provision for the
20 deduction from the retirement benefits of participants of a retirement
21 program of this state who elect to obtain coverage of amounts sufficient
22 to pay for the premium not covered under retirement benefits and state
23 administrative expense of providing coverage.

24 G. The board of trustees of the public safety personnel retirement
25 system may contract with an insurance carrier and adopt standards to
26 establish a group health and accident insurance coverage program for
27 retired members of the public safety personnel retirement system, their
28 dependents and their spouses. Any members or spouses who elect to obtain
29 the group health and accident coverage provided under this subsection
30 shall agree to a deduction from their monthly retirement benefits of an
31 amount sufficient to pay for the premium not covered under retirement
32 benefits and the administrative expense of providing coverage.

33 H. A county board of supervisors may enter into agreements to
34 establish group health and accident coverage for retired county employees
35 or county employees with a disability and their dependents who elect to
36 obtain the coverage provided pursuant to section 11-263, subsection B.
37 The agreements may include provision for the deduction from the retirement
38 benefits of participants of a retirement program of this state who elect
39 to obtain the coverage of amounts sufficient to pay for the premium not
40 covered under retirement benefits and the administrative expense of
41 providing for the coverage.

42 I. Nonmedicare eligible retirees who live in this state, who enroll
43 in a qualifying plan under this section and who reside outside the area of
44 a qualifying health maintenance organization shall be offered the option
45 to enroll with a qualified health maintenance organization offered through

1 their provider under the same premiums as if they lived within the area
2 boundaries of the qualified health maintenance organization provided that:

3 1. All medical services are rendered and received at an office
4 designated by the qualifying health maintenance organization or at a
5 facility referred by the health maintenance organization.

6 2. All nonemergency or nonurgent travel, ambulatory and other
7 expenses from the residence area of the retiree to the designated office
8 of the qualifying health maintenance organization or the facility referred
9 by the health maintenance organization are the responsibility of and at
10 the expense of the retiree.

11 3. All emergency or urgent travel, ambulatory and other expenses
12 from the residence area of the retiree to the designated office of the
13 qualifying health maintenance organization or the facility referred by the
14 health maintenance organization shall be paid pursuant to any agreement
15 between the health maintenance organization and the retiree living outside
16 the area of the qualifying health maintenance organization.

17 J. Public funds shall not be expended to pay all or any part of the
18 premium of insurance pursuant to this section except for monies authorized
19 to be paid for any insured from the retirement plan from which the insured
20 is receiving benefits.

21 K. A retired member of the elected officials' defined contribution
22 retirement system established pursuant to chapter 5, article 3.1 of this
23 title may elect to obtain the coverage provided pursuant to subsection A
24 of this section, but shall pay the premium for the coverage selected and
25 is not eligible for benefits pursuant to section 38-783 or 38-817.

26 L. A retired participant of the public safety personnel defined
27 contribution retirement plan established pursuant to chapter 5, article
28 4.1 of this title may elect to obtain the coverage provided pursuant to
29 subsection A of this section, but shall pay the premium for the coverage
30 selected. ~~and is not eligible for benefits pursuant to section 38-783 or~~
31 ~~38-857~~ A RETIRED PARTICIPANT THAT MAKES AN ELECTION PURSUANT TO SECTION
32 38-869 MAY BE ELIGIBLE FOR GROUP HEALTH BENEFITS AS SPECIFIED IN SECTION
33 38-869.

34 Sec. 2. Section 38-845, Arizona Revised Statutes, is amended to
35 read:

36 38-845. Amount of retirement benefit

37 A. A member who meets the requirements for a normal pension, who
38 becomes a member of the system before January 1, 2012 and who has twenty
39 years of credited service shall receive a monthly amount that equals fifty
40 percent of the member's average monthly benefit compensation. If the
41 member retires with other than twenty years of credited service, the
42 foregoing amount shall be:

43 1. Reduced by four percent for each year of credited service under
44 twenty years, with pro rata reduction for any fractional year.

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

10 B. A member who meets the requirements for an accidental disability
11 pension shall receive a monthly amount, which shall be computed in the
12 same manner as a normal pension, using the member's average monthly
13 benefit compensation before termination of employment and the member's
14 actual credited service or twenty years of credited service, whichever is
15 greater. **NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, THE**
16 **ACCIDENTAL DISABILITY PENSION FOR A MEMBER SHALL BE A MONTHLY AMOUNT THAT**
17 **EQUALS NOT LESS THAN FIFTY PERCENT OF THE MEMBER'S AVERAGE MONTHLY BENEFIT**
18 **COMPENSATION.**

19 C. A member who meets the requirements for an ordinary disability
20 pension shall receive a monthly amount that is equal to a fraction times
21 the member's normal pension that is computed according to subsection A, G
22 or H of this section if the member had twenty years of credited service.
23 The fraction is the result obtained by dividing the member's actual years
24 of credited service, not to exceed twenty years of credited service, by
25 ~~twenty~~ **THE MEMBER'S REQUIRED CREDITED SERVICE FOR THE APPLICABLE NORMAL**
26 **RETIREMENT DATE.**

27 D. A member who meets the requirements for a temporary disability
28 pension shall receive a monthly amount that is equal to one-twelfth of
29 fifty percent of the member's annual compensation received immediately
30 prior to the date on which the member's disability was incurred.

31 E. A member who meets the requirements for a catastrophic
32 disability pension is entitled to receive a monthly amount computed as
33 follows:

34 1. For the first sixty months, ninety percent of the member's
35 average monthly benefit compensation before termination of employment.

36 2. After sixty months, sixty-two and one-half percent of the
37 member's average monthly benefit compensation before termination of
38 employment or computed in the same manner as a normal pension using the
39 member's average monthly benefit compensation before termination of
40 employment and the member's actual credited service, whichever is greater.

41 F. A member who was employed before September 15, 1989 by an
42 employer participating in the system and who retires on or after November
43 1, 2001 is entitled to receive a tax equity benefit allowance consisting
44 of a permanent increase of two percent of the member's base benefit
45 retroactive to the day of retirement.

1 G. A member who meets the requirements for a normal pension, who
2 becomes a member of the system on or after January 1, 2012 and before July
3 1, 2017 and who has twenty-five years of credited service shall receive a
4 monthly amount that equals sixty-two and one-half percent of the member's
5 average monthly benefit compensation. If the member has at least fifteen
6 years of credited service, but less than twenty-five years of service, the
7 monthly amount shall be equal to the member's average monthly benefit
8 compensation multiplied by the number of whole and fractional years of
9 credited service multiplied by the appropriate percentage specified in
10 subsection H of this section. If the member has twenty-five years of
11 service and retires with other than twenty-five years of credited service,
12 the foregoing amount shall be:

13 1. Reduced by four percent for each year of credited service under
14 twenty-five years, with pro rata reduction for any fractional year.

15 2. Increased by a monthly amount equal to two and one-half percent
16 of the member's average monthly benefit compensation multiplied by the
17 number of the member's years of credited service in excess of twenty-five
18 years, with pro rata increase for any fractional year.

19 H. A member who becomes a member of the system on or after July 1,
20 2017 and who retires on or after the member's normal retirement date shall
21 receive a monthly amount equal to the member's average monthly benefit
22 compensation multiplied by the number of whole and fractional years of
23 credited service multiplied by the following:

24 1. 1.50 percent if the member has at least fifteen years of
25 credited service but less than seventeen years of credited service.

26 2. 1.75 percent if the member has at least seventeen years of
27 credited service but less than nineteen years of credited service.

28 3. 2.00 percent if the member has at least nineteen years of
29 credited service but less than twenty-two years of credited service.

30 4. 2.25 percent if the member has at least twenty-two years of
31 credited service but less than twenty-five years of credited service.

32 5. 2.50 percent if the member has at least twenty-five years of
33 credited service.

34 I. Notwithstanding subsections A, G and H of this section, the
35 maximum amount payable as a normal pension is eighty percent of the
36 average monthly benefit compensation.

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

39 38-867. Contributions; member; employer; pickup

40 A. Each participant in the defined contribution plan shall
41 contribute the following percentage of the participant's gross pensionable
42 compensation by salary reduction that shall be deposited in the
43 participant's annuity account:

44 1. For a participant as defined in section 38-865, paragraph 7,
45 subdivision (a), item (ii), three percent.

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

3 3. For a participant as defined in section 38-865, paragraph 7,
4 subdivision (b), seven percent.

5 B. A participant as defined in section 38-865 may make a ~~one-time~~
6 **ONETIME** irrevocable election, before the participant is eligible to
7 participate in any qualified plan of the employer, to contribute more than
8 the percentage of the participant's gross pensionable compensation
9 specified in this section, up to the amount allowable under section 415(c)
10 of the internal revenue code. A participant as defined in section 38-865,
11 paragraph 7, subdivision (b) may make a onetime irrevocable election,
12 before the participant is eligible to participate in any qualified plan of
13 the employer, to contribute less than the percentage of the participant's
14 gross pensionable compensation specified in this section but may not elect
15 to contribute less than five percent of the participant's gross
16 pensionable compensation. The election made pursuant to this subsection
17 shall be the participant's contribution rate for the remainder of the
18 participant's employment with any employer under the system or the
19 corrections officer retirement plan, as applicable.

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

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

36 1. For a participant as defined in section 38-865, paragraph 7,
37 subdivision (a), item (ii), three percent.

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

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

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

1 F. A participant of the defined contribution plan may not take
2 loans on any portion of the accumulated assets in the participant's
3 annuity account.

4 G. Each participant as defined in section 38-865, paragraph 7,
5 subdivision (a), item (i) and subdivision (b) and each employer shall
6 contribute:

7 1. To the public safety personnel defined contribution retirement
8 plan disability program established by article 4.2 of this chapter.

9 2. FOR PARTICIPANTS WHO MAKE AN ELECTION PURSUANT TO SECTION
10 38-869, AN EQUAL AMOUNT FOR THE GROUP HEALTH BENEFITS PLAN PAYMENTS AS
11 SPECIFIED IN SECTION 38-869 AS DETERMINED BY ACTUARIAL VALUATIONS REPORTED
12 BY THE BOARD TO THE EMPLOYER AND LOCAL BOARD, WHICH SHALL BE DEPOSITED IN
13 A SEPARATE ACCOUNT ESTABLISHED PURSUANT TO SECTION 38-869.

14 H. A participant's contributions and earnings on those
15 contributions are immediately vested.

16 I. A participant as defined in section 38-865, paragraph 7,
17 subdivision (a) or section 38-865.01 is fully vested in the defined
18 contribution plan after ten years of service, with employer contributions
19 vesting at a rate of ten percent per year. If a participant described in
20 this subsection dies or is determined to be eligible for an accidental or
21 catastrophic disability pension pursuant to section 38-844 before
22 completing ten years of service, the employer contributions are
23 immediately fully vested.

24 J. A participant as defined in section 38-865, paragraph 7,
25 subdivision (b) is fully vested in the defined contribution plan after
26 three years of service, with the employer contributions vesting at the
27 following rates:

28 1. Twenty-five percent after the first year of service.

29 2. Fifty percent after the second year of service.

30 3. One hundred percent after the third year of service.

31 K. If a participant as defined in section 38-865, paragraph 7,
32 subdivision (b) dies or is determined to be eligible for an accidental or
33 total and permanent disability pension pursuant to section 38-886 before
34 completing three years of service, the employer contributions are
35 immediately fully vested.

36 Sec. 4. Title 38, chapter 5, article 4.1, Arizona Revised Statutes,
37 is amended by adding section 38-869, to read:

38 38-869. Group health benefits plan; retired participants;
39 definition

40 A. THE BOARD SHALL ESTABLISH, DESIGN AND ADMINISTER A GROUP HEALTH
41 BENEFITS PLAN TO PROVIDE GROUP HEALTH BENEFITS AS PRESCRIBED IN SECTIONS
42 38-857 AND 38-906 FOR RETIRED PARTICIPANTS WHO MAKE AN ELECTION PURSUANT
43 TO THIS SECTION. MONIES COLLECTED PURSUANT TO SECTION 38-867, SUBSECTION
44 G, PARAGRAPH 2 SHALL BE DEPOSITED IN A SEPARATE ACCOUNT SOLELY TO PAY FOR
45 GROUP HEALTH BENEFITS PROVIDED UNDER THIS SECTION AND THE AMOUNTS SHALL BE

1 HELD BY THE BOARD IN TRUST FOR THE PURPOSE OF PROVIDING THE GROUP HEALTH
2 BENEFITS.

3 B. THE PURPOSE OF THIS SECTION IS TO PROVIDE A GROUP HEALTH BENEFITS
4 PLAN THAT IS FULLY FUNDED ON A CURRENT BASIS FROM EMPLOYER AND PARTICIPANT
5 CONTRIBUTIONS. THE BOARD SHALL SUBJECT THE ACCOUNT TO ACTUARIAL ANALYSIS
6 AND MANAGE THE ACCOUNT IN AN ACTUARIALLY SOUND MANNER.

7 C. CONTRIBUTIONS MADE TO THE ACCOUNT ARE NONREFUNDABLE AND ARE
8 SEPARATE ASSETS FOR THE PURPOSES OF FUNDING THE GROUP HEALTH BENEFITS
9 PLAN.

10 D. THE LEGISLATURE INTENDS THAT THE GROUP HEALTH BENEFITS PLAN FOR
11 PARTICIPANTS CONSTITUTES THE EXERCISE BY THE BOARD OF AN ESSENTIAL
12 GOVERNMENTAL FUNCTION AS PROVIDED IN SECTION 115(1) OF THE INTERNAL
13 REVENUE CODE, AS AMENDED, OR SUCCESSOR PROVISIONS OF LAW AND THAT THE
14 TRUST CREATED PURSUANT TO THIS SECTION IS EXEMPT FROM FEDERAL AND STATE
15 INCOME TAX. NOTWITHSTANDING SUBSECTION A OF THIS SECTION, IF THE BOARD
16 DISSOLVES THE TRUST CREATED PURSUANT TO THIS SECTION, ANY REMAINING ASSETS
17 SHALL BE RETURNED TO THE EMPLOYERS THAT HAVE CONTRIBUTED TO THE TRUST IN
18 SUCH AMOUNTS AS THE BOARD DETERMINES. THE BOARD MAY ADOPT ANY ADDITIONAL
19 PROVISIONS TO THE GROUP HEALTH BENEFITS PLAN THAT IS NECESSARY TO FULFILL
20 THIS INTENT.

21 E. FOR NINETY DAYS AFTER THE EFFECTIVE DATE OF THIS SECTION,
22 EXISTING PARTICIPANTS SHALL HAVE THE OPPORTUNITY TO PARTICIPATE IN THE
23 GROUP HEALTH BENEFITS PLAN BY OPTING IN THROUGH AN IRREVOCABLE ELECTION TO
24 PAY THE REQUIRED COSTS OF THE GROUP HEALTH BENEFITS PLAN THROUGH PAYROLL
25 DEDUCTION. FOR NINETY DAYS AFTER EMPLOYMENT, PARTICIPANTS WHO ARE HIRED
26 AFTER THE EFFECTIVE DATE OF THIS SECTION MAY PARTICIPATE IN THE GROUP
27 HEALTH BENEFITS PLAN BY MAKING AN IRREVOCABLE ELECTION TO PAY THE REQUIRED
28 COSTS OF THE GROUP HEALTH BENEFITS PLAN THROUGH PAYROLL DEDUCTION. IF A
29 PARTICIPANT FAILS TO MAKE AN IRREVOCABLE ELECTION WITHIN THE NINETY-DAY
30 PERIOD SPECIFIED IN THIS SUBSECTION, THE PARTICIPANT SHALL BE EXCLUDED
31 FROM RECEIVING ANY BENEFITS SPECIFIED IN THIS SECTION DURING THE
32 PARTICIPANT'S RETIREMENT AND MAY NOT AGAIN HAVE AN ELECTION TO PARTICIPATE
33 IF THE PARTICIPANT IS EVER REEMPLOYED IN A POSITION IN WHICH THE
34 PARTICIPANT MAY AGAIN PARTICIPATE IN THE DEFINED CONTRIBUTION PLAN.

35 F. EACH PARTICIPANT WHO MAKES AN ELECTION PURSUANT TO SUBSECTION E
36 OF THIS SECTION AND THE PARTICIPANT'S EMPLOYER SHALL PAY AN EQUAL AMOUNT
37 FOR COSTS, AS ACTUARIALLY DETERMINED, FOR THE GROUP HEALTH BENEFITS PLAN
38 PURSUANT TO SECTION 38-867.

39 G. EACH EMPLOYER SHALL TRANSFER TO THE BOARD THE EMPLOYER AND
40 PARTICIPANT CONTRIBUTIONS PAID PURSUANT TO SECTION 38-867, SUBSECTION G,
41 PARAGRAPH 2 WITHIN TEN WORKING DAYS AFTER EACH PAYROLL DATE.
42 CONTRIBUTIONS TRANSFERRED AFTER THAT DATE SHALL INCLUDE A PENALTY TO BE
43 PAID BY THE EMPLOYER OF TEN PERCENT PER YEAR, COMPOUNDED ANNUALLY, FOR
44 EACH DAY THE CONTRIBUTIONS ARE LATE. DELINQUENT PAYMENTS DUE UNDER THIS
45 SUBSECTION, TOGETHER WITH INTEREST CHARGES AS PROVIDED IN THIS SUBSECTION,

1 MAY BE RECOVERED BY AN ACTION IN A COURT OF COMPETENT JURISDICTION AGAINST
2 AN EMPLOYER THAT IS LIABLE FOR THE PAYMENTS OR, AT THE REQUEST OF THE
3 BOARD, MAY BE DEDUCTED FROM ANY OTHER MONIES, INCLUDING EXCISE REVENUE
4 TAXES, PAYABLE TO SUCH AN EMPLOYER BY ANY DEPARTMENT OR AGENCY OF THIS
5 STATE.

6 H. NOTWITHSTANDING ANY OTHER LAW, THE BOARD MAY AUTHORIZE THE SYSTEM
7 TO ADMINISTER THE GROUP HEALTH BENEFITS PLAN, TO PAY COSTS FROM THE
8 ACCOUNT TO THE SYSTEM FOR ADMINISTRATIVE EXPENSES AND TO ALLOCATE COSTS ON
9 A PRO RATA BASIS CONSISTENT WITH SUBSECTION F OF THIS SECTION.

10 I. THE GROUP HEALTH BENEFIT PLAN ESTABLISHED PURSUANT TO THIS
11 SECTION SHALL PROVIDE A RETIRED PARTICIPANT WHO HAS MADE AN ELECTION
12 PURSUANT TO THIS SECTION PAYMENTS PRESCRIBED IN SECTION 38-857, SUBSECTION
13 A OR B, OR SECTION 38-906, SUBSECTION A OR B, AS APPLICABLE, IF THE
14 RETIRED PARTICIPANT BOTH:

15 1. MEETS THE REQUIREMENTS OF THE NORMAL RETIREMENT DATE AS DEFINED
16 IN SECTION 38-842, PARAGRAPH 32, SUBDIVISION (c) OR SECTION 38-881,
17 PARAGRAPH 28, SUBDIVISION (c), AS APPLICABLE.

18 2. HAS ELECTED EITHER:

19 (a) TO PARTICIPATE IN THE GROUP HEALTH AND ACCIDENT COVERAGE
20 PROVIDED BY SECTION 38-651.01 OR 38-782 OR ANY OTHER RETIREE HEALTH AND
21 ACCIDENT INSURANCE COVERAGE PROVIDED OR ADMINISTERED BY A PARTICIPATING
22 EMPLOYER.

23 (b) TO PURCHASE INDIVIDUAL HEALTH CARE COVERAGE AND RECEIVE A
24 PAYMENT PURSUANT TO THIS SECTION THROUGH THE RETIRED PARTICIPANT'S FORMER
25 EMPLOYER IF THAT FORMER EMPLOYER ASSUMES THE ADMINISTRATIVE FUNCTIONS
26 ASSOCIATED WITH THE PAYMENT, INCLUDING VERIFICATION THAT THE PAYMENT IS
27 USED TO PAY FOR HEALTH INSURANCE COVERAGE IF THE PAYMENT IS MADE TO THE
28 RETIRED PARTICIPANT.

29 J. FOR THE PURPOSES OF THIS SECTION, "PARTICIPANT" MEANS A
30 PARTICIPANT AS DEFINED IN SECTION 38-865, PARAGRAPH 7, SUBDIVISION (a),
31 ITEM (i) AND SUBDIVISION (b).

32 Sec. 5. Effective date

33 Sections 38-651.01 and 38-867, Arizona Revised Statutes, as amended
34 by this act, and section 38-869, Arizona Revised Statutes, as added by
35 this act, are effective from and after June 30, 2022."

APPROVED BY THE GOVERNOR MAY 5, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 5, 2021.