

Senate Engrossed

ASRS; self-insurance program

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

SENATE BILL 1054

AN ACT

AMENDING SECTIONS 38-782 AND 38-783, 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 38-782, Arizona Revised Statutes, is amended to
3 read:

4 38-782. Group health and accident coverage for retired public
5 employees and elected officials and their
6 dependents; definition

7 A. The board shall establish group health and accident coverage for
8 eligible retired MEMBERS, surviving DEPENDENTS and members with a
9 disability and their dependents. The board may establish a self-insurance
10 program for the purposes of this subsection if the board determines that
11 self-insuring would be less expensive than and at least as effective as a
12 fully insured plan, while considering the risks and costs. If the board
13 establishes a self-insurance program, the board shall provide that the
14 self-insurance program include all health coverage benefits that are
15 required pursuant to title 20. ASRS shall establish a separate account
16 for any self-insurance program established pursuant to this section in an
17 amount determined appropriate by ASRS. ASRS shall not use or divert any
18 part of the corpus or income of the account for any purpose other than to
19 ~~administer~~ PROVIDE BENEFITS AND TO PAY THE ADMINISTRATION COSTS FOR the
20 self-insurance program PURSUANT TO THIS SECTION OR THE PREMIUM PAYMENTS
21 PURSUANT TO SECTION 38-783 unless the board determines that a
22 self-insurance program should no longer be offered. If a self-insurance
23 program is no longer offered, monies in the account shall be ~~transferred~~
24 ~~to another account of ASRS as determined by ASRS~~ USED TO PROVIDE ANY
25 REMAINING BENEFITS AND TO PAY ADMINISTRATION COSTS FOR THE SELF-INSURANCE
26 PROGRAM PURSUANT TO THIS SECTION OR THE PREMIUM PAYMENTS PURSUANT TO
27 SECTION 38-783. IF THE LIABILITIES OF ASRS TO PROVIDE THE BENEFITS UNDER
28 THE SELF-INSURANCE PROGRAM AND THE PREMIUM PAYMENTS PURSUANT TO SECTION
29 38-783 ARE SATISFIED, THE BOARD SHALL RETURN ANY REMAINING MONIES IN THE
30 ACCOUNT TO THE EMPLOYER. If an insured retired MEMBER or member with a
31 disability dies before the insured member's dependent beneficiary or an
32 insured surviving dependent, the dependent beneficiary or insured
33 surviving dependent is entitled to coverage at group rates if the
34 dependent beneficiary or surviving dependent elects to continue in the
35 coverage within six months of the insured member's death and the dependent
36 beneficiary or surviving dependent agrees to pay the cost of the premium
37 for group health and accident insurance. On notification of the insured
38 member's death, the board shall immediately notify a dependent beneficiary
39 or an insured surviving dependent of the provisions of this section.

40 B. Retired members of the public safety personnel retirement
41 system, THE PUBLIC SAFETY PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN
42 ESTABLISHED PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER, the elected
43 officials' retirement plan, the elected officials' defined contribution
44 retirement system established pursuant to article 3.1 of this chapter, the
45 corrections officer retirement plan or the optional retirement programs

1 authorized pursuant to sections 15-1451 and 15-1628 and their dependents
2 who are receiving benefits from the public safety personnel retirement
3 system, **THE PUBLIC SAFETY PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN**
4 **ESTABLISHED PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER**, the elected
5 officials' retirement plan, the elected officials' defined contribution
6 retirement system established pursuant to article 3.1 of this chapter, the
7 corrections officer retirement plan or the optional retirement programs
8 authorized pursuant to sections 15-1451 and 15-1628 and who are not
9 covered by section 38-651.01 may participate in group health and accident
10 coverage provided pursuant to this section. On the death of an insured
11 member of the public safety personnel retirement system, **THE PUBLIC SAFETY**
12 **PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN ESTABLISHED PURSUANT TO**
13 **ARTICLE 4.1 OF THIS CHAPTER**, the elected officials' retirement plan, the
14 elected officials' defined contribution retirement system established
15 pursuant to article 3.1 of this chapter, the corrections officer
16 retirement plan or the optional retirement programs authorized pursuant to
17 sections 15-1451 and 15-1628, the insured surviving dependent is entitled
18 to coverage at group rates. Except as provided in subsection H of this
19 section, the surviving dependent shall be charged amounts that are
20 sufficient to pay for the premium and administrative expense of providing
21 the coverage.

22 C. The board may enter into agreements with retired **MEMBERS**,
23 surviving **DEPENDENTS** and members with a disability of ASRS and retired
24 members of the elected officials' defined contribution retirement system
25 established pursuant to article 3.1 of this chapter who elect to obtain
26 the coverage provided pursuant to subsection A of this section. Those
27 agreements may include provisions for the deduction from the retirement
28 benefits of the members who elect to obtain the coverage of amounts
29 sufficient to pay for the premium not covered under retirement benefits
30 and the administrative expense of providing the coverage.

31 D. The board of trustees of the public safety personnel retirement
32 system may enter into agreements with retired members of the public safety
33 personnel retirement system, the elected officials' retirement plan, the
34 corrections officer retirement plan and their dependents who elect to
35 obtain the coverage provided pursuant to this section. Those agreements
36 may include provisions for the deduction from the retirement benefits of
37 the members who elect to obtain the coverage of amounts sufficient to pay
38 for the premium not covered under their retirement benefits and the
39 administrative expense of providing the coverage.

40 E. The board may enter into agreements with retired members of the
41 optional retirement programs authorized pursuant to sections 15-1451 and
42 15-1628 and their dependents who elect to obtain the coverage provided
43 pursuant to this section. Those agreements may include provisions for the
44 payment of amounts sufficient to pay for the premium and administrative
45 expense of providing the coverage.

1 F. If an insured member receiving long-term disability benefits
2 pursuant to article 2.1 of this chapter becomes ineligible for the
3 long-term disability benefits, the member and the covered dependents of
4 the member may continue to participate in the group health and accident
5 coverage provided pursuant to this section subject to the following
6 conditions:

7 1. Participation in the coverage is limited to twelve months from
8 the date the member ceases eligibility for benefits under article 2.1 of
9 this chapter or the member commences employment, whichever occurs first.

10 2. The member shall pay the full premium cost of the coverage
11 selected, and the member is not eligible for benefits pursuant to section
12 38-783.

13 3. If a member who participates in the coverage dies during the
14 ~~twelve-month~~ TWELVE-MONTH period provided by this subsection, covered
15 dependents of the member may continue coverage after the death of the
16 member through the end of the ~~twelve-month~~ TWELVE-MONTH period. Covered
17 dependents of the member who continue coverage pursuant to this paragraph
18 shall pay the full premium cost of the coverage selected and are not
19 eligible for benefits pursuant to section 38-783.

20 G. Retired MEMBERS, surviving DEPENDENTS or members with a
21 disability who are not eligible for medicare, who live in this state, who
22 enroll in a qualifying health maintenance organization under this section
23 and who reside outside the area of a qualifying health maintenance
24 organization shall be offered the option of enrolling with a qualified
25 health maintenance organization offered through their provider under the
26 same premiums as if they lived within the area boundaries of the qualified
27 health maintenance organization provided that:

28 1. All medical services are rendered and received at an office
29 designated by the qualifying health maintenance organization or at a
30 facility referred by the health maintenance organization.

31 2. All nonemergency or nonurgent travel, ambulatory and other
32 expenses from the residence area of the member to the designated office of
33 the qualifying health maintenance organization or the facility referred by
34 the health maintenance organization are the responsibility of and at the
35 expense of the member.

36 3. All emergency or urgent travel, ambulatory and other expenses
37 from the residence area of the member to the designated office of the
38 qualifying health maintenance organization or the facility referred by the
39 health maintenance organization shall be paid pursuant to any agreement
40 between the health maintenance organization and the member living outside
41 the area of the qualifying health maintenance organization.

42 H. Public monies shall not be spent to pay all or any part of the
43 insurance premium pursuant to this section except for monies authorized to
44 be paid for any insured from the retirement plan from which the insured is
45 receiving benefits.

1 I. A retired member of the elected officials' defined contribution
2 retirement system established pursuant to article 3.1 of this chapter may
3 elect to obtain the coverage provided pursuant to subsection A of this
4 section, but shall pay the premium for the coverage selected and is not
5 eligible for benefits pursuant to section 38-783 or 38-817.

6 J. For the purposes of this section, "eligible retired MEMBER,
7 surviving DEPENDENT and member with a disability" means a retired member
8 who is receiving retirement benefits from ASRS, a designated beneficiary
9 of a deceased member who is receiving a survivor benefit pursuant to
10 section 38-762, subsection C as monthly income or a member with a
11 disability who is receiving long-term disability benefits pursuant to
12 section 38-651.03 or article 2.1 of this chapter, and who does not
13 otherwise elect to obtain coverage under a group health and accident
14 insurance plan or program.

15 Sec. 2. Section 38-783, Arizona Revised Statutes, is amended to
16 read:

17 38-783. Retired members; dependents; health insurance;
18 premium payment; separate account; definitions

19 A. Subject to subsections G, H and I of this section, the board
20 shall pay from ASRS assets part of the single coverage premium of any
21 health and accident insurance for each retired member, contingent
22 annuitant or member with a disability of ASRS if the member elects to
23 participate in the coverage provided by ASRS or section 38-651.01 or
24 elects to participate in a health and accident insurance program provided
25 or administered by an employer or paid for, in whole or in part, by an
26 employer to an insurer. A contingent annuitant must be receiving a
27 monthly retirement benefit from ASRS in order to obtain any premium
28 payment provided by this section. The board shall pay:

29 1. Up to ~~one hundred fifty dollars~~ \$150 per month for a member of
30 ASRS who is not eligible for medicare if the retired member or member with
31 a disability has ten or more years of credited service.

32 2. Up to ~~one hundred dollars~~ \$100 per month for each member of ASRS
33 who is eligible for medicare if the retired member or member with a
34 disability has ten or more years of credited service.

35 B. Subject to subsections G, H and I of this section, the board
36 shall pay from ASRS assets part of the family coverage premium of any
37 health and accident insurance for a retired member, contingent annuitant
38 or member with a disability of ASRS who elects family coverage and who
39 otherwise qualifies for payment pursuant to subsection A of this section.
40 If a member of ASRS and the member's spouse are both either retired or
41 have disabilities under ASRS and apply for family coverage, the member who
42 elects family coverage is entitled to receive the payments under this
43 section as if they were both applying under a single coverage premium
44 unless the payment under this section for family coverage is greater.
45 Payment under this subsection is in the following amounts:

1 1. Up to ~~two hundred sixty dollars~~ \$260 per month if the member of
2 ASRS and one or more dependents are not eligible for medicare.

3 2. Up to ~~one hundred seventy dollars~~ \$170 per month if the member
4 of ASRS and one or more dependents are eligible for medicare.

5 3. Up to ~~two hundred fifteen dollars~~ \$215 per month if either:

6 (a) The member of ASRS is not eligible for medicare and one or more
7 dependents are eligible for medicare.

8 (b) The member of ASRS is eligible for medicare and one or more
9 dependents are not eligible for medicare.

10 C. In addition each retired member, contingent annuitant or member
11 with a disability of ASRS with less than ten years of credited service and
12 a dependent of such a retired member, contingent annuitant or member with
13 a disability who elects to participate in the coverage provided by ASRS or
14 section 38-651.01 or who elects to participate in a health and accident
15 insurance program provided or administered by an employer or paid for, in
16 whole or in part, by an employer to an insurer is entitled to receive a
17 proportion of the full benefit prescribed by subsection A or B of this
18 section according to the following schedule:

19 1. 9.0 to 9.9 years of credited service, ninety percent.

20 2. 8.0 to 8.9 years of credited service, eighty percent.

21 3. 7.0 to 7.9 years of credited service, seventy percent.

22 4. 6.0 to 6.9 years of credited service, sixty percent.

23 5. 5.0 to 5.9 years of credited service, fifty percent.

24 6. Those with less than five years of credited service do not
25 qualify for the benefit.

26 D. The board shall not pay more than the amount prescribed in this
27 section for a member of ASRS.

28 E. Notwithstanding subsections A, B and C of this section, for a
29 member who retires on or after August 2, 2012, the board shall not make a
30 payment under this section to a retired member, contingent annuitant or
31 member with a disability who is enrolled in an employer's active employee
32 group health and accident insurance program either as the insured or as a
33 dependent, except that if the retired member, contingent annuitant or
34 member with a disability is enrolled as a dependent and the premium paid
35 to the employer's active employee group health and accident insurance
36 program is not subsidized by the employer, the retired member, contingent
37 annuitant or member with a disability is entitled to receive the amount
38 provided in subsection A of this section.

39 F. The board shall establish a separate account that consists of
40 the benefits provided by this section. The board shall not use or divert
41 any part of the corpus or income of the account for any purpose other than
42 the provision of **AND THE COST OF ADMINISTERING THE** benefits under this
43 section **OR THE SELF-INSURANCE PROGRAM PURSUANT TO SECTION 38-782** unless
44 the liabilities of ASRS to provide the benefits are satisfied. If the
45 liabilities of ASRS to provide the benefits described in this section **AND**

1 SECTION 38-782 are satisfied, the board shall return any amount remaining
2 in the account to the employer.

3 G. Payment of the benefits provided by this section is subject to
4 the following conditions:

5 1. The payment of the benefits is subordinate to the payment of
6 retirement benefits payable by ASRS.

7 2. The total of contributions for the benefits and actual
8 contributions for life insurance protection, if any, shall not exceed
9 twenty-five percent of the total actual employer and employee
10 contributions to ASRS, less contributions to fund past service credits,
11 after the day the account is established.

12 3. The board shall deposit the benefits provided by this section in
13 the account.

14 4. The contributions by the employer to the account shall be
15 reasonable and ascertainable.

16 H. A member who elects to receive a retirement benefit pursuant to
17 section 38-760, subsection B, paragraph 1 may elect at the time of
18 retirement an optional form of health and accident insurance premium
19 benefit payment pursuant to this subsection as follows:

20 1. The optional premium benefit payment shall be an amount
21 prescribed by subsection A, B or C of this section that is actuarially
22 reduced to the retiring member for life. The amount of the optional
23 premium benefit payment shall be the actuarial equivalent of the premium
24 benefit payment to which the retired member would otherwise be entitled.
25 The election in a manner prescribed by the board shall name the contingent
26 annuitant and may be revoked at any time before the retiring member's
27 effective date of retirement. At any time after benefits have commenced,
28 the member may name a different contingent annuitant or rescind the
29 election by written notice to the board as follows:

30 (a) If the retired member names a different contingent annuitant,
31 the optional premium benefit payment shall be adjusted to the actuarial
32 equivalent of the original premium benefit payment based on the age of the
33 new contingent annuitant. The adjustment shall include all postretirement
34 increases or decreases in amounts prescribed by subsection A, B or C of
35 this section that are authorized by law after the retired member's date of
36 retirement. Payment of this adjusted premium benefit payment shall
37 continue under the provisions of the optional premium benefit payment
38 previously elected by the retired member. A retired member cannot name a
39 different contingent annuitant if the retired member has at any time
40 rescinded the optional form of health and accident insurance premium
41 benefit payment.

42 (b) If the retired member rescinds the election, the retired member
43 shall thereafter receive the premium benefit payment that the retired
44 member would otherwise be entitled to receive if the retired member had
45 not elected the optional premium benefit payment, including all

1 postretirement increases or decreases in amounts prescribed by subsection
2 A, B or C of this section that are authorized by law after the member's
3 date of retirement. The increased benefit payment shall continue during
4 the remainder of the retired member's lifetime. The decision to rescind
5 shall be irrevocable.

6 2. If, at the time of the retired member's death:

7 (a) The retired member was receiving a reduced premium benefit
8 payment based on an amount prescribed in subsection B or C of this section
9 and the contingent annuitant is eligible for family health and accident
10 insurance coverage, the contingent annuitant is entitled to receive a
11 premium benefit payment based on an amount prescribed in subsection B or C
12 of this section times the reduction factor applied to the retired member's
13 premium benefit payment times the joint and survivor option reduction
14 factor elected by the retired member at the time of retirement pursuant to
15 section 38-760, subsection B, paragraph 1.

16 (b) The retired member was receiving a reduced premium benefit
17 payment based on an amount prescribed in subsection A or C of this section
18 and the contingent annuitant is eligible for single health and accident
19 insurance coverage, the contingent annuitant is entitled to receive a
20 premium benefit payment based on an amount prescribed in subsection A or C
21 of this section times the reduction factor applied to the retired member's
22 premium benefit payment times the joint and survivor option reduction
23 factor elected by the retired member at the time of retirement pursuant to
24 section 38-760, subsection B, paragraph 1.

25 (c) The retired member was receiving a reduced premium benefit
26 payment based on an amount prescribed in subsection B or C of this section
27 and the contingent annuitant is not eligible for family health and
28 accident insurance coverage, the contingent annuitant is entitled to
29 receive a premium benefit payment based on an amount prescribed in
30 subsection A or C of this section times the reduction factor applied to
31 the retired member's premium benefit payment times the joint and survivor
32 option reduction factor elected by the retired member at the time of
33 retirement pursuant to section 38-760, subsection B, paragraph 1.

34 I. A member who elects to receive a retirement benefit pursuant to
35 section 38-760, subsection B, paragraph 2 may elect at the time of
36 retirement an optional form of health and accident insurance premium
37 benefit payment pursuant to this subsection as follows:

38 1. The optional premium benefit payment shall be an amount
39 prescribed by subsection A, B or C of this section that is actuarially
40 reduced with payments for five, ten or fifteen years that are not
41 dependent on the continued lifetime of the retired member but whose
42 payments continue for the retired member's lifetime beyond the five, ten
43 or fifteen year period. The election in a manner prescribed by the board
44 shall name the contingent annuitant and may be revoked at any time before
45 the retiring member's effective date of retirement. At any time after

1 benefits have commenced, the member may name a different contingent
2 annuitant or rescind the election by written notice to the board. If the
3 retired member rescinds the election, the retired member shall thereafter
4 receive the premium benefit payment that the retired member would
5 otherwise be entitled to receive if the retired member had not elected the
6 optional premium benefit payment, including all postretirement increases
7 or decreases in amounts prescribed by subsection A, B or C of this section
8 that are authorized by law after the member's date of retirement. The
9 increased benefit payment shall continue during the remainder of the
10 retired member's lifetime. The decision to rescind shall be irrevocable.

11 2. If, at the time of the retired member's death:

12 (a) The retired member was receiving a reduced premium benefit
13 payment based on an amount prescribed in subsection B or C of this section
14 and the contingent annuitant is eligible for family health and accident
15 insurance coverage, the contingent annuitant is entitled to receive a
16 premium benefit payment based on an amount prescribed in subsection B or C
17 of this section times the period certain and life option reduction factor
18 elected by the retired member at the time of retirement pursuant to
19 section 38-760, subsection B, paragraph 2.

20 (b) The retired member was receiving a reduced premium benefit
21 payment based on an amount prescribed in subsection A or C of this section
22 and the contingent annuitant is eligible for single health and accident
23 insurance coverage, the contingent annuitant is entitled to receive a
24 premium benefit payment based on an amount prescribed in subsection A or C
25 of this section times the period certain and life option reduction factor
26 elected by the retired member at the time of retirement pursuant to
27 section 38-760, subsection B, paragraph 2.

28 (c) The retired member was receiving a reduced premium benefit
29 payment based on an amount prescribed in subsection B or C of this section
30 and the contingent annuitant is not eligible for family health and
31 accident insurance coverage, the contingent annuitant is entitled to
32 receive a premium benefit payment based on an amount prescribed in
33 subsection A or C of this section times the period certain and life option
34 reduction factor elected by the retired member at the time of retirement
35 pursuant to section 38-760, subsection B, paragraph 2.

36 J. If, at the time of retirement, a retiring member does not elect
37 to receive a reduced premium benefit payment pursuant to subsection H or I
38 of this section, the retired member's contingent annuitant is not eligible
39 at any time for the optional premium benefit payment.

40 K. If a member who is eligible for benefits pursuant to this
41 section forfeits the member's interest in the account before the
42 termination of ASRS, an amount equal to the amount of the forfeiture shall
43 be applied as soon as possible to reduce employer contributions to fund
44 the benefits provided by this section.

1 L. A contingent annuitant is not eligible for any premium benefit
2 payment if the contingent annuitant was not enrolled in an eligible health
3 and accident insurance plan at the time of the retired member's death or
4 if the contingent annuitant is not the dependent beneficiary or insured
5 surviving dependent as provided in section 38-782.

6 M. For the purposes of this section:

7 1. "Account" means the separate account established pursuant to
8 subsection F of this section.

9 2. "Credited service" includes prior service.

10 3. "Prior service" means service for this state or a political
11 subdivision of this state before membership in the defined contribution
12 program administered by ASRS.

13 4. "Subsidized" means a portion of the total premium is paid by the
14 employer, but does not necessarily mean a plan in which the employer uses
15 blended rates to determine the total premium.