

House Engrossed Senate Bill  
PSPRS; deferred retirement option plan

State of Arizona  
Senate  
Fifty-fifth Legislature  
Second Regular Session  
2022

**CHAPTER 351**  
**SENATE BILL 1268**

AN ACT

AMENDING SECTIONS 38-844.03 AND 38-844.05, ARIZONA REVISED STATUTES;  
AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY  
ADDING SECTION 38-844.10; REPEALING SECTION 38-844.10, ARIZONA REVISED  
STATUTES; RELATING TO 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 38-844.03, Arizona Revised Statutes, is amended  
3 to read:

4 38-844.03. Eligibility; participation

5 A. Any member who is eligible for a normal pension pursuant to  
6 section 38-844, subsection A, who becomes a member of the system before  
7 January 1, 2012 and who has at least twenty years of credited service is  
8 eligible to participate **FOR NOT MORE THAN SIXTY CONSECUTIVE MONTHS** in the  
9 deferred retirement option plan. In addition, any member who is subject  
10 to section 38-858, subsection C is eligible to participate **FOR NOT MORE**  
11 **THAN SIXTY CONSECUTIVE MONTHS** in the deferred retirement option plan  
12 retroactive to the member's twentieth year of credited service or on the  
13 day before the member began military service, whichever is later, if the  
14 member makes the election pursuant to this section on or before resuming  
15 employment with the member's employer. **ANY MEMBER WHO IS ELIGIBLE FOR A**  
16 **NORMAL PENSION PURSUANT TO SECTION 38-844, SUBSECTION A, WHO BECOMES A**  
17 **MEMBER OF THE SYSTEM BEFORE JANUARY 1, 2012, WHO IS AT LEAST FIFTY-ONE**  
18 **YEARS OF AGE AND WHO HAS AT LEAST TWENTY-FOUR AND ONE-HALF YEARS OF**  
19 **CREDITED SERVICE IS ELIGIBLE TO PARTICIPATE FOR NOT MORE THAN EIGHTY-FOUR**  
20 **CONSECUTIVE MONTHS IN THE DEFERRED RETIREMENT OPTION PLAN.**

21 B. A member who elects to participate in the deferred retirement  
22 option plan shall voluntarily and irrevocably:

23 1. Designate a period of participation that is not more than sixty  
24 consecutive months **OR EIGHTY-FOUR CONSECUTIVE MONTHS, AS APPLICABLE**  
25 **PURSUANT TO SUBSECTION A OF THIS SECTION.**

26 2. Beginning on the date the member elects to participate in the  
27 deferred retirement option plan, cease to accrue benefits under any other  
28 provision of this article. The member's effective date of participation  
29 is the first day of the month following the date the member elects to  
30 participate.

31 3. Have deferred retirement option plan benefits credited to a  
32 deferred retirement option plan participation account pursuant to section  
33 38-844.05.

34 4. Receive benefits from the system on termination of employment at  
35 the same time and in the same manner as otherwise prescribed in this  
36 article.

37 5. Agree to terminate employment on completion of the deferred  
38 retirement option plan participation period designated by the member on  
39 the appropriate deferred retirement option plan participation form.

40 C. If a member fails to terminate employment on completion of the  
41 designated deferred retirement option plan participation period:

42 1. The member is not entitled to the interest accumulation on the  
43 deferred retirement option plan participation account.

44 2. The deferred retirement option plan participation account shall  
45 not be credited with the monthly amount prescribed in section 38-844.05,

1 subsection C, paragraph 1 and that amount shall not be paid directly to  
2 the member.

3 3. The payment prescribed in section 38-844.08, subsection A,  
4 paragraph 1 shall not be paid until the member terminates employment and  
5 is payable at the same time as the pension amount is paid on retirement.

6 4. The member does not acquire any further credited service in the  
7 system.

8 Sec. 2. Section 38-844.05, Arizona Revised Statutes, is amended to  
9 read:

10 38-844.05. Deferred retirement option benefits and  
11 participation accounts

12 A. A deferred retirement option plan participation account is an  
13 account established within the system on behalf of each deferred  
14 retirement option plan participant. All benefits accrued pursuant to this  
15 article shall be accounted for in the deferred retirement option plan  
16 participation account. A deferred retirement option plan participant does  
17 not have a claim on the assets of the system with respect to the member's  
18 deferred retirement option plan participation account and assets shall not  
19 be set aside for any deferred retirement option plan participant that are  
20 separate from all other system assets.

21 B. All amounts credited to a member's deferred retirement option  
22 plan participation account are fully vested.

23 C. A member's deferred retirement option plan participation account  
24 shall be credited with the following:

25 1. An amount, credited monthly, that is computed in the same manner  
26 as a normal retirement benefit using the factors of credited service and  
27 average monthly benefit compensation in effect on the date of deferred  
28 retirement option plan participation.

29 2. **FOR THE FIRST SIXTY MONTHS**, an amount, credited monthly, that  
30 represents interest on the amount credited pursuant to paragraph 1 of this  
31 subsection at a rate equal to the assumed rate of return determined by the  
32 board.

33 **D. BEGINNING ON OR BEFORE JANUARY 1, 2023, AT THE END OF THE FIRST**  
34 **SIXTY-MONTH PERIOD, FOR A MEMBER WHO EXTENDED THE MEMBER'S PERIOD OF**  
35 **PARTICIPATION IN THE DEFERRED RETIREMENT OPTION PLAN PAST SIXTY MONTHS,**  
36 **THE SYSTEM SHALL TRANSFER THE ACCUMULATED BALANCE OF A MEMBER'S DEFERRED**  
37 **RETIREMENT OPTION PLAN PARTICIPATION ACCOUNT TO AN ACCOUNT CREATED FOR THE**  
38 **MEMBER IN A DEFINED CONTRIBUTION PLAN. FOR THE SUBSEQUENT PERIOD OF TIME**  
39 **IN THE DEFERRED RETIREMENT OPTION PLAN, UP TO TWENTY-FOUR MONTHS, ALL**  
40 **DEFERRED RETIREMENT OPTION PLAN BENEFITS THAT ARE ACCRUED AND CREDITED**  
41 **MONTHLY PURSUANT TO SUBSECTION C, PARAGRAPH 1 OF THIS SECTION SHALL BE**  
42 **DEPOSITED IN THE MEMBER'S DEFINED CONTRIBUTION PLAN ACCOUNT. A MEMBER MAY**  
43 **NOT WITHDRAW THE ASSETS OF THE MEMBER'S DEFINED CONTRIBUTION PLAN ACCOUNT**  
44 **UNTIL THE MEMBER TERMINATES EMPLOYMENT.**

1 ~~D.~~ E. The participant is not entitled to receive any amount  
2 prescribed by section 38-856.05 or 38-857 during the deferred retirement  
3 option plan participation period.

4 Sec. 3. Title 38, chapter 5, article 4, Arizona Revised Statutes,  
5 is amended by adding section 38-844.10, to read:

6 38-844.10. Deferred retirement option plan; employer;  
7 extension approval

8 NOTWITHSTANDING THE AGE AND SERVICE REQUIREMENTS PRESCRIBED IN  
9 SECTION 38-844.03, AN EMPLOYER MAY APPROVE, FOR A MEMBER OF THE PUBLIC  
10 SAFETY PERSONNEL RETIREMENT SYSTEM WHO IS PARTICIPATING IN THE DEFERRED  
11 RETIREMENT OPTION PLAN ON THE EFFECTIVE DATE OF THIS SECTION, AN EXTENSION  
12 OF THE MEMBER'S PERIOD OF PARTICIPATION FOR UP TO AN ADDITIONAL  
13 TWENTY-FOUR MONTHS.

14 Sec. 4. Delayed repeal

15 Section 38-844.10, Arizona Revised Statutes, as added by this act,  
16 is repealed from and after December 31, 2027.

17 Sec. 5. Public safety personnel retirement system board of  
18 trustees; recommendations

19 On or before December 31, 2022, the public safety personnel  
20 retirement system board of trustees shall report to the governor,  
21 president of the senate and the speaker of the house of representatives  
22 recommendations from stakeholders regarding measures that can improve  
23 retention for members of the public safety personnel retirement system who  
24 were hired on or after January 1, 2012 and before July 1, 2017 and  
25 measures that can improve retention and recruitment for members who were  
26 hired on or after July 1, 2017.

27 Sec. 6. Deferred retirement option plan; transfer and deposit  
28 requirements; interest

29 Notwithstanding the transfer and deposit requirements in section  
30 38-844.05, subsection D, Arizona Revised Statutes, as added by this act,  
31 beginning on the effective date of this act until the system transfers the  
32 balance of a member's deferred retirement option plan participation  
33 account to an account in a defined contribution plan pursuant to section  
34 38-844.05, subsection D, Arizona Revised Statutes, as added by this act,  
35 the member's participation account shall continue to accrue benefits but  
36 will receive zero percent interest for that period of time.

37 Sec. 7. Emergency

38 This act is an emergency measure that is necessary to preserve the  
39 public peace, health or safety and is operative immediately as provided by  
40 law.

APPROVED BY THE GOVERNOR JULY 6, 2022.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 6, 2022.