

House Engrossed Senate Bill
PSPRS; deferred retirement option plan

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

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.

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

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

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

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

Sec. 4. Delayed repeal

Section 38-844.10, Arizona Revised Statutes, as added by this act, is repealed from and after December 31, 2027.

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

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

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

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

Sec. 7. Emergency

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