

House Engrossed

public retirement systems; administration

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

CHAPTER 192
HOUSE BILL 2080

AN ACT

AMENDING SECTIONS 38-833, 38-848, 38-849, 38-884 AND 38-951, ARIZONA
REVISED STATUTES; 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 38-833, Arizona Revised Statutes, is amended to
3 read:

4 38-833. Member and employer contributions; disability

5 A. Beginning January 1, 2014, the defined contribution system is
6 the retirement program for elected officials, unless the elected official
7 is described in section 38-727, subsection B. Elected officials shall be
8 enrolled in the defined contribution ~~plan~~ SYSTEM established by the board
9 pursuant to this article.

10 B. Each elected official who is a member of the defined
11 contribution system shall contribute eight ~~per cent~~ PERCENT of the
12 member's gross compensation by salary reduction that shall be deposited in
13 the member's annuity account. Each member shall also contribute to the
14 elected officials' defined contribution retirement system disability
15 program pursuant to article 3.2 of this chapter.

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

30 D. Each employer shall annually make a contribution equal to six
31 ~~per cent~~ PERCENT of each member's gross compensation. The pro rata share
32 of this amount shall be paid on each date that a member contribution is
33 made and shall be credited to the member's annuity account. Each employer
34 shall also contribute to the elected officials' defined contribution
35 retirement system disability program pursuant to article 3.2 of this
36 chapter.

37 E. Member and employer contributions and earnings on those
38 contributions are immediately vested. A member WHO WAS NOT AN ACTIVE,
39 INACTIVE OR RETIRED MEMBER OF THE ELECTED OFFICIALS' RETIREMENT PLAN OR A
40 MEMBER OF THE ELECTED OFFICIALS' RETIREMENT PLAN WITH A DISABILITY may
41 receive benefits pursuant to article 3.2 of this chapter if the member
42 develops a total disability.

1 Sec. 2. Section 38-848, Arizona Revised Statutes, is amended to
2 read:

3 38-848. Board of trustees; powers and duties; reporting
4 requirements; independent trust fund;
5 administrator; agents and employees; advisory
6 committee

7 A. The board of trustees shall consist of nine members and shall
8 have the rights, powers and duties that are set forth in this section.
9 The term of office of members shall be five years to expire on the third
10 Monday in January of the appropriate year. The board shall select a
11 chairperson from among its members each calendar year. Members are
12 eligible to receive compensation in an amount of \$50 a day, but not to
13 exceed \$1,000 in any one fiscal year, and are eligible for reimbursement
14 of expenses pursuant to chapter 4, article 2 of this title. The board
15 consists of the following members appointed as follows:

16 1. Two members representing law enforcement, one of whom is
17 appointed by the president of the senate and one of whom is appointed by
18 the governor. A statewide association representing law enforcement in
19 this state shall forward nominations to the appointing elected officials,
20 providing at least three nominees for each position. At least one of the
21 members appointed under this paragraph shall be an elected local board
22 member.

23 2. Two members representing firefighters, one of whom is appointed
24 by the speaker of the house of representatives and one of whom is
25 appointed by the governor. A statewide association representing
26 firefighters in this state shall forward nominations to the appointing
27 elected officials, providing at least three nominees for each position.
28 At least one of the members appointed under this paragraph shall be an
29 elected local board member.

30 3. Three members representing cities and towns in this state, one
31 of whom is appointed by the president of the senate, one of whom is
32 appointed by the speaker of the house of representatives and one of whom
33 is appointed by the governor. An association representing cities and
34 towns in this state shall forward nominations to the appointing elected
35 officials, providing at least three nominees for each position. These
36 nominees shall represent taxpayers or employers and may not be members of
37 the system.

38 4. One member who represents counties in this state and who is
39 appointed by the governor. An association representing county supervisors
40 in this state shall forward nominations to the governor, providing at
41 least three nominees for the position. These nominees shall represent
42 taxpayers or employers and may not be members of the system.

43 5. One member who is appointed by the governor from a list of three
44 nominees forwarded by the board. The board shall select the nominees to

1 forward to the governor from a list of at least five nominees received
2 from the advisory committee.

3 B. Each appointment made pursuant to subsection A of this section
4 shall be chosen from the list of nominees provided to the appointing
5 elected official. For any appointment made by the governor pursuant to
6 subsection A of this section, before appointment by the governor, a
7 prospective member of the board shall submit a full set of fingerprints to
8 the governor to obtain a state and federal criminal records check pursuant
9 to section 41-1750 and Public Law 92-544. The department of public safety
10 may exchange this fingerprint data with the federal bureau of
11 investigation. A board member may be reappointed. Notwithstanding
12 section 38-295, a board member may be removed from office only for cause
13 by the appointing power or because the board member has vacated the
14 member's seat on the board. A board member who is removed for cause shall
15 be provided written notice and an opportunity for a response. The
16 appointing power may remove a board member based on written findings that
17 specify the reason for removal. Any vacancy that occurs other than by
18 expiration of a term shall be filled for the balance of the term. All
19 vacancies shall be filled in the same manner as the initial appointment.
20 A board member vacates the office if the member either:

21 1. Is absent without excuse from three consecutive regular meetings
22 of the board.

23 2. Resigns, dies or becomes unable to perform board member duties.

24 C. The members of the board who are appointed pursuant to
25 subsection A of this section and who are not members of the system shall
26 be independent, qualified professionals who are responsible for the
27 performance of fiduciary duties and other responsibilities required to
28 preserve and protect the fund and shall have at least ten years'
29 substantial experience as any one or a combination of the following:

30 1. A portfolio manager acting in a fiduciary capacity.

31 2. A securities analyst.

32 3. A senior executive or principal of a trust institution,
33 investment organization or endowment fund acting either in a management or
34 an investment-related capacity.

35 4. A chartered financial analyst in good standing as determined by
36 the chartered financial analyst institute.

37 5. A current or former professor or instructor at the college or
38 university level in the field of economics, finance, actuarial science,
39 accounting or pension-related subjects.

40 6. An economist.

41 7. Any other senior executive engaged in the field of public or
42 private finances or with experience with public pension systems.

43 8. A senior executive in insurance, banking, underwriting,
44 auditing, human resources or risk management.

1 D. All monies in the fund shall be deposited and held in a public
2 safety personnel retirement system depository. Monies in the fund shall
3 be disbursed from the depository separate and apart from all monies or
4 funds of this state and the agencies, instrumentalities and subdivisions
5 of this state, except that the board may commingle the assets of the fund
6 and the assets of all other plans entrusted to its management in one or
7 more group trusts, subject to the crediting of receipts and earnings and
8 charging of payments to the appropriate employer, system or plan. The
9 monies shall be secured by the depository in which they are deposited and
10 held to the same extent and in the same manner as required by the general
11 depository law of this state. For purposes of making the decision to
12 invest in securities owned by the fund or any plan or trust administered
13 by the board, the fund and assets of the plans and the plans' trusts are
14 subject to the sole management of the board for the purpose of this
15 article except that, on the board's election to invest in a particular
16 security or make a particular investment, the assets comprising the
17 security or investment may be chosen and managed by third parties approved
18 by the board. The board may invest in portfolios of securities chosen and
19 managed by a third party. The board's decision to invest in securities
20 such as mutual funds, commingled investment funds, exchange traded funds,
21 private equity or venture capital limited partnerships, real estate
22 limited partnerships or limited liability companies and real estate
23 investment trusts whose assets are chosen and managed by third parties is
24 not an improper delegation of the board's investment authority.

25 E. All contributions under this system and other retirement plans
26 that the board administers shall be forwarded to the board and shall be
27 held, invested and reinvested by the board as provided in this article.
28 All property and monies of the fund and other retirement plans that the
29 board administers, including income from investments and from all other
30 sources, shall be retained for the exclusive benefit of members, as
31 provided in the system and other retirement plans that the board
32 administers, and shall be used to pay benefits to members or their
33 beneficiaries or to pay expenses of operation and administration of the
34 system and fund and other retirement plans that the board administers.

35 F. The board shall have the full power in its sole discretion to
36 invest and reinvest, alter and change the monies accumulated under the
37 system and other retirement plans and trusts that the board administers as
38 provided in this article. In addition to its power to make investments
39 managed by others, the board may delegate the authority the board deems
40 necessary and prudent to investment management pursuant to section
41 38-848.03, as well as to the administrator, employed by the board pursuant
42 to subsection M, paragraph 6 of this section, and any deputy or assistant
43 administrators to invest the monies of the system and other retirement
44 plans and trusts that the board administers if the administrator,
45 investment management and any deputy or assistant administrators follow

1 the investment policies that are adopted by the board. The board may
2 commingle securities and monies of the fund, the elected officials'
3 retirement plan, the corrections officer retirement plan and other plans
4 or monies entrusted to its care, subject to the crediting of receipts and
5 earnings and charging of payments to the account of the appropriate
6 employer, system or plan. In making every investment, the board shall
7 exercise the judgment and care under the circumstances then prevailing
8 that persons of ordinary prudence, discretion and intelligence exercise in
9 the management of their own affairs, not in regard to speculation but in
10 regard to the permanent disposition of their funds, considering the
11 probable income from their funds as well as the probable safety of their
12 capital, if:

13 1. Not more than eighty percent of the combined assets of the
14 system or other plans that the board manages is invested at any given time
15 in corporate stocks, based on the cost value of the stocks irrespective of
16 capital appreciation.

17 2. Not more than five percent of the combined assets of the system
18 or other plans that the board manages is invested in corporate stock
19 issued by any one corporation, other than corporate stock issued by
20 corporations chartered by the United States government or corporate stock
21 issued by a bank or insurance company.

22 3. Not more than five percent of the voting stock of any one
23 corporation is owned by the system and other plans that the board
24 administers, except that this limitation does not apply to membership
25 interests in limited liability companies.

26 4. Corporate stocks and exchange traded funds eligible for direct
27 purchase are restricted to stocks and exchange traded funds that, except
28 for bank stocks, insurance stocks, **STOCKS ACQUIRED AS AN INVESTMENT IN ANY**
29 **COMMINGLED INVESTMENT**, stocks acquired for coinvestment in connection with
30 the system's or the plans' or trusts' commingled investments and interests
31 in limited liability companies and mutual funds, are any of the following:

32 (a) Listed or approved on issuance for listing on an exchange
33 registered under the securities exchange act of 1934, as amended
34 (15 United States Code sections 78a through 78pp).

35 (b) Designated or approved on notice of issuance for designation on
36 the national market system of a national securities association registered
37 under the securities exchange act of 1934, as amended (15 United States
38 Code sections 78a through 78pp).

39 (c) Listed or approved on issuance for listing on an exchange
40 registered under the laws of this state or any other state.

41 (d) Listed or approved on issuance for listing on an exchange of a
42 foreign country with which the United States is maintaining diplomatic
43 relations at the time of purchase, except that not more than twenty
44 percent of the combined assets of the system and other plans that the

1 board manages is invested in foreign securities, based on the cost value
2 of the stocks irrespective of capital appreciation.

3 (e) An exchange traded fund that is recommended by the chief
4 investment officer of the system, that is registered under the investment
5 company act of 1940 (15 United States Code sections 80a-1 through 80a-64)
6 and that is both traded on a public exchange and based on a publicly
7 recognized index.

8 G. Notwithstanding any other law, the board is not required to
9 invest in any type of investment that is dictated or required by any
10 entity of the federal government and that is intended to fund economic
11 development projects, public works or social programs, but may consider
12 such economically targeted investments pursuant to its fiduciary
13 responsibility. The board, on behalf of the system and all other plans or
14 trusts the board administers, may invest in, lend monies to or guarantee
15 the repayment of monies by a limited liability company, limited
16 partnership, joint venture, partnership, limited liability partnership or
17 trust in which the system and plans or trusts have a financial interest,
18 whether the entity is closely held or publicly traded and that, in turn,
19 may be engaged in any lawful activity, including venture capital, private
20 equity, the ownership, development, management, improvement or operation
21 of real property and any improvements or businesses on real property or
22 the lending of monies.

23 H. Conference call meetings of the board that are held for
24 investment purposes only are not subject to chapter 3, article 3.1 of this
25 title, except that the board shall maintain minutes of these conference
26 call meetings and make them available for public inspection within
27 twenty-four hours after the meeting. The board shall review the minutes
28 of each conference call meeting and shall ratify all legal actions taken
29 during each conference call meeting at the next scheduled meeting of the
30 board.

31 I. The board is not liable for the exercise of more than ordinary
32 care and prudence in the selection of investments and performance of its
33 duties under the system and is not limited to so-called "legal investments
34 for trustees", but all monies of the system and other plans that the board
35 administers shall be invested subject to all of the conditions,
36 limitations and restrictions imposed by law.

37 J. Except as provided in subsection F of this section, the board
38 may:

39 1. Invest and reinvest the principal and income of all assets that
40 the board manages without distinction between principal and income.

41 2. Sell, exchange, convey, transfer or otherwise dispose of any
42 investments made on behalf of the system or other plans the board
43 administers in the name of the system or plans by private contract or at
44 public auction.

1 3. Also:
2 (a) Vote on any stocks, bonds or other securities.
3 (b) Give general or special proxies or powers of attorney with or
4 without power of substitution.
5 (c) Exercise any conversion privileges, subscription rights or
6 other options and make any payments incidental to the exercise of the
7 conversion privileges, subscription rights or other options.
8 (d) Consent to or otherwise participate in corporate
9 reorganizations or other changes affecting corporate securities, delegate
10 discretionary powers and pay any assessments or charges in connection
11 therewith.
12 (e) Generally exercise any of the powers of an owner with respect
13 to stocks, bonds, securities or other investments held in or owned by the
14 system or other plans whose assets the board administers.
15 4. Make, execute, acknowledge and deliver any other instruments
16 that may be necessary or appropriate to carry out the powers granted in
17 this section.
18 5. Register any investment held by the system or other plans whose
19 assets the board administers in the name of the system or plan or in the
20 name of a nominee or trust.
21 6. At the expense of the system or other plans that the board
22 administers, enter into an agreement with any bank or banks for the
23 safekeeping and handling of securities and other investments coming into
24 the possession of the board. The agreement shall be entered into under
25 terms and conditions that secure the proper safeguarding, inventory,
26 withdrawal and handling of the securities and other investments. Access
27 to and deposit or withdrawal of the securities from any place of deposit
28 selected by the board is not allowed and may not be made except as the
29 terms of the agreement provide.
30 7. Appear before local boards and the courts of this state and
31 political subdivisions of this state through counsel or an appointed
32 representative to protect the fund or the assets of other plans that the
33 board administers. The board is not responsible for the actions or
34 omissions of the local boards under this system but may require a review
35 or rehearing of actions or omissions of local boards. A limitation period
36 does not prohibit the board or administrator from contesting or require
37 the board or administrator to implement or comply with a local board
38 decision that violates the internal revenue code or that threatens to
39 impair the tax-qualified status of the system or any plan administered by
40 the board or administrator.
41 8. Empower the fund administrator to take actions on behalf of the
42 board that are necessary for the protection and administration of the fund
43 or the assets of other plans that the board administers pursuant to the
44 guidelines of the board.

1 9. Do all acts, whether or not expressly authorized, that may be
2 deemed necessary or proper for the protection of the investments held in
3 the fund or owned by other plans or trusts that the board administers.

4 10. Settle threatened or actual litigation against any system or
5 plan that the board administers.

6 K. Investment expenses and operation and administrative expenses of
7 the board shall be accounted for separately and allocated against
8 investment income.

9 L. The board, as soon as possible within a period of six months
10 following the close of any fiscal year, shall transmit to the governor and
11 the legislature a comprehensive annual financial report on the operation
12 of the system and other plans that the board administers that contains,
13 among other things:

14 1. A balance sheet.

15 2. A statement of income and expenditures for the year.

16 3. A report on an actuarial valuation of its assets and
17 liabilities.

18 4. A list of investments owned.

19 5. The total rate of return, yield on cost, percentage of cost to
20 market value of the fund and the assets of other plans that the board
21 administers.

22 6. Any other statistical and financial data that may be necessary
23 for the proper understanding of the financial condition of the system and
24 other plans that the board administers and the results of their
25 operations. A synopsis of the annual report shall be published for the
26 information of members of the system, the elected officials' retirement
27 plan or the corrections officer retirement plan.

28 7. An analysis of the long-term level percent of employer
29 contributions and compensation structure and whether the funding
30 methodology is sufficient to pay one hundred percent of the unfunded
31 accrued liability under the elected officials' retirement plan.

32 8. An estimate of the aggregate employer contribution rate for the
33 public safety personnel retirement system for the next ten fiscal years
34 and an estimate of the aggregate employer contribution rate for the
35 corrections officer retirement plan for the next ten fiscal years.

36 9. An estimate of the employer contribution rates for the next ten
37 fiscal years for each of the following employers within the public safety
38 personnel retirement system:

39 (a) Department of liquor licenses and control.

40 (b) Department of public safety.

41 (c) Northern Arizona university.

42 (d) University of Arizona.

43 (e) Arizona state university.

44 (f) Arizona game and fish department.

45 (g) Department of law.

1 (h) Department of emergency and military affairs.
2 (i) Arizona state parks board.
3 10. An estimate of the employer contribution rates for the next ten
4 fiscal years for each of the following employers within the corrections
5 officer retirement plan:
6 (a) State department of corrections.
7 (b) Department of public safety.
8 (c) The judiciary.
9 (d) Department of juvenile corrections.
10 11. An estimate of the aggregate fees paid for private equity
11 investments and other alternative investments, including management fees
12 and performance fees and carried interest.
13 M. The board shall:
14 1. Maintain the accounts of the system and other plans that the
15 board administers and issue statements to each employer annually and to
16 each member who requests a statement.
17 2. Report the results of the actuarial valuations to the local
18 boards and employers.
19 3. Contract on a fee basis with an independent investment counsel
20 to advise the board in the investment management of the fund and assets of
21 other plans that the board administers and with an independent auditing
22 firm to audit the board's accounting.
23 4. Allow the auditor general to make an annual audit and transmit
24 the results to the governor and the legislature.
25 5. Contract on a fee basis with an actuary who shall make actuarial
26 valuations of the system and other plans that the board administers, be
27 the technical adviser of the board on matters regarding the operation of
28 the funds created by the provisions of the system, the elected officials'
29 retirement plan, the corrections officer retirement plan and the public
30 safety cancer insurance policy program and perform other duties required
31 in connection therewith. The actuary must be a member of a nationally
32 recognized association or society of actuaries.
33 6. Employ, as administrator, a person, state department or other
34 body to serve at the pleasure of the board.
35 7. Establish procedures and guidelines for contracts with
36 actuaries, auditors, investment counsel and legal counsel and for
37 safeguarding of securities.
38 8. Issue a request for proposals every five years for an external
39 auditor. The board is not required to change its auditor after issuing the
40 request for proposals.
41 9. Develop a policy regarding routine stress testing of the
42 retirement systems and plans administered by the board at the employer
43 level and system level. The stress test shall use industry standards,
44 such as the inclusion of assumptions regarding investment returns,
45 inflation, population growth, payroll growth and employer contributions.

1 For the purposes of this paragraph, "stress test" means an assessment of
2 the risk exposure of the retirement system or plan, including scenario
3 analysis, simulation analysis and sensitivity analysis.

4 N. The administrator, under the direction of the board, shall:

5 1. Administer this article.

6 2. Be responsible for the recruitment, hiring and day-to-day
7 management of employees.

8 3. Invest the monies of the system and other plans that the board
9 administers as the board deems necessary and prudent as provided in
10 subsections F and J of this section and subject to the investment policies
11 and fund objectives adopted by the board.

12 4. Establish and maintain an adequate system of accounts and
13 records for the system and other plans that the board administers, which
14 shall be integrated with the accounts, records and procedures of the
15 employers so that the system and other plans that the board administers
16 operate most effectively and at minimum expense and that duplication of
17 records and accounts is avoided.

18 5. In accordance with the board's governance policy and procedures
19 and the budget adopted by the board, hire employees and services the
20 administrator deems necessary and prescribe their duties, including the
21 hiring of one or more deputy or assistant administrators to manage the
22 system's operations, investments and legal affairs.

23 6. Be responsible for income, the collection of the income and the
24 accuracy of all expenditures.

25 7. Recommend to the board annual contracts for the system's
26 actuary, auditor, investment counsel, legal counsel and safeguarding of
27 securities.

28 8. Perform additional duties and powers prescribed by the board and
29 delegated to the administrator.

30 O. The system is an independent trust fund, and the board is not
31 subject to title 41, chapter 6. Contracts for goods and services approved
32 by the board are not subject to title 41, chapter 23. As an independent
33 trust fund whose assets are separate and apart from all other funds of
34 this state, the system and the board are not subject to the restrictions
35 prescribed in section 35-154 or article IX, sections 5 and 8, Constitution
36 of Arizona. Loans, guarantees, investment management agreements and
37 investment contracts that are entered into by the board are contracts
38 memorializing obligations or interests in securities that the board has
39 concluded, after thorough due diligence, do not involve investments in
40 Sudan or Iran or otherwise provide support to terrorists or in any way
41 facilitate illegal immigration into the United States. These contracts do
42 not involve the procurement, supply or provision of goods, equipment,
43 labor, materials or services that would require the warranties required by
44 section 41-4401.

1 P. All trust funds administered by the board are exempt from title
2 44, chapter 3. The board shall adopt policies for monies presumed to be
3 abandoned, including requirements for the notification of the presumed
4 owner and for distributing the monies if the owner establishes an
5 entitlement in the monies. Monies in the retirement plans and system
6 administered by the board are presumed to be abandoned two years after any
7 of the following, whichever occurs first:

8 1. The date of the distribution or attempted distribution of the
9 monies.

10 2. The date of the required distribution as stated in the plan or
11 trust agreement that governs the plan.

12 3. If determinable by the holder, the date specified in the income
13 tax laws of the United States by which distribution of the monies must
14 begin in order to avoid a tax penalty.

15 Q. The board, the administrator, the deputy or assistant
16 administrators and all persons employed by them are subject to title 41,
17 chapter 4, article 4. The administrator, deputy or assistant
18 administrators and other employees of the board are entitled to receive
19 compensation pursuant to section 38-611.

20 R. In consultation with the director of the department of
21 administration, the board may enter into employment agreements and
22 establish the terms of those agreements with persons holding any of the
23 following system positions:

24 1. Administrator.

25 2. Deputy or assistant administrator.

26 3. Chief investment officer.

27 4. Deputy chief investment officer.

28 5. Fiduciary or investment counsel.

29 S. The attorney general or an attorney approved by the attorney
30 general and paid by the fund is the attorney for the board and shall
31 represent the board in any legal proceeding or forum that the board deems
32 appropriate. The board, administrator, deputy or assistant administrators
33 and employees of the board are not personally liable for any acts done in
34 their official capacity in good faith reliance on the written opinions of
35 the board's attorney.

36 T. At least once in each five-year period after the effective date,
37 the actuary shall make an actuarial investigation into the mortality,
38 service and compensation experience of the members and beneficiaries of
39 the system and other plans that the board administers and shall make a
40 special valuation of the assets and liabilities of the monies of the
41 system and plans. Taking into account the results of the investigation
42 and special valuation, the board shall adopt for the system and other
43 plans that the board administers those mortality, service and other tables
44 deemed necessary.

1 U. On the basis of the tables the board adopts, the actuary shall
2 make a valuation of the assets and liabilities of the funds of the system
3 and other plans that the board administers at least every year. By
4 November 1 of each year the board shall provide a preliminary report and
5 by December 1 of each year provide a final report to the governor, the
6 speaker of the house of representatives and the president of the senate on
7 the contribution rate for the ensuing fiscal year.

8 V. Neither the board nor any member or employee of the board shall
9 directly or indirectly, for the board, the member or the employee or as an
10 agent, in any manner use the monies or deposits of the fund except to make
11 current and necessary payments, nor shall the board or any member or
12 employee become an endorser or surety or in any manner an obligor for
13 monies loaned by or borrowed from the fund or the assets of any other
14 plans that the board administers.

15 W. Financial or commercial information that is provided to the
16 board, employees of the board and attorneys of the board in connection
17 with investments in which the board has invested or investments the board
18 has considered for investment is confidential, proprietary and not a
19 public record if the information is information that would customarily not
20 be released to the public by the person or entity from whom the
21 information was obtained.

22 X. A person who is a dealer as defined in section 44-1801 and who
23 is involved in securities or investments related to the board's
24 investments is not eligible to serve on the board.

25 Y. The public safety personnel retirement system advisory committee
26 is established and shall serve as a liaison between the board and the
27 members and employers of the system. The president of the senate and the
28 speaker of the house of representatives shall each appoint to the
29 committee one member. The remaining members of the committee shall be
30 appointed by the chairperson of the board from names submitted to the
31 chairperson by associations representing law enforcement, firefighters,
32 state government, counties, cities and towns and tribal governments. The
33 committee shall select a chairperson from among its members each calendar
34 year. The committee members appointed by the chairperson of the board
35 shall consist of the following ten members:

- 36 1. A member who is a law enforcement officer.
- 37 2. A member who is a firefighter.
- 38 3. A member of the elected officials' retirement plan.
- 39 4. A member of the corrections officer retirement plan.
- 40 5. A retiree from the public safety personnel retirement system.
- 41 6. A representative from a city or town in this state.
- 42 7. A representative from a county in this state.
- 43 8. A representative from a fire district in this state.
- 44 9. A representative from a state employer.

1 10. A representative from a tribal government located in this
2 state.

3 Sec. 3. Section 38-849, Arizona Revised Statutes, is amended to
4 read:

5 38-849. Limitations on receiving pension; violation;
6 classification; reemployment after severance;
7 reinstatement of service credits; reemployment of
8 retired member or member with a disability;
9 definition

10 A. If a member is convicted of, or discharged because of, theft,
11 embezzlement, fraud or misappropriation of an employer's property or
12 property under the control of the employer, the member shall be subject to
13 restitution and fines imposed by a court of competent jurisdiction. The
14 court may order the restitution or fines to be paid from any payments
15 otherwise payable to the member from the retirement system.

16 B. A person who knowingly makes any false statement or who
17 falsifies or allows to be falsified any record of the system with an
18 intent to defraud the system is guilty of a class 5 felony. If any change
19 or error in the records results in any member or beneficiary receiving
20 from the system more or less than the member or beneficiary would have
21 been entitled to receive had the records been correct, the local board
22 shall correct such error, and as far as practicable shall adjust the
23 payments in such manner that the actuarial equivalent of the benefit to
24 which such member or beneficiary was correctly entitled shall be paid. If
25 a member is convicted of a crime specified in this subsection, section
26 13-713 applies.

27 C. If a member who received a severance refund on termination of
28 employment pursuant to section 38-846.02 becomes reemployed with the same
29 employer within two years after the former member's termination date, the
30 member may have forfeited credited service attributable to service
31 rendered during a prior period of service as an employee restored on
32 satisfaction of each of the following conditions:

33 1. The member files with the system a written application for
34 reinstatement of forfeited credited service within ninety days after again
35 becoming an employee.

36 2. The retirement fund is paid the total amount previously
37 withdrawn pursuant to section 38-846.02 plus compound interest from the
38 date of withdrawal to the date of repayment. Interest shall be computed
39 at the rate of nine percent for each year compounded each year from the
40 date of withdrawal to the date of repayment. Forfeited credited service
41 shall not be restored until complete payment is received by the fund.

42 3. The required payment is completed within one year after
43 returning to employee status.

44 D. If a member who received a severance refund on termination of
45 employment, as provided in section 38-846.02, is subsequently reemployed

1 by an employer, the member's prior service credits shall be cancelled and
2 service shall be credited only from the date the member's most recent
3 reemployment period commenced. However, a present active member of the
4 system who forfeited credited service, received a severance refund
5 pursuant to section 38-846.02 and becomes reemployed with the same
6 employer two years or more after the member's termination date or becomes
7 reemployed with another employer may elect to redeem any part of that
8 forfeited credited service by paying into the system any amounts required
9 pursuant to this subsection. A present active member who elects to redeem
10 any part of forfeited credited service for which the member is deemed
11 eligible by the board shall pay into the system the amounts previously
12 paid or transferred to the member as a severance refund plus an amount
13 that is computed by the system's actuary that is necessary to equal the
14 increase in the actuarial present value of projected benefits resulting
15 from the redemption calculated using the actuarial methods and assumptions
16 prescribed by the system's actuary. On satisfaction of this obligation,
17 the member's prior service credits shall be reinstated.

18 E. If a retired member becomes reemployed in any capacity,
19 **INCLUDING AS A CONTRACTED OR LEASED EMPLOYEE**, by the employer from which
20 the member retired before six months after the date of retirement ~~or in~~
21 ~~the same position at any time~~ following retirement:

22 1. The following apply:

23 (a) Within ten days after the retired member is reemployed, the
24 local board shall advise the system in writing of the retired member's
25 reemployment.

26 (b) The system shall not make pension payments to the retired
27 member during the period of reemployment.

28 (c) Employee contributions shall not be made on the retired
29 member's account, nor shall any service be credited during the period of
30 reemployment. On subsequent termination of employment by the retired
31 member, the retired member is entitled to receive a pension based on the
32 member's service and compensation before the date of the member's
33 reemployment. The employer shall pay the alternate contribution rate
34 pursuant to section 38-843.05.

35 (d) Any pension payments received by the retired member, who
36 retired on or after July 1, 2009, during the period of reemployment are
37 considered overpayments pursuant to section 38-850, unless subsection B of
38 this section applies. If the board determines in the board's sole
39 discretion, for a member who retired on or after July 1, 2009, that the
40 retired member's reemployment **WITH THE EMPLOYER FROM WHICH THE MEMBER**
41 **RETIRED** during the six-month period and the failure of the employer or the
42 local board to suspend the member's pension were not intentional to
43 circumvent the requirements of this subsection, the pension payments
44 received by the retired member after the retired member's reemployment are

1 subject to repayment up to only the amount received between the date of
2 the member's reemployment and the expiration of the six-month period.

3 2. The retired member, who retired on or after July 1, 2009 and who
4 is reemployed terminates employment, may be subsequently reemployed with
5 the employer from which the member retired and resume receiving pension
6 payments after a period of six months, less the period of time the retired
7 member was not reemployed after retirement with the employer from which
8 the member retired, if at least sixty days of the six months are
9 consecutive.

10 3. Paragraph 1, subdivisions (a), (b) and (d) of this subsection do
11 not apply if any of the following occurs:

12 (a) The retired member becomes reemployed after sixty consecutive
13 days from the member's retirement date as a result of participating in an
14 open competitive new hire process except if the retired member is hired
15 for the same position or if the retired member has a prearranged
16 reemployment agreement with the employer.

17 (b) The retired member is hired as a fire inspector or arson
18 investigator.

19 (c) The retired member who is receiving an accidental disability,
20 ordinary disability, catastrophic disability or temporary disability
21 pension accepts a job reassignment as an accommodation in accordance with
22 the Americans with disabilities act of 1990 due to a disability that is
23 directly related to the retired member being awarded an accidental
24 disability, ordinary disability, catastrophic disability or temporary
25 disability benefit.

26 F. If a retired member is assigned voluntary duties acting as a
27 limited authority peace officer, pursuant to the Arizona peace officer
28 standards and training board rules, employee contributions shall not be
29 made on the retired member's account, and any service shall not be
30 credited during the period of reemployment. The employer shall not pay
31 the alternate contribution rate pursuant to section 38-843.05.

32 G. If after six months after the date of retirement a retired
33 member becomes reemployed **IN ANY CAPACITY, INCLUDING AS A CONTRACTED OR**
34 **LEASED EMPLOYEE**, by the employer from which the member retired ~~in a~~
35 ~~position other than the same position from which the member retired~~,
36 employee contributions shall not be made on the retired member's account,
37 and any service shall not be credited during the period of reemployment.
38 The employer shall pay the alternate contribution rate pursuant to section
39 38-843.05.

40 H. At any time following retirement, if the retired member becomes
41 employed by an employer, other than the employer from which the member
42 retired, in a position ordinarily filled by an employee of an eligible
43 group, employee contributions shall not be made on the retired member's
44 account, and any service shall not be credited during the period of

1 reemployment. The employer shall pay the alternate contribution rate
2 pursuant to section 38-843.05.

3 I. If a member who retired under an accidental or ordinary
4 disability becomes reemployed as an employee of an eligible group, section
5 38-844 applies and a determination shall be made by the local board as to
6 whether subsection E, F, G or H of this section applies.

7 J. The local board shall review all reemployment determinations and
8 voluntary assignments as described in subsection F of this section. If
9 the local board or the system is not provided the necessary information
10 required by the system to make a reemployment determination, the local
11 board and the system shall suspend pension payments until information is
12 received and a determination is made regarding whether the reemployment
13 meets the requirements of subsection E, F, G, H or I of this section.

14 K. A person who defrauds the system or who takes, converts, steals
15 or embezzles monies owned by or from the system and who fails or refuses
16 to return the monies to the system on the board's written request is
17 subject to civil suit by the system in the superior court in Maricopa
18 county. On entry of an order finding the person has defrauded the system
19 or taken, converted, stolen or embezzled monies owned by or from the
20 system, the court shall enter an order against that person and for the
21 system awarding the system all of its costs and expenses of any kind,
22 including attorney fees, that were necessary to successfully prosecute the
23 action. The court shall also grant the system a judicial lien on all of
24 the nonexempt property of the person against whom judgment is entered
25 pursuant to this subsection in an amount equal to all amounts awarded to
26 the system, plus interest at the rate prescribed by section 44-1201, until
27 all amounts owed are paid to the system.

28 L. Notwithstanding any other provision of this article, the board
29 may offset against any benefits otherwise payable by the system to an
30 active or retired member or survivor any court ordered amounts awarded to
31 the board and system and assessed against the member or survivor.

32 M. Notwithstanding any other provision of this article, a member
33 who retires having met all of the qualifications for retirement and who
34 subsequently becomes an elected official, by election or appointment, is
35 not considered reemployed by the same employer.

36 N. For the purposes of this section, "same position" means a
37 position in which the member performs substantially similar duties that
38 were performed and exercises substantially similar authority that was
39 exercised by the retired member before retirement.

40 Sec. 4. Section 38-884, Arizona Revised Statutes, is amended to
41 read:

42 38-884. Membership of retirement plan; termination; credited
43 service; redemption; reemployment

44 A. Each employee of a participating employer is a member of the
45 plan unless the employee is receiving a pension from the plan. A person

1 employed shall undergo a medical examination performed by a designated
2 physician or a physician working in a clinic that is appointed by the
3 local board or, in the case of a state correctional officer who is
4 employed by the state department of corrections, complete a physical
5 examination pursuant to section 41-1822, subsection B. For the purposes
6 of subsection B of this section, the designated physician or a physician
7 working in a clinic that is appointed by the local board may be the
8 employer's regular employee or contractor.

9 B. The purpose of the medical examination authorized by this
10 section is to identify a member's physical or mental condition or injury
11 that existed or occurred before the member's date of membership in the
12 plan. Any employee who fails or refuses to submit to the medical
13 examination prescribed in this section is deemed to waive all rights to
14 disability benefits under this article. Medical examinations conducted
15 under this article shall be conducted by a physician and shall not be
16 conducted or used for purposes of hiring, advancing, discharging, job
17 training or other terms, conditions and privileges of employment unrelated
18 to receipt or qualification for pension benefits or service credits from
19 the fund. This subsection does not affect or impair the right of an
20 employer to prescribe medical or physical standards for employees or
21 prospective employees.

22 C. If a member who becomes a member of the plan before January 1,
23 2012 ceases to be an employee for any reason other than death or
24 retirement, within twenty days after filing a completed application with
25 the board, the member is entitled to receive the following amounts, less
26 any benefit payments the member has received and any amount the member may
27 owe to the plan:

28 1. If the member has less than five years of credited service with
29 the plan, the member may withdraw the member's accumulated contributions
30 from the plan.

31 2. If the member has five or more years of credited service with
32 the plan, the member may withdraw the member's accumulated contributions
33 plus an amount equal to the amount determined as follows:

34 (a) 5.0 to 5.9 years of credited service, twenty-five percent of
35 all member contributions deducted from the member's salary pursuant to
36 section 38-891, subsection B.

37 (b) 6.0 to 6.9 years of credited service, forty percent of all
38 member contributions deducted from the member's salary pursuant to section
39 38-891, subsection B.

40 (c) 7.0 to 7.9 years of credited service, fifty-five percent of all
41 member contributions deducted from the member's salary pursuant to section
42 38-891, subsection B.

43 (d) 8.0 to 8.9 years of credited service, seventy percent of all
44 member contributions deducted from the member's salary pursuant to section
45 38-891, subsection B.

1 (e) 9.0 to 9.9 years of credited service, eighty-five percent of
2 all member contributions deducted from the member's salary pursuant to
3 section 38-891, subsection B.

4 (f) 10.0 or more years of credited service, one hundred percent of
5 all member contributions deducted from the member's salary pursuant to
6 section 38-891, subsection B.

7 D. If a member who becomes a member of the plan before January 1,
8 2012 has more than ten years of credited service with the plan, leaves the
9 monies prescribed in subsection C of this section on account with the plan
10 for more than thirty days after termination of employment and after that
11 time period requests a refund of those monies, the member is entitled to
12 receive the amount prescribed in subsection C of this section plus
13 interest at a rate determined by the board for each year computed from and
14 after the member's termination of employment.

15 E. The accumulated member contributions of a member who ceases to
16 be an employee for a reason other than death or retirement and who becomes
17 a member of the plan:

18 1. On or after January 1, 2012 and before July 1, 2018 shall be
19 paid to the member plus interest at a rate determined by the board as of
20 the date of termination within twenty days after filing with the plan a
21 written application for payment.

22 2. For a member who has less than ten years of credited service
23 with the plan, on or after July 1, 2018 shall be paid to the member plus
24 interest at a rate determined by the board as of the date of termination
25 within twenty days after filing with the plan a written application for
26 payment.

27 F. If the refund includes monies that are an eligible rollover
28 distribution and the member elects to have the distribution paid directly
29 to an eligible retirement plan or individual retirement account or annuity
30 and specifies the eligible retirement plan or individual retirement
31 account or annuity to which the distribution is to be paid, the
32 distribution shall be made in the form of a direct trustee-to-trustee
33 transfer to the specified eligible retirement plan. The distribution
34 shall be made in the form and at the time prescribed by the board.

35 G. For distributions occurring from and after December 31, 2007, a
36 member or a member's beneficiary, including a nonspouse designated
37 beneficiary to the extent allowed under subsection H of this section, may
38 roll over an eligible rollover distribution as defined in section
39 402(c)(4) of the internal revenue code to a Roth individual retirement
40 account, if, for distributions occurring before January 1, 2010, the
41 member or the member's beneficiary satisfies the requirements for making a
42 Roth individual retirement account contribution under section
43 408A(c)(3)(B) of the internal revenue code, as in effect on the date of
44 the rollover. Any amount rolled over to a Roth individual retirement
45 account is included in the gross income of the member or the member's

1 beneficiary to the extent the amounts would have been included in gross
2 income if not rolled over as required under section 408A(d)(3)(A) of the
3 internal revenue code. For the purposes of this subsection, the
4 administrator is not responsible for ensuring the member or the member's
5 beneficiary is eligible to make a rollover to a Roth individual retirement
6 account.

7 H. For distributions made from and after December 31, 2009, a
8 nonspouse designated beneficiary as defined in section 401(a)(9)(E) of the
9 internal revenue code may elect to directly roll over an eligible rollover
10 distribution to an individual retirement account under section 408(a) of
11 the internal revenue code or an individual retirement annuity under
12 section 408(b) of the internal revenue code that is established on behalf
13 of the designated beneficiary and that will be treated as an inherited
14 individual retirement plan pursuant to section 402(c)(11) of the internal
15 revenue code. In order to be able to roll over the distribution, the
16 distribution otherwise must satisfy the definition of an eligible rollover
17 distribution as defined in section 402(c)(4) of the internal revenue
18 code. In applying this subsection, a nonspouse rollover is subject to the
19 direct rollover requirements under section 401(a)(31) of the internal
20 revenue code, the rollover notice requirements under section 402(f) of the
21 internal revenue code and the mandatory withholding requirements under
22 section 3405(c) of the internal revenue code.

23 I. For plan years occurring before January 1, 2007, the period for
24 providing the rollover notice as required under section 402(f) of the
25 internal revenue code is not less than thirty days and not more than
26 ninety days before the date of distribution and, for plan years beginning
27 from and after December 31, 2006, the period for providing the rollover
28 notice as required under section 402(f) of the internal revenue code is
29 not less than thirty days and not more than one hundred eighty days before
30 the date of distribution.

31 J. Service shall be credited to a member's individual credited
32 service account in accordance with rules the local board prescribes. In
33 no case shall more than twelve months of credited service be credited on
34 account of all service rendered by a member in any one year. In no case
35 shall service be credited for any period during which the member is not
36 employed in a designated position, except as provided by sections 38-921
37 and 38-922.

38 K. Credited service is forfeited if the amounts prescribed in
39 subsection C, D or E of this section are paid or are transferred in
40 accordance with this section.

41 L. If a former member becomes reemployed with the same employer
42 within two years after the former member's termination date, a member may
43 have forfeited credited service attributable to service rendered during a
44 prior period of service as an employee restored on satisfaction of each of
45 the following conditions:

1 1. The member files with the plan a written application for
2 reinstatement of forfeited credited service within ninety days after again
3 becoming an employee.

4 2. The retirement fund is paid the total amount previously
5 withdrawn pursuant to subsection C, D or E of this section plus compound
6 interest from the date of withdrawal to the dates of repayment. Interest
7 shall be computed at the rate of nine percent for each year compounded
8 each year from the date of withdrawal to the date of repayment. Forfeited
9 credited service shall not be restored until complete payment is received
10 by the fund.

11 3. The required payment is completed within one year after
12 returning to employee status.

13 M. If a member who receives a severance refund on termination of
14 employment pursuant to subsection C, D or E of this section is
15 subsequently reemployed by an employer, the member's prior service credits
16 are cancelled, and the board shall credit service only from the date the
17 member's most recent reemployment period commenced. A present active
18 member of the plan who received a refund of accumulated contributions from
19 the plan pursuant to subsection C, D or E of this section, forfeited
20 credited service pursuant to subsection K of this section and becomes
21 reemployed with the same employer two years or more after the member's
22 termination date or becomes reemployed with another employer may elect to
23 redeem any part of that forfeited credited service by paying into the plan
24 any amounts required pursuant to this subsection. A present active member
25 who elects to redeem any part of forfeited credited service for which the
26 member is deemed eligible by the board shall pay into the plan the amounts
27 previously paid or transferred as a refund of the member's accumulated
28 contributions plus an amount, computed by the plan's actuary that is
29 necessary to equal the increase in the actuarial present value of
30 projected benefits resulting from the redemption calculated using the
31 actuarial methods and assumptions prescribed by the plan's actuary. On
32 satisfaction of this obligation, the board shall reinstate the member's
33 prior service credits.

34 N. A retired member may become employed by the employer from which
35 the employee retired in a designated position and continue to receive a
36 pension if the employment occurs at least six months after retirement.
37 The retired member shall not contribute to the fund and shall not accrue
38 credited service. If a retired member becomes employed by the employer
39 from which the employee retired in a designated position, **INCLUDING IN A**
40 **CONTRACTED OR LEASED POSITION**, before six months after retirement, the
41 following apply:

42 1. Payment of the retired member's pension shall be suspended until
43 the retired member again ceases to be an employee. The amount of pension
44 shall not be changed on account of service as an employee subsequent to
45 retirement.

1 2. The retired member shall not contribute to the fund and shall
2 not accrue credited service.

3 3. Any pension payments received by a retired member, who retired
4 on or after July 1, 2009, during a period of reemployment are considered
5 overpayments pursuant to section 38-899. If the board determines in the
6 board's sole discretion, for a member who retired on or after July 1,
7 2009, that the retired member's reemployment during the six-month period
8 and the failure of the employer or the local board to suspend the member's
9 pension were not intentional to circumvent the requirements of this
10 subsection, the pension payments received by the retired member during
11 reemployment are subject to repayment up to only the amount received
12 between the date of the member's reemployment and the expiration of the
13 six-month period.

14 4. If a retired member who retired on or after July 1, 2009 and who
15 is reemployed terminates employment, the retired member may be
16 subsequently reemployed with the employer from which the member retired in
17 a designated position and resume receiving pension payments after a period
18 of six months, less the period of time the retired member was not
19 reemployed by the employer from which the member retired in a designated
20 position after retirement, if at least sixty days of the six months are
21 consecutive.

22 0. Notwithstanding any other provision of this article, a member
23 who retires having met all of the qualifications for retirement and who
24 subsequently becomes an elected official, by election or appointment, is
25 not considered reemployed by the same employer.

26 Sec. 5. Section 38-951, Arizona Revised Statutes, is amended to
27 read:

28 38-951. Definitions

29 In this article, unless the context otherwise requires:

30 1. "Board" means the Arizona state retirement system board
31 established by section 38-713 or the board of trustees established by
32 section 38-848.

33 2. "Eligible group" means any of the following:

34 (a) The Arizona state retirement system established by article 2 of
35 this chapter.

36 (b) The elected officials' retirement plan established by article 3
37 of this chapter.

38 (c) The public safety personnel retirement system established by
39 article 4 of this chapter.

40 (d) The corrections officer retirement plan established by article
41 6 of this chapter.

42 (e) An optional retirement program established pursuant to section
43 15-1451 or 15-1628.

44 (f) The elected officials' defined contribution retirement system
45 established pursuant to article 3.1 of this chapter.

1 (g) The public safety personnel defined contribution retirement
2 plan established pursuant to article 4.1 of this chapter.

3 (h) STATE ELECTED OFFICIALS WHO WERE SUBJECT TO TERM LIMITS AND
4 EXEMPT STATE OFFICERS AND EMPLOYEES WHO ELECTED TO PARTICIPATE IN THE
5 DEFINED CONTRIBUTION RETIREMENT PLAN OPTION ESTABLISHED PURSUANT TO
6 SECTION 38-952 IN EFFECT ON AUGUST 6, 1999.

7 3. "Employer" means an agency or department of this state or an
8 agency or department of a political subdivision of this state that has
9 employees in an eligible group.

10 4. "Plan" means a defined contribution plan authorized by this
11 article.

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FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 13, 2025.