

REFERENCE TITLE: PSPRS; part-time employment

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

SB 1287

Introduced by
Senator Gowan

AN ACT

AMENDING SECTIONS 38-842, 38-865, 38-865.01 AND 38-867.02, ARIZONA REVISED STATUTES; RELATING TO PUBLIC SAFETY 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 38-842, Arizona Revised Statutes, is amended to
3 read:

4 38-842. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Accidental disability" means a physical or mental condition
7 that the local board finds totally and permanently prevents an employee
8 from performing a reasonable range of duties within the employee's job
9 classification and that was incurred in the performance of the employee's
10 duty.

11 2. "Accumulated contributions" means, for each member, the sum of
12 the amount of the member's aggregate contributions made to the fund and
13 the amount, if any, attributable to the employee's contributions before
14 the member's effective date under another public retirement system, other
15 than the federal social security act, and transferred to the fund minus
16 the benefits paid to or on behalf of the member.

17 3. "Actuarial equivalent" means equality in present value of the
18 aggregate amounts expected to be received under two different forms of
19 payment, based on mortality and interest assumptions adopted by the board.

20 4. "Alternate payee" means the spouse or former spouse of a
21 participant as designated in a domestic relations order.

22 5. "Alternate payee's portion" means benefits that are payable to
23 an alternate payee pursuant to a plan approved domestic relations order.

24 6. "Annuitant" means a person who is receiving a benefit pursuant
25 to section 38-846.01.

26 7. "Average monthly benefit compensation" means the result obtained
27 by dividing the total compensation paid to an employee during a considered
28 period by the number of months, including fractional months, in which such
29 compensation was received. For an employee who becomes a member of the
30 system:

31 (a) Before January 1, 2012, the considered period shall be the
32 three consecutive years within the last twenty completed years of credited
33 service that yield the highest average. In the computation under this
34 subdivision, a period of nonpaid or partially paid industrial leave shall
35 be considered based on the compensation the employee would have received
36 in the employee's job classification if the employee was not on industrial
37 leave.

38 (b) On or after January 1, 2012 and before July 1, 2017, the
39 considered period is the five consecutive years within the last twenty
40 completed years of credited service that yield the highest average. In
41 the computation under this subdivision, a period of nonpaid or partially
42 paid industrial leave shall be considered based on the compensation the
43 employee would have received in the employee's job classification if the
44 employee was not on industrial leave.

1 (c) On or after July 1, 2017, the considered period is the five
2 consecutive years within the last fifteen completed years of credited
3 service that yield the highest average. In the computation under this
4 subdivision, a period of nonpaid or partially paid industrial leave shall
5 be considered based on the compensation the employee would have received
6 in the employee's job classification if the employee was not on industrial
7 leave.

8 8. "Board" means the board of trustees of the system, who are the
9 persons appointed to invest and operate the fund.

10 9. "Catastrophic disability" means a physical and not a
11 psychological condition that the local board determines prevents the
12 employee from totally and permanently engaging in any gainful employment
13 and that results from a physical injury incurred in the performance of the
14 employee's duty.

15 10. "Certified peace officer" means a peace officer certified by
16 the Arizona peace officer standards and training board.

17 11. "Claimant" means any member or beneficiary who files an
18 application for benefits pursuant to this article.

19 12. "Compensation" means, for the purpose of computing retirement
20 benefits, base salary, overtime pay, shift differential pay, military
21 differential wage pay, compensatory time used by an employee in lieu of
22 overtime not otherwise paid by an employer and holiday pay paid to an
23 employee by the employer for the employee's performance of services in an
24 eligible group on a regular monthly, semimonthly or biweekly payroll basis
25 and longevity pay paid to an employee at least every six months for which
26 contributions are made to the system pursuant to section 38-843,
27 subsection D. Compensation does not include, for the purpose of computing
28 retirement benefits, payment for unused sick leave, payment in lieu of
29 vacation, payment for unused compensatory time or payment for any fringe
30 benefits. In addition, compensation does not include, for the purpose of
31 computing retirement benefits, payments made directly or indirectly by the
32 employer to the employee for work performed for a third party on a
33 contracted basis or any other type of agreement under which the third
34 party pays or reimburses the employer for the work performed by the
35 employee for that third party, except for third-party contracts between
36 public agencies for law enforcement, criminal, traffic and crime
37 suppression activities training or fire, wildfire, emergency medical or
38 emergency management activities or where the employer supervises the
39 employee's performance of law enforcement, criminal, traffic and crime
40 suppression activities training or fire, wildfire, emergency medical or
41 emergency management activities. For the purposes of this paragraph,
42 "base salary" means the amount of compensation each employee is regularly
43 paid for personal services rendered to an employer before the addition of

1 any extra monies, including overtime pay, shift differential pay, holiday
2 pay, longevity pay, fringe benefit pay and similar extra payments.

3 13. "Credited service":

4 (a) Means the member's total period of service before the member's
5 effective date of participation, plus those compensated periods of the
6 member's service thereafter for which the member made contributions to the
7 fund.

8 (b) INCLUDES THOSE COMPENSATED PERIODS OF THE MEMBER'S PART TIME
9 SERVICE, CALCULATED ON A PRO RATA BASIS, DURING WHICH THE MEMBER MADE
10 CONTRIBUTIONS TO THE FUND.

11 14. "Cure period" means the ninety-day period in which a
12 participant or alternate payee may submit an amended domestic relations
13 order and request a determination, calculated from the time the system
14 issues a determination finding that a previously submitted domestic
15 relations order did not qualify as a plan approved domestic relations
16 order.

17 15. "Depository" means a bank in which all monies of the system are
18 deposited and held and from which all expenditures for benefits, expenses
19 and investments are disbursed.

20 16. "Determination" means a written document that indicates to a
21 participant and alternate payee whether a domestic relations order
22 qualifies as a plan approved domestic relations order.

23 17. "Determination period" means the ninety-day period in which the
24 system must review a domestic relations order that is submitted by a
25 participant or alternate payee to determine whether the domestic relations
26 order qualifies as a plan approved domestic relations order, calculated
27 from the time the system mails a notice of receipt to the participant and
28 alternate payee.

29 18. "Direct rollover" means a payment by the system to an eligible
30 retirement plan that is specified by the distributee.

31 19. "Distributee" means a member, a member's surviving spouse or a
32 member's spouse or former spouse who is the alternate payee under a plan
33 approved domestic relations order.

34 20. "Domestic relations order" means an order of a court of this
35 state that is made pursuant to the domestic relations laws of this state
36 and that creates or recognizes the existence of an alternate payee's right
37 to, or assigns to an alternate payee the right to, receive a portion of
38 the benefits payable to a participant.

39 21. "Effective date of participation" means July 1, 1968, except
40 with respect to employers and their covered employees whose contributions
41 to the fund commence thereafter, the effective date of their participation
42 in the system is as specified in the applicable joinder agreement.

43 22. "Effective date of vesting" means the date a member's rights to
44 benefits vest pursuant to section 38-844.01.

1 23. "Eligible child" means an unmarried child of a deceased member
2 or retired member who meets one of the following qualifications:

3 (a) Is under eighteen years of age.

4 (b) Is at least eighteen years of age and under twenty-three years
5 of age only during any period that the child is a full-time student.

6 (c) Is under a disability that began before the child attained
7 twenty-three years of age and remains a dependent of the surviving spouse
8 or guardian.

9 24. "Eligible groups" means only the following who are regularly
10 assigned to hazardous duty:

11 (a) Municipal police officers who are certified peace officers.

12 (b) Municipal firefighters.

13 (c) Paid full-time firefighters employed directly by a fire
14 district organized pursuant to section 48-803 or 48-804 or a joint powers
15 authority pursuant to section 48-805.01 with three or more full-time
16 firefighters, but not including firefighters employed by a fire district
17 pursuant to a contract with a corporation.

18 (d) State highway patrol officers who are certified peace officers.

19 (e) State firefighters.

20 (f) County sheriffs and deputies who are certified peace officers.

21 (g) Game and fish wardens who are certified peace officers.

22 (h) Police officers who are certified peace officers and
23 firefighters of a nonprofit corporation operating a public airport
24 pursuant to sections 28-8423 and 28-8424. A police officer shall be
25 designated pursuant to section 28-8426 to aid and supplement state and
26 local law enforcement agencies and a firefighter's sole duty shall be to
27 perform firefighting services, including services required by federal
28 regulations.

29 (i) Police officers who are certified peace officers and who are
30 appointed by the Arizona board of regents.

31 (j) Police officers who are certified peace officers and who are
32 appointed by a community college district governing board.

33 (k) State attorney general investigators who are certified peace
34 officers.

35 (l) County attorney investigators who are certified peace officers.

36 (m) Police officers who are certified peace officers and who are
37 employed by an Indian reservation police agency.

38 (n) Firefighters who are employed by an Indian reservation
39 firefighting agency.

40 (o) Department of liquor licenses and control investigators who are
41 certified peace officers.

42 (p) Arizona department of agriculture officers who are certified
43 peace officers.

1 (q) Arizona state parks board rangers and managers who are
2 certified peace officers.

3 (r) County park rangers who are certified peace officers.

4 (s) Game rangers who are certified peace officers and who are
5 employed by an Indian reservation.

6 25. "Eligible retirement plan" means any of the following that
7 accepts a distributee's eligible rollover distribution:

8 (a) An individual retirement account described in section 408(a) of
9 the internal revenue code.

10 (b) An individual retirement annuity described in section 408(b) of
11 the internal revenue code.

12 (c) An annuity plan described in section 403(a) of the internal
13 revenue code.

14 (d) A qualified trust described in section 401(a) of the internal
15 revenue code.

16 (e) An annuity contract described in section 403(b) of the internal
17 revenue code.

18 (f) An eligible deferred compensation plan described in section
19 457(b) of the internal revenue code that is maintained by a state, a
20 political subdivision of a state or any agency or instrumentality of a
21 state or a political subdivision of a state and that agrees to separately
22 account for amounts transferred into the eligible deferred compensation
23 plan from this plan.

24 (g) A Roth individual retirement account that satisfies the
25 requirements of section 408A of the internal revenue code.

26 (h) For distributions made after December 18, 2015, a simple
27 retirement account as defined in section 408(p) of the internal revenue
28 code.

29 26. "Eligible rollover distribution" means a payment to a
30 distributee, but does not include any of the following:

31 (a) Any distribution that is one of a series of substantially equal
32 periodic payments made not less frequently than annually for the life or
33 life expectancy of the member or the joint lives or joint life
34 expectancies of the member and the member's beneficiary or for a specified
35 period of ten years or more.

36 (b) Any distribution to the extent the distribution is required
37 under section 401(a)(9) of the internal revenue code.

38 (c) The portion of any distribution that may not be included in
39 gross income.

40 (d) Any distribution made to satisfy the requirements of section
41 415 of the internal revenue code.

42 (e) Hardship distributions.

1 (f) Similar items designated by the commissioner of the United
2 States internal revenue service in revenue rulings, notices and other
3 guidance published in the internal revenue bulletin.

4 27. "Employee" means any person who is employed by a participating
5 employer and who is a member of an eligible group but does not include any
6 persons compensated on a contractual or fee basis. If an eligible group
7 requires certified peace officer status or firefighter certification and
8 at the option of the local board, employee may include a person who is
9 training to become a certified peace officer or firefighter.

10 28. "Employers" means:

11 (a) Cities contributing to the fire fighters' relief and pension
12 fund as provided in sections 9-951 through 9-973 or statutes amended
13 thereby and antecedent thereto, as of June 30, 1968 on behalf of their
14 full-time paid firefighters.

15 (b) Cities contributing under the state police pension laws as
16 provided in sections 9-911 through 9-934 or statutes amended thereby and
17 antecedent thereto, as of June 30, 1968 on behalf of their municipal
18 policemen.

19 (c) The state highway patrol covered under the state highway patrol
20 retirement system.

21 (d) The state, or any political subdivision of this state,
22 including towns, cities, fire districts, joint powers authorities,
23 counties and nonprofit corporations operating public airports pursuant to
24 sections 28-8423 and 28-8424, that has elected to participate in the
25 system on behalf of an eligible group of public safety personnel pursuant
26 to a joinder agreement entered into after July 1, 1968.

27 (e) Indian tribes that have elected to participate in the system on
28 behalf of an eligible group of public safety personnel pursuant to a
29 joinder agreement entered into after July 1, 1968.

30 29. "Fund" means the public safety personnel retirement fund, which
31 is the fund established to receive and invest contributions accumulated
32 under the system and from which benefits are paid.

33 30. "Local board" means the retirement board of the employer, who
34 are the persons appointed to administer the system as it applies to their
35 members in the system.

36 31. "Member":

37 (a) Means any full-time employee who meets all of the following
38 qualifications:

39 (i) Who is either a paid municipal police officer, a paid
40 firefighter, a law enforcement officer who is employed by this state
41 including the director thereof, a state firefighter who is primarily
42 assigned to firefighting duties, a firefighter or police officer of a
43 nonprofit corporation operating a public airport pursuant to sections
44 28-8423 and 28-8424, all ranks designated by the Arizona law enforcement

1 merit system council, a state attorney general investigator who is a
2 certified peace officer, a county attorney investigator who is a certified
3 peace officer, a department of liquor licenses and control investigator
4 who is a certified peace officer, an Arizona department of agriculture
5 officer who is a certified peace officer, an Arizona state parks board
6 ranger or manager who is a certified peace officer, a county park ranger
7 who is a certified peace officer, a person who is a certified peace
8 officer and who is employed by an Indian reservation police agency, a game
9 ranger who is a certified peace officer and who is employed by an Indian
10 reservation, a firefighter who is employed by an Indian reservation
11 firefighting agency or an employee included in a group designated as
12 eligible employees under a joinder agreement entered into by their
13 employer after July 1, 1968 and who is or was regularly assigned to
14 hazardous duty or, beginning retroactively to January 1, 2009, who is a
15 police chief or a fire chief.

16 (ii) Who, on or after the employee's effective date of
17 participation, is receiving compensation for personal services rendered to
18 an employer or would be receiving compensation except for an authorized
19 leave of absence.

20 (iii) Whose customary employment is at least forty hours per week
21 or, for those employees who customarily work fluctuating workweeks, whose
22 customary employment averages at least forty hours per week.

23 (iv) Who is engaged to work for more than six months in a calendar
24 year.

25 (v) Who, if economic conditions exist, is required to take furlough
26 days or reduce the hours of the employee's normal workweek below forty
27 hours but not less than thirty hours per pay cycle, and maintain the
28 employee's active member status within the system as long as the hour
29 change does not extend beyond twelve consecutive months.

30 (vi) Who has not attained age sixty-five before the employee's
31 effective date of participation or who was over age sixty-five with
32 twenty-five years or more of service prior to the employee's effective
33 date of participation.

34 (b) BEGINNING FROM AND AFTER DECEMBER 31, 2025, INCLUDES ANY
35 PART-TIME EMPLOYEE WHOSE EMPLOYER HAS CHOSEN TO ALLOW PART-TIME EMPLOYEES
36 TO PARTICIPATE IN THE SYSTEM AND TO WHOM ALL OF THE FOLLOWING APPLY:

37 (i) IS HIRED IN AN ELIGIBLE GROUP AS DEFINED IN PARAGRAPH 24,
38 SUBDIVISION (a), (d) OR (f) OF THIS SECTION.

39 (ii) HAS AT LEAST FIVE YEARS OF CREDITED SERVICE IN EITHER THE
40 SYSTEM OR THE PUBLIC SAFETY PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN
41 ESTABLISHED PURSUANT TO ARTICLE 4.1 OF THIS CHAPTER BEFORE THE EMPLOYEE IS
42 HIRED AS A PART-TIME EMPLOYEE FOR THE PURPOSES OF THIS SUBDIVISION.

43 (iii) IS ENGAGED IN WORK FOR AT LEAST TWENTY HOURS PER WEEK BUT NOT
44 MORE THAN THIRTY HOURS PER WEEK, AS DETERMINED BY THE EMPLOYER.

1 ~~(b)~~ (c) Does not include an employee who is hired on or after July
2 1, 2017, who makes the irrevocable election to participate solely in the
3 public safety personnel defined contribution retirement plan established
4 pursuant to article 4.1 of this chapter and who was not an active, an
5 inactive or a retired member of the system or a member of the system with
6 a disability on June 30, 2017.

7 32. "Normal retirement date" means:

8 (a) For an employee who becomes a member of the system before
9 January 1, 2012, the first day of the calendar month immediately following
10 the employee's completion of twenty years of service or the employee's
11 sixty-second birthday and the employee's completion of fifteen years of
12 service.

13 (b) For an employee who becomes a member of the system on or after
14 January 1, 2012 and before July 1, 2017, the first day of the calendar
15 month immediately following the employee's completion of either
16 twenty-five years of service or fifteen years of credited service if the
17 employee is at least fifty-two and one-half years of age.

18 (c) For an employee who becomes a member of the system on or after
19 July 1, 2017, the first day of the calendar month immediately following
20 the employee's completion of fifteen years of credited service if the
21 employee is at least fifty-five years of age.

22 33. "Notice of receipt" means a written document that is issued by
23 the system to a participant and alternate payee and that states that the
24 system has received a domestic relations order and a request for a
25 determination that the domestic relations order is a plan approved
26 domestic relations order.

27 34. "Ordinary disability" means a physical condition that the local
28 board determines will prevent an employee totally and permanently from
29 performing a reasonable range of duties within the employee's department
30 or a mental condition that the local board determines will prevent an
31 employee totally and permanently from engaging in any substantial gainful
32 activity.

33 35. "Participant" means a member who is subject to a domestic
34 relations order.

35 36. "Participant's portion" means benefits that are payable to a
36 participant pursuant to a plan approved domestic relations order.

37 37. "Pension" means a series of monthly amounts that are payable to
38 a person who is entitled to receive benefits under the plan but does not
39 include an annuity that is payable pursuant to section 38-846.01.

40 38. "Personal representative" means the personal representative of
41 a deceased alternate payee.

42 39. "Physician" means a physician who is licensed pursuant to title
43 32, chapter 13 or 17.

1 40. "Plan approved domestic relations order" means a domestic
2 relations order that the system approves as meeting all the requirements
3 for a plan approved domestic relations order as otherwise prescribed in
4 this article.

5 41. "Plan year" or "fiscal year" means the period beginning on
6 July 1 of any year and ending on June 30 of the next succeeding year.

7 42. "Regularly assigned to hazardous duty" means regularly assigned
8 to duties of the type normally expected of municipal police officers,
9 municipal or state firefighters, eligible fire district firefighters,
10 state highway patrol officers, county sheriffs and deputies, fish and game
11 wardens, firefighters and police officers of a nonprofit corporation
12 operating a public airport pursuant to sections 28-8423 and 28-8424,
13 police officers who are appointed by the Arizona board of regents or a
14 community college district governing board, state attorney general
15 investigators who are certified peace officers, county attorney
16 investigators who are certified peace officers, department of liquor
17 licenses and control investigators who are certified peace officers,
18 Arizona department of agriculture officers who are certified peace
19 officers, Arizona state parks board rangers and managers who are certified
20 peace officers, county park rangers who are certified peace officers,
21 police officers who are certified peace officers and who are employed by
22 an Indian reservation police agency, firefighters who are employed by an
23 Indian reservation firefighting agency or game rangers who are certified
24 peace officers and who are employed by an Indian reservation. Those
25 individuals who are assigned solely to support duties such as secretaries,
26 stenographers, clerical personnel, clerks, cooks, maintenance personnel,
27 mechanics and dispatchers are not assigned to hazardous duty regardless of
28 their position classification title. Since the normal duties of those
29 jobs described in this paragraph are constantly changing, questions as to
30 whether a person is or was previously regularly assigned to hazardous duty
31 shall be resolved by the local board on a case-by-case basis. Resolutions
32 by local boards are subject to rehearing and appeal.

33 43. "Retirement" or "retired" means termination of employment after
34 a member has fulfilled all requirements for a pension, for an employee who
35 becomes a member of the system on or after January 1, 2012 and before
36 July 1, 2017, attains the age and service requirements for a normal
37 retirement date or for an employee who becomes a member of the system on
38 or after July 1, 2017 attains the age and credited service requirements
39 for a normal retirement date. Retirement shall be considered as
40 commencing on the first day of the month immediately following a member's
41 last day of employment or authorized leave of absence, if later.

42 44. "Segregated funds" means the amount of benefits that would
43 currently be payable to an alternate payee pursuant to a domestic
44 relations order under review by the system, or a domestic relations order

1 submitted to the system that failed to qualify as a plan approved domestic
2 relations order, if the domestic relations order were determined to be a
3 plan approved domestic relations order.

4 45. "Service" means the last period of continuous employment of an
5 employee by the employers before the employee's retirement, except that if
6 such period includes employment during which the employee would not have
7 qualified as a member had the system then been effective, such as
8 employment as a volunteer firefighter, then only twenty-five percent of
9 such noncovered employment shall be considered as service. Any absence
10 that is authorized by an employer shall not be considered as interrupting
11 continuity of employment if the employee returns within the period of
12 authorized absence. Transfers between employers also shall not be
13 considered as interrupting continuity of employment. Any period during
14 which a member is receiving sick leave payments or a temporary disability
15 pension shall be considered as service. Notwithstanding any other
16 provision of this paragraph, any period during which a person was employed
17 as a full-time paid firefighter for a corporation that contracted with an
18 employer to provide firefighting services on behalf of the employer shall
19 be considered as service if the employer has elected at its option to
20 treat part or all of the period the firefighter worked for the company as
21 service in its applicable joinder agreement. Any reference in this system
22 to the number of years of service of an employee shall be deemed to
23 include fractional portions of a year.

24 46. "State" means the state of Arizona, including any department,
25 office, board, commission, agency or other instrumentality of this state.

26 47. "System" means the public safety personnel retirement system
27 established by this article.

28 48. "Temporary disability" means a physical or mental condition
29 that the local board finds totally and temporarily prevents an employee
30 from performing a reasonable range of duties within the employee's
31 department and that was incurred in the performance of the employee's
32 duty.

33 Sec. 2. Section 38-865, Arizona Revised Statutes, is amended to
34 read:

35 38-865. Definitions

36 In this article, unless the context otherwise requires:

37 1. "Annuity account" means an account that is established for each
38 participant to record the deposit of participant contributions, employer
39 contributions and interest, dividends or other accumulations credited on
40 behalf of the participant.

41 2. "Board" means the board of trustees of the public safety
42 personnel retirement system established by section 38-848.

1 3. "Compensation":

2 (a) For participants as defined in paragraph 7, subdivision (a) of
3 this section and section 38-865.01, has the same meaning prescribed in
4 section 38-842.

5 (b) For participants as defined in paragraph 7, subdivision (b) of
6 this section, means salary as defined in section 38-881.

7 4. "Defined contribution plan" means the public safety personnel
8 defined contribution retirement plan established pursuant to this article.

9 5. "Employer" has the same meaning prescribed in section 38-842 or
10 38-881, as applicable.

11 6. "Employer contribution" means an amount deposited by an
12 employer, from the employer's own monies, in the participant's annuity
13 account on a periodic basis coinciding with the participant's regular pay
14 period.

15 7. "Participant" means:

16 (a) A member as defined in section 38-842, paragraph 31,
17 subdivision (a) OR (b), excluding subdivision (a), item (vi), who is one
18 of the following:

19 (i) An employee who is hired on or after July 1, 2017, who makes
20 the irrevocable election to participate solely in the defined contribution
21 plan established pursuant to this article and who was not an active, an
22 inactive or a retired member of the system or a member of the system with
23 a disability on June 30, 2017.

24 (ii) An employee who is hired on or after July 1, 2017, who is not
25 covered by the federal old age and survivors insurance system and who
26 makes the irrevocable election to participate in the system or is enrolled
27 in the system pursuant to section 38-842.01, subsection A.

28 (b) A member as defined in section 38-881, paragraph 27,
29 subdivision (a) who is one of the following:

30 (i) An employee who is hired on or after July 1, 2018, who is not
31 in a designated position as defined in section 38-881, paragraph 13,
32 subdivision (g) and who was not an active, an inactive or a retired member
33 of the corrections officer retirement plan or a member of the corrections
34 officer retirement plan with a disability on June 30, 2018.

35 (ii) An employee who is hired on or after July 1, 2018, who is in a
36 designated position as defined in section 38-881, paragraph 13,
37 subdivision (g), who makes the irrevocable election pursuant to section
38 38-881.01 to participate solely in the defined contribution plan
39 established pursuant to this article and who was not an active, an
40 inactive or a retired member of the corrections officer retirement plan or
41 a member of the corrections officer retirement plan with a disability on
42 June 30, 2018.

1 8. "Pensionable compensation" means the amount of the participant's
2 annual compensation that does not exceed the limitation specified in
3 section 38-843.04 or 38-895.01, as applicable.

4 9. "System" means the public safety personnel retirement system
5 established by article 4 of this chapter.

6 Sec. 3. Section 38-865.01, Arizona Revised Statutes, is amended to
7 read:

8 38-865.01. Definition of participant

9 For the purposes of this article, "participant" includes a member as
10 defined in section 38-842, paragraph 31, subdivision (a) **OR** (b), excluding
11 subdivision (a), item (vi), who is hired on or after January 1, 2012 and
12 before July 1, 2017, who is not covered by the federal old age and
13 survivors insurance system and who is a member of the system.

14 Sec. 4. Section 38-867.02, Arizona Revised Statutes, is amended to
15 read:

16 38-867.02. Trustee-to-trustee transfers from system;
17 definitions

18 A. A trustee-to-trustee transfer made pursuant to section
19 38-844.06, subsection C shall be deposited in a separate transfer account
20 established on behalf of the participant and made immediately available
21 for the participant's beneficiary to either withdraw all or any portion of
22 the deposited monies or directly transfer all or any portion of the monies
23 to an eligible retirement plan in accordance with section 401(a)(31) of
24 the internal revenue code.

25 B. For the purposes of this section:

26 1. "Beneficiary" means the person designated as the beneficiary of
27 a participant's deferred retirement option plan participation account
28 pursuant to section 38-844.07.

29 2. "Participant" means a member as defined in section 38-842,
30 paragraph 31, subdivision (a), item (vi) **OR** (b), who has both:

31 (a) Elected to enter into the deferred retirement option plan
32 established by section 38-844.02.

33 (b) Died while a participant in the deferred retirement option
34 plan.

35 3. "Separate transfer account" means a fully vested and
36 nonforfeitable separate account under the defined contribution plan
37 established by the trustee in accordance with subsection A of this
38 section.