

House Engrossed Senate Bill

PSPRS; part-time employment

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

SENATE BILL 1287

AN ACT

AMENDING SECTION 38-842, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-842.03; AMENDING SECTIONS 38-845, 38-845.03, 38-846.01, 38-846.05, 38-849, 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
44 any extra monies, including overtime pay, shift differential pay, holiday
45 pay, longevity pay, fringe benefit pay and similar extra payments.

1 13. "Credited service":

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

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

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

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

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

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

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

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

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

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

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

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

45 (a) Is under eighteen years of age.

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

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

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

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

9 (b) Municipal firefighters.

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

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

16 (e) State firefighters.

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

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

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

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

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

30 (k) State attorney general investigators who are certified peace
31 officers.

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

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

35 (n) Firefighters who are employed by an Indian reservation
36 firefighting agency.

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

39 (p) Arizona department of agriculture officers who are certified
40 peace officers.

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

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

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

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

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

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

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

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

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

13 (f) An eligible deferred compensation plan described in section
14 457(b) of the internal revenue code that is maintained by a state, a
15 political subdivision of a state or any agency or instrumentality of a
16 state or a political subdivision of a state and that agrees to separately
17 account for amounts transferred into the eligible deferred compensation
18 plan from this plan.

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

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

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

26 (a) Any distribution that is one of a series of substantially equal
27 periodic payments made not less frequently than annually for the life or
28 life expectancy of the member or the joint lives or joint life
29 expectancies of the member and the member's beneficiary or for a specified
30 period of ten years or more.

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

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

35 (d) Any distribution made to satisfy the requirements of section
36 415 of the internal revenue code.

37 (e) Hardship distributions.

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

41 27. "Employee" means any person who is employed by a participating
42 employer and who is a member of an eligible group but does not include any
43 persons compensated on a contractual or fee basis. If an eligible group
44 requires certified peace officer status or firefighter certification and

1 at the option of the local board, employee may include a person who is
2 training to become a certified peace officer or firefighter.

3 28. "Employers" means:

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

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

12 (c) The state highway patrol covered under the state highway patrol
13 retirement system.

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

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

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

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

29 31. "Member":

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

32 (i) Who is either a paid municipal police officer, a paid
33 firefighter, a law enforcement officer who is employed by this state
34 including the director thereof, a state firefighter who is primarily
35 assigned to firefighting duties, a firefighter or police officer of a
36 nonprofit corporation operating a public airport pursuant to sections
37 28-8423 and 28-8424, all ranks designated by the Arizona law enforcement
38 merit system council, a state attorney general investigator who is a
39 certified peace officer, a county attorney investigator who is a certified
40 peace officer, a department of liquor licenses and control investigator
41 who is a certified peace officer, an Arizona department of agriculture
42 officer who is a certified peace officer, an Arizona state parks board
43 ranger or manager who is a certified peace officer, a county park ranger
44 who is a certified peace officer, a person who is a certified peace
45 officer and who is employed by an Indian reservation police agency, a game

1 ranger who is a certified peace officer and who is employed by an Indian
2 reservation, a firefighter who is employed by an Indian reservation
3 firefighting agency or an employee included in a group designated as
4 eligible employees under a joinder agreement entered into by their
5 employer after July 1, 1968 and who is or was regularly assigned to
6 hazardous duty or, beginning retroactively to January 1, 2009, who is a
7 police chief or a fire chief.

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

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

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

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

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

26 (b) BEGINNING FROM AND AFTER JUNE 30, 2026, INCLUDES ANY PART-TIME
27 EMPLOYEE WHOSE EMPLOYER HAS CHOSEN TO ALLOW PART-TIME EMPLOYEES TO
28 PARTICIPATE IN THE SYSTEM AND TO WHOM ALL OF THE FOLLOWING APPLY:

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

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

35 (iii) IS ENGAGED TO WORK AS A PATROL OFFICER AND IS SCHEDULED TO
36 WORK FOR AT LEAST TWENTY HOURS PER WEEK BUT NOT MORE THAN THIRTY HOURS PER
37 WEEK FOLLOWING A CONSISTENT SCHEDULE, AS DETERMINED BY THE EMPLOYER.

38 (iv) MEETS THE REQUIREMENTS OF SECTION 38-842.03.

39 (b) (c) Does not include an employee who is hired on or after July
40 1, 2017, who makes the irrevocable election to participate solely in the
41 public safety personnel defined contribution retirement plan established
42 pursuant to article 4.1 of this chapter and who was not an active, an
43 inactive or a retired member of the system or a member of the system with
44 a disability on June 30, 2017.

1 32. "Normal retirement date" means:

2 (a) For an employee who becomes a member of the system before
3 January 1, 2012, the first day of the calendar month immediately following
4 the employee's completion of twenty years of service or the employee's
5 sixty-second birthday and the employee's completion of fifteen years of
6 service.

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

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

16 33. "Notice of receipt" means a written document that is issued by
17 the system to a participant and alternate payee and that states that the
18 system has received a domestic relations order and a request for a
19 determination that the domestic relations order is a plan approved
20 domestic relations order.

21 34. "Ordinary disability" means a physical condition that the local
22 board determines will prevent an employee totally and permanently from
23 performing a reasonable range of duties within the employee's department
24 or a mental condition that the local board determines will prevent an
25 employee totally and permanently from engaging in any substantial gainful
26 activity.

27 35. "Participant" means a member who is subject to a domestic
28 relations order.

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

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

34 38. "Personal representative" means the personal representative of
35 a deceased alternate payee.

36 39. "Physician" means a physician who is licensed pursuant to title
37 32, chapter 13 or 17.

38 40. "Plan approved domestic relations order" means a domestic
39 relations order that the system approves as meeting all the requirements
40 for a plan approved domestic relations order as otherwise prescribed in
41 this article.

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

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

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

36 44. "Segregated funds" means the amount of benefits that would
37 currently be payable to an alternate payee pursuant to a domestic
38 relations order under review by the system, or a domestic relations order
39 submitted to the system that failed to qualify as a plan approved domestic
40 relations order, if the domestic relations order were determined to be a
41 plan approved domestic relations order.

42 45. "Service" means the last period of continuous employment of an
43 employee by the employers before the employee's retirement, except that if
44 such period includes employment during which the employee would not have
45 qualified as a member had the system then been effective, such as

1 employment as a volunteer firefighter, then only twenty-five percent of
2 such noncovered employment shall be considered as service. Any absence
3 that is authorized by an employer shall not be considered as interrupting
4 continuity of employment if the employee returns within the period of
5 authorized absence. Transfers between employers also shall not be
6 considered as interrupting continuity of employment. Any period during
7 which a member is receiving sick leave payments or a temporary disability
8 pension shall be considered as service. Notwithstanding any other
9 provision of this paragraph, any period during which a person was employed
10 as a full-time paid firefighter for a corporation that contracted with an
11 employer to provide firefighting services on behalf of the employer shall
12 be considered as service if the employer has elected at its option to
13 treat part or all of the period the firefighter worked for the company as
14 service in its applicable joinder agreement. Any reference in this system
15 to the number of years of service of an employee shall be deemed to
16 include fractional portions of a year.

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

19 47. "System" means the public safety personnel retirement system
20 established by this article.

21 48. "Temporary disability" means a physical or mental condition
22 that the local board finds totally and temporarily prevents an employee
23 from performing a reasonable range of duties within the employee's
24 department and that was incurred in the performance of the employee's
25 duty.

26 Sec. 2. Title 38, chapter 5, article 4, Arizona Revised Statutes,
27 is amended by adding section 38-842.03, to read:

30 A. TO QUALIFY AS A MEMBER AS DEFINED IN SECTION 38-842, PARAGRAPH
31 31, SUBDIVISION (b), A PART-TIME EMPLOYEE SHALL MEET BOTH OF THE
32 FOLLOWING:

33 1. HAS ENTERED INTO A WRITTEN AGREEMENT WITH THE EMPLOYEE'S
34 EMPLOYER BEFORE JULY 1, 2031 TO WORK PART TIME FOR A PERIOD OF NOT MORE
35 THAN THREE YEARS DUE TO A SPECIFIED QUALIFYING EVENT.

36 2. HAS NOT WORKED AS A PART-TIME EMPLOYEE FOR THE PURPOSES OF THIS
37 SECTION FOR MORE THAN SIX YEARS.

38 B. A PART-TIME EMPLOYEE MAY NOT PERFORM OFF-DUTY WORK.

39 C. FOR THE PURPOSES OF THIS SECTION:

40 1. "IMMEDIATE FAMILY MEMBER" MEANS A CHILD, SPOUSE, PARENT,
41 GRANDCHILD OR GRANDPARENT.

42 2. "OFF-DUTY WORK" MEANS BEING EMPLOYED AS A POLICE OFFICER, STATE
43 HIGHWAY PATROL OFFICER OR COUNTY SHERIFF OR DEPUTY BY AN EMPLOYER OTHER
44 THAN THE PART-TIME EMPLOYEE'S EMPLOYER PURSUANT TO THIS ARTICLE.

1 3. "QUALIFYING EVENT" MEANS THE BIRTH OR ADOPTION OF A CHILD OR
2 PROVIDING CARE FOR A SERIOUS HEALTH CONDITION OF AN IMMEDIATE FAMILY
3 MEMBER.

4 4. "SERIOUS HEALTH CONDITION" HAS THE SAME MEANING PRESCRIBED IN 29
5 CODE OF FEDERAL REGULATIONS SECTION 825.113.

6 Sec. 3. Section 38-845, Arizona Revised Statutes, is amended to
7 read:

8 38-845. Amount of retirement benefit

9 A. A member who meets the requirements for a normal pension, who
10 becomes a member of the system before January 1, 2012 and who has twenty
11 years of credited service shall receive a monthly amount that equals fifty
12 percent of the member's average monthly benefit compensation. If the
13 member retires with other than twenty years of credited service, the
14 foregoing amount shall be:

15 1. Reduced by four percent for each year of credited service under
16 twenty years, with pro rata reduction for any fractional year.

17 2. Increased by a monthly amount equal to two percent of the
18 member's average monthly benefit compensation multiplied by the number of
19 the member's years of credited service in excess of twenty years, with pro
20 rata increase for any fractional year, except that if a member retires
21 with twenty-five or more years of credited service the amount shall be
22 increased by a monthly amount equal to two and one-half percent of the
23 member's average monthly benefit compensation multiplied by the number of
24 the member's years of credited service in excess of twenty years, with pro
25 rata increase for any fractional year.

26 B. A member who meets the requirements for an accidental disability
27 pension shall receive a monthly amount, which shall be computed in the
28 same manner as a normal pension, using the member's average monthly
29 benefit compensation before termination of employment and the member's
30 actual credited service or twenty years of credited service, whichever is
31 greater. Notwithstanding any other provision of this section, the
32 accidental disability pension for a member shall be a monthly amount that
33 equals not less than fifty percent of the member's average monthly benefit
34 compensation.

35 C. A member who meets the requirements for an ordinary disability
36 pension shall receive a monthly amount that is equal to a fraction times
37 the member's normal pension that is computed according to subsection A,
38 ~~G OR H OR I~~ of this section if the member had twenty years of credited
39 service. The fraction is the result obtained by dividing the member's
40 actual years of credited service, not to exceed twenty years of credited
41 service, by the member's required credited service for the applicable
42 normal retirement date.

1 D. A member who meets the requirements for a temporary disability
2 pension shall receive a monthly amount that is equal to one-twelfth of
3 fifty percent of the member's annual compensation received immediately
4 prior to the date on which the member's disability was incurred.

5 E. A member who meets the requirements for a catastrophic
6 disability pension is entitled to receive a monthly amount computed as
7 follows:

8 1. For the first sixty months, ninety percent of the member's
9 average monthly benefit compensation before termination of employment.

10 2. After sixty months, sixty-two and one-half percent of the
11 member's average monthly benefit compensation before termination of
12 employment or computed in the same manner as a normal pension using the
13 member's average monthly benefit compensation before termination of
14 employment and the member's actual credited service, whichever is greater.

15 **F. FOR THE PURPOSES OF CALCULATING AN ACCIDENTAL, ORDINARY OR**
16 **CATASTROPHIC DISABILITY PENSION PURSUANT TO THIS SECTION FOR A MEMBER AS**
17 **DEFINED IN SECTION 38-842, PARAGRAPH 31, SUBDIVISION (b), THE AVERAGE**
18 **MONTHLY BENEFIT COMPENSATION SHALL EXCLUDE ANY PART-TIME EARNINGS.**

19 **F.** G. A member who was employed before September 15, 1989 by an
20 employer participating in the system and who retires on or after November
21 1, 2001 is entitled to receive a tax equity benefit allowance consisting
22 of a permanent increase of two percent of the member's base benefit
23 retroactive to the day of retirement.

24 **G.** H. A member who meets the requirements for a normal pension,
25 who becomes a member of the system on or after January 1, 2012 and before
26 July 1, 2017 and who has twenty-five years of credited service shall
27 receive a monthly amount that equals sixty-two and one-half percent of the
28 member's average monthly benefit compensation. If the member has at least
29 fifteen years of credited service, but less than twenty-five years of
30 service, the monthly amount shall be equal to the member's average monthly
31 benefit compensation multiplied by the number of whole and fractional
32 years of credited service multiplied by the appropriate percentage
33 specified in subsection **H** I of this section. If the member has
34 twenty-five years of service and retires with other than twenty-five years
35 of credited service, the foregoing amount shall be:

36 1. Reduced by four percent for each year of credited service under
37 twenty-five years, with pro rata reduction for any fractional year.

38 2. Increased by a monthly amount equal to two and one-half percent
39 of the member's average monthly benefit compensation multiplied by the
40 number of the member's years of credited service in excess of twenty-five
41 years, with pro rata increase for any fractional year.

1 ~~H.~~ **I.** A member who becomes a member of the system on or after July
2 1, 2017 and who retires on or after the member's normal retirement date
3 shall receive a monthly amount equal to the member's average monthly
4 benefit compensation multiplied by the number of whole and fractional
5 years of credited service multiplied by the following:

6 1. 1.50 percent if the member has at least fifteen years of
7 credited service but less than seventeen years of credited service.

8 2. 1.75 percent if the member has at least seventeen years of
9 credited service but less than nineteen years of credited service.

10 3. 2.00 percent if the member has at least nineteen years of
11 credited service but less than twenty-two years of credited service.

12 4. 2.25 percent if the member has at least twenty-two years of
13 credited service but less than twenty-five years of credited service.

14 5. 2.50 percent if the member has at least twenty-five years of
15 credited service.

16 ~~I.~~ **J.** Notwithstanding subsections A, ~~G and H~~ **AND I** of this
17 section, the maximum amount payable as a normal pension is eighty percent
18 of the average monthly benefit compensation.

19 Sec. 4. Section 38-845.03, Arizona Revised Statutes, is amended to
20 read:

21 **38-845.03. Early retirement**

22 Members who are hired on or after July 1, 2017 and who have earned
23 at least fifteen years of credited service may retire at fifty-two and
24 one-half years of age and will receive an actuarially equivalent
25 retirement benefit to the benefit amount prescribed in section 38-845,
26 subsection ~~H~~ **I**.

27 Sec. 5. Section 38-846.01, Arizona Revised Statutes, is amended to
28 read:

29 **38-846.01. Deferred annuity; exception**

30 A. If any member who has at least ten years of credited service
31 terminates employment for reasons other than retirement or disability, the
32 member may elect to receive a deferred annuity, except that if the
33 annuitant withdraws all or part of the annuitant's accumulated
34 contributions in the system all rights in and to a deferred annuity shall
35 be forfeited by the annuitant. A deferred annuity is a lifetime monthly
36 payment actuarially equivalent to the annuitant's accumulated
37 contributions in the system plus an equal amount paid by the employer and
38 shall commence on application on or after the sixty-second birthday of the
39 annuitant. The annuity is not a retirement benefit and annuitants are not
40 entitled to receive any amount prescribed by section 38-845, subsection
41 ~~F~~ **G** or section 38-846, 38-856.05 or 38-857.

42 B. This section does not apply to a member who becomes a member of
43 the system on or after January 1, 2012. For a member who is hired on or
44 after January 1, 2012 and before July 1, 2017, a member who attains a
45 normal retirement date is eligible for retirement and a retirement benefit

1 even if the member terminates employment with an employer before the age
2 requirement for normal retirement if the member attains the service
3 requirement for normal retirement. For a member who is hired on or after
4 July 1, 2017, a member who attains a normal retirement date is eligible
5 for retirement and a retirement benefit even if the member terminates
6 employment with an employer before the age requirement for normal
7 retirement if the member attains the credited service requirement for
8 normal retirement. Once a member described in this subsection reaches the
9 normal retirement age, the member may receive payments made under section
10 38-845.

11 Sec. 6. Section 38-846.05, Arizona Revised Statutes, is amended to
12 read:

13 **38-846.05. Retiree pool account; transfers; funding**

14 A. The retiree pool account is established in the fund for the
15 purpose of sharing the actuarial liability attributable to uncontrollable
16 costs for the employers of members who are hired on or after July 1, 2017
17 and who are determined eligible for a normal retirement benefit pursuant
18 to section 38-844 or for an accidental, ordinary or catastrophic
19 disability pension pursuant to section 38-844 and for survivors of members
20 who are hired on or after July 1, 2017 and who are determined eligible for
21 a death benefit pursuant to section 38-846.

22 B. For members who are determined eligible for a normal retirement
23 benefit pursuant to section 38-844, an amount equal to the actuarial
24 present value of future benefit payments, calculated as of the member's
25 retirement date, shall be transferred from the employer's account to the
26 retiree pool account.

27 C. For a member who is determined eligible for an accidental,
28 ordinary or catastrophic disability pension pursuant to section 38-844 and
29 who has not reached the member's normal retirement date, an amount equal
30 to the actuarial present value of future benefit payments already accrued,
31 calculated as of the date of disability retirement, shall be transferred
32 from the employer's account to the retiree pool account. **FOR A MEMBER AS**
33 DEFINED IN SECTION 38-842, PARAGRAPH 31, SUBDIVISION (b) WHO IS DETERMINED
34 ELIGIBLE FOR AN ACCIDENTAL, ORDINARY OR CATASTROPHIC DISABILITY PENSION
35 PURSUANT TO SECTION 38-844 AND WHO HAS NOT REACHED THE MEMBER'S NORMAL
36 RETIREMENT DATE, THE SYSTEM ACTUARY SHALL DETERMINE AND THE SYSTEM SHALL
37 ASSESS THE EMPLOYER AN AMOUNT EQUAL TO THE ACTUARIAL PRESENT VALUE OF
38 FUTURE BENEFIT PAYMENTS ALREADY ACCRUED, CALCULATED AS OF THE MEMBER'S
39 DISABILITY RETIREMENT DATE, CONSISTENT WITH SECTION 38-845, SUBSECTION F.
40 If a member who is determined eligible for an accidental, ordinary or
41 catastrophic disability pension has reached the member's normal retirement
42 date, the amount transferred to the retiree pool account is calculated in
43 the same manner as a normal retirement pursuant to subsection B of this
44 section.

1 D. For a survivor of a deceased member determined eligible for a
2 death benefit pursuant to section 38-846, if the member was not retired
3 and had not reached the member's normal retirement date, an amount equal
4 to the actuarial present value of future survivor benefit payments already
5 accrued, calculated as of the survivor's retirement date, shall be
6 transferred from the employer's account to the retiree pool account. If
7 the deceased member had reached the member's normal retirement date, an
8 amount equal to the actuarial present value of future survivor benefit
9 payments, plus any amount payable, calculated as of the survivor's
10 retirement date, shall be transferred from the employer's account to the
11 retiree pool account.

12 E. The retiree pool account shall remain one hundred percent
13 funded. In any fiscal year that the retiree **POOL** account is not one
14 hundred percent funded as of June 30, the amount necessary to adjust the
15 retiree pool account up or down to one hundred percent funded shall be
16 transferred from or to the investment earnings of the fund before those
17 earnings are distributed to each employer's account.

18 Sec. 7. Section 38-849, Arizona Revised Statutes, is amended to
19 read:

20 38-849. Limitations on receiving pension; violation;
21 classification; reemployment after severance;
22 reinstatement of service credits; reemployment of
23 retired member or member with a disability;
24 definition

25 A. If a member is convicted of, or discharged because of, theft,
26 embezzlement, fraud or misappropriation of an employer's property or
27 property under the control of the employer, the member shall be subject to
28 restitution and fines imposed by a court of competent jurisdiction. The
29 court may order the restitution or fines to be paid from any payments
30 otherwise payable to the member from the retirement system.

31 B. A person who knowingly makes any false statement or who
32 falsifies or allows to be falsified any record of the system with an
33 intent to defraud the system is guilty of a class 5 felony. If any change
34 or error in the records results in any member or beneficiary receiving
35 from the system more or less than the member or beneficiary would have
36 been entitled to receive had the records been correct, the local board
37 shall correct such error, and as far as practicable shall adjust the
38 payments in such manner that the actuarial equivalent of the benefit to
39 which such member or beneficiary was correctly entitled shall be paid. If
40 a member is convicted of a crime specified in this subsection, section
41 13-713 applies.

42 C. If a member who received a severance refund on termination of
43 employment pursuant to section 38-846.02 becomes reemployed with the same
44 employer within two years after the former member's termination date, the
45 member may have forfeited credited service attributable to service

1 rendered during a prior period of service as an employee restored on
2 satisfaction of each of the following conditions:

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

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

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

14 D. If a member who received a severance refund on termination of
15 employment, as provided in section 38-846.02, is subsequently reemployed
16 by an employer, the member's prior service credits shall be cancelled and
17 service shall be credited only from the date the member's most recent
18 reemployment period commenced. However, a present active member of the
19 system who forfeited credited service, received a severance refund
20 pursuant to section 38-846.02 and becomes reemployed with the same
21 employer two years or more after the member's termination date or becomes
22 reemployed with another employer may elect to redeem any part of that
23 forfeited credited service by paying into the system any amounts required
24 pursuant to this subsection. A present active member who elects to redeem
25 any part of forfeited credited service for which the member is deemed
26 eligible by the board shall pay into the system the amounts previously
27 paid or transferred to the member as a severance refund plus an amount
28 that is computed by the system's actuary that is necessary to equal the
29 increase in the actuarial present value of projected benefits resulting
30 from the redemption calculated using the actuarial methods and assumptions
31 prescribed by the system's actuary. On satisfaction of this obligation,
32 the member's prior service credits shall be reinstated.

33 E. If a retired member becomes reemployed in any capacity by the
34 employer from which the member retired before six months after the date of
35 retirement or in the same position at any time following retirement:

36 1. The following apply:

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

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

42 (c) Employee contributions shall not be made on the retired
43 member's account, nor shall any service be credited during the period of
44 reemployment. On subsequent termination of employment by the retired
45 member, the retired member is entitled to receive a pension based on the

1 member's service and compensation before the date of the member's
2 reemployment. The employer shall pay the alternate contribution rate
3 pursuant to section 38-843.05.

4 (d) Any pension payments received by the retired member, who
5 retired on or after July 1, 2009, during the period of reemployment are
6 considered overpayments pursuant to section 38-850, unless subsection B of
7 this section applies. If the board determines in the board's sole
8 discretion, for a member who retired on or after July 1, 2009, that the
9 retired member's reemployment during the six-month period and the failure
10 of the employer or the local board to suspend the member's pension were
11 not intentional to circumvent the requirements of this subsection, the
12 pension payments received by the retired member after the retired member's
13 reemployment are subject to repayment up to only the amount received
14 between the date of the member's reemployment and the expiration of the
15 six-month period.

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

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

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

30 (b) The retired member is hired as a fire inspector, ~~or~~ arson
31 investigator **OR SCHOOL RESOURCE OFFICER**.

32 (c) The retired member who is receiving an accidental disability,
33 ordinary disability, catastrophic disability or temporary disability
34 pension accepts a job reassignment as an accommodation in accordance with
35 the Americans with disabilities act of 1990 due to a disability that is
36 directly related to the retired member being awarded an accidental
37 disability, ordinary disability, catastrophic disability or temporary
38 disability benefit.

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

1 G. If after six months after the date of retirement a retired
2 member becomes reemployed by the employer from which the member retired in
3 a position other than the same position from which the member retired,
4 employee contributions shall not be made on the retired member's account,
5 and any service shall not be credited during the period of reemployment.
6 The employer shall pay the alternate contribution rate pursuant to section
7 38-843.05.

8 H. At any time following retirement, if the retired member becomes
9 employed by an employer, other than the employer from which the member
10 retired, in a position ordinarily filled by an employee of an eligible
11 group, employee contributions shall not be made on the retired member's
12 account, and any service shall not be credited during the period of
13 reemployment. The employer shall pay the alternate contribution rate
14 pursuant to section 38-843.05.

15 I. If a member who retired under an accidental or ordinary
16 disability becomes reemployed as an employee of an eligible group, section
17 38-844 applies and a determination shall be made by the local board as to
18 whether subsection E, F, G or H of this section applies.

19 J. The local board shall review all reemployment determinations and
20 voluntary assignments as described in subsection F of this section. If
21 the local board or the system is not provided the necessary information
22 required by the system to make a reemployment determination, the local
23 board and the system shall suspend pension payments until information is
24 received and a determination is made regarding whether the reemployment
25 meets the requirements of subsection E, F, G, H or I of this section.

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

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

44 M. Notwithstanding any other provision of this article, a member
45 who retires having met all of the qualifications for retirement and who

1 subsequently becomes an elected official, by election or appointment, is
2 not considered reemployed by the same employer.

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

7 Sec. 8. Section 38-865, Arizona Revised Statutes, is amended to
8 read:

9 38-865. Definitions

10 In this article, unless the context otherwise requires:

11 1. "Annuity account" means an account that is established for each
12 participant to record the deposit of participant contributions, employer
13 contributions and interest, dividends or other accumulations credited on
14 behalf of the participant.

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

17 3. "Compensation":

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

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

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

25 5. "Employer" has the same meaning prescribed in section 38-842 or
26 38-881, as applicable.

27 6. "Employer contribution" means an amount deposited by an
28 employer, from the employer's own monies, in the participant's annuity
29 account on a periodic basis coinciding with the participant's regular pay
30 period.

31 7. "Participant" means:

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

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

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

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

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

6 (ii) An employee who is hired on or after July 1, 2018, who is in a
7 designated position as defined in section 38-881, paragraph 13,
8 subdivision (g), who makes the irrevocable election pursuant to section
9 38-881.01 to participate solely in the defined contribution plan
10 established pursuant to this article and who was not an active, an
11 inactive or a retired member of the corrections officer retirement plan or
12 a member of the corrections officer retirement plan with a disability on
13 June 30, 2018.

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

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

19 Sec. 9. Section 38-865.01, Arizona Revised Statutes, is amended to
20 read:

21 38-865.01. Definition of participant

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

27 Sec. 10. Section 38-867.02, Arizona Revised Statutes, is amended to
28 read:

29 38-867.02. Trustee-to-trustee transfers from system; definitions

31 A. A trustee-to-trustee transfer made pursuant to section
32 38-844.06, subsection C shall be deposited in a separate transfer account
33 established on behalf of the participant and made immediately available
34 for the participant's beneficiary to either withdraw all or any portion of
35 the deposited monies or directly transfer all or any portion of the monies
36 to an eligible retirement plan in accordance with section 401(a)(31) of
37 the internal revenue code.

38 B. For the purposes of this section:

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

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

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

1 (b) Died while a participant in the deferred retirement option
2 plan.

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