

Senate Engrossed

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, 38-865, 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.

44       42. "Regularly assigned to hazardous duty" means regularly assigned  
45 to duties of the type normally expected of municipal police officers,

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

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

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

40       45. "Service" means the last period of continuous employment of an  
41 employee by the employers before the employee's retirement, except that if  
42 such period includes employment during which the employee would not have  
43 qualified as a member had the system then been effective, such as  
44 employment as a volunteer firefighter, then only twenty-five percent of  
45 such noncovered employment shall be considered as service. Any absence

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

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

17       47. "System" means the public safety personnel retirement system  
18 established by this article.

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

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

26       38-842.03. Part-time employees; requirements; prohibition;  
27                   definitions

28       A. TO QUALIFY AS A MEMBER AS DEFINED IN SECTION 38-842, PARAGRAPH  
29 31, SUBDIVISION (b), A PART-TIME EMPLOYEE SHALL MEET BOTH OF THE  
30 FOLLOWING:

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

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

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

37       C. FOR THE PURPOSES OF THIS SECTION:

38       1. "IMMEDIATE FAMILY MEMBER" MEANS A CHILD, SPOUSE, PARENT,  
39 GRANDCHILD OR GRANDPARENT.

40       2. "OFF-DUTY WORK" MEANS BEING EMPLOYED AS A POLICE OFFICER, STATE  
41 HIGHWAY PATROL OFFICER OR COUNTY SHERIFF OR DEPUTY BY AN EMPLOYER OTHER  
42 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.

42       **H.** I. A member who becomes a member of the system on or after July  
43 1, 2017 and who retires on or after the member's normal retirement date  
44 shall receive a monthly amount equal to the member's average monthly

1 benefit compensation multiplied by the number of whole and fractional  
2 years of credited service multiplied by the following:

3       1. 1.50 percent if the member has at least fifteen years of  
4 credited service but less than seventeen years of credited service.

5       2. 1.75 percent if the member has at least seventeen years of  
6 credited service but less than nineteen years of credited service.

7       3. 2.00 percent if the member has at least nineteen years of  
8 credited service but less than twenty-two years of credited service.

9       4. 2.25 percent if the member has at least twenty-two years of  
10 credited service but less than twenty-five years of credited service.

11      5. 2.50 percent if the member has at least twenty-five years of  
12 credited service.

13      ~~F~~ J. Notwithstanding subsections A, ~~G~~ and H AND I of this  
14 section, the maximum amount payable as a normal pension is eighty percent  
15 of the average monthly benefit compensation.

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

18      38-845.03. Early retirement

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

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

26      38-846.01. Deferred annuity; exception

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

39      B. This section does not apply to a member who becomes a member of  
40 the system on or after January 1, 2012. For a member who is hired on or  
41 after January 1, 2012 and before July 1, 2017, a member who attains a  
42 normal retirement date is eligible for retirement and a retirement benefit  
43 even if the member terminates employment with an employer before the age  
44 requirement for normal retirement if the member attains the service  
45 requirement for normal retirement. For a member who is hired on or after

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

8 Sec. 6. Section 38-865, Arizona Revised Statutes, is amended to  
9 read:

10 **38-865. Definitions**

11 In this article, unless the context otherwise requires:

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

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

18 3. "Compensation":

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

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

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

26 5. "Employer" has the same meaning prescribed in section 38-842 or  
27 38-881, as applicable.

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

32 7. "Participant" means:

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

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

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

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

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

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

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

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

### 38-865.01. Definition of participant

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

29 Sec. 8. Section 38-867.02, Arizona Revised Statutes, is amended to  
30 read:

## 38-867.02. Trustee-to-trustee transfers from system: definitions

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

40 B. For the purposes of this section:

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

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

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

5           (b) Died while a participant in the deferred retirement option  
6 plan.

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