

House Engrossed

ASRS; long-term disability

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

**CHAPTER 265**

**HOUSE BILL 2077**

AN ACT

AMENDING SECTION 38-797.07, ARIZONA REVISED STATUTES; RELATING TO THE  
ARIZONA STATE RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-797.07, Arizona Revised Statutes, is amended  
3 to read:

4 38-797.07. LTD program benefits; limitations; definitions

5 A. The LTD program is subject to the following limitations:

6 1. Except as provided in paragraph 9 of this subsection, monthly  
7 LTD program benefits shall not exceed two-thirds of a member's monthly  
8 compensation, reduced by:

9 (a) For a member whose disability commences before July 1, 2008,  
10 sixty-four percent of social security disability benefits that the member  
11 and the member's dependents are eligible to receive.

12 (b) For a member whose disability commences on or after July 1,  
13 2008, eighty-five percent of social security disability benefits that the  
14 member and the member's dependents are eligible to receive, but not  
15 including:

16 (i) The amount of attorney fees approved pursuant to social  
17 security administration rules and reasonable documented costs paid to an  
18 attorney to secure that disability benefit.

19 (ii) Any cost-of-living adjustments that are granted after the  
20 member commences benefits under this section.

21 (c) For a member whose disability commences before July 1, 2008,  
22 eighty-three percent of social security retirement benefits that the  
23 member is eligible to receive.

24 (d) For a member whose disability commences on or after July 1,  
25 2008, eighty-five percent of social security retirement benefits that the  
26 member is eligible to receive, but not including any cost-of-living  
27 adjustments that are granted after the member commences benefits under  
28 this section.

29 (e) All of any workers' compensation benefits.

30 (f) All of any payments for a veteran's disability if both of the  
31 following apply:

32 (i) The veteran's disability payment is for the same condition or a  
33 condition related to the condition currently causing the member's  
34 disability.

35 (ii) The veteran's disability is due to, or a result of, service in  
36 the armed forces of the United States.

37 (g) All of any other benefits by reason of employment that are  
38 financed partly or wholly by an employer, including payments for sick  
39 leave. This subdivision does not include any retirement benefit that is  
40 received by the member pursuant to a state retirement system or plan other  
41 than ASRS.

42 (h) Fifty percent of any salary, wages, commissions or other  
43 employment-related pay that the member receives or is entitled to receive  
44 from any gainful employment in which the member actually engages.

1           2. For a member whose disability commences on or after August 2,  
2 2012, a member's monthly income from the monthly LTD program benefits and  
3 sources listed in paragraph 1 of this subsection shall not exceed one  
4 hundred percent of the member's monthly compensation at the time  
5 disability commences. ASRS shall offset the member's monthly LTD program  
6 benefits by the amount necessary to reduce the member's total monthly  
7 income to meet the limit prescribed in this paragraph.

8           3. Monthly LTD program benefits are not payable until a member has  
9 had a disability for a period of six consecutive months.

10          4. Monthly LTD program benefits are not payable to a member who  
11 files an initial claim for disability more than twelve months after the  
12 date of the member's date of disability unless the member demonstrates to  
13 ASRS good cause for not filing the initial claim within twelve months  
14 after the date of disability.

15          5. Monthly LTD program benefits are not payable to a member who is  
16 receiving retirement benefits from ASRS, unless the retirement benefits  
17 are required pursuant to section 38-775.

18          6. Monthly LTD program benefits are not payable to a member whose  
19 disability is due to, or a result of, any of the following:

20           (a) An intentionally self-inflicted injury.

21           (b) War, whether declared or not.

22           (c) An injury incurred while engaged in a felonious criminal act or  
23 enterprise.

24           (d) For a member whose most recent membership in the LTD program  
25 commences before July 1, 2008, an injury or sickness for which the member  
26 received medical treatment within three months before the date of the  
27 member's coverage under the LTD program. This subdivision does not apply  
28 to a member who either:

29           (i) Has been an active member of an employer for twelve continuous  
30 months.

31           (ii) Is employed by an employer before July 1, 1988.

32           (e) For a member whose most recent membership in the LTD program  
33 commences on or after July 1, 2008, an injury or sickness for which the  
34 member received medical treatment within six months before the date of the  
35 member's coverage under the LTD program. This subdivision does not apply  
36 to a member who has been an active member of an employer for twelve  
37 continuous months.

38          7. Monthly LTD program benefits cease to be payable to a member at  
39 the earliest of the following:

40           (a) The date the member ceases to have a disability.

41           (b) The date the member:

42           (i) Ceases to be under the direct care of a doctor.

43           (ii) Refuses to undergo any medical examination or refuses to  
44 participate in any work rehabilitation program for which the member is  
45 reasonably qualified by education, training or experience and that is

1 requested by the insurance company or claims administrator that is  
2 selected by the board to administer the LTD program.

3 (c) The date the member withdraws employee contributions with  
4 interest and ceases to be a member.

5 (d) The later of the following:

6 (i) The member's normal retirement date.

7 (ii) The month following sixty months of payments if disability  
8 occurs before sixty-five years of age.

9 (iii) The month following attainment of seventy years of age if  
10 disability occurs at sixty-five years of age or after but before  
11 sixty-nine years of age.

12 (iv) The month following twelve months of payments if disability  
13 occurs at or after sixty-nine years of age.

14 (e) If the member is convicted of a criminal offense and sentenced  
15 to more than six months in a jail, prison or other penal institution, the  
16 first day of the month following the first thirty continuous days of the  
17 member's confinement for the remainder of the confinement.

18 8. Monthly LTD program benefits are payable only for disabilities  
19 that commence on or after July 1, 1988.

20 9. Except as provided in paragraph 2 of this subsection, the  
21 minimum benefit for a member who is entitled to receive monthly LTD  
22 program benefits is \$50 per month.

23 10. Members are eligible to receive the LTD program benefits and  
24 payments described in paragraph 1 of this subsection, and the reductions  
25 provided by paragraph 1 of this subsection apply even though the social  
26 security benefits are not actually paid as follows:

27 (a) For primary and dependent social security benefits, the members  
28 are eligible for the social security benefits until the social security  
29 benefits are actually awarded, or if the social security benefits are  
30 denied, until the member pursues the social security appeal process  
31 through a hearing before a social security administrative law judge or  
32 until the insurance company or claims administrator determines that the  
33 member is not eligible for social security benefits.

34 (b) For benefits and payments from any other source provided in  
35 paragraph 1 of this subsection, the members are eligible for the benefits  
36 if it is reasonable to believe that those benefits will be paid on proper  
37 completion of the claim or would have been paid except for the failure of  
38 the member to pursue the claim in time.

39 11. A member shall be considered to have a disability if based on  
40 objective medical evidence:

41 (a) During the first thirty months of a period of disability, the  
42 member is unable to perform one or more duties of the occupation held by  
43 the member WITH AN EMPLOYER when the member developed a disability.

1 (b) For a member who has received monthly LTD program benefits for  
2 twenty-four months within a five-year period, the member is unable to  
3 perform any work for compensation or gain for which the member is  
4 reasonably qualified by education, training or experience in an amount at  
5 least equal to the scheduled LTD program benefits prescribed in paragraph  
6 1 of this subsection.

7 B. A member who is eligible pursuant to article 2 of this chapter  
8 and who receives monthly LTD program benefits is entitled to receive  
9 service credit pursuant to article 2 of this chapter from the time  
10 disability commences until LTD program benefits cease to be payable,  
11 except that for a member who receives monthly LTD program benefits on or  
12 after June 30, 1999, the number of years of service credited to the  
13 member's retirement account during the period ASRS disburses LTD program  
14 benefit payments shall not cause the member's total credited service for  
15 retirement benefits to exceed the greater of thirty years or the total  
16 years of service credited to the member's retirement account on the  
17 commencement of disability.

18 C. This section does not prohibit a member whose disability has  
19 been established to the satisfaction of the board from relying on  
20 treatment by prayer through spiritual means in accordance with the tenets  
21 and practice of a recognized church, religious denomination or Native  
22 American traditional medicine by a duly accredited practitioner of the  
23 church, denomination or Native American traditional medicine without  
24 suffering reduction or suspension of the member's monthly LTD program  
25 benefits.

26 D. ASRS may suspend or terminate benefits under this article if a  
27 member fails to provide information, data, paperwork or other materials  
28 that are requested by ASRS or the insurance company or claims  
29 administrator that is selected by the board to administer the LTD program.  
30 ASRS or its contracted administrator may investigate information that  
31 indicates a member may have falsified information or records related to  
32 LTD program eligibility or benefits or may not otherwise meet the  
33 requirements of LTD program eligibility. In connection with an  
34 investigation involving the LTD program, ASRS or its contracted  
35 administrator may collect and examine any statement or evidence, or may  
36 authorize a third party to collect and examine any statement or evidence,  
37 that relates to a member falsifying information or records related to LTD  
38 program eligibility or benefits. If the member provides the information  
39 requested, ASRS shall retroactively reinstate the benefits or claim for  
40 which the member qualifies under this article.

41 E. For the purposes of this section:

42 1. "Objective medical evidence" means evidence that established  
43 facts and conditions, as perceived without distortion by personal  
44 feelings, prejudices or interpretations, and includes x-rays, quantitative

1 tests, laboratory findings, data, records, reports from the attending  
2 physician and reports from a consulting physician, as applicable.

3 2. "Received medical treatment" means that the member consulted  
4 with or received the advice of a licensed medical or dental practitioner,  
5 including advice given during a routine examination, and it includes  
6 situations in which the member received medical or dental care, treatment  
7 or services, including the taking of drugs, medication, insulin or similar  
8 substances.

9 3. "Social security" and "social security disability" includes the  
10 railroad retirement act of 1974 (P.L. 93-445; 88 Stat. 1305; 45 United  
11 States Code sections 231 through 231v).

APPROVED BY THE GOVERNOR JULY 1, 2025.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 1, 2025.