

State of Arizona  
Senate  
Fiftieth Legislature  
First Regular Session  
2011

# SENATE BILL 1609

## AN ACT

AMENDING TITLE 13, CHAPTER 7, ARIZONA REVISED STATUTES, BY ADDING SECTION 13-713; AMENDING SECTIONS 38-711 AND 38-727, ARIZONA REVISED STATUTES; REPEALING SECTION 38-728, ARIZONA REVISED STATUTES; AMENDING SECTIONS 38-743, 38-744, 38-745, 38-758, 38-766 AND 38-766.01, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-766.02; AMENDING SECTIONS 38-801 AND 38-804, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-804.01; AMENDING SECTIONS 38-805, 38-806, 38-807, 38-808 AND 38-810, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-810.04; AMENDING SECTION 38-816, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 38-818.01 AND 38-818.02; AMENDING SECTIONS 38-820, 38-842 AND 38-843, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-843.05; AMENDING SECTIONS 38-844.02, 38-844.03, 38-844.05, 38-844.06, 38-845, 38-846.01 AND 38-846.02, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-846.04; AMENDING SECTION 38-849, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2010, CHAPTER 118, SECTION 10; REPEALING SECTION 38-849, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2010, CHAPTER 200, SECTION 45; AMENDING SECTION 38-853.01, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 38-856.02 AND 38-856.03; AMENDING SECTION 38-858, ARIZONA REVISED STATUTES; AMENDING SECTION 38-881, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2010, CHAPTER 200, SECTION 53; REPEALING SECTION 38-881, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2010, CHAPTER 200, SECTION 54; AMENDING SECTION 38-884, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 6, ARIZONA

REVISED STATUTES, BY ADDING SECTION 38-884.01; AMENDING SECTIONS 38-885, 38-886.01 AND 38-891, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 38-891.01, 38-905.02 AND 38-905.03; AMENDING SECTIONS 38-907, 38-909, 38-911 AND 38-912, ARIZONA REVISED STATUTES; REPEALING LAWS 2005, CHAPTER 324, SECTION 2; MAKING APPROPRIATIONS; RELATING TO PUBLIC RETIREMENT SYSTEMS AND PLANS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 13, chapter 7, Arizona Revised Statutes, is amended  
3 by adding section 13-713, to read:

4 13-713. Forfeiture of public retirement system benefits:  
5 definition

6 A. NOTWITHSTANDING ANY OTHER LAW, IF A MEMBER OF A STATE RETIREMENT  
7 SYSTEM OR PLAN IS CONVICTED OF OR PLEADS NO CONTEST TO AN OFFENSE THAT IS A  
8 CLASS 1, 2, 3, 4 OR 5 FELONY AND THAT WAS COMMITTED IN THE COURSE OF THE  
9 MEMBER'S EMPLOYMENT AS A PUBLIC OFFICIAL OR FOR A PUBLIC EMPLOYER, THE COURT  
10 SHALL ORDER THE PERSON'S MEMBERSHIP TERMINATED AND THE PERSON SHALL FORFEIT  
11 ALL RIGHTS AND BENEFITS EARNED UNDER THE STATE RETIREMENT SYSTEM OR PLAN. A  
12 MEMBER WHO FORFEITS ALL RIGHTS AND BENEFITS EARNED PURSUANT TO THIS SECTION  
13 IS ENTITLED TO RECEIVE, IN A LUMP SUM AMOUNT, THE MEMBER'S CONTRIBUTION TO  
14 THE STATE RETIREMENT SYSTEM OR PLAN PLUS INTEREST AS DETERMINED BY THE BOARD  
15 OF THAT STATE RETIREMENT SYSTEM OR PLAN, LESS ANY BENEFITS RECEIVED BY THE  
16 MEMBER.

17 B. AN ORDER FORFEITING A MEMBER'S BENEFITS ON CONVICTION OF AN OFFENSE  
18 LISTED IN SUBSECTION A SHALL NOT BE STAYED ON THE FILING OF ANY APPEAL OF THE  
19 CONVICTION. WHILE AN APPEAL OF THE CONVICTION IS BEING ADJUDICATED AND UNTIL  
20 A FINAL JUDGMENT IS ISSUED, FOR A MEMBER WHO IS NOT RECEIVING BENEFITS, THE  
21 MEMBER AND THE MEMBER'S EMPLOYER ARE REQUIRED TO CONTINUE MAKING  
22 CONTRIBUTIONS TO THE RETIREMENT SYSTEM OR PLAN AND FOR A MEMBER WHO IS  
23 RECEIVING BENEFITS, THE RETIREMENT SYSTEM OR PLAN SHALL SUSPEND PAYMENTS TO  
24 THE MEMBER AND HOLD THE ASSETS IN TRUST. IF THE CONVICTION IS REVERSED ON  
25 FINAL JUDGMENT, NO RIGHTS OR BENEFITS SHALL BE FORFEITED AND THE MEMBER'S  
26 MEMBERSHIP SHALL BE REINSTATED.

27 C. NOTWITHSTANDING SUBSECTION A, THE COURT MAY AWARD TO A SPOUSE,  
28 DEPENDENT OR FORMER SPOUSE OF A MEMBER WHO IS SUBJECT TO SUBSECTION A SOME OR  
29 ALL OF THE AMOUNT THAT WAS FORFEITED UNDER SUBSECTION A. THE AWARD UNDER  
30 THIS SUBSECTION SHALL NOT REQUIRE THE BOARD OF THE STATE RETIREMENT SYSTEM OR  
31 PLAN TO PROVIDE ANY TYPE, FORM OR TIME OF PAYMENT OF SEVERANCE, SURVIVOR OR  
32 RETIREMENT BENEFITS OR ANY SEVERANCE, SURVIVOR OR RETIREMENT BENEFIT OPTION  
33 THAT IS NOT PROVIDED BY THE LAWS GOVERNING THE STATE RETIREMENT SYSTEM OR  
34 PLAN FROM WHICH THE AWARD IS BEING MADE. IN DETERMINING WHETHER TO MAKE AN  
35 AWARD UNDER THIS SUBSECTION, THE JUDGE SHALL CONSIDER THE TOTALITY OF  
36 CIRCUMSTANCES, INCLUDING:

37 1. THE ROLE, IF ANY, OF THE PERSON'S SPOUSE, DEPENDENT OR FORMER  
38 SPOUSE IN CONNECTION WITH THE ILLEGAL CONDUCT FOR WHICH THE PERSON WAS  
39 CONVICTED.

40 2. THE DEGREE OF KNOWLEDGE, IF ANY, POSSESSED BY THE PERSON'S SPOUSE,  
41 DEPENDENT OR FORMER SPOUSE IN CONNECTION WITH THE ILLEGAL CONDUCT FOR WHICH  
42 THE PERSON WAS CONVICTED.

43 3. THE COMMUNITY PROPERTY NATURE OF THE BENEFITS INVOLVED.

44 4. THE EXTENT TO WHICH THE PERSON'S SPOUSE, DEPENDENT OR FORMER SPOUSE  
45 WAS RELYING ON THE FORFEITED BENEFITS.

1 D. NOTWITHSTANDING SUBSECTION H, THE COURT SHALL ORDER THAT A PERSON  
2 WHO IS SUBJECT TO FORFEITURE UNDER THIS SECTION IS INELIGIBLE FOR FUTURE  
3 MEMBERSHIP IN ANY STATE RETIREMENT SYSTEM OR PLAN.

4 E. THE COURT SHALL PROVIDE A COPY OF THE ORDER OF FORFEITURE TO THE  
5 STATE RETIREMENT SYSTEM OR PLAN TO WHICH IT APPLIES.

6 F. THIS SECTION DOES NOT APPLY TO A MEMBER WHOSE MOST RECENT  
7 RETIREMENT OCCURS BEFORE THE EFFECTIVE DATE OF THIS SECTION, UNLESS THE  
8 MEMBER HAS RESUMED MAKING CONTRIBUTIONS TO THE STATE RETIREMENT SYSTEM OR  
9 PLAN.

10 G. NOTWITHSTANDING SUBSECTION A, A COURT SHALL NOT ORDER THE  
11 FORFEITURE OF RIGHTS AND BENEFITS EARNED UNDER THE STATE RETIREMENT SYSTEM OR  
12 PLAN THAT ACCRUED BEFORE THE EFFECTIVE DATE OF THIS SECTION OR FOR A FELONY  
13 COMMITTED BEFORE THE EFFECTIVE DATE OF THIS SECTION.

14 H. THIS SECTION APPLIES ONLY TO THE STATE RETIREMENT SYSTEM OR PLAN IN  
15 WHICH THE PERSON WAS A CONTRIBUTING MEMBER AT THE TIME THE OFFENSE WAS  
16 COMMITTED.

17 I. FOR THE PURPOSES OF THIS SECTION, "STATE RETIREMENT SYSTEM OR PLAN"  
18 MEANS THE ARIZONA STATE RETIREMENT SYSTEM ESTABLISHED BY TITLE 38, CHAPTER 5,  
19 ARTICLE 2, THE ELECTED OFFICIALS' RETIREMENT PLAN ESTABLISHED BY TITLE 38,  
20 CHAPTER 5, ARTICLE 3, THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
21 ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 4 AND THE CORRECTIONS OFFICER  
22 RETIREMENT PLAN ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 6.

23 Sec. 2. Section 38-711, Arizona Revised Statutes, is amended to read:

24 38-711. Definitions

25 In this article, unless the context otherwise requires:

26 1. "Active member" means a member as defined in paragraph 23,  
27 subdivision (b) of this section who satisfies the eligibility criteria  
28 prescribed in section 38-727 and who is currently making member contributions  
29 as prescribed in section 38-736.

30 2. "Actuarial equivalent" means equality in value of the aggregate  
31 amounts expected to be received under two different forms of payment, based  
32 on mortality and interest rate assumptions approved from time to time by the  
33 board.

34 3. "ASRS" means the Arizona state retirement system established by  
35 this article.

36 4. "Assets" means the resources of ASRS including all cash,  
37 investments or securities.

38 5. "Average monthly compensation" means:

39 (a) For a member whose membership in ASRS commenced before January 1,  
40 1984 and who left the member's contributions on deposit or reinstated  
41 forfeited credited service pursuant to section 38-742 for a period of  
42 employment that commenced before January 1, 1984, the higher of either:

43 (i) The monthly average of compensation that is calculated pursuant to  
44 subdivision (b) of this paragraph.

1 (ii) The monthly average of compensation on which contributions were  
2 remitted during a period of sixty consecutive months during which the member  
3 receives the highest compensation within the last one hundred twenty months  
4 of credited service. Any month for which no contributions are reported to  
5 ASRS or that falls within a period of nonpaid or partially paid leave of  
6 absence or sabbatical leave shall be excluded from the computation. The  
7 sixty consecutive months may entirely precede, may be both before and after  
8 or may be completely after any excluded months. If the member was employed  
9 for less than sixty consecutive months, the average monthly compensation is  
10 based on the total consecutive months worked. Payments for accumulated  
11 vacation or annual leave, sick leave, compensatory time or other forms of  
12 termination pay which, before August 12, 2005, constitute compensation for  
13 members whose membership in ASRS commenced before January 1, 1984, do not  
14 cease to be included as compensation if paid in the form of nonelective  
15 employer contributions under a 26 United States Code section 403(b) plan if  
16 all payments of employer and employee contributions are made at the time of  
17 termination. Contributions shall be made to ASRS on these amounts pursuant  
18 to sections 38-735, 38-736 and 38-737.

19 (b) For a member whose membership in ASRS commenced on or after  
20 January 1, 1984 but before July 1, 2011, the monthly average of compensation  
21 on which contributions were remitted during a period of thirty-six  
22 consecutive months during which a member receives the highest compensation  
23 within the last one hundred twenty months of credited service. Any month for  
24 which no contributions are reported to ASRS or that falls within a period of  
25 nonpaid or partially paid leave of absence or sabbatical leave shall be  
26 excluded from the computation. The thirty-six consecutive months may  
27 entirely precede, may be both before and after or may be completely after any  
28 excluded months. If the member was employed for less than thirty-six  
29 consecutive months, the average monthly compensation shall be based on the  
30 total consecutive months worked.

31 (c) For a member whose membership in ASRS commenced on or after July  
32 1, 2011, the monthly average of compensation on which contributions were  
33 remitted during a period of sixty consecutive months during which a member  
34 receives the highest compensation within the last one hundred twenty months  
35 of credited service. Any month for which no contributions are reported to  
36 ASRS or that falls within a period of nonpaid or partially paid leave of  
37 absence or sabbatical leave shall be excluded from the computation. The  
38 sixty consecutive months may entirely precede, may be both before and after  
39 or may be completely after any excluded months. If the member was employed  
40 for less than sixty consecutive months, the average monthly compensation  
41 shall be based on the total consecutive months worked.

42 6. "Board" means the ASRS board established in section 38-713.

43 7. "Compensation" means the gross amount paid to a member by an  
44 employer as salary or wages, including amounts that are subject to deferred  
45 compensation or tax shelter agreements, for services rendered to or for an

1 employer, or that would have been paid to the member except for the member's  
2 election or a legal requirement that all or part of the gross amount be used  
3 for other purposes, but does not include amounts paid in excess of  
4 compensation limits established in section 38-746. Compensation includes  
5 amounts paid as salary or wages to a member by a second employer if the  
6 member meets the requirements prescribed in paragraph 23, subdivision (b) of  
7 this section with that second employer. Compensation, as provided in  
8 paragraph 5, subdivision (b) or (c) of this section, does not include:

9 (a) Lump sum payments, on termination of employment, for accumulated  
10 vacation or annual leave, sick leave, compensatory time or any other form of  
11 termination pay whether the payments are made in one payment or by  
12 installments over a period of time.

13 (b) Damages, costs, attorney fees, interest or other penalties paid  
14 pursuant to a court order or a compromise settlement or agreement to satisfy  
15 a grievance or claim even though the amount of the payment is based in whole  
16 or in part on previous salary or wage levels, except that, if the court order  
17 or compromise settlement or agreement directs salary or wages to be paid for  
18 a specific period of time, the payment is compensation for that specific  
19 period of time. If the amount directed to be paid is less than the actual  
20 salary or wages that would have been paid for the period if service had been  
21 performed, the contributions for the period shall be based on the amount of  
22 compensation that would have been paid if the service had been performed.

23 (c) Payment, at the member's option, in lieu of fringe benefits that  
24 are normally paid for or provided by the employer.

25 (d) Merit awards pursuant to section 38-613 and performance bonuses  
26 paid to assistant attorneys general pursuant to section 41-192.

27 (e) Amounts that are paid as salary or wages to a member for which  
28 employer contributions have not been paid.

29 8. "Contingent annuitant" means the person named by a member to  
30 receive retirement income payable following a member's death after retirement  
31 as provided in section 38-760.

32 9. "Credited service" means, subject to section 38-739, the number of  
33 years standing to the member's credit on the books of ASRS during which the  
34 member made the required contributions.

35 10. "Current annual compensation" means the greater of:

36 (a) Annualized compensation of the typical pay period amount  
37 immediately before the date of a request to ASRS to purchase credited service  
38 pursuant to section 38-743, 38-744 or 38-745. The typical pay period amount  
39 shall be determined by taking the five pay periods immediately before the  
40 date of a request, disregarding the highest and lowest compensation amount  
41 pay periods and averaging the three remaining pay periods.

42 (b) Annualized compensation of the partial year, disregarding the  
43 first compensation amount pay period, if the member has less than twelve  
44 months total credited service on the date of a request to purchase credited  
45 service pursuant to section 38-743, 38-744 or 38-745.

1 (c) The sum of the twelve months of compensation immediately before  
2 the date of a request to ASRS to purchase credited service pursuant to  
3 section 38-743, 38-744 or 38-745.

4 (d) The sum of the thirty-six months of compensation immediately  
5 before the date of a request to ASRS to purchase credited service pursuant to  
6 section 38-743, 38-744 or 38-745 divided by three.

7 (e) If the member has retired one or more times from ASRS, the average  
8 monthly compensation that was used for calculating the member's last pension  
9 benefit times twelve.

10 11. "Early retirement" means retirement before a member's normal  
11 retirement date after five years of total credited service and attainment of  
12 age fifty.

13 12. "Effective date" means July 1, 1970, except with respect to  
14 employers and members whose contributions to ASRS commence thereafter, the  
15 effective date of their membership in ASRS is as specified in the applicable  
16 joinder agreement.

17 13. "Employer" means:

18 (a) This state.

19 (b) Participating political subdivisions.

20 (c) Participating political subdivision entities.

21 14. "Employer contributions" means all amounts paid into ASRS by an  
22 employer on behalf of a member.

23 15. "Fiscal year" means the period from July 1 of any year to June 30  
24 of the following year.

25 16. "Inactive member" means a member who previously made contributions  
26 to ASRS and who satisfies each of the following:

27 (a) Has not retired.

28 (b) Is not eligible for active membership in ASRS.

29 (c) Is not currently making contributions to ASRS.

30 (d) Has not withdrawn contributions from ASRS.

31 17. "Interest" means the assumed actuarial investment earnings rate  
32 approved by the board.

33 18. "Internal revenue code" means the United States internal revenue  
34 code of 1986, as amended.

35 19. "Investment management" means the persons, companies, banks,  
36 insurance company investment funds, mutual fund companies, management or any  
37 combinations of those entities that are appointed by ASRS and that have  
38 responsibility and authority for investment of the monies of ASRS.

39 20. "Late retirement" means retirement after normal retirement.

40 21. "Leave of absence" means any unpaid leave authorized by the  
41 employer, including leaves authorized for sickness or disability or to pursue  
42 education or training.

43 22. "Life annuity" means equal monthly installments payable during the  
44 member's lifetime after retirement.

- 1           23. "Member":
- 2           (a) Means any employee of an employer on the effective date.
- 3           (b) Means all employees of an employer who are eligible for membership
- 4 pursuant to section 38-727 and who are engaged to work at least twenty weeks
- 5 in each fiscal year and at least twenty hours each week.
- 6           (c) Means any person receiving a benefit under ASRS.
- 7           (d) Means any person who is a former active member of ASRS and who has
- 8 not withdrawn contributions from ASRS pursuant to section 38-740.
- 9           (e) Does not include any employee of an employer who is otherwise
- 10 eligible pursuant to this article and who begins service in a limited
- 11 appointment for not more than eighteen months on or after July 1, 1979. If
- 12 the employment exceeds eighteen months, the employee shall be covered by ASRS
- 13 as of the beginning of the nineteenth month of employment. In order to be
- 14 excluded under this subdivision, classifications of employees designated by
- 15 employers as limited appointments must be approved by the director.
- 16           (f) Does not include any leased employee. For the purposes of section
- 17 414(n) of the internal revenue code, "leased employee" means an individual
- 18 who:
- 19           (i) Is not otherwise an employee of an employer.
- 20           (ii) Pursuant to a leasing agreement between the employer and another
- 21 person, performs services for the employer on a substantially full-time basis
- 22 for at least one year.
- 23           (iii) Performs services under the primary direction or control of the
- 24 employer.
- 25           24. "Member contributions" means all amounts paid to ASRS by a member.
- 26           25. "Normal costs" means the sum of the individual normal costs for all
- 27 active members for each fiscal year. The normal cost for an individual
- 28 active member is the cost that is assigned to the fiscal year using the
- 29 projected unit credit method.
- 30           26. "Normal retirement age" means the age at which a member reaches the
- 31 member's normal retirement date.
- 32           27. "Normal retirement date" means the earliest of the following:
- 33           (a) FOR A MEMBER WHOSE MEMBERSHIP COMMENCED BEFORE JULY 1, 2011:
- 34           ~~(a)~~ (i) A member's sixty-fifth birthday.
- 35           ~~(b)~~ (ii) A member's sixty-second birthday and completion of at least
- 36 ten years of credited service.
- 37           ~~(c)~~ (iii) ~~For a member whose membership commenced before July 1,~~
- 38 ~~2011,~~ The first day that the sum of a member's age and years of total
- 39 credited service equals eighty. ~~For a member whose membership commenced on~~
- 40 ~~or after July 1, 2011, the first day that the sum of a member's age and years~~
- 41 ~~of total credited service equals eighty-five.~~
- 42           (b) FOR A MEMBER WHOSE MEMBERSHIP COMMENCED ON OR AFTER JULY 1, 2011:
- 43           (i) A MEMBER'S SIXTY-FIFTH BIRTHDAY.
- 44           (ii) A MEMBER'S SIXTY-SECOND BIRTHDAY AND COMPLETION OF AT LEAST TEN
- 45 YEARS OF CREDITED SERVICE.



1 (iii) A MEMBER'S SIXTIETH BIRTHDAY AND COMPLETION OF AT LEAST  
2 TWENTY-FIVE YEARS OF CREDITED SERVICE.

3 (iv) A MEMBER'S FIFTY-FIFTH BIRTHDAY AND COMPLETION OF AT LEAST THIRTY  
4 YEARS OF CREDITED SERVICE.

5 28. "Political subdivision" means any political subdivision of this  
6 state and includes a political subdivision entity.

7 29. "Political subdivision entity" means an entity:

8 (a) That is located in this state.

9 (b) That is created in whole or in part by political subdivisions,  
10 including instrumentalities of political subdivisions.

11 (c) Where a majority of the membership of the entity is composed of  
12 political subdivisions.

13 (d) Whose primary purpose is the performance of a government related  
14 service.

15 30. "Retired member" means a member who is receiving retirement  
16 benefits pursuant to this article.

17 31. "Service year" means fiscal year, except that:

18 (a) If the normal work year required of a member is less than the full  
19 fiscal year but is for a period of at least nine months, the service year is  
20 the normal work year.

21 (b) For a salaried member employed on a contract basis under one  
22 contract, or two or more consecutive contracts, for a total period of at  
23 least nine months, the service year is the total period of the contract or  
24 consecutive contracts.

25 (c) In determining average monthly compensation pursuant to paragraph  
26 5 of this section, the service year is considered to be twelve months of  
27 compensation.

28 32. "State" means this state, including any department, office, board,  
29 commission, agency, institution or other instrumentality of this state.

30 33. "Vested" means that a member is eligible to receive a future  
31 retirement benefit.

32 Sec. 3. Section 38-727, Arizona Revised Statutes, is amended to read:  
33 38-727. Eligibility; options

34 The following provisions apply to all employees hired on or after the  
35 effective date:

36 1. All employees and officers of this state and all officers and  
37 employees of political subdivisions establishing a retirement plan  
38 administered by the board pursuant to this article who as a result of state  
39 service or service for the political subdivision are included in agreements  
40 providing for their coverage under the federal old age and survivors  
41 insurance system are subject to this article, except that membership is not  
42 mandatory:

43 (a) On the part of any employee who is eligible and who elects to  
44 participate in the optional retirement programs established by the Arizona  
45 board of regents pursuant to the authority conferred by section 15-1628 or by

1 a community college district board pursuant to authority conferred by section  
2 15-1451.

3 (b) For a state elected official who is subject to term limits, who is  
4 eligible for participation in ASRS because the state elected official elected  
5 not to participate in the elected officials' retirement plan as provided in  
6 section 38-804, subsection A and who elects not to participate in ASRS as  
7 provided in paragraph 7 of this section.

8 (c) On the part of any employee or officer who is eligible to  
9 participate and who participates in the elected officials' retirement plan  
10 pursuant to article 3 of this chapter, the public safety personnel retirement  
11 system pursuant to article 4 of this chapter or the corrections officer  
12 retirement plan pursuant to article 6 of this chapter.

13 2. All employees and officers of political subdivisions whose  
14 compensation is provided wholly or in part from state monies and who are  
15 declared to be state employees and officers by the legislature for retirement  
16 purposes are subject, on legislative enactment, to this article and are  
17 members of ASRS.

18 3. Any member whose service terminates other than by death or  
19 withdrawal from membership is deemed to be a member of ASRS until the  
20 member's death benefit is paid.

21 4. Employees and officers shall not become members of ASRS and, if  
22 they are members immediately before becoming employed as provided by this  
23 section, shall have their membership status suspended while they are employed  
24 by state departments paying the salaries of their officers and employees  
25 wholly or in part from monies received from sources other than appropriations  
26 from the state general fund for the period or periods payment of the employer  
27 contributions is not made by or on behalf of the departments.

28 5. Notwithstanding other provisions of this section, a temporary  
29 employee of the legislature whose projected term of employment is for not  
30 more than six months is ineligible for membership in ASRS. If the employment  
31 continues beyond six successive months, the employee may elect to either:

32 (a) Receive credit for service for the first six months of employment  
33 and establish membership in ASRS as of the beginning of the current term of  
34 employment if, within forty-five days after the first six months of  
35 employment, both the employer and the employee contribute to ASRS the amount  
36 that would have been required to be contributed to ASRS during the first six  
37 months of employment as if the employee had been a member of ASRS during  
38 those six months.

39 (b) Establish membership in ASRS as of the day following the  
40 completion of six months of employment.

41 6. A person who is employed in postgraduate training in an approved  
42 medical residency training program of an employer or a postdoctoral scholar  
43 who is employed by a university under the jurisdiction of the Arizona board  
44 of regents is ineligible for membership in ASRS.

1           7. A state elected official who is subject to term limits and who is  
2 eligible for participation in ASRS because the state elected official elected  
3 not to participate in the elected officials' retirement plan as provided in  
4 section 38-804, subsection A may elect not to participate in ASRS. The  
5 election not to participate is specific for that term of office. The state  
6 elected official who is subject to term limits shall make the election in  
7 writing and file the election with ASRS within thirty days after the elected  
8 official's retirement plan mails the notice to the state elected official of  
9 the state elected official's eligibility to participate in ASRS. The  
10 election is effective on the first day of the state elected official's  
11 eligibility. If a state elected official who is subject to term limits fails  
12 to make an election as provided in this paragraph, the state elected official  
13 is deemed to have elected to participate in ASRS. The election not to  
14 participate in ASRS is irrevocable and constitutes a waiver of all benefits  
15 provided by ASRS for the state elected official's entire term, except for any  
16 benefits accrued by the state elected official in ASRS for periods of  
17 participation ~~prior to~~ BEFORE being elected to an office subject to term  
18 limits or any benefits expressly provided by law.

19           8. EVERY FULL-TIME SUPERIOR COURT COMMISSIONER WHO IS APPOINTED ON OR  
20 AFTER JULY 1 OF THE FIRST FISCAL YEAR AFTER THE SOCIAL SECURITY  
21 ADMINISTRATION APPROVES THE INCLUSION OF SUPERIOR COURT COMMISSIONERS ON THIS  
22 STATE'S SECTION 218 AGREEMENT IS A MEMBER OF ASRS AND IS SUBJECT TO THIS  
23 ARTICLE.

24           Sec. 4. Repeal

25           Section 38-728, Arizona Revised Statutes, is repealed.

26           Sec. 5. Section 38-743, Arizona Revised Statutes, is amended to read:  
27 38-743. Public service credit

28           A. If an active member of ASRS or a member who is receiving benefits  
29 pursuant to section 38-797.07 was previously employed by the United States  
30 government, a state, territory, commonwealth, overseas possession or insular  
31 area of the United States or a political subdivision of a state, territory,  
32 commonwealth, overseas possession or insular area of the United States,  
33 excluding any time worked for a prison while the member was incarcerated, the  
34 member may receive UP TO SIXTY MONTHS OF credited service for this prior  
35 employment if the member pays into ASRS the amount prescribed in subsection B  
36 of this section.

37           B. A member who elects to receive credit for service with the United  
38 States government, a state, territory, commonwealth, overseas possession or  
39 insular area of the United States or a political subdivision of a state,  
40 territory, commonwealth, overseas possession or insular area of the United  
41 States shall pay to ASRS an amount equal to the present value of the  
42 additional benefit that is derived from the purchased credited service using  
43 the actuarial assumptions that are approved by the board.

44           C. A member who previously was a member of another public employee  
45 retirement system and who receives or is eligible to receive retirement

1 benefits from that system for any period of employment is ineligible to  
2 receive retirement benefits from ASRS for the same period.

3 ~~D. Beginning July 1, 2010,~~ A member shall have at least ~~five~~ TEN years  
4 of credited service in ASRS before electing to receive credit for service  
5 pursuant to this section.

6 Sec. 6. Section 38-744, Arizona Revised Statutes, is amended to read:  
7 ~~38-744. Leave of absence; credit for leave without pay~~

8 A. If an active member of ASRS or a member who is receiving benefits  
9 pursuant to section 38-797.07 is officially granted a leave of absence from  
10 employment without pay and returns to employment with the same employer,  
11 unless employment could not be resumed because of disability or  
12 nonavailability of a position, the member may elect to be credited with  
13 service for retirement purposes for not more than one year of the leave, **BUT**  
14 **NOT MORE THAN A TOTAL OF SIXTY MONTHS UNDER THIS SECTION**, by paying to ASRS  
15 the amounts as provided in subsection B of this section, if the member has  
16 not withdrawn contributions from ASRS and the member's employer has certified  
17 that the leave of absence benefits or is in the best interests of the  
18 employer.

19 B. A member who elects to be credited with a leave period as provided  
20 in subsection A of this section shall pay to ASRS an amount equal to the  
21 present value of the additional benefit that is derived from the purchased  
22 credited service using the actuarial assumptions that are approved by the  
23 board.

24 ~~C. Beginning July 1, 2010,~~ A member shall have at least ~~five~~ TEN years  
25 of credited service in ASRS before electing to receive credit for service  
26 pursuant to this section.

27 D. For the purposes of subsection A of this section, each employer  
28 shall adopt rules establishing guidelines for a leave of absence that  
29 benefits or is in the best interests of the employer.

30 Sec. 7. Section 38-745, Arizona Revised Statutes, is amended to read:  
31 ~~38-745. Credit for military service~~

32 A. An active member of ASRS or a member who is receiving benefits  
33 pursuant to section 38-797.07 may purchase **UP TO SIXTY MONTHS OF** credited  
34 service in ASRS for active military service if all of the following apply:

35 1. The member was honorably separated from the military service.

36 2. The member submits a copy of the member's military service record  
37 (DD-214) or its equivalent with the member's application for military service  
38 credit.

39 3. ~~Beginning July 1, 2010,~~ A member has at least ~~five~~ TEN years of  
40 credited service in ASRS.

41 **4. THE MEMBER IS NOT YET ELIGIBLE FOR A MILITARY RETIREMENT BENEFIT.**

42 B. The cost to purchase military service credit is an amount equal to  
43 the present value of the additional benefit that is derived from the  
44 purchased credited service using the actuarial assumptions that are approved  
45 by the board.

1 C. An active member of ASRS who is called to active military service  
2 may receive credited service for not more than sixty months of active  
3 military service, except as provided by the uniformed services employment and  
4 reemployment rights act (38 United States Code section 4312(c)). The  
5 member's employer shall make employer contributions and member contributions  
6 for the member if the member meets the following requirements:

7 1. Was an active member of ASRS on the day before the member began  
8 active military service.

9 2. Is a member of the Arizona national guard or is a member of the  
10 reserves of any military establishment of the United States.

11 3. Volunteers or is ordered into active military service of the United  
12 States as part of a military call-up.

13 4. One of the following occurs:

14 (a) Is honorably separated from active military service and returns to  
15 employment for the same employer from which the member left for active  
16 military service within ninety days after the date active military service is  
17 terminated.

18 (b) Is hospitalized as a result of military service and returns to  
19 employment for the same employer from which the member left for active  
20 military service within ninety days after release from service related  
21 hospitalization.

22 (c) Becomes disabled as a result of or during the military service and  
23 is unable to return to the same employer.

24 (d) Dies as a result of or during the military service.

25 D. Contributions made pursuant to subsection C of this section shall  
26 be for the period of time beginning on the date the member began active  
27 military service and ending on the later of one of the following dates:

28 1. The date the member is separated from active military service.

29 2. The date the member is released from service related  
30 hospitalization or one year after initiation of service related  
31 hospitalization, whichever date is earlier.

32 3. One year after the date of disability.

33 4. The date the member dies as a result of or during active military  
34 service.

35 E. Notwithstanding any other law, on payment of the contributions made  
36 pursuant to subsection C of this section, the member shall be credited with  
37 service for retirement purposes for the period of time of active military  
38 service of not more than sixty months.

39 F. The employer shall make contributions pursuant to subsection C of  
40 this section as follows:

41 1. Contributions shall be based on the compensation that a member  
42 would have received but for the period that the member was ordered into  
43 active military service.

44 2. If the employer cannot reasonably determine a member's rate of  
45 compensation for the period that the member was ordered into active military

1 service, the employer shall make contributions based on the member's average  
2 rate of compensation during the twelve-month period immediately preceding the  
3 period of active military service.

4 3. If a member has been employed less than twelve months before being  
5 ordered into active military service, the employer shall make contributions  
6 based on the employment period immediately preceding the period of active  
7 military service.

8 4. Employer contributions shall be made in a lump sum and without  
9 penalty when the member returns to employment, when it is determined that the  
10 member is unable to return to employment because of a disability as a result  
11 of or that occurred during military service or on receipt of the member's  
12 death certificate. If a member suffers a service related death, the employer  
13 shall make the employer and member contributions up to and including the date  
14 of the member's death. Death benefits shall be calculated as prescribed by  
15 law.

16 G. In computing the length of total credited service of a member for  
17 the purpose of determining retirement benefits or eligibility, the period of  
18 military service, as prescribed by this section, shall be included.

19 H. Notwithstanding any other law, the member is not required to  
20 reimburse the member's employer or ASRS for any contribution made pursuant to  
21 subsection C of this section.

22 I. In addition to, but not in duplication of, the provisions of  
23 subsection C of this section, contributions, benefits and credited service  
24 provided pursuant to this section shall be provided in accordance with  
25 section 414(u) of the internal revenue code.

26 Sec. 8. Section 38-758, Arizona Revised Statutes, is amended to read:  
27 38-758. Early retirement

28 A. A member who has attained age fifty and who has five years of total  
29 credited service is eligible to elect, in a form and manner prescribed by the  
30 board, to receive a reduced retirement income.

31 B. For a member whose membership in ASRS commenced before July 1,  
32 2011, the benefit payable to a member electing early retirement shall be  
33 determined by reducing the normal retirement benefit computed in accordance  
34 with section 38-757 either:

35 1. At the rate of three per cent per year from age sixty to age  
36 sixty-five and five per cent per year from age fifty to age sixty. The  
37 reduction in normal retirement benefits pursuant to this paragraph for an  
38 eligible member electing early retirement shall be based on the period from  
39 the date of commencement of early retirement benefits to the member's  
40 sixtieth birthday if the member has at least twenty years of total credited  
41 service, sixty-second birthday if the member has at least ten but less than  
42 twenty years of total credited service or sixty-fifth birthday if the member  
43 has at least five but less than ten years of total credited service.

1           2. If the sum of a member's age and years of total credited service  
2 equals seventy-seven or more, but is less than eighty, at the rate of three  
3 per cent for each unit of one or fraction of one by which the sum is less  
4 than eighty.

5           C. For a member whose membership in ASRS commenced on or after July 1,  
6 2011, the benefit payable to a member electing early retirement shall be  
7 determined by reducing the normal retirement benefit computed in accordance  
8 with section 38-757 ~~by the lesser of either:~~

9           ~~1. at the rate of three per cent per year from age sixty to age~~  
10 ~~sixty-five and five per cent per year from age fifty to age sixty. The~~  
11 ~~reduction in normal retirement benefits pursuant to this paragraph~~ SUBSECTION  
12 ~~for an eligible member electing early retirement shall be based on the period~~  
13 ~~from the date of commencement of early retirement benefits to the member's~~  
14 ~~sixty-second birthday if the member has at least ten years of total credited~~  
15 ~~service or sixty-fifth birthday if the member has at least five but less than~~  
16 ~~ten years of total credited service.~~

17           ~~2. If the sum of a member's age and years of total credited service~~  
18 ~~equals eighty-two or more, but is less than eighty-five, at the rate of three~~  
19 ~~per cent for each unit of one or fraction of one by which the sum is less~~  
20 ~~than eighty-five.~~

21           Sec. 9. Section 38-766, Arizona Revised Statutes, is amended to read:

22           38-766. Retired members; return to work; suspension of  
23 benefits; exceptions; maximum benefit

24           A. A retired member who is engaged to work by an employer for at least  
25 twenty weeks in each fiscal year and at least twenty hours per week resumes  
26 active membership in ASRS. ASRS shall suspend payment of the member's  
27 retirement benefits until the member either:

28           1. Terminates employment and files an application for reretirement on  
29 a form that is approved by the director.

30           2. Attains a normal retirement date, no longer meets the requirements  
31 for active membership pursuant to this subsection and files an application  
32 for reretirement on a form that is approved by the director.

33           B. A RETIRED MEMBER WHOSE RETIREMENT BENEFITS HAVE BEEN SUSPENDED  
34 PURSUANT TO SUBSECTION A OF THIS SECTION SHALL REPAY ASRS ANY RETIREMENT  
35 BENEFITS RECEIVED BY THE MEMBER FROM THE DATE ASRS NOTIFIES THE MEMBER IN  
36 WRITING THAT THE MEMBER'S EMPLOYMENT RESULTED IN ACTIVE MEMBERSHIP IN ASRS  
37 PURSUANT TO SUBSECTION A OF THIS SECTION, FROM THE DATE ASRS DETERMINES THAT  
38 THE MEMBER KNEW OR SHOULD HAVE KNOWN THAT THE MEMBER'S EMPLOYMENT RESULTED IN  
39 MEMBERSHIP IN ASRS PURSUANT TO SUBSECTION A OF THIS SECTION OR FOR ANY OTHER  
40 PERIOD THAT APPROXIMATES THE DURATION OF THE VIOLATION, AS DETERMINED BY  
41 ASRS.

42           ~~B.~~ C. A member who satisfies subsection A, paragraph 1 or 2 of this  
43 section is entitled to receive an annuity recomputed to include the  
44 additional compensation and credited service. However, the recomputed  
45 annuity shall be in the original optional form chosen pursuant to section

1 38-760, with the same beneficiary, if applicable, as when the member first  
2 retired, unless the member has resumed active membership for at least sixty  
3 consecutive months. A member who retired under a provision of law allowing  
4 increased benefits if the retirement occurred during a specific period of  
5 time and who subsequently becomes an employee under ASRS shall not retain the  
6 increased benefits under the prior law when benefits are computed for the  
7 member's most recent retirement.

8 ~~C.~~ D. Notwithstanding subsection A of this section, ASRS shall not  
9 suspend the payment of retirement benefits if a retired member begins or  
10 returns to employment with an employer in a position that satisfies all of  
11 the following:

12 1. Results in a true change in position, job duties and job title from  
13 the position occupied by the member before ASRS retirement.

14 2. Either:

15 (a) Requires participation in another state retirement system, plan or  
16 program and the retired member makes contributions or waives participation  
17 pursuant to section 38-804, subsection A.

18 (b) Permits a member to elect to participate in another state  
19 retirement system, plan or program and the member makes such an election.

20 3. Does not require membership in the defined benefit plan established  
21 by this article.

22 ~~D.~~ E. A retired member who returns to work pursuant to subsection ~~C-~~  
23 D of this section does not accrue credited service, member service as  
24 provided in section 15-1628, subsection B, paragraph 4, additional account  
25 balances, retirement benefits or long-term disability program benefits  
26 pursuant to article 2.1 of this chapter for the period the retired member  
27 returns to work. The period the retired member returns to work is not  
28 eligible for purchase under section 38-743 or 38-744.

29 ~~E.~~ F. Section 38-769, subsection L applies when determining the  
30 maximum benefit that may be paid to a retired member who resumes active  
31 membership and subsequently retires.

32 G. AN EMPLOYER THAT ENGAGED THE RETIRED MEMBER TO WORK PURSUANT TO  
33 THIS SECTION SHALL PAY TO ASRS AN AMOUNT EQUAL TO THE RATE ESTABLISHED BY THE  
34 ACTUARY PURSUANT TO SECTION 38-766.02, SUBSECTION B FOR THE PERIOD STARTING  
35 WITH THE FIRST DAY THE RETIRED MEMBER BEGAN WORKING AFTER RETIREMENT THROUGH  
36 THE EARLIER OF:

37 1. THE DATE THE MEMBER TERMINATES EMPLOYMENT.

38 2. THE DATE THE EMPLOYER BEGINS PAYMENT FOR THAT MEMBER PURSUANT TO  
39 SECTION 38-766.02.

40 3. THE DATE THE MEMBER RESUMES ACTIVE MEMBERSHIP PURSUANT TO  
41 SUBSECTION A OF THIS SECTION AND THE MEMBER AND EMPLOYER ARE REQUIRED TO MAKE  
42 CONTRIBUTIONS PURSUANT TO SECTION 38-736, 38-737 OR 38-738.



1           Sec. 10. Section 38-766.01, Arizona Revised Statutes, is amended to  
2 read:

3           38-766.01. Retired members; return to work

4           A. Notwithstanding section 38-766, at a retired member's election, a  
5 retired member may return to work and still be eligible to receive retirement  
6 benefits if all of the following requirements are satisfied:

7           1. The retired member has attained the member's normal retirement age.

8           2. The retired member terminated **DIRECT** employment **WITH AN EMPLOYER** at  
9 least ~~twelve months~~ **THREE HUNDRED SIXTY-FIVE CONSECUTIVE DAYS** before  
10 returning to work.

11           3. If the retired member returns to work as a teacher, the retired  
12 member's employment is not subject to the requirements prescribed in sections  
13 15-536, 15-538, 15-538.01 and 15-539 through 15-543.

14           B. A retired member's election to return to work under this section is  
15 irrevocable for the remainder of the retired member's employment for which  
16 the retiree made the election.

17           C. The retired member shall acknowledge this section in writing and  
18 file the acknowledgement with the employer within thirty days of returning to  
19 work.

20           D. An employer of a retired member who returns to work pursuant to  
21 this section shall not pay contributions on behalf of the retired member  
22 pursuant to section 38-736, 38-737 or 38-797.05.

23           E. A retired member who returns to work pursuant to this section does  
24 not accrue credited service, member service as provided in section 15-1628,  
25 subsection B, paragraph 4, additional account balances, retirement benefits  
26 or long-term disability program benefits pursuant to article 2.1 of this  
27 chapter for the period the retired member returns to work. The period the  
28 retired member returns to work is not eligible for purchase under section  
29 38-743 or 38-744.

30           Sec. 11. Title 38, chapter 5, article 2, Arizona Revised Statutes, is  
31 amended by adding section 38-766.02, to read:

32           38-766.02. Retired members; return to work; employer  
33           contribution payments; definitions

34           A. **NOTWITHSTANDING SECTION 38-766.01, SUBSECTION D, BEGINNING JULY 1,**  
35 **2012, AN EMPLOYER SHALL PAY CONTRIBUTIONS AT AN ALTERNATE CONTRIBUTION RATE**  
36 **ON BEHALF OF A RETIRED MEMBER WHO RETURNS TO WORK IN ANY CAPACITY IN A**  
37 **POSITION ORDINARILY FILLED BY AN EMPLOYEE OF THE EMPLOYER WHO IS INCLUDED IN**  
38 **AGREEMENTS PROVIDING FOR THEIR COVERAGE UNDER THE FEDERAL OLD AGE AND**  
39 **SURVIVORS INSURANCE SYSTEM. THIS SUBSECTION APPLIES TO A RETIRED MEMBER WHO**  
40 **HAS REACHED A NORMAL RETIREMENT AGE OR A RETIRED MEMBER WHO RETIRED UNDER**  
41 **SECTION 38-758 IF THE RETIRED MEMBER'S RETIREMENT BENEFIT HAS NOT BEEN**  
42 **SUSPENDED PURSUANT TO SECTION 38-766.**

43           B. **THE ASRS ACTUARY SHALL DETERMINE THE ALTERNATE CONTRIBUTION RATE IN**  
44 **AN ANNUAL VALUATION PERFORMED AS OF JUNE 30. FOR THE FISCAL YEAR BEGINNING**  
45 **ON JULY 1 OF THE FOLLOWING CALENDAR YEAR, THE VALUATION SHALL DETERMINE THE**

1 PERCENTAGE TO BE APPLIED TO THE COMPENSATION, GROSS SALARY OR CONTRACT FEE OF  
2 A RETIRED MEMBER WHO MEETS THE REQUIREMENTS OF THIS SECTION.

3 C. THE ALTERNATE CONTRIBUTION RATE SHALL NOT BE LESS THAN TWO PER CENT  
4 IN ANY FISCAL YEAR. THE ALTERNATE CONTRIBUTION RATE IS EQUAL TO THE LESSER  
5 OF:

6 1. THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY THE ASRS ACTUARY  
7 PURSUANT TO SECTION 38-737 PLUS THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY  
8 THE ASRS ACTUARY PURSUANT TO SECTION 38-797.06.

9 2. THE TOTAL PAST SERVICE FUNDING REQUIREMENT RATE ESTABLISHED BY THE  
10 ASRS ACTUARY PURSUANT TO SECTION 38-737 PLUS THE TOTAL PAST SERVICE FUNDING  
11 REQUIREMENT RATE ESTABLISHED BY THE ASRS ACTUARY PURSUANT TO SECTION  
12 38-797.06.

13 D. ASRS SHALL DETERMINE THE SCHEDULE AND METHOD OF PAYMENT OF THE  
14 ALTERNATE CONTRIBUTION RATE. SUBJECT TO SECTION 38-738, SUBSECTION A, ALL  
15 CONTRIBUTIONS MADE BY THE EMPLOYER AND ALLOCATED TO THE FUND ESTABLISHED BY  
16 SECTION 38-712 ARE IRREVOCABLE AND SHALL BE USED AS BENEFITS UNDER THIS  
17 ARTICLE OR TO PAY THE EXPENSES OF ASRS. PAYMENTS MADE PURSUANT TO THIS  
18 SECTION BY EMPLOYERS BECOME DELINQUENT AFTER THE DUE DATE PRESCRIBED IN THE  
19 BOARD'S RULES AND THEREAFTER SHALL BE INCREASED BY INTEREST FROM AND AFTER  
20 THAT DATE UNTIL PAYMENT IS RECEIVED BY ASRS. ASRS SHALL CHARGE INTEREST ON  
21 THE DELINQUENT PAYMENTS AS PRESCRIBED IN SECTION 38-711. ASRS MAY RECOVER  
22 DELINQUENT PAYMENTS DUE UNDER THIS SECTION, TOGETHER WITH INTEREST CHARGES AS  
23 PROVIDED IN THIS SECTION, BY ACTION IN A COURT OF COMPETENT JURISDICTION  
24 AGAINST AN EMPLOYER LIABLE FOR PAYMENTS OR, AT THE REQUEST OF THE DIRECTOR,  
25 ASRS MAY DEDUCT THE DELINQUENT PAYMENTS AND INTEREST CHARGES FROM ANY OTHER  
26 MONIES, INCLUDING EXCISE REVENUE TAXES, PAYABLE TO THE EMPLOYER BY ANY  
27 DEPARTMENT OR AGENCY OF THIS STATE.

28 E. AN EMPLOYER OF A RETIRED MEMBER SHALL SUBMIT ANY REPORTS, DATA,  
29 PAPERWORK OR MATERIALS THAT ARE REQUESTED BY ASRS AND THAT ARE NECESSARY TO  
30 DETERMINE THE COMPENSATION, GROSS SALARY OR CONTRACT FEE ASSOCIATED WITH A  
31 RETIRED MEMBER WHO RETURNS TO WORK OR TO DETERMINE THE FUNCTION, UTILIZATION,  
32 EFFICACY OR OPERATION OF THE RETURN TO WORK PROGRAM.

33 F. FOR THE PURPOSES OF THIS SECTION:

34 1. "CONTRACT FEE" MEANS THE GROSS AMOUNT PAID TO A RETIRED MEMBER AS  
35 AN INDEPENDENT CONTRACTOR MINUS AN AMOUNT, NOT TO EXCEED TEN PER CENT, FOR AN  
36 ADMINISTRATIVE FEE.

37 2. "GROSS SALARY" MEANS THE GROSS AMOUNT PAID TO A RETIRED MEMBER BY A  
38 LEASING COMPANY AS SALARY OR WAGES, INCLUDING AMOUNTS THAT ARE SUBJECT TO  
39 DEFERRED COMPENSATION OR TAX SHELTER AGREEMENTS, FOR SERVICES RENDERED OR  
40 THAT WOULD HAVE BEEN PAID TO THE RETIRED MEMBER EXCEPT FOR THE MEMBER'S  
41 ELECTION OR A LEGAL REQUIREMENT THAT ALL OR PART OF THE GROSS AMOUNT BE USED  
42 FOR OTHER PURPOSES.

43 Sec. 12. Section 38-801, Arizona Revised Statutes, is amended to read:  
44 38-801. Definitions

45 In this article, unless the context otherwise requires:

1           1. "Accumulated contributions" means the sum of all member  
2 contributions deducted from the member's salary pursuant to section 38-810,  
3 subsection A plus the amount transferred to the fund on behalf of the member  
4 plus the amount deposited in the fund pursuant to section 38-816.

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

8           3. "Alternate payee" means the spouse or former spouse of a  
9 participant as designated in a domestic relations order.

10          4. "Alternate payee's portion" means benefits that are payable to an  
11 alternate payee pursuant to a plan approved domestic relations order.

12          5. "Average yearly salary" means the result obtained by dividing the  
13 total salary paid to an employee during a considered period by the number of  
14 years, including fractional years, in which the salary was received. The  
15 considered period shall be:

16           (a) **FOR AN ELECTED OFFICIAL WHO BECOMES A MEMBER OF THE PLAN BEFORE**  
17 **JANUARY 1, 2012**, the three consecutive years within the last ten completed  
18 years of credited service as an elected official that yield the highest  
19 average. If ~~an employee~~ **A MEMBER** does not have three consecutive years of  
20 credited service as an elected official, the considered period is the  
21 ~~employee's~~ **MEMBER'S** last consecutive period of employment with a plan  
22 employer immediately before retirement.

23           (b) **FOR AN ELECTED OFFICIAL WHO BECOMES A MEMBER OF THE PLAN ON OR**  
24 **AFTER JANUARY 1, 2012, THE FIVE CONSECUTIVE YEARS WITHIN THE LAST TEN**  
25 **COMPLETED YEARS OF CREDITED SERVICE AS AN ELECTED OFFICIAL THAT YIELD THE**  
26 **HIGHEST AVERAGE. IF A MEMBER DOES NOT HAVE FIVE CONSECUTIVE YEARS OF**  
27 **CREDITED SERVICE AS AN ELECTED OFFICIAL, THE CONSIDERED PERIOD IS THE**  
28 **MEMBER'S LAST CONSECUTIVE PERIOD OF EMPLOYMENT WITH A PLAN EMPLOYER**  
29 **IMMEDIATELY BEFORE RETIREMENT.**

30          6. "Board" means the board of trustees of the system.

31          7. "Credited service" means the number of whole and fractional years  
32 of a member's service as an elected official after the elected official's  
33 effective date of participation for which member and employer contributions  
34 are on deposit with the fund, plus credited service transferred to the plan  
35 from another retirement system or plan for public employees of this state,  
36 plus service as an elected official before the elected official's effective  
37 date of participation that is being funded pursuant to a joinder agreement  
38 pursuant to section 38-810, subsection C and section 38-815 or service that  
39 was redeemed pursuant to section 38-816. Credited service does not include  
40 periods of service for which an active member is uncompensated by the  
41 employer and for which no contributions to the plan are made.

42          8. "Cure period" means the ninety-day period in which a participant or  
43 alternate payee may submit an amended domestic relations order and request a  
44 determination, calculated from the time the plan issues a determination

1 finding that a previously submitted domestic relations order did not qualify  
2 as a plan approved domestic relations order.

3 9. "Determination" means a written document that indicates to a  
4 participant and alternate payee whether a domestic relations order qualifies  
5 as a plan approved domestic relations order.

6 10. "Determination period" means the ninety-day period in which the  
7 plan must review a domestic relations order that is submitted by a  
8 participant or alternate payee to determine whether the domestic relations  
9 order qualifies as a plan approved domestic relations order, calculated from  
10 the time the plan mails a notice of receipt to the participant and alternate  
11 payee.

12 11. "Direct rollover" means a payment by the plan to an eligible  
13 retirement plan that is specified by the distributee.

14 12. "Distributee" means a member, a member's surviving spouse or a  
15 member's spouse or former spouse who is the alternate payee under a plan  
16 approved domestic relations order.

17 13. "Domestic relations order" means an order of a court of this state  
18 that is made pursuant to the domestic relations laws of this state and that  
19 creates or recognizes the existence of an alternate payee's right to, or  
20 assigns to an alternate payee the right to, receive a portion of the benefits  
21 payable to a participant.

22 14. "Effective date of participation" means August 7, 1985, except with  
23 respect to employers and their elected officials whose contributions to the  
24 plan commence after that date, in which case the effective date of their  
25 participation in the plan is specified in the applicable joinder agreement.

26 15. "Elected official" means:

27 (a) Every elected official of this state.

28 (b) Every elected official of each county of this state.

29 (c) Every justice of the supreme court. ~~;~~

30 (d) Every judge of the court of appeals. ~~;~~

31 (e) Every judge of the superior court. ~~and~~

32 (f) Every full-time superior court commissioner WHO IS A MEMBER OF THE  
33 PLAN BEFORE JULY 1 OF THE FIRST FISCAL YEAR AFTER THE SOCIAL SECURITY  
34 ADMINISTRATION APPROVES THE INCLUSION OF SUPERIOR COURT COMMISSIONERS ON THIS  
35 STATE'S SECTION 218 AGREEMENT, except full-time superior court commissioners  
36 who failed to make a timely election of membership under the judges'  
37 retirement plan, repealed on August 7, 1985.

38 ~~(d)~~ (g) The administrator of the board if the administrator is a  
39 natural person BUT ONLY IF THE ADMINISTRATOR IS EMPLOYED BY THE BOARD BEFORE  
40 JANUARY 1, 2012.

41 ~~(e)~~ (h) Each elected official of an incorporated city or town whose  
42 employer has executed a proper joinder agreement for coverage of its elected  
43 officials.

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

1 (a) Is under eighteen years of age.

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

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

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

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

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

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

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

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

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

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

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

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

34 (c) The portion of any distribution that is not includable in gross  
35 income.

36 19. "Employer" means a department, agency or political subdivision of  
37 this state that makes employer contributions to the plan pursuant to section  
38 38-810 on behalf of an elected official who participates in the plan.

39 20. "Fund" means the elected officials' retirement plan fund.

40 21. "Notice of receipt" means a written document that is issued by the  
41 plan to a participant and alternate payee and that states that the plan has  
42 received a domestic relations order and a request for a determination that  
43 the domestic relations order is a plan approved domestic relations order.

44 22. "Participant" means a member who is subject to a domestic relations  
45 order.

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

3           24. "Pension" means a series of monthly payments to a person who is  
4 entitled to receive benefits under the plan.

5           25. "Personal representative" means the personal representative of a  
6 deceased alternate payee.

7           26. "Plan" means the elected officials' retirement plan.

8           27. "Plan approved domestic relations order" means a domestic relations  
9 order that the plan approves as meeting all the requirements for a plan  
10 approved domestic relations order as otherwise prescribed in this article.

11           28. "Retired member" means a person who is being paid a pension based  
12 on the person's credited service as a member of the plan.

13           29. "Segregated funds" means the amount of benefits that would  
14 currently be payable to an alternate payee pursuant to a domestic relations  
15 order under review by the plan, or a domestic relations order submitted to  
16 the plan that failed to qualify as a plan approved domestic relations order,  
17 if the domestic relations order were determined to be a plan approved  
18 domestic relations order.

19           30. "System" means the public safety personnel retirement system.

20           Sec. 13. Section 38-804, Arizona Revised Statutes, is amended to read:

21           38-804. Membership; termination

22           A. All elected officials are members of the plan, except that a state  
23 elected official who is subject to term limits may elect not to participate  
24 in the plan. The state elected official who is subject to term limits shall  
25 make the election in writing and file the election with the board within  
26 thirty days after the state elected official assumes office. The election is  
27 effective on the first day of the state elected official's eligibility for  
28 that term of office. The election not to participate is specific for that  
29 term of office. If a state elected official who is subject to term limits  
30 fails to make an election as provided in this subsection, the state elected  
31 official is deemed to have elected to participate in the plan. The election  
32 not to participate in the plan is irrevocable and constitutes a waiver of all  
33 benefits provided by the plan for the state elected official's entire term,  
34 except for any benefits accrued by the state elected official in the plan for  
35 periods of participation ~~prior to~~ BEFORE being elected to an office subject  
36 to term limits or any benefits expressly provided by law. The state elected  
37 official who elects not to participate in the plan shall participate in the  
38 Arizona state retirement system unless the state elected official makes an  
39 irrevocable election not to participate in the Arizona state retirement  
40 system as provided in section 38-727.

41           B. If a member WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1, 2012  
42 ceases to hold office for any reason other than death or retirement, within  
43 twenty days after filing a completed application with the board, the member  
44 is entitled to receive the following amounts, less any benefit payments the  
45 member has received and any amount the member may owe to the plan:

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

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

7           (a) 5.0 to 5.9 years of credited service, twenty-five per cent of all  
8 member contributions deducted from the member's salary pursuant to section  
9 38-810, subsection A.

10           (b) 6.0 to 6.9 years of credited service, forty per cent of all member  
11 contributions deducted from the member's salary pursuant to section 38-810,  
12 subsection A.

13           (c) 7.0 to 7.9 years of credited service, fifty-five per cent of all  
14 member contributions deducted from the member's salary pursuant to section  
15 38-810, subsection A.

16           (d) 8.0 to 8.9 years of credited service, seventy per cent of all  
17 member contributions deducted from the member's salary pursuant to section  
18 38-810, subsection A.

19           (e) 9.0 to 9.9 years of credited service, eighty-five per cent of all  
20 member contributions deducted from the member's salary pursuant to section  
21 38-810, subsection A.

22           (f) 10.0 or more years of credited service, one hundred per cent of  
23 all member contributions deducted from the member's salary pursuant to  
24 section 38-810, subsection A.

25           C. If a member has more than ten years of credited service with the  
26 plan, leaves the monies prescribed in subsection B of this section on account  
27 with the plan for more than thirty days after termination of employment and  
28 after that time period requests a refund of those monies, the member is  
29 entitled to receive the amount prescribed in subsection B of this section  
30 plus interest at a rate determined by the board for each year computed from  
31 and after the member's termination of employment.

32           D. IF AN ELECTED OFFICIAL WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER  
33 JANUARY 1, 2012 CEASES TO HOLD OFFICE FOR ANY REASON OTHER THAN DEATH OR  
34 RETIREMENT, WITHIN TWENTY DAYS AFTER FILING A COMPLETED APPLICATION WITH THE  
35 BOARD, THE MEMBER MAY WITHDRAW THE MEMBER'S ACCUMULATED CONTRIBUTIONS FROM  
36 THE PLAN AND SHALL BE PAID THE MEMBER'S ACCUMULATED CONTRIBUTIONS PLUS  
37 INTEREST AT A RATE DETERMINED BY THE BOARD AS OF THE DATE OF TERMINATION,  
38 LESS ANY BENEFIT PAYMENTS THE MEMBER HAS RECEIVED AND ANY AMOUNT THE MEMBER  
39 MAY OWE TO THE PLAN.

40           ~~D.~~ E. If the amount prescribed in subsection B, ~~or~~ C OR D of this  
41 section includes monies that are an eligible rollover distribution and the  
42 member elects to have the distribution paid directly to an eligible  
43 retirement plan or individual retirement account or annuity and specifies the  
44 eligible retirement plan or individual retirement account or annuity to which  
45 the distribution is to be paid, the distribution shall be made in the form of

1 a direct trustee-to-trustee transfer to the specified eligible retirement  
2 plan. The distribution shall be made in the form and at the time prescribed  
3 by the board. A member who receives the amount prescribed in subsection B,  
4 ~~or C OR D~~ of this section from the plan or who elects a transfer pursuant to  
5 this subsection forfeits the member's credited service, and all rights to  
6 benefits under the plan and membership in the plan terminate.

7 ~~F.~~ F. In no case shall more than twelve months of credited service be  
8 credited on account of all service rendered by a member in any one year.

9 ~~F.~~ G. If an elected official who has terminated the member's  
10 membership in the plan pursuant to subsection B of this section is  
11 subsequently elected or otherwise becomes eligible for membership in the plan  
12 pursuant to subsection A of this section, credited service only accrues from  
13 the date of the member's most recent eligibility as an elected official.

14 ~~G.~~ H. Notwithstanding subsection ~~F~~ G of this section, if an elected  
15 official files a written election form with the board within ninety days  
16 after the day of the member's reemployment as an elected official and repays  
17 the amount previously withdrawn pursuant to subsection B or C of this section  
18 within one year after the date of the member's reemployment as an elected  
19 official, with interest on that amount at the rate of nine per cent for each  
20 year, compounded each year from the date of withdrawal to the date of  
21 repayment, credited service shall be restored. Credited service shall not be  
22 restored until complete repayment is made to the fund.

23 ~~H.~~ I. If a retired member subsequently becomes an elected official,  
24 contributions shall not be made by the retired member ~~or the retired member's~~  
25 ~~employer~~ and credited service shall not accrue while the retired member is  
26 holding office.

27 ~~I.~~ J. In addition to subsection ~~H~~ I of this section, if a retired  
28 member subsequently becomes, by reason of election or reelection, an elected  
29 official of the same office from which the member retired within a time  
30 period following the member's retirement that is less than one full term for  
31 that office, the member shall not receive a pension. If the elected official  
32 ceases to hold the same office, the elected official is entitled to receive  
33 the same pension the elected official was receiving when the elected  
34 official's pension was discontinued pursuant to this subsection. Nothing in  
35 this subsection prohibits a retired judge called by the supreme court to  
36 active duties of a judge pursuant to section 38-813 from receiving retirement  
37 benefits.

38 Sec. 14. Title 38, chapter 5, article 3, Arizona Revised Statutes, is  
39 amended by adding section 38-804.01, to read:

40 38-804.01. Reinstatement of credited service; effect of prior  
41 law

42 AN ELECTED OFFICIAL WHO RECEIVED A REFUND AS PROVIDED IN SECTION  
43 38-804, WHO IS SUBSEQUENTLY REEMPLOYED AS AN ELECTED OFFICIAL AND WHO  
44 REDEPOSITS THE AMOUNT WITHDRAWN WITH INTEREST AS PROVIDED IN SECTION 38-804  
45 OR AN ELECTED OFFICIAL WHO REDEEMS PRIOR SERVICE PURSUANT TO STATUTE IS



1 SUBJECT TO THE BENEFITS AND DUTIES IN EFFECT AT THE TIME OF THE ELECTED  
2 OFFICIAL'S MOST RECENT REEMPLOYMENT. THIS SECTION DOES NOT APPLY IF A COURT  
3 OF COMPETENT JURISDICTION ORDERS REINSTATEMENT OF BENEFITS AND DUTIES UNDER A  
4 PRIOR LAW.

5 Sec. 15. Section 38-805, Arizona Revised Statutes, is amended to read:  
6 38-805. Normal retirement and early retirement pensions

7 A. A member WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1, 2012  
8 AND who ceases to hold office is eligible for a normal retirement pension, if  
9 the member satisfies one of the following requirements:

10 1. Has attained age sixty-five with five or more years of credited  
11 service.

12 2. Has attained age sixty-two with ten or more years of credited  
13 service.

14 3. Has twenty or more years of credited service.

15 B. A MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1,  
16 2012 AND WHO CEASES TO HOLD OFFICE IS ELIGIBLE FOR A NORMAL RETIREMENT  
17 PENSION, IF THE MEMBER SATISFIES ONE OF THE FOLLOWING REQUIREMENTS:

18 1. HAS ATTAINED AGE SIXTY-FIVE WITH FIVE OR MORE YEARS OF CREDITED  
19 SERVICE.

20 2. HAS ATTAINED AGE SIXTY-TWO WITH TEN OR MORE YEARS OF CREDITED  
21 SERVICE.

22 ~~B.~~ C. A member WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1,  
23 2012, who has at least five years of credited service and WHO ceases to hold  
24 office as an elected official may take early retirement.

25 ~~C.~~ D. On normal or early retirement, a retired member shall receive a  
26 pension computed pursuant to section 38-808, subsection B OR C until the  
27 member's death.

28 Sec. 16. Section 38-806, Arizona Revised Statutes, is amended to read:  
29 38-806. Disability retirement pensions

30 A. A member who becomes permanently mentally or physically  
31 incapacitated for the purpose of performing the duties of the member's office  
32 may receive disability retirement benefits if the board of trustees finds  
33 that all of the following apply:

34 1. The member submits either personally or by a guardian an affidavit  
35 as to the nature of the member's incapacity.

36 2. The member is medically examined by a board of three physicians,  
37 one designated by the administrator of the fund, one designated by the member  
38 or the member's guardian and one designated by the governor.

39 3. A majority of the board of physicians certifies to the board of  
40 trustees that:

41 (a) The member is mentally or physically incapacitated for the purpose  
42 of performing the duties of the member's office.

43 (b) The member's incapacity occurred during the member's term of  
44 office and is expected to be of an indefinite duration.

45 (c) The member should be retired.

1 B. On retirement by reason of disability under this section, a retired  
2 member shall receive a pension computed pursuant to section 38-808,  
3 subsection B, paragraph 2 OR SUBSECTION C, PARAGRAPH 2 until the member's  
4 death or until the member's pension is suspended, revoked or discontinued  
5 pursuant to this section.

6 C. If the board of trustees has reason to believe that a member,  
7 retired pursuant to this section but not yet eligible for normal retirement,  
8 may no longer be mentally or physically incapacitated from performing the  
9 duties of the public office from which the member retired, the board of  
10 trustees may require such retired member to be medically examined. The  
11 examination shall be conducted by a board of three physicians, one designated  
12 by the administrator of the fund, one designated by the retired member or the  
13 member's guardian and one designated by the governor.

14 D. The board of trustees shall discontinue pension payments to a  
15 member retired pursuant to this section, if the board of physicians certifies  
16 that the member is mentally and physically capable of performing the duties  
17 of the public office from which the member retired.

18 E. If the retired member refuses to submit to the medical examination,  
19 the administrator of the fund may suspend payment of the member's pension  
20 until the member submits to the medical examination. If the retired member  
21 refuses for one year or more to submit to medical examination, the board of  
22 trustees shall revoke the pension of a member retired under this section.

23 Sec. 17. Section 38-807, Arizona Revised Statutes, is amended to read:  
24 38-807. Survivor pensions

25 A. The surviving spouse of a deceased retired member shall be paid a  
26 surviving spouse's pension if the spouse was married to the member for a  
27 period of at least two consecutive years at the time of the member's  
28 death. Payment of a surviving spouse's pension commences as of the last day  
29 of the month following the retired member's date of death. The last payment  
30 shall be made as of the last day of the month in which the surviving spouse's  
31 death occurs. FOR A MEMBER WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY  
32 1, 2012, the amount of pension paid a surviving spouse is equal to three-  
33 fourths of the amount of the deceased retired member's pension at the time of  
34 death. FOR A MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1,  
35 2012, THE AMOUNT OF PENSION PAID A SURVIVING SPOUSE IS EQUAL TO ONE-HALF OF  
36 THE AMOUNT OF THE DECEASED RETIRED MEMBER'S PENSION AT THE TIME OF DEATH,  
37 EXCEPT THAT AT THE TIME OF RETIREMENT A MEMBER MAY ELECT AN OPTIONAL FORM OF  
38 RETIREMENT BENEFIT, AS DETERMINED BY THE BOARD, THAT PROVIDES FOR AN  
39 ACTUARIALLY REDUCED PENSION AND AN INCREASED SURVIVING SPOUSE'S BENEFIT. The  
40 surviving spouse shall file a written application with the plan in order to  
41 receive the survivor benefit.

42 B. The surviving spouse of a deceased active or inactive member shall  
43 be paid a surviving spouse's pension if the spouse was married to the member  
44 on the date of the member's death. Payment of a surviving spouse's pension  
45 commences as of the last day of the month following the member's date of

1 death. The last payment shall be made as of the last day of the month in  
2 which the surviving spouse's death occurs. For the purposes of this  
3 subsection, **FOR A MEMBER WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1,**  
4 **2012,** the surviving spouse's pension shall be three-fourths of the amount  
5 calculated in the same manner as a disability pension is calculated pursuant  
6 to section 38-806. **FOR A MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER**  
7 **JANUARY 1, 2012, THE SURVIVING SPOUSE'S PENSION SHALL BE ONE-HALF OF THE**  
8 **AMOUNT CALCULATED IN THE SAME MANNER AS A DISABILITY PENSION IS CALCULATED**  
9 **PURSUANT TO SECTION 38-806.** The surviving spouse shall file a written  
10 application with the plan in order to receive the survivor benefit.

11 C. If the deceased retired or active or inactive member does not have  
12 an eligible surviving spouse or the pension of the eligible surviving spouse  
13 is terminated, each eligible child is entitled to receive a child's pension.  
14 A child's pension terminates if the child is adopted. In the case of a  
15 disabled child, the child's pension terminates if the child ceases to be  
16 under a disability or ceases to be a dependent of the surviving spouse or  
17 guardian. The amount of the pension of each eligible child is an equal share  
18 of the amount of the surviving spouse's pension. The surviving minor or  
19 disabled child's pension shall be paid to the person who is the legally  
20 appointed guardian or custodian of the eligible child.

21 D. If a member dies and no pension is payable on account of the  
22 member's death, the deceased member's accumulated contributions shall be paid  
23 to the person or persons designated by the deceased member in writing and  
24 filed with the board. If the designated person or persons do not survive the  
25 deceased member, the accumulated contributions shall be paid to the estate of  
26 the deceased member.

27 Sec. 18. Section 38-808, Arizona Revised Statutes, is amended to read:  
28 **38-808. Pension payments; computation of amounts; termination**

29 A. Plan retirement commences on the first day of the month following  
30 the date of the member's retirement or death. Pension payments shall be  
31 received on or about the first day of the month next following the member's  
32 plan retirement. The last pension payment shall be made as of the last day  
33 of the month in which the death of the retired member or the surviving spouse  
34 or minor children occurs. Pension payments shall not be made in advance.

35 B. **FOR A MEMBER WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1,**  
36 **2012,** the monthly pension shall be equal to one-twelfth of the following  
37 amount:

38 1. Four per cent of the member's average yearly salary multiplied by  
39 the member's credited service, not to exceed eighty per cent of the member's  
40 average yearly salary. This amount shall be reduced if the member takes  
41 early retirement pursuant to section 38-805, subsection ~~B~~-C. The amount of  
42 reduction is three-twelfths of one per cent for each month the retired  
43 member's early retirement age precedes the member's normal retirement age  
44 pursuant to section 38-805, subsection A, except that the reduction shall not  
45 be more than thirty per cent.

1           2. A member who meets the requirements for a disability retirement  
2 pension shall receive a disability pension equal to four per cent of the  
3 member's average yearly salary multiplied by twenty years of credited service  
4 if the member has ten or more years of credited service, four per cent of the  
5 member's average yearly salary multiplied by ten years of credited service if  
6 the member has five or more years of credited service but fewer than ten  
7 years of credited service or four per cent of the member's average yearly  
8 salary multiplied by five years of credited service if the member has fewer  
9 than five years of credited service.

10           C. THE MONTHLY PENSION OF A MEMBER WHO BECOMES A MEMBER OF THE PLAN ON  
11 OR AFTER JANUARY 1, 2012 SHALL BE EQUAL TO ONE-TWELFTH OF THE FOLLOWING  
12 AMOUNT:

13           1. THREE PER CENT OF THE MEMBER'S AVERAGE YEARLY SALARY MULTIPLIED BY  
14 THE MEMBER'S CREDITED SERVICE, NOT TO EXCEED SEVENTY-FIVE PER CENT OF THE  
15 MEMBER'S AVERAGE YEARLY SALARY.

16           2. A MEMBER WHO MEETS THE REQUIREMENTS FOR A DISABILITY RETIREMENT  
17 PENSION SHALL RECEIVE A DISABILITY PENSION EQUAL TO THREE PER CENT OF THE  
18 MEMBER'S AVERAGE YEARLY SALARY MULTIPLIED BY TWENTY-FIVE YEARS OF CREDITED  
19 SERVICE IF THE MEMBER HAS TEN OR MORE YEARS OF CREDITED SERVICE, THREE PER  
20 CENT OF THE MEMBER'S AVERAGE YEARLY SALARY MULTIPLIED BY TWELVE AND ONE-HALF  
21 YEARS OF CREDITED SERVICE IF THE MEMBER HAS FIVE OR MORE YEARS OF CREDITED  
22 SERVICE BUT FEWER THAN TEN YEARS OF CREDITED SERVICE OR THREE PER CENT OF THE  
23 MEMBER'S AVERAGE YEARLY SALARY MULTIPLIED BY 6.25 YEARS OF CREDITED SERVICE  
24 IF THE MEMBER HAS FEWER THAN FIVE YEARS OF CREDITED SERVICE.

25           ~~D.~~ D. The plan shall make payments pursuant to section 401(a)(9) of  
26 the internal revenue code and the regulations that are issued under that  
27 section. Notwithstanding any other provision of this plan, beginning January  
28 1, 1987 payment of benefits to a member shall commence no later than April 1  
29 of the calendar year following the later of:

30           1. The calendar year in which the member attains seventy and one-half  
31 years of age.

32           2. The date the member terminates employment.

33           ~~D.~~ E. If all pension payments terminate before an amount equal to the  
34 member's accumulated contributions has been paid, the difference between the  
35 member's accumulated contributions and the aggregate amount of pension  
36 payments shall be paid to the person or persons and in such shares as  
37 designated by the retired member in writing and filed with the board. If the  
38 designated person or persons do not survive the retired member, the  
39 difference shall be paid to the estate of the retired member.

40           Sec. 19. Section 38-810, Arizona Revised Statutes, is amended to read:

41           38-810. Contributions

42           A. Each member shall contribute to the fund an amount equal to ~~seven~~  
43 ~~per cent of the member's gross salary~~ THE AMOUNT PRESCRIBED IN SUBSECTION F  
44 OF THIS SECTION. Contributions of members shall be made by payroll  
45 deductions. Every member is deemed to consent to these deductions. Payment

1 of a member's compensation, less these payroll deductions, constitutes a full  
2 and complete discharge and satisfaction of all claims and demands by the  
3 member relating to remuneration for the member's services rendered during the  
4 period covered by the payment, except with respect to the benefits provided  
5 under the plan.

6 B. The board's office shall be credited monthly with monies collected  
7 pursuant to section 12-119.01, subsection B, paragraph 2, section 12-120.31,  
8 subsection D, paragraph 2, section 12-284.03, subsection A, paragraph 6,  
9 section 22-281, subsection C, paragraph 3 and section 41-178. The monies  
10 credited to the fund pursuant to this subsection shall be deposited in the  
11 fund on a monthly basis, and there shall be a complete accounting of the  
12 determination of these monies deposited in the fund.

13 C. As determined by actuarial valuations performed by the plan's  
14 actuary, each employer shall make level per cent compensation contributions  
15 sufficient under the actuarial valuation to meet both the normal cost plus  
16 the actuarially determined amount required to amortize the unfunded accrued  
17 liability over, beginning July 1, 2005, a rolling period of at least twenty  
18 and not more than thirty years that is established by the board taking into  
19 account the recommendation of the plan's actuary, except that, beginning with  
20 fiscal year 2006-2007, the employer contribution rate shall not be less than  
21 ten per cent of salary. The monies deposited in the fund pursuant to  
22 subsection B of this section shall be used to reduce the contributions  
23 required of state and county employers only. Employers that entered the plan  
24 under a joinder agreement shall also contribute an amount equal to the  
25 unfunded accrued liability for that employer. The unfunded liability for  
26 each new employer shall be actuarially determined by the plan's actuary as of  
27 the effective date of participation of each employer and shall be payable on  
28 the effective date of participation. The minimum employer contribution that  
29 is paid and that is in excess of the normal cost plus the actuarially  
30 determined amount required to amortize the unfunded accrued liability as  
31 calculated pursuant to this subsection shall be used to reduce future  
32 employer contribution increases and shall not be used to pay for an increase  
33 in benefits that are otherwise payable to members. The board shall  
34 separately account for these monies in the fund. After the close of any  
35 fiscal year, if the plan's actuary determines that the actuarial valuation of  
36 the fund contains excess valuation assets and is more than one hundred per  
37 cent funded, the board shall account for fifty per cent of the excess  
38 valuation assets in a stabilization reserve account. After the close of any  
39 fiscal year, if the plan's actuary determines that the actuarial valuation of  
40 the fund has a valuation asset deficiency and an unfunded actuarial accrued  
41 liability, the board shall use any valuation assets in the stabilization  
42 reserve account, to the extent available, to limit the decline in the fund's  
43 funding ratio to not more than two per cent.

44 D. The department of administration and the treasurer of each county  
45 and participating city and town shall transfer to the board the contributions

1 provided for in subsections A and C of this section within ten working days  
2 after each payroll date. The state, county treasurers and clerks of the  
3 superior court shall transfer the monies credited under subsection B of this  
4 section to the board on or before the fifteenth day of each calendar month  
5 that follows the month in which the court fees were collected. Contributions  
6 and monies credited under subsection B of this section and transferred after  
7 these dates shall include a penalty equal to ten per cent a year, compounded  
8 annually, for each day that the contributions or monies credited under  
9 subsection B of this section are late. Delinquent payments due under this  
10 subsection, together with interest charges as provided in this subsection and  
11 court costs, may be recovered by action in a court of competent jurisdiction  
12 against the person or persons responsible for the payments or, at the request  
13 of the board, may be deducted from any other monies, including excise revenue  
14 taxes, payable to a political subdivision by any department or agency of this  
15 state. If requested by the board, the state, county treasurers or clerks of  
16 the superior court shall transfer the monies credited under subsection B of  
17 this section, in an amount determined by the board, directly to the qualified  
18 governmental excess benefit arrangement established pursuant to section  
19 38-803.01.

20 E. The employer shall pay the member contributions required of members  
21 on account of compensation earned after August 7, 1985. The paid  
22 contributions shall be treated as employer contributions for the purpose of  
23 determining tax treatment under the United States internal revenue code. The  
24 effective date of the employer payment shall not be before the date the  
25 retirement plan has received notification from the United States internal  
26 revenue service that pursuant to section 414(h) of the United States internal  
27 revenue code the member contributions paid will not be included in gross  
28 income for income tax purposes until the paid contributions are distributed  
29 by refund or pension payments. The employer shall pay the member  
30 contributions from monies established and available in the retirement  
31 deduction account, which monies would otherwise have been designated as  
32 member contributions and paid to the retirement plan. Member contributions  
33 paid pursuant to this subsection shall be treated for all other purposes, in  
34 the same manner and to the same extent, as member contributions made before  
35 August 7, 1985.

36 F. THE AMOUNT CONTRIBUTED BY A MEMBER PURSUANT TO SUBSECTION A OF THIS  
37 SECTION IS:

- 38 1. THROUGH JUNE 30, 2011, SEVEN PER CENT OF THE MEMBER'S GROSS SALARY.
- 39 2. FOR FISCAL YEAR 2011-2012, TEN PER CENT OF THE MEMBER'S GROSS  
40 SALARY.
- 41 3. FOR FISCAL YEAR 2012-2013, ELEVEN AND ONE-HALF PER CENT OF THE  
42 MEMBER'S GROSS SALARY.
- 43 4. FOR FISCAL YEAR 2013-2014 AND EACH FISCAL YEAR THEREAFTER, THIRTEEN  
44 PER CENT OF THE MEMBER'S GROSS SALARY OR 33.3 PER CENT OF THE SUM OF THE  
45 MEMBER'S CONTRIBUTION RATE FROM THE PRECEDING FISCAL YEAR AND THE NORMAL COST

1 PLUS THE ACTUARIALY DETERMINED AMOUNT REQUIRED TO AMORTIZE THE UNFUNDED  
2 ACCRUED LIABILITY FOR THE EMPLOYER AS CALCULATED PURSUANT TO SUBSECTION C OF  
3 THIS SECTION, WHICHEVER IS LOWER, EXCEPT THAT THE MEMBER CONTRIBUTION RATE  
4 SHALL NOT BE LESS THAN SEVEN PER CENT OF THE MEMBER'S COMPENSATION AND THE  
5 EMPLOYER CONTRIBUTION RATE SHALL NOT BE LESS THAN THE RATE PRESCRIBED IN  
6 SUBSECTION C OF THIS SECTION.

7 G. FOR FISCAL YEAR 2011-2012 AND EACH FISCAL YEAR THEREAFTER, THE  
8 AMOUNT OF THE MEMBER'S CONTRIBUTION THAT EXCEEDS SEVEN PER CENT OF THE  
9 MEMBER'S COMPENSATION SHALL NOT BE USED TO REDUCE THE EMPLOYER'S  
10 CONTRIBUTIONS THAT ARE CALCULATED PURSUANT TO SUBSECTION C OF THIS SECTION.

11 Sec. 20. Title 38, chapter 5, article 3, Arizona Revised Statutes, is  
12 amended by adding section 38-810.04, to read:

13 38-810.04. Retired member; return to work; employer  
14 contributions

15 A. AN EMPLOYER SHALL PAY CONTRIBUTIONS AT AN ALTERNATE CONTRIBUTION  
16 RATE ON BEHALF OF A RETIRED MEMBER WHO RETURNS TO WORK IN ANY CAPACITY IN A  
17 POSITION ORDINARILY FILLED BY AN ELECTED OFFICIAL OF THE EMPLOYER. THIS  
18 SECTION APPLIES TO A RETIRED MEMBER WHO HAS BEEN RETIRED FOR MORE THAN ONE  
19 FULL TERM FOR THAT OFFICE.

20 B. THE ALTERNATE CONTRIBUTION RATE SHALL BE EQUAL TO THAT PORTION OF  
21 THE TOTAL REQUIRED CONTRIBUTION THAT IS APPLIED TO THE AMORTIZATION OF THE  
22 UNFUNDED ACTUARIAL ACCRUED LIABILITY FOR THE FISCAL YEAR BEGINNING JULY 1,  
23 BASED ON THE PLAN'S ACTUARY'S CALCULATION OF THE TOTAL REQUIRED CONTRIBUTION  
24 FOR THE PRECEDING FISCAL YEAR ENDED ON JUNE 30. THE ALTERNATE CONTRIBUTION  
25 RATE SHALL BE APPLIED TO THE COMPENSATION, GROSS SALARY OR CONTRACT FEE OF A  
26 RETIRED MEMBER WHO MEETS THE REQUIREMENTS OF THIS SECTION.

27 C. THE ALTERNATE CONTRIBUTION RATE SHALL NOT BE LESS THAN TEN PER CENT  
28 IN ANY FISCAL YEAR.

29 D. ALL CONTRIBUTIONS MADE BY THE EMPLOYER AND ALLOCATED TO THE FUND  
30 ESTABLISHED BY SECTION 38-802 ARE IRREVOCABLE AND SHALL BE USED AS BENEFITS  
31 UNDER THIS ARTICLE OR TO PAY THE EXPENSES OF THE PLAN. PAYMENTS MADE  
32 PURSUANT TO THIS SECTION BY EMPLOYERS BECOME DELINQUENT AFTER THE DUE DATE  
33 PRESCRIBED IN 38-810, SUBSECTION D, AND THEREAFTER SHALL BE INCREASED BY  
34 INTEREST FROM AND AFTER THAT DATE UNTIL PAYMENT IS RECEIVED BY THE PLAN.

35 E. AN EMPLOYER OF A RETIRED MEMBER SHALL SUBMIT ANY REPORTS, DATA,  
36 PAPERWORK OR MATERIALS THAT ARE REQUESTED BY THE BOARD AND THAT ARE NECESSARY  
37 TO DETERMINE THE COMPENSATION, GROSS SALARY OR CONTRACT FEE ASSOCIATED WITH A  
38 RETIRED MEMBER WHO RETURNS TO WORK OR TO DETERMINE THE FUNCTION, USE,  
39 EFFICACY OR OPERATION OF THE RETURN TO WORK PROGRAM.

40 Sec. 21. Section 38-816, Arizona Revised Statutes, is amended to read:

41 38-816. Redemption of prior service

42 A. Any present active elected official WHO HAS AT LEAST TEN YEARS OF  
43 CREDITED SERVICE WITH THE PLAN may elect to redeem UP TO SIXTY MONTHS OF any  
44 part of the following prior service or employment by paying into the fund the

1 amounts required under subsection B of this section if the prior service or  
2 employment is not on account with any other retirement system or plan:

3 1. Prior service in this state as an elected official with an employer  
4 now covered by the plan before the effective date of participation if the  
5 elected official has received a refund from a prior retirement system or plan  
6 on termination of employment before the elected official's application for  
7 redemption of prior service.

8 2. Prior service in this state as an elected official with an employer  
9 now covered by the plan before the effective date of participation if the  
10 elected official was not covered by a retirement system or plan during the  
11 elected official's prior elected official service.

12 3. Prior service as an elected official of this state or a city, town  
13 or county of this state if the elected official was not covered by a  
14 retirement system or plan during that service whether or not the city, town  
15 or county is an employer now covered by the plan.

16 4. Prior employment with the United States government, a state of the  
17 United States or a political subdivision of a state of the United States.

18 B. Any present active elected official who elects to redeem any part  
19 of the prior service or employment for which the elected official is deemed  
20 eligible by the board under this section shall pay into the plan the amounts  
21 previously withdrawn by the elected official as a refund of the elected  
22 official's accumulated contributions, if any, plus the additional amount, if  
23 any, that is computed by the plan's actuary and that is necessary to equal  
24 the increase in the actuarial present value of projected benefits resulting  
25 from the redemption calculated using the actuarial methods and assumptions  
26 that are prescribed by the plan's actuary.

27 C. On approval by the governing body of an incorporated city or town  
28 that executes a joinder agreement under section 38-815, the city or town may  
29 pay into the fund all or any part of the amount sufficient to provide  
30 retirement benefits for elected officials or former elected officials for the  
31 time of service as an elected official of the city or town before the joinder  
32 agreement if no retirement benefits were in effect for elected officials  
33 during the time of service being redeemed under this section.

34 D. A member electing to redeem service pursuant to this section may  
35 pay for service being redeemed in the form of a lump sum payment to the plan,  
36 a trustee-to-trustee transfer or a direct rollover of an eligible  
37 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or  
38 (vi) of the internal revenue code or a rollover of an eligible distribution  
39 from an individual retirement account or annuity described in section 408(a)  
40 or (b) of the internal revenue code.

41 Sec. 22. Title 38, chapter 5, article 3, Arizona Revised Statutes, is  
42 amended by adding sections 38-818.01 and 38-818.02, to read:

43 38-818.01. Future benefit increases for retirees and survivors

44 A. EFFECTIVE JULY 1, 2013 AND EACH JULY 1 THEREAFTER, EACH RETIRED  
45 MEMBER OR SURVIVOR OF A RETIRED MEMBER IS ENTITLED TO RECEIVE A PERMANENT



1 INCREASE IN THE BASE BENEFIT EQUAL TO THE AMOUNT DETERMINED PURSUANT TO THIS  
2 SECTION IF BENEFIT INCREASE MONIES ARE AVAILABLE.

3 B. THE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER IS ELIGIBLE TO  
4 RECEIVE AN INCREASE AS FOLLOWS:

5 1. IF THE RETIRED MEMBER BECAME A MEMBER OF THE PLAN BEFORE JANUARY 1,  
6 2012:

7 (a) THE RETIRED MEMBER OR THE SURVIVOR OF A RETIRED MEMBER WAS  
8 RECEIVING BENEFITS ON OR BEFORE JULY 31 OF THE TWO PREVIOUS YEARS.

9 (b) THE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER WAS FIFTY-FIVE  
10 YEARS OF AGE OR OLDER ON JULY 1 OF THE CURRENT YEAR AND WAS RECEIVING  
11 BENEFITS ON OR BEFORE JULY 31 OF THE PREVIOUS YEAR.

12 2. IF THE RETIRED MEMBER BECAME A MEMBER OF THE PLAN ON OR AFTER  
13 JANUARY 1, 2012, THE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER WAS  
14 FIFTY-FIVE YEARS OF AGE OR OLDER ON JULY 1 OF THE CURRENT YEAR AND IS  
15 RECEIVING BENEFITS.

16 C. SUBJECT TO SUBSECTION D, THE MAXIMUM BENEFIT INCREASE UNDER THIS  
17 SECTION IS LIMITED TO THE FOLLOWING:

18 1. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
19 ACCRUED LIABILITY OF THE FUND IS SIXTY PER CENT OR MORE BUT LESS THAN  
20 SIXTY-FIVE PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER  
21 CENT FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE  
22 JULY 1 OF THE INCREASE, TWO PER CENT OF THE BENEFIT BEING RECEIVED ON THE  
23 PRECEDING JUNE 30.

24 2. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
25 ACCRUED LIABILITY OF THE FUND IS SIXTY-FIVE PER CENT OR MORE BUT LESS THAN  
26 SEVENTY PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER CENT  
27 FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1  
28 OF THE INCREASE, TWO AND ONE-HALF PER CENT OF THE BENEFIT BEING RECEIVED ON  
29 THE PRECEDING JUNE 30.

30 3. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
31 ACCRUED LIABILITY OF THE FUND IS SEVENTY PER CENT OR MORE BUT LESS THAN  
32 SEVENTY-FIVE PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER  
33 CENT FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE  
34 JULY 1 OF THE INCREASE, THREE PER CENT OF THE BENEFIT BEING RECEIVED ON THE  
35 PRECEDING JUNE 30.

36 4. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
37 ACCRUED LIABILITY OF THE FUND IS SEVENTY-FIVE PER CENT OR MORE BUT LESS THAN  
38 EIGHTY PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER CENT  
39 FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1  
40 OF THE INCREASE, THREE AND ONE-HALF PER CENT OF THE BENEFIT BEING RECEIVED ON  
41 THE PRECEDING JUNE 30.

42 5. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
43 ACCRUED LIABILITY OF THE FUND IS EIGHTY PER CENT OR MORE AND THE TOTAL RETURN  
44 IS MORE THAN TEN AND ONE-HALF PER CENT FOR THE FISCAL YEAR ENDING JUNE 30 OF

1 THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE INCREASE, FOUR PER CENT OF THE  
2 BENEFIT BEING RECEIVED ON THE PRECEDING JUNE 30.

3 D. A PERMANENT INCREASE IN BENEFITS IS AVAILABLE ONLY IF THE FUND  
4 ATTAINS A TOTAL RETURN OF MORE THAN TEN AND ONE-HALF PER CENT FOR THE FISCAL  
5 YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE  
6 INCREASE. THE AMOUNT OF MONIES AVAILABLE TO FULLY FUND THE PRESENT VALUE OF  
7 THE APPROPRIATE PERCENTAGE INCREASE ALLOWED BY SUBSECTION C IN ANY YEAR IS  
8 ONE HUNDRED PER CENT OF THE EARNINGS OF THE FUND THAT EXCEED TEN AND ONE-HALF  
9 PER CENT OF THE TOTAL RETURN OF THE FUND FOR THE FISCAL YEAR ENDING JUNE 30  
10 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE INCREASE. IF ONE HUNDRED PER  
11 CENT OF THE EARNINGS OF THE FUND THAT EXCEED TEN AND ONE-HALF PER CENT OF THE  
12 TOTAL RETURN IS INSUFFICIENT TO FULLY FUND THE PRESENT VALUE OF THE  
13 APPROPRIATE PERCENTAGE INCREASE ALLOWED BY SUBSECTION C, THE PERCENTAGE  
14 INCREASE IS LIMITED TO THAT PERCENTAGE THE PRESENT VALUE OF WHICH CAN BE  
15 FULLY FUNDED BY THE BENEFIT INCREASE MONIES AVAILABLE.

16 E. ANY EARNINGS IN EXCESS OF THE AMOUNT NECESSARY TO FULLY PAY THE  
17 AMOUNT PRESCRIBED IN SUBSECTION C ARE NOT AVAILABLE FOR FUTURE BENEFIT  
18 INCREASES IN THE FOLLOWING YEARS AND REVERT BACK TO THE APPROPRIATE EMPLOYER  
19 ACCOUNTS.

20 F. FOR THE PURPOSES OF THIS SECTION:

21 1. TOTAL RETURN IS THE AMOUNT PUBLISHED IN THE ANNUAL REPORT OF THE  
22 PLAN FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE  
23 JULY 1 OF THE INCREASE.

24 2. THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL ACCRUED  
25 LIABILITY OF THE FUND IS THE NUMBER DETERMINED BY THE ADMINISTRATOR FOR THE  
26 FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE  
27 INCREASE.

28 G. THIS SECTION DOES NOT APPLY IF MONIES ARE AVAILABLE PURSUANT TO  
29 SECTION 38-818 FOR BENEFIT INCREASES FOR RETIRED MEMBERS OR SURVIVORS OF THE  
30 PLAN.

31 38-818.02. Ad hoc increase in retirement benefits: analysis by  
32 the joint legislative budget committee

33 FROM AND AFTER DECEMBER 31, 2015, THE LEGISLATURE MAY ENACT PERMANENT  
34 ONE-TIME INCREASES IN RETIREMENT BENEFITS FOR ELIGIBLE RETIREES AND SURVIVORS  
35 OF THE PLAN AFTER AN ANALYSIS OF THE EFFECT OF THE INCREASE ON THE PLAN BY  
36 THE JOINT LEGISLATIVE BUDGET COMMITTEE. THE JOINT LEGISLATIVE BUDGET  
37 COMMITTEE SHALL ANALYZE THE EFFECT OF THE PERMANENT BENEFIT INCREASE  
38 CONSIDERING THE FUNDED STATUS OF THE PLAN, THE LENGTH OF TIME SINCE THE LAST  
39 BENEFIT INCREASE, THE INCREASE IN THE COST OF LIVING SINCE THE LAST INCREASE,  
40 THE CURRENT ECONOMIC CONDITION OF THIS STATE, RECENT INVESTMENT PERFORMANCE  
41 OF THE PLAN, THE OVERALL VIEW OF THE ECONOMY AND MARKET AND THE TOTAL COST OF  
42 THE BENEFIT INCREASE TO THE PLAN.

1           Sec. 23. Section 38-820, Arizona Revised Statutes, is amended to read:  
2           38-820. Credit for military service

3           A. A member of the plan WHO HAS AT LEAST TEN YEARS OF CREDITED SERVICE  
4 WITH THE PLAN may receive credited service for periods of active military  
5 service performed before employment with the member's current employer if:

6           1. The member was honorably separated from the military service.  
7           2. The period of military service for which the member receives  
8 credited service does not exceed ~~forty-eight~~ SIXTY months.

9           3. The period of military service for which the member receives  
10 credited service is not on account with any other retirement system, except  
11 as provided by 10 United States Code section 12736 OR EXCEPT IF THE MEMBER IS  
12 NOT YET ELIGIBLE FOR A MILITARY RETIREMENT BENEFIT.

13           4. The member pays the cost to purchase the prior active military  
14 service. The cost is the amount necessary to equal the increase in the  
15 actuarial present value of projected benefits resulting from the additional  
16 credited service.

17           5. The amount of benefits purchased pursuant to this subsection is  
18 subject to limits established by section 415 of the internal revenue code.

19           B. An active member of the plan who volunteers or is ordered to  
20 perform military service may receive credited service for not more than sixty  
21 months of military service as provided by the uniformed services employment  
22 and reemployment rights act (38 United States Code part III, chapter 43).  
23 The member's employer shall make employer contributions and the member shall  
24 make the member contributions pursuant to subsection C of this section if the  
25 member meets the following requirements:

26           1. Was an active member of the plan on the day before the member began  
27 military service.

28           2. Entered into and served in the armed forces of the United States or  
29 is a member of the national guard.

30           3. Complies with the notice and return to work provisions of 38 United  
31 States Code section 4312.

32           C. Contributions made pursuant to subsection B of this section shall  
33 be for the period of time beginning on the date the member began military  
34 service and ending on the later of one of the following dates:

35           1. The date the member is separated from military service.

36           2. The date the member is released from service related  
37 hospitalization or two years after initiation of service related  
38 hospitalization, whichever date is earlier.

39           3. The date the member dies as a result of or during military service.

40           D. Notwithstanding any other law, on payment of the contributions made  
41 pursuant to subsection B of this section, the member shall be credited with  
42 service for retirement purposes for the period of military service of not  
43 more than sixty months. The member shall submit a copy of the military  
44 discharge certificate (DD-256A) and a copy of the military service record

1 (DD-214) or its equivalent with the member's application when applying for  
2 credited service corresponding to the period of military service.

3 E. The employer and the member shall make contributions pursuant to  
4 subsection B of this section as follows:

5 1. Contributions shall be based on the compensation that the member  
6 would have received but for the period that the member was ordered into  
7 active military service.

8 2. If the employer cannot reasonably determine the member's rate of  
9 compensation for the period that the member was ordered into military  
10 service, contributions shall be based on the member's average rate of  
11 compensation during the twelve-month period immediately preceding the period  
12 of military service.

13 3. If a member has been employed less than twelve months before being  
14 ordered into military service, contributions shall be based on the member's  
15 compensation being earned immediately preceding the period of military  
16 service.

17 4. The member has up to three times the length of military service,  
18 not to exceed sixty months, to make the member contributions. Once the  
19 member has made the member contributions or on receipt of the member's death  
20 certificate, the employer shall make the employer contributions in a lump  
21 sum. Death benefits shall be calculated as prescribed by law.

22 5. If the member's employer pays military differential wage pay to  
23 members serving in the military, contributions shall be paid to the plan  
24 pursuant to section 38-810 for any military differential wage pay paid to the  
25 member while performing military service.

26 F. In computing the length of total credited service of a member for  
27 the purpose of determining retirement benefits or eligibility, the period of  
28 military service, as prescribed by this section, shall be included.

29 G. If a member performs military service due to a presidential  
30 call-up, not to exceed forty-eight months, the employer shall make the  
31 employer and member contributions computed pursuant to subsection E of this  
32 section on the member's return and in compliance with subsection B of this  
33 section.

34 H. In addition to, but not in duplication of, the provisions of  
35 subsection B of this section, beginning December 12, 1994 contributions,  
36 benefits and credited service provided pursuant to this section shall be  
37 provided pursuant to section 414(u) of the internal revenue code, and this  
38 section shall be interpreted in a manner consistent with that internal  
39 revenue code section.

40 Sec. 24. Section 38-842, Arizona Revised Statutes, is amended to read:

41 38-842. Definitions

42 In this article, unless the context otherwise requires:

43 1. "Accidental disability" means a physical or mental condition that  
44 the local board finds totally and permanently prevents an employee from  
45 performing a reasonable range of duties within the employee's job

1 classification and that was incurred in the performance of the employee's  
2 duty.

3 2. "Accumulated contributions" means, for each member, the sum of the  
4 amount of the member's aggregate contributions made to the fund and the  
5 amount, if any, attributable to the employee's contributions before the  
6 member's effective date under another public retirement system, other than  
7 the federal social security act, and transferred to the fund minus the  
8 benefits paid to or on behalf of the member.

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

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

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

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

18 7. "Average monthly benefit compensation" means the result obtained by  
19 dividing the total compensation paid to an employee during a considered  
20 period by the number of months, including fractional months, in which such  
21 compensation was received. FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE  
22 SYSTEM BEFORE JANUARY 1, 2012, the considered period shall be the three  
23 consecutive years within the last twenty completed years of credited service  
24 that yield the highest average. FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE  
25 SYSTEM ON OR AFTER JANUARY 1, 2012, THE CONSIDERED PERIOD IS THE FIVE  
26 CONSECUTIVE YEARS WITHIN THE LAST TWENTY COMPLETED YEARS OF CREDITED SERVICE  
27 THAT YIELD THE HIGHEST AVERAGE. In the computation under this paragraph, a  
28 period of nonpaid or partially paid industrial leave shall be considered  
29 based on the compensation the employee would have received in the employee's  
30 job classification if the employee was not on industrial leave.

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

33 9. "Catastrophic disability" means a physical and not a psychological  
34 condition that the local board determines prevents the employee from totally  
35 and permanently engaging in any gainful employment and that results from a  
36 physical injury incurred in the performance of the employee's duty.

37 10. "Certified peace officer" means a peace officer certified by the  
38 Arizona peace officers standards and training board.

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

41 12. "Compensation" means, for the purpose of computing retirement  
42 benefits, base salary, overtime pay, shift differential pay, military  
43 differential wage pay and holiday pay paid to an employee by the employer on  
44 a regular monthly, semimonthly or biweekly payroll basis and longevity pay  
45 paid to an employee at least every six months for which contributions are

1 made to the system pursuant to section 38-843, subsection D. Compensation  
2 does not include, for the purpose of computing retirement benefits, payment  
3 for unused sick leave, payment in lieu of vacation, payment for compensatory  
4 time or payment for any fringe benefits. In addition, compensation does not  
5 include, for the purpose of computing retirement benefits, payments made  
6 directly or indirectly by the employer to the employee for work performed for  
7 a third party on a contracted basis or any other type of agreement under  
8 which the third party pays or reimburses the employer for the work performed  
9 by the employee for that third party, except for third party contracts  
10 between public agencies for law enforcement, criminal, traffic and crime  
11 suppression activities training OR FIRE, wildfire, emergency medical or  
12 emergency management activities or where the employer supervises the  
13 employee's performance of law enforcement, criminal, traffic and crime  
14 suppression activities, ~~training, OR fire, wildfire, emergency medical or~~  
15 emergency management ~~services~~ ACTIVITIES. For the purposes of this  
16 paragraph, "base salary" means the amount of compensation each employee is  
17 regularly paid for personal services rendered to an employer before the  
18 addition of any extra monies, including overtime pay, shift differential pay,  
19 holiday pay, longevity pay, fringe benefit pay and similar extra payments.

20 13. "Credited service" means the member's total period of service  
21 before the member's effective date of participation, plus those compensated  
22 periods of the member's service thereafter for which the member made  
23 contributions to the fund.

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

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

32 16. "Determination" means a written document that indicates to a  
33 participant and alternate payee whether a domestic relations order qualifies  
34 as a plan approved domestic relations order.

35 17. "Determination period" means the ninety-day period in which the  
36 system must review a domestic relations order that is submitted by a  
37 participant or alternate payee to determine whether the domestic relations  
38 order qualifies as a plan approved domestic relations order, calculated from  
39 the time the system mails a notice of receipt to the participant and  
40 alternate payee.

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

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

1           20. "Domestic relations order" means an order of a court of this state  
2 that is made pursuant to the domestic relations laws of this state and that  
3 creates or recognizes the existence of an alternate payee's right to, or  
4 assigns to an alternate payee the right to, receive a portion of the benefits  
5 payable to a participant.

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

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

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

14           (a) Is under eighteen years of age.

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

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

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

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

23           (b) Municipal fire fighters.

24           (c) Paid full-time fire fighters employed directly by a fire district  
25 organized pursuant to section 48-803 or 48-804 with three or more full-time  
26 fire fighters, but not including fire fighters employed by a fire district  
27 pursuant to a contract with a corporation.

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

29           (e) State fire fighters.

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

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

32           (h) Police officers who are certified peace officers and fire fighters  
33 of a nonprofit corporation operating a public airport pursuant to sections  
34 28-8423 and 28-8424. A police officer shall be designated pursuant to  
35 section 28-8426 to aid and supplement state and local law enforcement  
36 agencies and a fire fighter's sole duty shall be to perform fire fighting  
37 services, including services required by federal regulations.

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

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

42           (k) State attorney general investigators who are certified peace  
43 officers.

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

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

3 (n) Fire fighters who are employed by an Indian reservation fire  
4 fighting agency.

5 (o) Police officers who are certified peace officers and who are  
6 appointed by the department of administration.

7 (p) Department of liquor licenses and control investigators who are  
8 certified peace officers.

9 (q) Arizona department of agriculture officers who are certified peace  
10 officers.

11 (r) Arizona state parks board rangers and managers who are certified  
12 peace officers.

13 (s) County park rangers who are certified peace officers.

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

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

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

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

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

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

26 (f) An eligible deferred compensation plan described in section 457(b)  
27 of the internal revenue code that is maintained by a state, a political  
28 subdivision of a state or any agency or instrumentality of a state or a  
29 political subdivision of a state and that agrees to separately account for  
30 amounts transferred into the eligible deferred compensation plan from this  
31 plan.

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

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

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

41 (c) The portion of any distribution that is not includable in gross  
42 income.

43 27. "Employee" means any person who is employed by a participating  
44 employer and who is a member of an eligible group but does not include any  
45 persons compensated on a contractual or fee basis. If an eligible group



1 requires certified peace officer status and at the option of the local board,  
2 employee may include a person who is training to become a certified peace  
3 officer.

4 28. "Employers" means:

5 (a) Cities contributing to the fire fighters' relief and pension fund  
6 as provided in sections 9-951 through 9-971 or statutes amended thereby and  
7 antecedent thereto, as of June 30, 1968 on behalf of their full-time paid  
8 fire fighters.

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

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

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

23 29. "Fund" means the public safety personnel retirement fund, which is  
24 the fund established to receive and invest contributions accumulated

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

28 31. "Member" means any full-time employee who meets all of the  
29 following qualifications:

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

1 designated as eligible employees under a joinder agreement entered into by  
2 their employer after July 1, 1968 and who is or was regularly assigned to  
3 hazardous duty **OR, BEGINNING RETROACTIVELY TO JANUARY 1, 2009, WHO IS A**  
4 **POLICE CHIEF OR A FIRE CHIEF.**

5 (b) Who, on or after the employee's effective date of participation,  
6 is receiving compensation for personal services rendered to an employer or  
7 would be receiving compensation except for an authorized leave of absence.

8 (c) Whose customary employment is at least forty hours per week or,  
9 for those employees who customarily work fluctuating work weeks, whose  
10 customary employment averages at least forty hours per week.

11 (d) Who is engaged to work for more than six months in a calendar  
12 year.

13 (e) Who, if economic conditions exist, is required to take furlough  
14 days or reduce the hours of ~~their~~ **THE EMPLOYEE'S** normal work week below forty  
15 hours but not less than thirty hours per pay cycle, and maintain ~~their~~ **THE**  
16 **EMPLOYEE'S** active member status within the system as long as the hour change  
17 does not extend beyond twelve consecutive months.

18 (f) Who has not attained age sixty-five before the employee's  
19 effective date of participation or who was over age sixty-five with  
20 twenty-five years or more of service prior to the employee's effective date  
21 of participation.

22 32. "Normal retirement date" means:

23 (a) **FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE SYSTEM BEFORE JANUARY**  
24 **1, 2012,** the first day of the calendar month immediately following ~~an~~ **THE**  
25 employee's completion of twenty years of service or the employee's  
26 sixty-second birthday and the employee's completion of fifteen years of  
27 service.

28 (b) **FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE SYSTEM ON OR AFTER**  
29 **JANUARY 1, 2012, THE FIRST DAY OF THE CALENDAR MONTH IMMEDIATELY FOLLOWING**  
30 **THE EMPLOYEE'S COMPLETION OF TWENTY-FIVE YEARS OF SERVICE IF THE EMPLOYEE IS**  
31 **AT LEAST FIFTY-TWO AND ONE-HALF YEARS OF AGE.**

32 33. "Notice of receipt" means a written document that is issued by the  
33 system to a participant and alternate payee and that states that the system  
34 has received a domestic relations order and a request for a determination  
35 that the domestic relations order is a plan approved domestic relations  
36 order.

37 34. "Ordinary disability" means a physical condition that the local  
38 board determines will prevent an employee totally and permanently from  
39 performing a reasonable range of duties within the employee's department or a  
40 mental condition that the local board determines will prevent an employee  
41 totally and permanently from engaging in any substantial gainful activity.

42 35. "Participant" means a member who is subject to a domestic relations  
43 order.

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

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

4           38. "Personal representative" means the personal representative of a  
5 deceased alternate payee.

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

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

34           41. "Retirement" or "retired" means termination of employment after a  
35 member has fulfilled all requirements for a pension **OR, FOR AN EMPLOYEE WHO**  
36 **BECOMES A MEMBER OF THE SYSTEM ON OR AFTER JANUARY 1, 2012, ATTAINS THE AGE**  
37 **AND SERVICE REQUIREMENTS FOR A NORMAL RETIREMENT DATE.** Retirement shall be  
38 considered as commencing on the first day of the month immediately following  
39 a member's last day of employment or authorized leave of absence, if later.

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

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

21           44. "State" means the state of Arizona, including any department,  
22 office, board, commission, agency or other instrumentality of the state.

23           45. "System" means the public safety personnel retirement system  
24 established by this article.

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

29           Sec. 25. Section 38-843, Arizona Revised Statutes, is amended to read:

30           38-843. Contributions

31           A. Each employer who participates in the system on behalf of a group  
32 of employees who were covered under a prior public retirement system, other  
33 than the federal social security act, shall transfer all securities and  
34 monies attributable to the taxes and contributions of the state other than  
35 the state contribution to social security, the employer and the employees for  
36 the covered group of employees under the other system, such transfer to be  
37 made to the fund subject to all existing liabilities and on or within sixty  
38 days following the employer's effective date. All monies and securities  
39 transferred to the fund shall be credited to the employer's account in the  
40 fund. A record of the market value and the cost value of such transferred  
41 contributions shall be maintained for actuarial and investment purposes.

42           B. As determined by actuarial valuations reported to the employer and  
43 the local board by the board of trustees, each employer shall make level per  
44 cent of compensation contributions sufficient under such actuarial valuations  
45 to meet both the normal cost plus the actuarially determined amount required

1 to amortize the unfunded accrued liability over, beginning July 1, 2005, a  
2 rolling period of at least twenty and not more than thirty years that is  
3 established by the board of trustees taking into account the recommendation  
4 of the system's actuary, except that, beginning with fiscal year 2006-2007,  
5 except as otherwise provided, the employer contribution rate shall not be  
6 less than eight per cent of compensation. For any employer whose actual  
7 contribution rate is less than eight per cent of compensation for fiscal year  
8 2006-2007, that employer's contribution rate is not subject to the eight per  
9 cent minimum but, for fiscal year 2006-2007 and each year thereafter, shall  
10 be at least five per cent and not more than the employer's actual  
11 contribution rate. An employer shall have the option of paying a higher  
12 level per cent of compensation thereby reducing its unfunded past service  
13 liability. An employer shall also have the option of increasing its  
14 contributions in order to reduce the contributions required from its members  
15 under subsection C, except that if an employer elects this option the  
16 employer shall pay the same higher level percentage contribution for all  
17 members of the eligible group. During a period when an employee is on  
18 industrial leave and the employee elects to continue contributions during the  
19 period of industrial leave, the employer shall make the contributions based  
20 on the compensation the employee would have received in the employee's job  
21 classification if the employee was in normal employment status. All  
22 contributions made by the employers and all state taxes allocated to the fund  
23 shall be irrevocable and shall be used to pay benefits under the system or to  
24 pay expenses of the system and fund. The minimum employer contribution that  
25 is paid and that is in excess of the normal cost plus the actuarially  
26 determined amount required to amortize the unfunded accrued liability as  
27 calculated pursuant to this subsection shall be used to reduce future  
28 employer contribution increases and shall not be used to pay for an increase  
29 in benefits that are otherwise payable to members. The board shall  
30 separately account for these monies in the fund. Forfeitures arising because  
31 of severance of employment before a member becomes eligible for a pension or  
32 any other reason shall be applied to reduce the cost of the employer, not to  
33 increase the benefits otherwise payable to members. After the close of any  
34 fiscal year, if the system's actuary determines that the actuarial valuation  
35 of an employer's account contains excess valuation assets other than excess  
36 valuation assets that were in the employer's account as of fiscal year  
37 2004-2005 and is more than one hundred per cent funded, the board shall  
38 account for fifty per cent of the excess valuation assets in a stabilization  
39 reserve account. After the close of any fiscal year, if the system's actuary  
40 determines that the actuarial valuation of an employer's account has a  
41 valuation asset deficiency and an unfunded actuarial accrued liability, the  
42 board shall use any valuation assets in the stabilization reserve account for  
43 that employer, to the extent available, to limit the decline in that  
44 employer's funding ratio to not more than two per cent.

1 C. Each member, throughout the member's period of service from the  
2 member's effective date of participation, shall contribute to the fund an  
3 amount equal to ~~7.65 per cent of the member's compensation~~ THE AMOUNT  
4 PRESCRIBED IN SUBSECTION E, except as provided in subsection B. During a  
5 period when an employee is on industrial leave and the employee elects to  
6 continue contributions during the period of industrial leave, the employee  
7 shall make the employee's contribution based on the compensation the employee  
8 would have received in the employee's job classification if the employee was  
9 in normal employment status. Contributions of members shall be required as a  
10 condition of employment and membership in the system and shall be made by  
11 payroll deductions. Every employee shall be deemed to consent to such  
12 deductions. Payment of an employee's compensation, less such payroll  
13 deductions, shall constitute a full and complete discharge and satisfaction  
14 of all claims and demands by the employee relating to remuneration for the  
15 employee's services rendered during the period covered by the payment, except  
16 with respect to the benefits provided under the system.

17 D. Each employer shall transfer to the board the employer and employee  
18 contributions provided for in subsections B and C within ten working days  
19 after each payroll date. Contributions transferred after that date shall  
20 include a penalty of ten per cent per annum, compounded annually, for each  
21 day the contributions are late, such penalty to be paid by the employer.  
22 Delinquent payments due under this subsection, together with interest charges  
23 as provided in this subsection, may be recovered by action in a court of  
24 competent jurisdiction against an employer liable for the payments or, at the  
25 request of the board, may be deducted from any other monies, including excise  
26 revenue taxes, payable to such employer by any department or agency of this  
27 state.

28 E. THE AMOUNT CONTRIBUTED BY A MEMBER PURSUANT TO SUBSECTION C IS:  
29 1. THROUGH JUNE 30, 2011, 7.65 PER CENT OF THE MEMBER'S COMPENSATION.  
30 2. FOR FISCAL YEAR 2011-2012, 8.65 PER CENT OF THE MEMBER'S  
31 COMPENSATION.  
32 3. FOR FISCAL YEAR 2012-2013, 9.55 PER CENT OF THE MEMBER'S  
33 COMPENSATION.  
34 4. FOR FISCAL YEAR 2013-2014, 10.35 PER CENT OF THE MEMBER'S  
35 COMPENSATION.  
36 5. FOR FISCAL YEAR 2014-2015, 11.05 PER CENT OF THE MEMBER'S  
37 COMPENSATION.  
38 6. FOR FISCAL YEAR 2015-2016 AND EACH FISCAL YEAR THEREAFTER, 11.65  
39 PER CENT OF THE MEMBER'S COMPENSATION OR 33.3 PER CENT OF THE SUM OF THE  
40 MEMBER'S CONTRIBUTION RATE FROM THE PRECEDING FISCAL YEAR AND THE AGGREGATE  
41 COMPUTED EMPLOYER CONTRIBUTION RATE THAT IS CALCULATED PURSUANT TO SUBSECTION  
42 B, WHICHEVER IS LOWER, EXCEPT THAT THE MEMBER CONTRIBUTION RATE SHALL NOT BE  
43 LESS THAN 7.65 PER CENT OF THE MEMBER'S COMPENSATION AND THE EMPLOYER  
44 CONTRIBUTION RATE SHALL NOT BE LESS THAN THE RATE PRESCRIBED IN SUBSECTION B.

1 F. FOR FISCAL YEAR 2011-2012 AND EACH FISCAL YEAR THEREAFTER, THE  
2 AMOUNT OF THE MEMBER'S CONTRIBUTION THAT EXCEEDS 7.65 PER CENT OF THE  
3 MEMBER'S COMPENSATION SHALL NOT BE USED TO REDUCE THE EMPLOYER'S  
4 CONTRIBUTIONS THAT ARE CALCULATED PURSUANT TO SUBSECTION B.

5 Sec. 26. Title 38, chapter 5, article 4, Arizona Revised Statutes, is  
6 amended by adding section 38-843.05, to read:

7 38-843.05. Retired members; return to work; employer  
8 contributions

9 A. AN EMPLOYER SHALL PAY CONTRIBUTIONS AT AN ALTERNATE CONTRIBUTION  
10 RATE ON BEHALF OF A RETIRED MEMBER WHO RETURNS TO WORK IN ANY CAPACITY IN A  
11 POSITION ORDINARILY FILLED BY AN EMPLOYEE OF THE EMPLOYER OF AN ELIGIBLE  
12 GROUP. THIS SECTION APPLIES TO A RETIRED MEMBER WHO RETURNS TO WORK WITH  
13 ANOTHER PARTICIPATING EMPLOYER AND A RETIRED MEMBER WHO RETURNS TO WORK AFTER  
14 SIXTY CONSECUTIVE DAYS WITH THE SAME EMPLOYER FROM WHICH THE MEMBER RETIRED.

15 B. THE ALTERNATE CONTRIBUTION RATE SHALL BE EQUAL TO THAT PORTION OF  
16 THE TOTAL REQUIRED CONTRIBUTION THAT IS APPLIED TO THE AMORTIZATION OF THE  
17 UNFUNDED ACTUARIAL ACCRUED LIABILITY FOR THE FISCAL YEAR BEGINNING JULY 1,  
18 BASED ON THE SYSTEM'S ACTUARY'S CALCULATION OF THE TOTAL REQUIRED  
19 CONTRIBUTION FOR THE PRECEDING FISCAL YEAR ENDED ON JUNE 30. THE ALTERNATE  
20 CONTRIBUTION RATE SHALL BE APPLIED TO THE COMPENSATION, GROSS SALARY OR  
21 CONTRACT FEE OF A RETIRED MEMBER WHO MEETS THE REQUIREMENTS OF THIS SECTION.

22 C. THE ALTERNATE CONTRIBUTION RATE SHALL NOT BE LESS THAN EIGHT PER  
23 CENT IN ANY FISCAL YEAR.

24 D. ALL CONTRIBUTIONS MADE BY THE EMPLOYER AND ALLOCATED TO THE FUND  
25 ARE IRREVOCABLE AND SHALL BE USED AS BENEFITS UNDER THIS ARTICLE OR TO PAY  
26 THE EXPENSES OF THE SYSTEM. PAYMENTS MADE PURSUANT TO THIS SECTION BY  
27 EMPLOYERS BECOME DELINQUENT AFTER THE DUE DATE PRESCRIBED IN 38-843,  
28 SUBSECTION D, AND THEREAFTER SHALL BE INCREASED BY INTEREST FROM AND AFTER  
29 THAT DATE UNTIL PAYMENT IS RECEIVED BY THE SYSTEM.

30 E. AN EMPLOYER OF A RETIRED MEMBER SHALL SUBMIT ANY REPORTS, DATA,  
31 PAPERWORK OR MATERIALS THAT ARE REQUESTED BY THE BOARD AND THAT ARE NECESSARY  
32 TO DETERMINE THE COMPENSATION, GROSS SALARY OR CONTRACT FEE ASSOCIATED WITH A  
33 RETIRED MEMBER WHO RETURNS TO WORK OR TO DETERMINE THE FUNCTION, USE,  
34 EFFICACY OR OPERATION OF THE RETURN TO WORK PROGRAM.

35 Sec. 27. Section 38-844.02, Arizona Revised Statutes, is amended to  
36 read:

37 38-844.02. Deferred retirement option plan for employees hired  
38 before January 1, 2012; purpose

39 A. A deferred retirement option plan is established FOR THOSE  
40 EMPLOYEES WHO BECOME MEMBERS OF THE SYSTEM BEFORE JANUARY 1, 2012. The  
41 purpose of the deferred retirement option plan is to add flexibility to the  
42 system and to provide members who elect to participate in the deferred  
43 retirement option plan access to a lump sum benefit in addition to their  
44 normal monthly retirement benefit on actual retirement.

1 B. The board shall offer the deferred retirement option plan to  
2 members on a voluntary basis as an alternative method of benefit accrual  
3 under the system.

4 Sec. 28. Section 38-844.03, Arizona Revised Statutes, is amended to  
5 read:

6 38-844.03. Eligibility: participation

7 A. Any member who is eligible for a normal pension pursuant to section  
8 38-844, subsection A, WHO BECOMES A MEMBER OF THE SYSTEM BEFORE JANUARY 1,  
9 2012 and who has at least twenty years of credited service is eligible to  
10 participate in the deferred retirement option plan. In addition, any member  
11 who is subject to section 38-858, subsection B is eligible to participate in  
12 the deferred retirement option plan retroactive to the member's twentieth  
13 year of credited service or on the day before the member began military  
14 service, whichever is later, if the member makes the election pursuant to  
15 this section on or before resuming employment with the member's employer.

16 B. A member who elects to participate in the deferred retirement  
17 option plan shall voluntarily and irrevocably:

18 1. Designate a period of participation that is not more than sixty  
19 consecutive months.

20 2. Beginning on the date the member elects to participate in the  
21 deferred retirement option plan, cease to accrue benefits under any other  
22 provision of this article. The member's effective date of participation is  
23 the first day of the month following the date the member elects to  
24 participate.

25 3. Have deferred retirement option plan benefits credited to a  
26 deferred retirement option plan participation account pursuant to section  
27 38-844.05.

28 4. Receive benefits from the system on termination of employment at  
29 the same time and in the same manner as otherwise prescribed in this article.

30 5. Agree to terminate employment on completion of the deferred  
31 retirement option plan participation period designated by the member on the  
32 appropriate deferred retirement option plan participation form.

33 C. If a member fails to terminate employment on completion of the  
34 designated deferred retirement option plan participation period:

35 1. The member is not entitled to the interest accumulation on the  
36 deferred retirement option plan participation account.

37 2. The deferred retirement option plan participation account shall not  
38 be credited with the monthly amount prescribed in section 38-844.05,  
39 subsection C, paragraph 1 and that amount shall not be paid directly to the  
40 member.

41 3. The payment prescribed in section 38-844.08, subsection A,  
42 paragraph 1 shall not be paid until the member terminates employment and is  
43 payable at the same time as the pension amount is paid on retirement.

44 4. The member does not acquire any further credited service in the  
45 system.



1 Sec. 29. Section 38-844.05, Arizona Revised Statutes, is amended to  
2 read:

3 38-844.05. Deferred retirement option benefits and  
4 participation accounts

5 A. A deferred retirement option plan participation account is an  
6 account established within the system on behalf of each deferred retirement  
7 option plan participant. All benefits accrued pursuant to this article shall  
8 be accounted for in the deferred retirement option plan participation  
9 account. A deferred retirement option plan participant does not have a claim  
10 on the assets of the system with respect to the member's deferred retirement  
11 option plan participation account and assets shall not be set aside for any  
12 deferred retirement option plan participant that are separate from all other  
13 system assets.

14 B. All amounts credited to a member's deferred retirement option plan  
15 participation account are fully vested.

16 C. A member's deferred retirement option plan participation account  
17 shall be credited with the following:

18 1. An amount, credited monthly, that is computed in the same manner as  
19 a normal retirement benefit using the factors of credited service and average  
20 monthly benefit compensation in effect on the date of deferred retirement  
21 option plan participation.

22 2. An amount, credited monthly, that represents interest at a rate  
23 equal to the assumed rate of return determined by the board, **EXCEPT THAT FOR**  
24 **A MEMBER WHO HAS LESS THAN TWENTY YEARS OF CREDITED SERVICE ON JANUARY 1,**  
25 **2012 AND WHO ELECTS TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION PLAN ON**  
26 **OR AFTER JANUARY 1, 2012, THE AMOUNT CREDITED MONTHLY IS THE AMOUNT THAT**  
27 **REPRESENTS INTEREST AT A RATE EQUAL TO THE AVERAGE ANNUAL RETURN OF THE**  
28 **SYSTEM OVER THE PERIOD OF YEARS ESTABLISHED BY THE BOARD FOR USE IN THE**  
29 **CALCULATION OF THE ACTUARIAL VALUE OF ASSETS FOR THE PREVIOUS YEAR, BUT NOT**  
30 **TO EXCEED THE SYSTEM'S ASSUMED INVESTMENT RATE OF RETURN BUT AT LEAST TWO PER**  
31 **CENT.**

32 D. The participant is not entitled to receive any amount prescribed by  
33 section 38-856, **38-856.02** or 38-857 during the deferred retirement option  
34 plan participation period.

35 Sec. 30. Section 38-844.06, Arizona Revised Statutes, is amended to  
36 read:

37 38-844.06. Additional deferred retirement option plan  
38 provisions

39 A. **EXCEPT AS PROVIDED BY SUBSECTION B OF THIS SECTION,** beginning on  
40 the day after the date the member elects to participate in the deferred  
41 retirement option plan, employee and employer contributions pursuant to  
42 section 38-843 cease with respect to that member.

43 B. **A MEMBER WHO HAS LESS THAN TWENTY YEARS OF CREDITED SERVICE ON**  
44 **JANUARY 1, 2012 AND WHO ELECTS TO PARTICIPATE IN THE DEFERRED RETIREMENT**  
45 **OPTION PLAN ON OR AFTER JANUARY 1, 2012, SHALL MAKE EMPLOYEE CONTRIBUTIONS TO**

1 THE SYSTEM IN THE AMOUNT EQUAL TO THE EMPLOYEE CONTRIBUTIONS CALCULATED  
2 PURSUANT TO SECTION 38-843.

3 ~~B.~~ C. A member who elects to participate in the deferred retirement  
4 option plan and who becomes disabled during the period of deferred retirement  
5 option plan participation is eligible to apply for disability retirement  
6 benefits. If the application for disability retirement benefits is approved  
7 by the local board:

8 1. The disability retirement benefits shall be computed using the  
9 factors of credited service and average monthly benefit compensation in  
10 effect the day before the effective date of the member's deferred retirement  
11 option plan participation.

12 2. All amounts in the member's deferred retirement option plan  
13 participation account shall be distributed pursuant to section 38-844.08.

14 ~~C.~~ D. If a member dies during the period of the member's deferred  
15 retirement option plan participation, the designated beneficiary of the  
16 member is entitled to receive all amounts in the member's deferred retirement  
17 option plan participation account.

18 Sec. 31. Section 38-845, Arizona Revised Statutes, is amended to read:  
19 38-845. Amount of retirement benefit; purchase of firearm

20 A. A member who meets the requirements for a normal pension, WHO  
21 BECOMES A MEMBER OF THE SYSTEM BEFORE JANUARY 1, 2012 and WHO has twenty  
22 years of credited service shall receive a monthly amount ~~which~~ THAT equals  
23 fifty per cent of the member's average monthly benefit compensation. If the  
24 member retires with other than twenty years of credited service, the  
25 foregoing amount shall be:

26 1. Reduced by four per cent for each year of credited service under  
27 twenty years, with pro rata reduction for any fractional year.

28 2. Increased by a monthly amount equal to two per cent of the member's  
29 average monthly benefit compensation multiplied by the number of the member's  
30 years of credited service in excess of twenty years, with pro rata increase  
31 for any fractional year, except that if a member retires with twenty-five or  
32 more years of credited service the amount shall be increased by a monthly  
33 amount equal to two and one-half per cent of the member's average monthly  
34 benefit compensation multiplied by the number of the member's years of  
35 credited service in excess of twenty years, with pro rata increase for any  
36 fractional year. Notwithstanding the provisions of this subsection, the  
37 maximum amount payable as a normal pension shall be eighty per cent of the  
38 average monthly benefit compensation.

39 B. A member who meets the requirements for an accidental disability  
40 pension shall receive a monthly amount, which shall be computed in the same  
41 manner as a normal pension, using the member's average monthly benefit  
42 compensation before termination of employment and the member's actual  
43 credited service or twenty years of credited service, whichever is greater.

44 C. A member who meets the requirements for an ordinary disability  
45 pension shall receive a monthly amount that is equal to a fraction times the

1 member's normal pension that is computed according to subsection A OR G if  
2 the member had twenty years of credited service. The fraction is the result  
3 obtained by dividing the member's actual years of credited service, not to  
4 exceed twenty years of credited service, by twenty.

5 D. A member who meets the requirements for a temporary disability  
6 pension shall receive a monthly amount ~~which shall be~~ THAT IS equal to  
7 one-twelfth of fifty per cent of the member's annual compensation received  
8 immediately prior to the date on which the member's disability was incurred.

9 E. A member who meets the requirements for a catastrophic disability  
10 pension is ~~entitle~~ ENTITLED to receive a monthly amount computed as follows:

11 1. For the first sixty months, ninety per cent of the member's average  
12 monthly benefit compensation before termination of employment.

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

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

23 G. A MEMBER WHO MEETS THE REQUIREMENTS FOR A NORMAL PENSION, WHO  
24 BECOMES A MEMBER OF THE SYSTEM ON OR AFTER JANUARY 1, 2012 AND WHO HAS  
25 TWENTY-FIVE YEARS OF CREDITED SERVICE SHALL RECEIVE A MONTHLY AMOUNT THAT  
26 EQUALS SIXTY-TWO AND ONE-HALF PER CENT OF THE MEMBER'S AVERAGE MONTHLY  
27 BENEFIT COMPENSATION. IF THE MEMBER RETIRES WITH OTHER THAN TWENTY-FIVE  
28 YEARS OF CREDITED SERVICE, THE FOREGOING AMOUNT SHALL BE:

29 1. REDUCED BY FOUR PER CENT FOR EACH YEAR OF CREDITED SERVICE UNDER  
30 TWENTY-FIVE YEARS, WITH PRO RATA REDUCTION FOR ANY FRACTIONAL YEAR.

31 2. INCREASED BY A MONTHLY AMOUNT EQUAL TO TWO AND ONE-HALF PER CENT OF  
32 THE MEMBER'S AVERAGE MONTHLY BENEFIT COMPENSATION MULTIPLIED BY THE NUMBER OF  
33 THE MEMBER'S YEARS OF CREDITED SERVICE IN EXCESS OF TWENTY-FIVE YEARS, WITH  
34 PRO RATA INCREASE FOR ANY FRACTIONAL YEAR. NOTWITHSTANDING THE PROVISIONS OF  
35 THIS SUBSECTION, THE MAXIMUM AMOUNT PAYABLE AS A NORMAL PENSION SHALL BE  
36 EIGHTY PER CENT OF THE AVERAGE MONTHLY BENEFIT COMPENSATION.

37 ~~G.~~ H. In addition to the amounts received under subsection A, B, C,  
38 D, ~~or~~ E OR G and subject to the approval of the employer, the pension  
39 includes the ability of a member to purchase the handgun or shotgun issued by  
40 the employer to the member at less than fair market value.

41 Sec. 32. Section 38-846.01, Arizona Revised Statutes, is amended to  
42 read:

43 38-846.01. Deferred annuity; exception

44 A. If any member who has at least ten years of credited service  
45 terminates employment for reasons other than retirement or disability, the

1 member may elect to receive a deferred annuity, except that if the annuitant  
2 withdraws all or part of the annuitant's accumulated contributions in the  
3 system all rights in and to a deferred annuity shall be forfeited by the  
4 annuitant. A deferred annuity is a lifetime monthly payment actuarially  
5 equivalent to the annuitant's accumulated contributions in the system plus an  
6 equal amount paid by the employer and shall commence on application on or  
7 after the sixty-second birthday of the annuitant. The annuity is not a  
8 retirement benefit and annuitants are not entitled to receive any amount  
9 prescribed by section 38-845, subsection F, or section 38-846, 38-856,  
10 38-856.02 or 38-857.

11 B. THIS SECTION DOES NOT APPLY TO A MEMBER WHO BECOMES A MEMBER OF THE  
12 SYSTEM ON OR AFTER JANUARY 1, 2012. SUCH A PERSON WHO ATTAINS A NORMAL  
13 RETIREMENT DATE IS ELIGIBLE FOR RETIREMENT AND A RETIREMENT BENEFIT EVEN IF  
14 THE MEMBER TERMINATES EMPLOYMENT WITH AN EMPLOYER BEFORE THE AGE REQUIREMENT  
15 FOR NORMAL RETIREMENT IF THE MEMBER ATTAINS THE SERVICE REQUIREMENT FOR  
16 NORMAL RETIREMENT.

17 Sec. 33. Section 38-846.02, Arizona Revised Statutes, is amended to  
18 read:

19 38-846.02. Termination of membership

20 A. On termination of employment for any reason other than death or  
21 retirement, within twenty days after filing a completed application with the  
22 board, a member WHO BECOMES A MEMBER OF THE SYSTEM BEFORE JANUARY 1, 2012 is  
23 entitled to receive the following amounts, less any benefit payments the  
24 member has received or any amount the member may owe to the system:

25 1. If the member has less than five years of credited service with the  
26 system, the member may withdraw the member's accumulated contributions from  
27 the system.

28 2. If the member has five or more years of credited service with the  
29 system, the member may withdraw the member's accumulated contributions plus  
30 an amount equal to the amount determined as follows:

31 (a) 5.0 to 5.9 years of credited service, twenty-five per cent of all  
32 member contributions deducted from the member's salary pursuant to section  
33 38-843, subsection C.

34 (b) 6.0 to 6.9 years of credited service, forty per cent of all member  
35 contributions deducted from the member's salary pursuant to section 38-843,  
36 subsection C.

37 (c) 7.0 to 7.9 years of credited service, fifty-five per cent of all  
38 member contributions deducted from the member's salary pursuant to section  
39 38-843, subsection C.

40 (d) 8.0 to 8.9 years of credited service, seventy per cent of all  
41 member contributions deducted from the member's salary pursuant to section  
42 38-843, subsection C.

43 (e) 9.0 to 9.9 years of credited service, eighty-five per cent of all  
44 member contributions deducted from the member's salary pursuant to section  
45 38-843, subsection C.

1 (f) 10.0 or more years of credited service, one hundred per cent of  
2 all member contributions deducted from the member's salary pursuant to  
3 section 38-843, subsection C.

4 B. If a member WHO BECOMES A MEMBER OF THE SYSTEM BEFORE JANUARY 1,  
5 2012 has more than ten years of credited service with the system, leaves the  
6 monies prescribed in subsection A of this section on account with the system  
7 for more than thirty days after termination of employment and after that time  
8 period requests a refund of those monies, the member is entitled to receive  
9 the amount prescribed in subsection A of this section plus interest at a rate  
10 determined by the board for each year computed from and after the member's  
11 termination of employment.

12 C. ON TERMINATION OF EMPLOYMENT FOR ANY REASON OTHER THAN DEATH OR  
13 RETIREMENT, WITHIN TWENTY DAYS AFTER FILING A COMPLETED APPLICATION WITH THE  
14 BOARD, A MEMBER WHO BECOMES A MEMBER OF THE SYSTEM ON OR AFTER JANUARY 1,  
15 2012 IS ENTITLED TO RECEIVE A LUMP SUM PAYMENT EQUAL TO THE MEMBER'S  
16 ACCUMULATED CONTRIBUTION PLUS INTEREST AT A RATE DETERMINED BY THE BOARD AS  
17 OF THE DATE OF TERMINATION, LESS ANY BENEFIT PAYMENTS THE MEMBER HAS RECEIVED  
18 AS OF THE DATE OF TERMINATION OR ANY AMOUNT THE MEMBER MAY OWE TO THE SYSTEM.

19 ~~C.~~ D. If the amount prescribed in subsection A, ~~or~~ B OR C of this  
20 section includes monies that are an eligible rollover distribution and the  
21 member elects to have the distribution paid directly to an eligible  
22 retirement plan or individual retirement account or annuity and specifies the  
23 eligible retirement plan or individual retirement account or annuity to which  
24 the distribution is to be paid, the distribution shall be made in the form of  
25 a direct trustee-to-trustee transfer to the specified eligible retirement  
26 plan. The distribution shall be made in the form and at the time prescribed  
27 by the board. A member who withdraws the amount prescribed in subsection A,  
28 ~~or~~ B OR C of this section from the system or who elects a transfer pursuant  
29 to this section forfeits all rights to benefits under the system and rights  
30 to rehearing and appeal, except as provided in section 38-849.

31 Sec. 34. Title 38, chapter 5, article 4, Arizona Revised Statutes, is  
32 amended by adding section 38-846.04, to read:

33 38-846.04. Reinstatement of credited service; effect of prior  
34 law

35 A. A MEMBER WHO RECEIVED A SEVERANCE REFUND ON TERMINATION OF  
36 EMPLOYMENT AS PROVIDED IN SECTION 38-846.02, WHO IS SUBSEQUENTLY REEMPLOYED  
37 BY AN EMPLOYER AND WHO REDEPOSITS THE AMOUNT WITHDRAWN WITH INTEREST AS  
38 PROVIDED IN SECTION 38-849 OR A MEMBER WHO REDEEMS PRIOR SERVICE PURSUANT TO  
39 STATUTE IS SUBJECT TO THE BENEFITS AND DUTIES IN EFFECT AT THE TIME OF THE  
40 MEMBER'S MOST RECENT REEMPLOYMENT. THIS SUBSECTION DOES NOT APPLY IF A COURT  
41 OF COMPETENT JURISDICTION ORDERS REINSTATEMENT OF BENEFITS AND DUTIES UNDER A  
42 PRIOR LAW.

43 B. A MEMBER WHO TRANSFERS CREDITED SERVICE FROM ONE EMPLOYER TO  
44 ANOTHER EMPLOYER PURSUANT TO SECTION 38-853 RETAINS THE BENEFITS AND DUTIES  
45 IN EFFECT AT THE TIME OF THE MEMBER'S TRANSFER.

1           Sec. 35. Section 38-849, Arizona Revised Statutes, as amended by Laws  
2 2010, chapter 118, section 10, is amended to read:

3           38-849. Limitations on receiving pension; violation;  
4           classification; reemployment after severance;  
5           reinstatement of service credits; reemployment of  
6           retired or disabled member

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

13           B. A person who knowingly makes any false statement or who falsifies  
14 or permits to be falsified any record of the system with an intent to defraud  
15 the system is guilty of a class ~~6~~ 5 felony. If any change or error in the  
16 records results in any member or beneficiary receiving from the system more  
17 or less than the member or beneficiary would have been entitled to receive  
18 had the records been correct, the local board shall correct such error, and  
19 as far as practicable shall adjust the payments in such manner that the  
20 actuarial equivalent of the benefit to which such member or beneficiary was  
21 correctly entitled shall be paid. If a member is convicted of a crime  
22 specified in this subsection, SECTION 13-713 APPLIES. ~~the member shall be~~  
23 ~~entitled to receive a lump sum payment of the member's accumulated~~  
24 ~~contributions but forfeits any future compensation and benefits that would~~  
25 ~~otherwise accrue to the member or the member's estate under this article.~~

26           C. If a member who received a severance refund on termination of  
27 employment, as provided in section 38-846.02, is subsequently reemployed by  
28 an employer, the member's prior service credits shall be cancelled and  
29 service shall be credited only from the date the member's most recent  
30 reemployment period commenced. However, if the former member's reemployment  
31 with the same employer occurred within two years after the former member's  
32 termination date, and, within ninety days after reemployment the former  
33 member signs a written election consenting to reimburse the fund within one  
34 year, the former member shall be required to redeposit the amount withdrawn  
35 at the time of the former member's separation from service, with interest  
36 thereon at the rate of nine per cent for each year compounded each year from  
37 the date of withdrawal to the date of repayment. On satisfaction of this  
38 obligation the member's prior service credits shall be reinstated.

39           D. If a retired member becomes employed in any capacity by the  
40 employer from which the member retired before sixty consecutive days after  
41 the member's date of retirement, the system shall not make pension payments  
42 to the retired member during the period of reemployment. If a retired member  
43 is reemployed by an employer, no EMPLOYEE contributions shall be made on the  
44 retired member's account, nor any service credited, during the period of the  
45 reemployment. Notwithstanding this subsection, if a retired member

1 subsequently becomes employed in the same position by the employer from which  
2 the member retired, the system shall not make pension payments to the retired  
3 member during the period of reemployment. On subsequent termination of  
4 employment by the retired member, the retired member is entitled to receive a  
5 pension based on the member's service and compensation before the date of the  
6 member's reemployment. If a member who retired under disability is  
7 reemployed by an employer as an employee, that member shall be treated as if  
8 the member had been on an uncompensated leave of absence during the period of  
9 the member's disability retirement and shall be a contributing member of the  
10 system. Within ten days after a retired member is reemployed by the employer  
11 from which the member retired, the employer shall advise the ~~fund-manager~~  
12 ~~BOARD~~ in writing as to whether the retired member has been reemployed in the  
13 same position from which the member retired. The ~~fund-manager~~ ~~BOARD~~ shall  
14 review all reemployment determinations. If the ~~fund-manager~~ ~~BOARD~~ is not  
15 provided the necessary information to make a reemployment determination, the  
16 ~~fund-manager~~ ~~BOARD~~ shall suspend pension payments until information is  
17 received and a determination is made that the reemployment meets the  
18 requirements of this subsection. For the purposes of this subsection, "same  
19 position" means the member is in a position where the member performs  
20 substantially similar duties that were performed and exercises substantially  
21 similar authority that was exercised by the retired member before retirement.

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

36 F. Notwithstanding any other provision of this article, the ~~fund~~  
37 ~~manager~~ ~~BOARD~~ may offset against any benefits otherwise payable by the system  
38 to an active or retired member or survivor any court ordered amounts awarded  
39 to the ~~fund-manager~~ ~~BOARD~~ and system and assessed against the member or  
40 survivor.

41 Sec. 36. Repeal

42 Section ~~38-849~~, Arizona Revised Statutes, as amended by Laws 2010,  
43 chapter 200, section 45, is repealed.



1           Sec. 37. Section 38-853.01, Arizona Revised Statutes, is amended to  
2 read:

3           38-853.01. Redemption of prior service

4           A. Each present active member of the system WHO HAS AT LEAST TEN YEARS  
5 OF SERVICE WITH THE SYSTEM may elect to redeem UP TO SIXTY MONTHS OF any part  
6 of the following prior service or employment by paying into the system any  
7 amounts required under subsection B if the prior service or employment is not  
8 on account with any other retirement system:

9           1. Prior service in this state as an employee with an employer now  
10 covered by the system or prior service with an agency of the United States  
11 government, a state of the United States or a political subdivision of this  
12 state or of a state of the United States as a full-time paid firefighter or  
13 full-time paid certified peace officer.

14           2. Subject to any limitations prescribed by federal law, prior  
15 employment as an employee of a corporation that contracted with an employer  
16 now covered by the system to provide firefighting services on behalf of that  
17 employer as a full-time paid firefighter or that provided firefighting  
18 services for a political subdivision of this state.

19           B. Any present active member who elects to redeem any part of the  
20 prior service or employment for which the employee is deemed eligible by the  
21 board under this section shall pay into the system the amounts previously  
22 withdrawn by the member, if any, as a refund of the member's accumulated  
23 contributions plus accumulated interest as determined by the board and the  
24 additional amount, if any, computed by the system's actuary that is necessary  
25 to equal the increase in the actuarial present value of projected benefits  
26 resulting from the redemption calculated using the actuarial methods and  
27 assumptions prescribed by the system's actuary.

28           C. A member electing to redeem service pursuant to this section may  
29 pay for service being redeemed in the form of a lump sum payment to the  
30 system, a trustee-to-trustee transfer or a direct rollover of an eligible  
31 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or  
32 (vi) of the internal revenue code or a rollover of an eligible distribution  
33 from an individual retirement account or annuity described in section 408(a)  
34 or (b) of the internal revenue code.

35           Sec. 38. Title 38, chapter 5, article 4, Arizona Revised Statutes, is  
36 amended by adding sections 38-856.02 and 38-856.03, to read:

37           38-856.02. Future benefit increases for retirees and survivors

38           A. EFFECTIVE JULY 1, 2013 AND EACH JULY 1 THEREAFTER, EACH RETIRED  
39 MEMBER OR SURVIVOR OF A RETIRED MEMBER IS ENTITLED TO RECEIVE A PERMANENT  
40 INCREASE IN THE BASE BENEFIT EQUAL TO THE AMOUNT DETERMINED PURSUANT TO THIS  
41 SECTION IF BENEFIT INCREASE MONIES ARE AVAILABLE.

42           B. THE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER IS ELIGIBLE TO  
43 RECEIVE AN INCREASE AS FOLLOWS:

44           1. IF THE RETIRED MEMBER BECAME A MEMBER OF THE SYSTEM BEFORE JANUARY  
45 1, 2012:



1 (a) THE RETIRED MEMBER OR THE SURVIVOR OF A RETIRED MEMBER WAS  
2 RECEIVING BENEFITS ON OR BEFORE JULY 31 OF THE TWO PREVIOUS YEARS.

3 (b) THE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER WAS FIFTY-FIVE  
4 YEARS OF AGE OR OLDER ON JULY 1 OF THE CURRENT YEAR AND WAS RECEIVING  
5 BENEFITS ON OR BEFORE JULY 31 OF THE PREVIOUS YEAR.

6 2. IF THE RETIRED MEMBER BECAME A MEMBER OF THE SYSTEM ON OR AFTER  
7 JANUARY 1, 2012:

8 (a) THE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER WAS FIFTY-FIVE  
9 YEARS OF AGE OR OLDER ON JULY 1 OF THE CURRENT YEAR AND IS RECEIVING  
10 BENEFITS.

11 (b) THE RETIRED MEMBER WAS UNDER FIFTY-FIVE YEARS OF AGE ON JULY 1 OF  
12 THE CURRENT YEAR, WAS RECEIVING AN ACCIDENTAL DISABILITY OR A CATASTROPHIC  
13 DISABILITY RETIREMENT BENEFIT AND WAS RECEIVING BENEFITS ON OR BEFORE JULY 31  
14 OF THE TWO PREVIOUS YEARS.

15 (c) A SURVIVOR WAS UNDER FIFTY-FIVE YEARS OF AGE ON JULY 1 OF THE  
16 CURRENT YEAR, IS THE SURVIVOR OF A MEMBER WHO WAS KILLED IN THE LINE OF DUTY  
17 AND WAS RECEIVING BENEFITS ON OR BEFORE JULY 31 OF THE TWO PREVIOUS YEARS.

18 C. SUBJECT TO SUBSECTION D, THE MAXIMUM BENEFIT INCREASE UNDER THIS  
19 SECTION IS LIMITED TO THE FOLLOWING:

20 1. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
21 ACCRUED LIABILITY OF THE FUND IS SIXTY PER CENT OR MORE BUT LESS THAN  
22 SIXTY-FIVE PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER  
23 CENT FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE  
24 JULY 1 OF THE INCREASE, TWO PER CENT OF THE AVERAGE NORMAL BENEFIT CALCULATED  
25 AS OF THE PRECEDING JUNE 30.

26 2. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
27 ACCRUED LIABILITY OF THE FUND IS SIXTY-FIVE PER CENT OR MORE BUT LESS THAN  
28 SEVENTY PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER CENT  
29 FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1  
30 OF THE INCREASE, TWO AND ONE-HALF PER CENT OF THE AVERAGE NORMAL BENEFIT  
31 CALCULATED AS OF THE PRECEDING JUNE 30.

32 3. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
33 ACCRUED LIABILITY OF THE FUND IS SEVENTY PER CENT OR MORE BUT LESS THAN  
34 SEVENTY-FIVE PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER  
35 CENT FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE  
36 JULY 1 OF THE INCREASE, THREE PER CENT OF THE AVERAGE NORMAL BENEFIT  
37 CALCULATED AS OF THE PRECEDING JUNE 30.

38 4. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
39 ACCRUED LIABILITY OF THE FUND IS SEVENTY-FIVE PER CENT OR MORE BUT LESS THAN  
40 EIGHTY PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER CENT  
41 FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1  
42 OF THE INCREASE, THREE AND ONE-HALF PER CENT OF THE AVERAGE NORMAL BENEFIT  
43 CALCULATED AS OF THE PRECEDING JUNE 30.

44 5. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
45 ACCRUED LIABILITY OF THE FUND IS EIGHTY PER CENT OR MORE AND THE TOTAL RETURN

1 IS MORE THAN TEN AND ONE-HALF PER CENT FOR THE FISCAL YEAR ENDING JUNE 30 OF  
2 THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE INCREASE, FOUR PER CENT OF THE  
3 AVERAGE NORMAL BENEFIT CALCULATED AS OF THE PRECEDING JUNE 30.

4 D. A PERMANENT INCREASE IN BENEFITS IS AVAILABLE ONLY IF THE FUND  
5 ATTAINS A TOTAL RETURN OF MORE THAN TEN AND ONE-HALF PER CENT FOR THE FISCAL  
6 YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE  
7 INCREASE. THE AMOUNT OF MONIES AVAILABLE TO FULLY FUND THE PRESENT VALUE OF  
8 THE APPROPRIATE PERCENTAGE INCREASE ALLOWED BY SUBSECTION C IN ANY YEAR IS  
9 ONE HUNDRED PER CENT OF THE EARNINGS OF THE FUND THAT EXCEED TEN AND ONE-HALF  
10 PER CENT OF THE TOTAL RETURN OF THE FUND FOR THE FISCAL YEAR ENDING JUNE 30  
11 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE INCREASE. IF ONE HUNDRED  
12 PER CENT OF THE EARNINGS OF THE FUND THAT EXCEED TEN AND ONE-HALF PER CENT OF  
13 THE TOTAL RETURN IS INSUFFICIENT TO FULLY FUND THE PRESENT VALUE OF THE  
14 APPROPRIATE PERCENTAGE INCREASE ALLOWED BY SUBSECTION C, THE PERCENTAGE  
15 INCREASE IS LIMITED TO THAT PERCENTAGE THE PRESENT VALUE OF WHICH CAN BE  
16 FULLY FUNDED BY THE BENEFIT INCREASE MONIES AVAILABLE.

17 E. ANY EARNINGS IN EXCESS OF THE AMOUNT NECESSARY TO FULLY PAY THE  
18 AMOUNT PRESCRIBED IN SUBSECTION C ARE NOT AVAILABLE FOR FUTURE BENEFIT  
19 INCREASES IN THE FOLLOWING YEARS AND REVERT BACK TO THE APPROPRIATE EMPLOYER  
20 ACCOUNTS.

21 F. FOR THE PURPOSES OF THIS SECTION:

22 1. TOTAL RETURN IS THE AMOUNT PUBLISHED IN THE ANNUAL REPORT OF THE  
23 SYSTEM FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE  
24 JULY 1 OF THE INCREASE.

25 2. THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL ACCRUED  
26 LIABILITY OF THE FUND IS THE NUMBER DETERMINED BY THE ADMINISTRATOR FOR THE  
27 FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE  
28 INCREASE.

29 G. THIS SECTION DOES NOT APPLY IF MONIES ARE AVAILABLE PURSUANT TO  
30 SECTION 38-856 FOR BENEFIT INCREASES FOR RETIRED MEMBERS OR SURVIVORS OF THE  
31 SYSTEM.

32 38-856.03. Ad hoc increase in retirement benefits; analysis by  
33 the joint legislative budget committee

34 FROM AND AFTER DECEMBER 31, 2015, THE LEGISLATURE MAY ENACT PERMANENT  
35 ONE-TIME INCREASES IN RETIREMENT BENEFITS FOR ELIGIBLE RETIREES AND SURVIVORS  
36 OF THE SYSTEM AFTER AN ANALYSIS OF THE EFFECT OF THE INCREASE ON THE SYSTEM  
37 BY THE JOINT LEGISLATIVE BUDGET COMMITTEE. THE JOINT LEGISLATIVE BUDGET  
38 COMMITTEE SHALL ANALYZE THE EFFECT OF THE PERMANENT BENEFIT INCREASE  
39 CONSIDERING THE FUNDED STATUS OF THE SYSTEM, THE LENGTH OF TIME SINCE THE  
40 LAST BENEFIT INCREASE, THE INCREASE IN THE COST OF LIVING SINCE THE LAST  
41 INCREASE, THE CURRENT ECONOMIC CONDITION OF THIS STATE, RECENT INVESTMENT  
42 PERFORMANCE OF THE SYSTEM, THE OVERALL VIEW OF THE ECONOMY AND MARKET AND THE  
43 TOTAL COST OF THE BENEFIT INCREASE TO THE SYSTEM.

1           Sec. 39. Section 38-858, Arizona Revised Statutes, is amended to read:  
2           38-858. Credit for military service

3           A. A member of the system WHO HAS AT LEAST TEN YEARS OF SERVICE WITH  
4 THE SYSTEM may receive credited service for periods of active military  
5 service performed before employment with the member's current employer if:

6           1. The member was honorably separated from the military service.  
7           2. The period of military service for which the member receives  
8 credited service does not exceed ~~forty-eight~~ SIXTY months.

9           3. The period of military service for which the member receives  
10 credited service is not on account with any other retirement system, except  
11 as provided by 10 United States Code section 12736 OR EXCEPT IF THE MEMBER IS  
12 NOT YET ELIGIBLE FOR A MILITARY RETIREMENT BENEFIT.

13           4. The member pays the cost to purchase the prior active military  
14 service. The cost is the amount necessary to equal the increase in the  
15 actuarial present value of projected benefits resulting from the additional  
16 credited service.

17           5. The amount of benefits purchased pursuant to this subsection is  
18 subject to limits established by section 415 of the internal revenue code.

19           B. An active member of the system who volunteers or is ordered to  
20 perform military service may receive credited service for not more than sixty  
21 months of military service as provided by the uniformed services employment  
22 and reemployment rights act (38 United States Code part III, chapter 43).  
23 The member's employer shall make employer contributions and the member shall  
24 make the member contributions pursuant to subsection C of this section if the  
25 member meets the following requirements:

26           1. Was an active member of the system on the day before the member  
27 began military service.

28           2. Entered into and served in the armed forces of the United States or  
29 is a member of the national guard.

30           3. Complies with the notice and return to work provisions of 38 United  
31 States Code section 4312.

32           C. Contributions made pursuant to subsection B of this section shall  
33 be for the period of time beginning on the date the member began military  
34 service and ending on the later of one of the following dates:

35           1. The date the member is separated from military service.

36           2. The date the member is released from service related  
37 hospitalization or two years after initiation of service related  
38 hospitalization, whichever date is earlier.

39           3. The date the member dies as a result of or during military service.

40           D. Notwithstanding any other law, on payment of the contributions made  
41 pursuant to subsection B of this section, the member shall be credited with  
42 service for retirement purposes for the period of military service of not  
43 more than sixty months. The member shall submit a copy of the military  
44 discharge certificate (DD-256A) and a copy of the military service record

1 (DD-214) or its equivalent with the member's application when applying for  
2 credited service corresponding to the period of military service.

3 E. The employer and the member shall make contributions pursuant to  
4 subsection B of this section as follows:

5 1. Contributions shall be based on the compensation that the member  
6 would have received but for the period that the member was ordered into  
7 active military service.

8 2. If the employer cannot reasonably determine the member's rate of  
9 compensation for the period that the member was ordered into military  
10 service, contributions shall be based on the member's average rate of  
11 compensation during the twelve-month period immediately preceding the period  
12 of military service.

13 3. If a member has been employed less than twelve months before being  
14 ordered into military service, contributions shall be based on the member's  
15 compensation being earned immediately preceding the period of military  
16 service.

17 4. The member has up to three times the length of military service,  
18 not to exceed sixty months, to make the member contributions. Once the  
19 member has made the member contributions or on receipt of the member's death  
20 certificate, the employer shall make the employer contributions in a lump  
21 sum. Death benefits shall be calculated as prescribed by law.

22 5. If the member's employer pays military differential wage pay to  
23 members serving in the military, contributions shall be paid to the system  
24 pursuant to section 38-843 for any military differential wage pay paid to the  
25 member while performing military service.

26 F. In computing the length of total credited service of a member for  
27 the purpose of determining retirement benefits or eligibility, the period of  
28 military service, as prescribed by this section, shall be included.

29 G. If a member performs military service due to a presidential  
30 call-up, not to exceed forty-eight months, the employer shall make the  
31 employer and member contributions computed pursuant to subsection E of this  
32 section on the member's return and in compliance with subsection B of this  
33 section.

34 H. In addition to, but not in duplication of, the provisions of  
35 subsection B of this section, beginning December 12, 1994 contributions,  
36 benefits and credited service provided pursuant to this section shall be  
37 provided pursuant to section 414(u) of the internal revenue code, and this  
38 section shall be interpreted in a manner consistent with that internal  
39 revenue code section.

40 Sec. 40. Section 38-881, Arizona Revised Statutes, as amended by Laws  
41 2010, chapter 200, section 53, is amended to read:

42 38-881. Definitions

43 In this article, unless the context otherwise requires:

44 1. "Accidental disability" means a physical or mental condition that  
45 the local board finds totally and permanently prevents an employee from

1 performing a reasonable range of duties within the employee's department, was  
2 incurred in the performance of the employee's duties and was the result of  
3 any of the following:

4 (a) Physical contact with inmates, prisoners, parolees or persons on  
5 probation.

6 (b) Responding to a confrontational situation with inmates, prisoners,  
7 parolees or persons on probation.

8 (c) A job related motor vehicle accident while on official business  
9 for the employee's employer. A job related motor vehicle accident does not  
10 include an accident that occurs on the way to or from work. Persons found  
11 guilty of violating a personnel rule, a rule established by the employee's  
12 employer or a state or federal law in connection with a job related motor  
13 vehicle accident do not meet the conditions for accidental disability.

14 2. "Accumulated member contributions" means for each member the sum of  
15 the amount of all the member's contributions deducted from the member's  
16 salary and paid to the fund, plus member contributions transferred to the  
17 fund by another retirement plan covering public employees of this state, plus  
18 previously withdrawn accumulated member contributions that are repaid to the  
19 fund in accordance with this article, minus any benefits paid to or on behalf  
20 of a member.

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

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

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

28 6. "Annuitant" means a person who is receiving a benefit pursuant to  
29 section 38-911.

30 7. "Average monthly salary" means, **FOR AN EMPLOYEE WHO BECOMES A**  
31 **MEMBER OF THE PLAN BEFORE JANUARY 1, 2012**, one-thirty-sixth of the aggregate  
32 amount of salary that is paid a member by a participating employer during a  
33 period of thirty-six consecutive months of service in which the member  
34 received the highest salary within the last one hundred twenty months of  
35 service **AND, FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER**  
36 **JANUARY 1, 2012, ONE-SIXTIETH OF THE AGGREGATE AMOUNT OF SALARY THAT IS PAID**  
37 **A MEMBER BY A PARTICIPATING EMPLOYER DURING A PERIOD OF SIXTY CONSECUTIVE**  
38 **MONTHS OF SERVICE IN WHICH THE MEMBER RECEIVED THE HIGHEST SALARY WITHIN THE**  
39 **LAST ONE HUNDRED TWENTY MONTHS OF SERVICE.** Average monthly salary means the  
40 aggregate amount of salary that is paid a member divided by the member's  
41 months of service if the member has less than thirty-six **OR SIXTY** months of  
42 service. In the computation under this paragraph, a period of nonpaid or  
43 partially paid industrial leave shall be considered based on the salary the  
44 employee would have received in the employee's job classification if the  
45 employee was not on industrial leave.

1           8. "Beneficiary" means an individual who is being paid or who has  
2 entitlement to the future payment of a pension on account of a reason other  
3 than the individual's membership in the retirement plan.

4           9. "Board" means the board of trustees of the public safety personnel  
5 retirement system.

6           10. "Claimant" means a member, beneficiary or estate that files an  
7 application for benefits with the retirement plan.

8           11. "Credited service" means credited service transferred to the  
9 retirement plan from another retirement system or plan for public employees  
10 of this state, plus those compensated periods of service as a member of the  
11 retirement plan for which member contributions are on deposit in the fund.

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

17           13. "Designated position" means:

18           (a) For a county:

19           (i) A county detention officer.

20           (ii) A nonuniformed employee of a sheriff's department whose primary  
21 duties require direct contact with inmates.

22           (b) For the state department of corrections and the department of  
23 juvenile corrections, only the following specifically designated positions:

24           (i) Food service.

25           (ii) Nursing personnel.

26           (iii) Corrections physician assistant.

27           (iv) Therapist.

28           (v) Corrections dental assistant.

29           (vi) Hygienist.

30           (vii) Corrections medical assistant.

31           (viii) Correctional service officer, including assistant deputy  
32 warden, deputy warden, warden and superintendent.

33           (ix) State correctional program officer.

34           (x) Parole or community supervision officers.

35           (xi) Investigators.

36           (xii) Teachers.

37           (xiii) Institutional maintenance workers.

38           (xiv) Youth corrections officer.

39           (xv) Youth program officer.

40           (xvi) Behavioral health treatment unit managers.

41           (xvii) The director and assistant directors of the department of  
42 juvenile corrections and the superintendent of the state educational system  
43 for committed youth.

44           (xviii) The director, deputy directors and assistant directors of the  
45 state department of corrections.

1 (xix) Other positions designated by the local board of the state  
2 department of corrections or the local board of the department of juvenile  
3 corrections pursuant to section 38-891.

4 (c) For a city or town, a city or town detention officer.

5 (d) For an employer of an eligible group as defined in section 38-842,  
6 full-time dispatchers.

7 (e) For the judiciary, probation, surveillance and juvenile detention  
8 officers and those positions designated by the local board of the judiciary  
9 pursuant to section 38-891.

10 (f) For the department of public safety, state detention officers.

11 14. "Determination" means a written document that indicates to a  
12 participant and alternate payee whether a domestic relations order qualifies  
13 as a plan approved domestic relations order.

14 15. "Determination period" means the ninety-day period in which the  
15 plan must review a domestic relations order that is submitted by a  
16 participant or alternate payee to determine whether the domestic relations  
17 order qualifies as a plan approved domestic relations order, calculated from  
18 the time the plan mails a notice of receipt to the participant and alternate  
19 payee.

20 16. "Direct rollover" means a payment by the plan to an eligible  
21 retirement plan that is specified by the distributee.

22 17. "Distributee" means a member, a member's surviving spouse or a  
23 member's spouse or former spouse who is the alternate payee under a plan  
24 approved domestic relations order.

25 18. "Domestic relations order" means an order of a court of this state  
26 that is made pursuant to the domestic relations laws of this state and that  
27 creates or recognizes the existence of an alternate payee's right to, or  
28 assigns to an alternate payee the right to, receive a portion of the benefits  
29 payable to a participant.

30 19. "Eligible child" means an unmarried child of a deceased active or  
31 retired member who meets one of the following qualifications:

32 (a) Is under eighteen years of age.

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

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

38 20. "Eligible retirement plan" means any of the following that accepts  
39 a distributee's eligible rollover distribution:

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

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

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

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

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

5 (f) An eligible deferred compensation plan described in section 457(b)  
6 of the internal revenue code that is maintained by a state, a political  
7 subdivision of a state or any agency or instrumentality of a state or a  
8 political subdivision of a state and that agrees to separately account for  
9 amounts transferred into the eligible deferred compensation plan from this  
10 plan.

11 21. "Eligible rollover distribution" means a payment to a distributee,  
12 but does not include any of the following:

13 (a) Any distribution that is one of a series of substantially equal  
14 periodic payments made not less frequently than annually for the life or life  
15 expectancy of the member or the joint lives or joint life expectancies of the  
16 member and the member's beneficiary or for a specified period of ten years or  
17 more.

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

20 (c) The portion of any distribution that is not includable in gross  
21 income.

22 22. "Employee" means a person employed by a participating employer in a  
23 designated position.

24 23. "Employer" means an agency or department of this state or a  
25 political subdivision of this state that has one or more employees in a  
26 designated position.

27 24. "Fund" means the corrections officer retirement plan fund.

28 25. "Juvenile detention officer" means a juvenile detention officer  
29 responsible for the direct custodial supervision of juveniles who are  
30 detained in a county juvenile detention center.

31 26. "Local board" means the retirement board of the employer that  
32 consists of persons appointed or elected to administer the plan as it applies  
33 to the employer's members in the plan.

34 27. "Member" means any employee who meets all of the following  
35 qualifications:

36 (a) Who is a full-time paid person employed by a participating  
37 employer in a designated position.

38 (b) Who is receiving salary for personal services rendered to a  
39 participating employer or would be receiving salary except for an authorized  
40 leave of absence.

41 (c) Whose customary employment is at least forty hours each week.

42 28. "Normal retirement date" means:

43 (a) FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1,  
44 2012, the first day of the calendar month immediately following ~~an~~ THE  
45 employee's completion of twenty years of service or, in the case of a



1 dispatcher, twenty-five years of service, the employee's sixty-second  
2 birthday and completion of ten years of service or the month in which the sum  
3 of the employee's age and years of credited service equals eighty.

4 (b) FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER  
5 JANUARY 1, 2012, THE FIRST DAY OF THE CALENDAR MONTH IMMEDIATELY FOLLOWING  
6 THE EMPLOYEE'S COMPLETION OF TWENTY-FIVE YEARS OF SERVICE IF THE EMPLOYEE IS  
7 AT LEAST FIFTY-TWO AND ONE-HALF YEARS OF AGE OR THE EMPLOYEE'S SIXTY-SECOND  
8 BIRTHDAY AND COMPLETION OF TEN YEARS OF SERVICE.

9 29. "Notice of receipt" means a written document that is issued by the  
10 plan to a participant and alternate payee and that states that the plan has  
11 received a domestic relations order and a request for a determination that  
12 the domestic relations order is a plan approved domestic relations order.

13 30. "Ordinary disability" means a physical condition that the local  
14 board determines will totally and permanently prevent an employee from  
15 performing a reasonable range of duties within the employee's department or a  
16 mental condition that the local board determines will totally and permanently  
17 prevent an employee from engaging in any substantial gainful activity.

18 31. "Participant" means a member who is subject to a domestic relations  
19 order.

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

22 33. "Participating employer" means an employer that the board has  
23 determined to have one or more employees in a designated position or a  
24 county, city, town or department of this state that has entered into a  
25 joinder agreement pursuant to section 38-902.

26 34. "Pension" means a series of monthly payments by the retirement plan  
27 but does not include an annuity that is payable pursuant to section 38-911.

28 35. "Personal representative" means the personal representative of a  
29 deceased alternate payee.

30 36. "Plan approved domestic relations order" means a domestic relations  
31 order that the plan approves as meeting all the requirements for a plan  
32 approved domestic relations order as otherwise prescribed in this article.

33 37. "Probation or surveillance officer" means an officer appointed  
34 pursuant to section 8-203, 12-251 or 12-259 but does not include other  
35 personnel, office assistants or support staff.

36 38. "Retired member" means an individual who terminates employment and  
37 who is receiving a pension pursuant to either section 38-885 or 38-886.

38 39. "Retirement" or "retired" means termination of employment after a  
39 member has fulfilled all requirements for a pension OR, FOR AN EMPLOYEE WHO  
40 BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012, ATTAINS THE AGE AND  
41 SERVICE REQUIREMENTS FOR A NORMAL RETIREMENT DATE.

42 40. "Retirement plan" or "plan" means the corrections officer  
43 retirement plan established by this article.

44 41. "Salary" means the base salary, shift differential pay, military  
45 differential wage pay and holiday pay paid a member for personal services

1 rendered in a designated position to a participating employer on a regular  
2 monthly, semimonthly or biweekly payroll basis. Salary includes amounts that  
3 are subject to deferred compensation or tax shelter agreements. Salary does  
4 not include payment for any remuneration or reimbursement other than as  
5 prescribed by this paragraph. For the purposes of this paragraph, "base  
6 salary" means the amount of compensation each member is regularly paid for  
7 personal services rendered to an employer before the addition of any extra  
8 monies, including overtime pay, shift differential pay, holiday pay, fringe  
9 benefit pay and similar extra payments.

10 42. "Segregated funds" means the amount of benefits that would  
11 currently be payable to an alternate payee pursuant to a domestic relations  
12 order under review by the plan, or a domestic relations order submitted to  
13 the plan that failed to qualify as a plan approved domestic relations order,  
14 if the domestic relations order were determined to be a plan approved  
15 domestic relations order.

16 43. "Service" means employment rendered to a participating employer as  
17 an employee in a designated position. Any absence that is authorized by an  
18 employer, including any periods during which the employee is on an employer  
19 sponsored long-term disability program, is considered as service if the  
20 employee returns or is deemed by the employer to have returned to a  
21 designated position within the period of the authorized absence.

22 44. "Total and permanent disability" means a physical or mental  
23 condition that is not an accidental disability, that the local board finds  
24 totally and permanently prevents a member from engaging in any gainful  
25 employment and that is the direct and proximate result of the member's  
26 performance of the member's duty as an employee of a participating employer.

27 Sec. 41. Repeal

28 Section 38-881, Arizona Revised Statutes, as amended by Laws 2010,  
29 chapter 200, section 54, is repealed.

30 Sec. 42. Section 38-884, Arizona Revised Statutes, is amended to read:

31 38-884. Membership of retirement plan; termination; credited  
32 service; redemption

33 A. Each employee of a participating employer is a member of the plan  
34 unless the employee is receiving a pension from the plan. A person employed  
35 shall undergo a medical examination performed by a doctor or clinic appointed  
36 by the local board or, in the case of a state correctional officer who is  
37 employed by the state department of corrections, complete a physical  
38 examination pursuant to section 41-1822, subsection B. For the purposes of  
39 subsection B of this section, the doctor or clinic appointed by the local  
40 board may be the employer's regular employee or contractor.

41 B. The purpose of the medical examination authorized by this section  
42 is to identify a member's physical or mental condition or injury that existed  
43 or occurred before the member's date of membership in the plan. Any employee  
44 who fails or refuses to submit to the medical examination prescribed in this  
45 section is deemed to waive all rights to disability benefits under this

1 article. Medical examinations conducted under this article shall not be  
2 conducted or used for purposes of hiring, advancement, discharge, job  
3 training or other terms, conditions and privileges of employment unrelated to  
4 receipt or qualification for pension benefits or service credits from the  
5 fund. This subsection does not affect or impair the right of an employer to  
6 prescribe medical or physical standards for employees or prospective  
7 employees.

8 C. If a member WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1, 2012  
9 ceases to be an employee for any reason other than death or retirement,  
10 within twenty days after filing a completed application with the board, the  
11 member is entitled to receive the following amounts, less any benefit  
12 payments the member has received and any amount the member may owe to the  
13 plan:

14 1. If the member has less than five years of credited service with the  
15 plan, the member may withdraw the member's accumulated contributions from the  
16 plan.

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

20 (a) 5.0 to 5.9 years of credited service, twenty-five per cent of all  
21 member contributions deducted from the member's salary pursuant to section  
22 38-891, subsection B.

23 (b) 6.0 to 6.9 years of credited service, forty per cent of all member  
24 contributions deducted from the member's salary pursuant to section 38-891,  
25 subsection B.

26 (c) 7.0 to 7.9 years of credited service, fifty-five per cent of all  
27 member contributions deducted from the member's salary pursuant to section  
28 38-891, subsection B.

29 (d) 8.0 to 8.9 years of credited service, seventy per cent of all  
30 member contributions deducted from the member's salary pursuant to section  
31 38-891, subsection B.

32 (e) 9.0 to 9.9 years of credited service, eighty-five per cent of all  
33 member contributions deducted from the member's salary pursuant to section  
34 38-891, subsection B.

35 (f) 10.0 or more years of credited service, one hundred per cent of  
36 all member contributions deducted from the member's salary pursuant to  
37 section 38-891, subsection B.

38 D. If a member WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1, 2012  
39 has more than ten years of credited service with the plan, leaves the monies  
40 prescribed in subsection C of this section on account with the plan for more  
41 than thirty days after termination of employment and after that time period  
42 requests a refund of those monies, the member is entitled to receive the  
43 amount prescribed in subsection C of this section plus interest at a rate  
44 determined by the board for each year computed from and after the member's  
45 termination of employment.

1 E. THE ACCUMULATED MEMBER CONTRIBUTIONS OF A MEMBER WHO CEASES TO BE  
2 AN EMPLOYEE FOR A REASON OTHER THAN DEATH OR RETIREMENT AND WHO BECOMES A  
3 MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012 SHALL BE PAID TO THE MEMBER  
4 PLUS INTEREST AT A RATE DETERMINED BY THE BOARD AS OF THE DATE OF TERMINATION  
5 WITHIN TWENTY DAYS AFTER FILING WITH THE PLAN A WRITTEN APPLICATION FOR  
6 PAYMENT.

7 ~~E.~~ F. If the refund includes monies that are an eligible rollover  
8 distribution and the member elects to have the distribution paid directly to  
9 an eligible retirement plan or individual retirement account or annuity and  
10 specifies the eligible retirement plan or individual retirement account or  
11 annuity to which the distribution is to be paid, the distribution shall be  
12 made in the form of a direct trustee-to-trustee transfer to the specified  
13 eligible retirement plan. The distribution shall be made in the form and at  
14 the time prescribed by the board.

15 ~~F.~~ G. Service shall be credited to a member's individual credited  
16 service account in accordance with rules the local board prescribes. In no  
17 case shall more than twelve months of credited service be credited on account  
18 of all service rendered by a member in any one year. In no case shall  
19 service be credited for any period during which the member is not employed in  
20 a designated position, except as provided by sections 38-921 and 38-922.

21 ~~G.~~ H. Credited service is forfeited if the amounts prescribed in  
22 subsection C, ~~or~~ D OR E of this section are paid or are transferred in  
23 accordance with this section.

24 ~~H.~~ I. If a former member becomes reemployed with the same employer  
25 within two years after the former member's termination date, a member may  
26 have forfeited credited service attributable to service rendered during a  
27 prior period of service as an employee restored on satisfaction of each of  
28 the following conditions:

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

32 2. The retirement fund is paid the total amount previously withdrawn  
33 pursuant to subsection C, ~~or~~ D OR E of this section plus compound interest  
34 from the date of withdrawal to the dates of repayment. Interest shall be  
35 computed at the rate of nine per cent for each year compounded each year from  
36 the date of withdrawal to the date of repayment. Forfeited credited service  
37 shall not be restored until complete payment is received by the fund.

38 3. The required payment is completed within one year after returning  
39 to employee status.

40 ~~I.~~ J. A present active member of the plan who received a refund of  
41 accumulated contributions from the plan pursuant to subsection C, ~~or~~ D OR E  
42 of this section and forfeited credited service pursuant to subsection ~~G~~- H of  
43 this section may elect to redeem any part of that forfeited credited service  
44 by paying into the plan any amounts required pursuant to this subsection. A  
45 present active member who elects to redeem any part of forfeited credited

1 service for which the member is deemed eligible by the board shall pay into  
2 the plan the amounts previously paid or transferred as a refund of the  
3 member's accumulated contributions plus an amount, computed by the plan's  
4 actuary that is necessary to equal the increase in the actuarial present  
5 value of projected benefits resulting from the redemption calculated using  
6 the actuarial methods and assumptions prescribed by the plan's actuary.

7 ~~J.~~ K. A retired member may become employed by an employer in a  
8 designated position and continue to receive a pension if the employment  
9 occurs at least twelve months after retirement. The retired member shall not  
10 contribute to the fund and shall not accrue credited service. If a retired  
11 member becomes employed by an employer in a designated position before twelve  
12 months after retirement:

13 1. Payment of the retired member's pension shall be suspended until  
14 the retired member again ceases to be an employee. The amount of pension  
15 shall not be changed on account of service as an employee subsequent to  
16 retirement.

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

19 Sec. 43. Title 38, chapter 5, article 6, Arizona Revised Statutes, is  
20 amended by adding section 38-884.01, to read:

21 38-884.01. Reinstatement of credited service; effect of prior  
22 law

23 A. A MEMBER WHO RECEIVED A SEVERANCE REFUND ON TERMINATION OF  
24 EMPLOYMENT AS PROVIDED IN SECTION 38-884, WHO IS SUBSEQUENTLY REEMPLOYED BY  
25 AN EMPLOYER AND WHO REDEPOSITS THE AMOUNT WITHDRAWN WITH INTEREST AS PROVIDED  
26 IN SECTION 38-884 OR A MEMBER WHO REDEEMS PRIOR SERVICE PURSUANT TO STATUTE  
27 IS SUBJECT TO THE BENEFITS AND DUTIES IN EFFECT AT THE TIME OF THE MEMBER'S  
28 MOST RECENT REEMPLOYMENT. THIS SUBSECTION DOES NOT APPLY IF A COURT OF  
29 COMPETENT JURISDICTION ORDERS REINSTATEMENT OF BENEFITS AND DUTIES UNDER A  
30 PRIOR LAW.

31 B. A MEMBER WHO TRANSFERS CREDITED SERVICE FROM ONE EMPLOYER TO  
32 ANOTHER EMPLOYER PURSUANT TO SECTION 38-908 RETAINS THE BENEFITS AND DUTIES  
33 IN EFFECT AT THE TIME OF THE MEMBER'S TRANSFER.

34 Sec. 44. Section 38-885, Arizona Revised Statutes, is amended to read:

35 38-885. Normal retirement; conditions and pension

36 A. A member may retire if the member:

37 1. Files a written application for normal retirement with the plan in  
38 the form prescribed by the plan.

39 2. Ceases to be an employee before the date of retirement.

40 3. Meets one of the age and service requirements for normal retirement  
41 prescribed in subsection B OR D.

42 B. A member WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1, 2012 is  
43 eligible for a normal retirement pension if the member satisfies one of the  
44 following requirements:

- 1           1. Is **AT LEAST** sixty-two years ~~or older~~ **OF AGE** and has ten or more  
2 years of service.
- 3           2. Has twenty or more years of service or, in the case of a  
4 dispatcher, twenty-five **OR MORE** years **OF SERVICE**.
- 5           3. The sum of the member's age and years of credited service equals at  
6 least eighty.
- 7           C. A member who meets the requirements for a normal retirement pension  
8 **PURSUANT TO SUBSECTION B** and who has twenty years or twenty-five years, as  
9 applicable, of credited service is entitled to receive a pension that equals  
10 fifty per cent of the member's average monthly salary, except that:
- 11           1. If the member retires with more than twenty years of credited  
12 service the foregoing amount shall be increased by a monthly amount equal to  
13 two per cent of the member's average monthly salary multiplied by the number  
14 of the member's years of credited service in excess of twenty years, with pro  
15 rata increase for any fractional years, except that if a member retires with  
16 twenty-five or more years of credited service the foregoing amount shall be  
17 increased by a monthly amount equal to two and one-half per cent of the  
18 member's average monthly salary multiplied by the number of the member's  
19 years of credited service in excess of twenty years, with pro rata increase  
20 for any fractional year.
- 21           2. If the member retires pursuant to subsection B but has less than  
22 twenty years of credited service, the member is entitled to receive a pension  
23 equal to the product of:
- 24           (a) Two and one-half per cent of the member's average monthly salary.  
25           (b) The member's credited service.
- 26           **D. A PERSON WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1,**  
27 **2012 IS ELIGIBLE FOR A NORMAL RETIREMENT PENSION IF THE PERSON SATISFIES ONE**  
28 **OF THE FOLLOWING REQUIREMENTS:**
- 29           1. **IS AT LEAST SIXTY-TWO YEARS OF AGE AND HAS TEN OR MORE YEARS OF**  
30 **SERVICE.**
- 31           2. **IS AT LEAST FIFTY-TWO AND ONE-HALF YEARS OF AGE AND HAS TWENTY-FIVE**  
32 **OR MORE YEARS OF SERVICE.**
- 33           **E. A PERSON WHO MEETS THE REQUIREMENTS FOR A NORMAL RETIREMENT PENSION**  
34 **PURSUANT TO SUBSECTION D AND WHO HAS TWENTY-FIVE YEARS OF CREDITED SERVICE IS**  
35 **ENTITLED TO RECEIVE A PENSION THAT EQUALS SIXTY-TWO AND ONE-HALF PER CENT OF**  
36 **THE MEMBER'S AVERAGE MONTHLY SALARY, EXCEPT THAT:**
- 37           1. **IF THE PERSON RETIRES WITH MORE THAN TWENTY-FIVE YEARS OF CREDITED**  
38 **SERVICE THE FOREGOING AMOUNT SHALL BE INCREASED BY A MONTHLY AMOUNT EQUAL TO**  
39 **TWO AND ONE-HALF PER CENT OF THE MEMBER'S AVERAGE MONTHLY SALARY MULTIPLIED**  
40 **BY THE NUMBER OF THE MEMBER'S YEARS OF CREDITED SERVICE IN EXCESS OF**  
41 **TWENTY-FIVE YEARS, WITH PRO RATA INCREASE FOR ANY FRACTIONAL YEAR.**
- 42           2. **IF THE PERSON RETIRES PURSUANT TO SUBSECTION D BUT HAS LESS THAN**  
43 **TWENTY-FIVE YEARS OF CREDITED SERVICE, THE PERSON IS ENTITLED TO RECEIVE A**  
44 **PENSION EQUAL TO THE PRODUCT OF:**
- 45           (a) **TWO AND ONE-HALF PER CENT OF THE MEMBER'S AVERAGE MONTHLY SALARY.**

1 (b) THE MEMBER'S CREDITED SERVICE.

2 ~~D.~~ F. In no case shall the amount of a member's pension exceed eighty  
3 per cent of the member's average monthly salary. Such limitation does not  
4 preclude cost-of-living increases granted by the legislature.

5 Sec. 45. Section 38-886.01, Arizona Revised Statutes, is amended to  
6 read:

7 38-886.01. Ordinary disability retirement; qualifications;  
8 amount of pension; conditions for continued  
9 payment of pension; definition

10 A. A member may retire and receive an ordinary disability pension if  
11 the local board finds that all of the following conditions occur:

12 1. An application for disability retirement is filed with the  
13 retirement plan or the local board by either the member or the member's  
14 participating employer after the disabling incident or within one year after  
15 the date the member ceases to be an employee. Timely application for an  
16 ordinary disability pension is a prerequisite to receipt of the pension.

17 2. The member undergoes all medical examinations and tests ordered by  
18 the local board and releases to the local board all medical reports and  
19 records requested by the local board.

20 3. The local board determines that an ordinary disability condition  
21 exists that meets the requirements for an ordinary disability.

22 4. The member is not participating in the reverse deferred retirement  
23 option plan pursuant to section 38-885.01.

24 B. The effective date of an ordinary disability retirement shall not  
25 predate the date of disability or the date the member ceases to be an  
26 employee.

27 C. Except for a full-time dispatcher **OR A PERSON WHO BECOMES A MEMBER**  
28 **OF THE PLAN ON OR AFTER JANUARY 1, 2012**, the amount of an ordinary disability  
29 pension is equal to a fraction times the member's normal retirement pension  
30 that is computed pursuant to section 38-885, subsection C as if the member  
31 had twenty years of credited service. The fraction is the result obtained by  
32 dividing the member's actual years of credited service, not to exceed twenty  
33 years of credited service, by twenty. For a full-time dispatcher **OR A PERSON**  
34 **WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012**, the amount of  
35 an ordinary disability pension is equal to a fraction times the member's  
36 normal retirement pension that is computed pursuant to section 38-885,  
37 subsection C **OR E** as if the member had twenty-five years of credited service.  
38 The fraction is the result obtained by dividing the member's actual years of  
39 credited service, not to exceed twenty-five years of credited service, by  
40 twenty-five.

41 D. During the period, if any, between the effective date of ordinary  
42 disability retirement and the date the disabled retired member attains  
43 sixty-two years of age the local board may require a disabled retired member  
44 to undergo periodic reevaluation of the continuation of ordinary disability.  
45 If the disabled retired member refuses to submit to reevaluation, the local



1 board may suspend payment of the pension. If the refusal continues for one  
2 year, the local board may revoke the disabled retired member's rights to the  
3 pension. An ordinary disability pension is terminated if the local board  
4 finds the retired member no longer meets the requirements for ordinary  
5 disability retirement.

6 E. A member does not qualify for an ordinary disability pension if the  
7 local board determines that the member's disability results from any of the  
8 following:

9 1. An injury suffered while engaged in a felonious criminal act or  
10 enterprise.

11 2. Service in the armed forces of the United States that entitles the  
12 member to a veteran's disability pension.

13 3. A physical or mental condition or injury that existed or occurred  
14 before the member's date of membership in the plan.

15 F. Local boards shall base a finding of ordinary disability on medical  
16 evidence that is obtained by a medical doctor or clinic selected by the local  
17 board and shall disregard any other medical evidence or opinions. If the  
18 local board retains more than one medical doctor or clinic in connection with  
19 the application, the local board shall resolve any material conflicts  
20 presented in the medical evidence that is presented by the medical doctors or  
21 clinics.

22 G. For the purposes of this section, "ordinary disability" means a  
23 physical condition that the local board determines will prevent an employee  
24 from totally and permanently performing a reasonable range of duties within  
25 the employee's department or a mental condition that the local board  
26 determines will prevent an employee from totally and permanently engaging in  
27 any substantial gainful activity.

28 Sec. 46. Section 38-891, Arizona Revised Statutes, is amended to read:

29 38-891. Employer and member contributions

30 A. As determined by actuarial valuations reported to the employers and  
31 the local boards by the board, each employer shall make level per cent of  
32 salary contributions sufficient under the actuarial valuations to meet both  
33 the normal cost plus the actuarially determined amount required to amortize  
34 the unfunded accrued liability over, beginning July 1, 2005, a rolling period  
35 of at least twenty and not more than thirty years that is established by the  
36 board taking into account the recommendation of the plan's actuary, except  
37 that, beginning with fiscal year 2006-2007, except as otherwise provided, the  
38 employer contribution rate shall not be less than six per cent of salary.  
39 For any employer whose actual contribution rate is less than six per cent of  
40 salary for fiscal year 2006-2007 and each year thereafter, that employer's  
41 contribution rate shall be at least five per cent and not more than the  
42 employer's actual contribution rate. An employer may pay a higher level per  
43 cent of salary thereby reducing its unfunded past service liability. All  
44 contributions made by the employers and all state taxes allocated to the fund  
45 shall be irrevocable and shall be used to pay benefits under the plan or to



1 pay expenses of the plan and fund. The minimum employer contribution that is  
2 paid and that is in excess of the normal cost plus the actuarially determined  
3 amount required to amortize the unfunded accrued liability as calculated  
4 pursuant to this subsection shall be used to reduce future employer  
5 contribution increases and shall not be used to pay for an increase in  
6 benefits that are otherwise payable to members. The board shall separately  
7 account for these monies in the fund. Forfeitures arising because of  
8 severance of employment before a member becomes eligible for a pension or for  
9 any other reason shall be applied to reduce the cost to the employer, not to  
10 increase the benefits otherwise payable to members. After the close of any  
11 fiscal year, if the plan's actuary determines that the actuarial valuation of  
12 an employer's account contains excess valuation assets other than excess  
13 valuation assets that were in the employer's account as of fiscal year  
14 2004-2005 and is more than one hundred per cent funded, the board shall  
15 account for fifty per cent of the excess valuation assets in a stabilization  
16 reserve account. After the close of any fiscal year, if the plan's actuary  
17 determines that the actuarial valuation of an employer's account has a  
18 valuation asset deficiency and an unfunded actuarial accrued liability, the  
19 board shall use any valuation assets in the stabilization reserve account for  
20 that employer, to the extent available, to limit the decline in that  
21 employer's funding ratio to not more than two per cent.

22 B. ~~Except as provided by subsection I,~~ Each member shall contribute  
23 ~~7.96 per cent of the member's salary~~ THE AMOUNT PRESCRIBED IN SUBSECTION H to  
24 the retirement plan. Member contributions shall be made by payroll  
25 deduction. Continuation of employment by the member constitutes consent and  
26 agreement to the deduction of the applicable member contribution. Payment of  
27 the member's salary less the deducted contributions constitutes full and  
28 complete discharge and satisfaction of all claims and demands of the member  
29 relating to salary for services rendered during the period covered by the  
30 payment.

31 C. Each participating employer shall cause the member contributions to  
32 be deducted from the salary of each member. The deducted member  
33 contributions shall be paid to the retirement plan within five working days  
34 and shall be credited to the member's individual account.

35 D. During a period when an employee is on industrial leave and the  
36 employee elects to continue contributions during the period of industrial  
37 leave, the employer and employee shall make contributions based on the salary  
38 the employee would have received in the employee's job classification if the  
39 employee was in normal employment status.

40 E. The local board of the state department of corrections or the local  
41 board of the department of juvenile corrections may specify a position within  
42 that department as a designated position if the position is filled by an  
43 employee who has at least five years of credited service under the plan, who  
44 is transferred to temporarily fill the position and who makes a written  
45 request to the local board to specify the position as a designated position

1 within ninety days of being transferred. On the employee leaving the  
2 position, the position is no longer a designated position. For the purposes  
3 of this subsection, "temporarily filled" means an employee is transferred to  
4 fill the position for a period of not more than one year.

5 F. The local board of the state department of corrections or the local  
6 board of the department of juvenile corrections may specify a designated  
7 position within the department as a nondesignated position if the position is  
8 filled by an employee who has at least five years of credited service under  
9 the Arizona state retirement system and who makes a written request to the  
10 local board to specify the position as a nondesignated position within ninety  
11 days of accepting the position. On the employee leaving the position, the  
12 position reverts to a designated position.

13 G. The local board of the judiciary may specify positions within the  
14 administrative office of the courts that require direct contact with and  
15 primarily provide training or technical expertise to county probation,  
16 surveillance or juvenile detention officers as a designated position if the  
17 position is filled by an employee who is a member of the plan currently  
18 employed in a designated position as a probation, surveillance or juvenile  
19 detention officer and who has at least five years of credited service under  
20 the plan. An employee who fills such a position shall make a written request  
21 to the local board to specify the position as a designated position within  
22 ninety days of accepting the position. On the employee leaving the position,  
23 the position reverts to a nondesignated position.

24 ~~H. Beginning with fiscal year 2008-2009, if the aggregate computed~~  
25 ~~employer contribution rate that is calculated pursuant to subsection A is~~  
26 ~~less than six per cent of salary, beginning on July 1 of the following fiscal~~  
27 ~~year the member contribution rate prescribed in subsection B or I is~~  
28 ~~permanently reduced by an amount that is equal to the difference between six~~  
29 ~~per cent and the aggregate computed employer contribution rate.~~  
30 ~~Notwithstanding this subsection, the member contribution rate shall not be~~  
31 ~~less than 7.65 per cent of the member's salary.~~

32 ~~I. Notwithstanding subsection B, except for a full-time dispatcher, a~~  
33 ~~member shall contribute 8.41 per cent of the member's salary to the~~  
34 ~~retirement plan. After the close of any fiscal year, if the plan's actuary~~  
35 ~~determines that the aggregate ratio of the funding value of accrued assets to~~  
36 ~~the accrued liabilities of the fund is at least one hundred per cent, from~~  
37 ~~and after June 30 of the following year, except for a full-time dispatcher, a~~  
38 ~~member shall contribute 7.96 per cent of the member's salary to the~~  
39 ~~retirement plan. Additionally, the member's contribution to the retirement~~  
40 ~~plan may also be permanently reduced pursuant to subsection H.~~

41 H. THE AMOUNT CONTRIBUTED BY A MEMBER PURSUANT TO SUBSECTION B IS:

42 1. THROUGH JUNE 30, 2011, 8.41 PER CENT OF THE MEMBER'S SALARY, EXCEPT  
43 FOR A FULL-TIME DISPATCHER. THE AMOUNT CONTRIBUTED BY A FULL-TIME DISPATCHER  
44 THROUGH JUNE 30, 2011 IS 7.96 PER CENT OF THE MEMBER'S SALARY.



1 PRESCRIBED IN SECTION 38-891, SUBSECTION C, AND THEREAFTER SHALL BE INCREASED  
2 BY INTEREST FROM AND AFTER THAT DATE UNTIL PAYMENT IS RECEIVED BY THE PLAN.

3 E. AN EMPLOYER OF A RETIRED MEMBER SHALL SUBMIT ANY REPORTS, DATA,  
4 PAPERWORK OR MATERIALS THAT ARE REQUESTED BY THE BOARD AND THAT ARE NECESSARY  
5 TO DETERMINE THE COMPENSATION, GROSS SALARY OR CONTRACT FEE ASSOCIATED WITH A  
6 RETIRED MEMBER WHO RETURNS TO WORK OR TO DETERMINE THE FUNCTION, USE,  
7 EFFICACY OR OPERATION OF THE RETURN TO WORK PROGRAM.

8 Sec. 48. Title 38, chapter 5, article 6, Arizona Revised Statutes, is  
9 amended by adding sections 38-905.02 and 38-905.03, to read:

10 38-905.02. Future benefit increases for retirees and survivors

11 A. EFFECTIVE JULY 1, 2013 AND EACH JULY 1 THEREAFTER, EACH RETIRED  
12 MEMBER OR SURVIVOR OF A RETIRED MEMBER IS ENTITLED TO RECEIVE A PERMANENT  
13 INCREASE IN THE BASE BENEFIT EQUAL TO THE AMOUNT DETERMINED PURSUANT TO THIS  
14 SECTION IF BENEFIT INCREASE MONIES ARE AVAILABLE.

15 B. THE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER IS ELIGIBLE TO  
16 RECEIVE AN INCREASE AS FOLLOWS:

17 1. IF THE RETIRED MEMBER BECAME A MEMBER OF THE PLAN BEFORE JANUARY 1,  
18 2012:

19 (a) THE RETIRED MEMBER OR THE SURVIVOR OF A RETIRED MEMBER WAS  
20 RECEIVING BENEFITS ON OR BEFORE JULY 31 OF THE TWO PREVIOUS YEARS.

21 (b) THE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER WAS FIFTY-FIVE  
22 YEARS OF AGE OR OLDER ON JULY 1 OF THE CURRENT YEAR AND WAS RECEIVING  
23 BENEFITS ON OR BEFORE JULY 31 OF THE PREVIOUS YEAR.

24 2. IF THE RETIRED MEMBER BECAME A MEMBER OF THE PLAN ON OR AFTER  
25 JANUARY 1, 2012:

26 (a) THE RETIRED MEMBER OR SURVIVOR OF A RETIRED MEMBER WAS FIFTY-FIVE  
27 YEARS OF AGE OR OLDER ON JULY 1 OF THE CURRENT YEAR AND IS RECEIVING  
28 BENEFITS.

29 (b) THE RETIRED MEMBER WAS UNDER FIFTY-FIVE YEARS OF AGE ON JULY 1 OF  
30 THE CURRENT YEAR, WAS RECEIVING AN ACCIDENTAL DISABILITY RETIREMENT BENEFIT  
31 AND WAS RECEIVING BENEFITS ON OR BEFORE JULY 31 OF THE TWO PREVIOUS YEARS.

32 (c) A SURVIVOR WAS UNDER FIFTY-FIVE YEARS OF AGE ON JULY 1 OF THE  
33 CURRENT YEAR, IS THE SURVIVOR OF A MEMBER WHO WAS KILLED IN THE LINE OF DUTY  
34 AND WAS RECEIVING BENEFITS ON OR BEFORE JULY 31 OF THE TWO PREVIOUS YEARS.

35 C. SUBJECT TO SUBSECTION D, THE MAXIMUM BENEFIT INCREASE UNDER THIS  
36 SECTION IS LIMITED TO THE FOLLOWING:

37 1. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
38 ACCRUED LIABILITY OF THE FUND IS SIXTY PER CENT OR MORE BUT LESS THAN  
39 SIXTY-FIVE PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER  
40 CENT FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE  
41 JULY 1 OF THE INCREASE, TWO PER CENT OF THE BENEFIT BEING RECEIVED ON THE  
42 PRECEDING JUNE 30.

43 2. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
44 ACCRUED LIABILITY OF THE FUND IS SIXTY-FIVE PER CENT OR MORE BUT LESS THAN  
45 SEVENTY PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER CENT

1 FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1  
2 OF THE INCREASE, TWO AND ONE-HALF PER CENT OF THE BENEFIT BEING RECEIVED ON  
3 THE PRECEDING JUNE 30.

4 3. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
5 ACCRUED LIABILITY OF THE FUND IS SEVENTY PER CENT OR MORE BUT LESS THAN  
6 SEVENTY-FIVE PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER  
7 CENT FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE  
8 JULY 1 OF THE INCREASE, THREE PER CENT OF THE BENEFIT BEING RECEIVED ON THE  
9 PRECEDING JUNE 30.

10 4. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
11 ACCRUED LIABILITY OF THE FUND IS SEVENTY-FIVE PER CENT OR MORE BUT LESS THAN  
12 EIGHTY PER CENT AND THE TOTAL RETURN IS MORE THAN TEN AND ONE-HALF PER CENT  
13 FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1  
14 OF THE INCREASE, THREE AND ONE-HALF PER CENT OF THE BENEFIT BEING RECEIVED ON  
15 THE PRECEDING JUNE 30.

16 5. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
17 ACCRUED LIABILITY OF THE FUND IS EIGHTY PER CENT OR MORE AND THE TOTAL RETURN  
18 IS MORE THAN TEN AND ONE-HALF PER CENT FOR THE FISCAL YEAR ENDING JUNE 30 OF  
19 THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE INCREASE, FOUR PER CENT OF THE  
20 BENEFIT BEING RECEIVED ON THE PRECEDING JUNE 30.

21 D. A PERMANENT INCREASE IN BENEFITS IS AVAILABLE ONLY IF THE FUND  
22 ATTAINS A TOTAL RETURN OF MORE THAN TEN AND ONE-HALF PER CENT FOR THE FISCAL  
23 YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE  
24 INCREASE. THE AMOUNT OF MONIES AVAILABLE TO FULLY FUND THE PRESENT VALUE OF  
25 THE APPROPRIATE PERCENTAGE INCREASE ALLOWED BY SUBSECTION C IN ANY YEAR IS  
26 ONE HUNDRED PER CENT OF THE EARNINGS OF THE FUND THAT EXCEED TEN AND ONE-HALF  
27 PER CENT OF THE TOTAL RETURN OF THE FUND FOR THE FISCAL YEAR ENDING JUNE 30  
28 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE INCREASE. IF ONE HUNDRED PER  
29 CENT OF THE EARNINGS OF THE FUND THAT EXCEED TEN AND ONE-HALF PER CENT OF THE  
30 TOTAL RETURN IS INSUFFICIENT TO FULLY FUND THE PRESENT VALUE OF THE  
31 APPROPRIATE PERCENTAGE INCREASE ALLOWED BY SUBSECTION C, THE PERCENTAGE  
32 INCREASE IS LIMITED TO THAT PERCENTAGE THE PRESENT VALUE OF WHICH CAN BE  
33 FULLY FUNDED BY THE BENEFIT INCREASE MONIES AVAILABLE.

34 E. ANY EARNINGS IN EXCESS OF THE AMOUNT NECESSARY TO FULLY PAY THE  
35 AMOUNT PRESCRIBED IN SUBSECTION C ARE NOT AVAILABLE FOR FUTURE BENEFIT  
36 INCREASES IN THE FOLLOWING YEARS AND REVERT BACK TO THE APPROPRIATE EMPLOYER  
37 ACCOUNTS.

38 F. FOR THE PURPOSES OF THIS SECTION:

39 1. TOTAL RETURN IS THE AMOUNT PUBLISHED IN THE ANNUAL REPORT OF THE  
40 PLAN FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE  
41 JULY 1 OF THE INCREASE.

42 2. THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL ACCRUED  
43 LIABILITY OF THE FUND IS THE NUMBER DETERMINED BY THE ADMINISTRATOR FOR THE  
44 FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE  
45 INCREASE.

1 G. THIS SECTION DOES NOT APPLY IF MONIES ARE AVAILABLE PURSUANT TO  
2 SECTION 38-905 FOR BENEFIT INCREASES FOR RETIRED MEMBERS OR SURVIVORS OF THE  
3 PLAN.

4 38-905.03. Ad hoc increase in retirement benefits: analysis by  
5 the joint legislative budget committee

6 FROM AND AFTER DECEMBER 31, 2015, THE LEGISLATURE MAY ENACT PERMANENT  
7 ONE-TIME INCREASES IN RETIREMENT BENEFITS FOR ELIGIBLE RETIREES AND SURVIVORS  
8 OF THE PLAN AFTER AN ANALYSIS OF THE EFFECT OF THE INCREASE ON THE PLAN BY  
9 THE JOINT LEGISLATIVE BUDGET COMMITTEE. THE JOINT LEGISLATIVE BUDGET  
10 COMMITTEE SHALL ANALYZE THE EFFECT OF THE PERMANENT BENEFIT INCREASE  
11 CONSIDERING THE FUNDED STATUS OF THE PLAN, THE LENGTH OF TIME SINCE THE LAST  
12 BENEFIT INCREASE, THE INCREASE IN THE COST OF LIVING SINCE THE LAST INCREASE,  
13 THE CURRENT ECONOMIC CONDITION OF THIS STATE, RECENT INVESTMENT PERFORMANCE  
14 OF THE PLAN, THE OVERALL VIEW OF THE ECONOMY AND MARKET AND THE TOTAL COST OF  
15 THE BENEFIT INCREASE TO THE PLAN.

16 Sec. 49. Section 38-907, Arizona Revised Statutes, is amended to read:

17 38-907. Credit for military service

18 A. A member of the plan WHO HAS AT LEAST TEN YEARS OF CREDITED SERVICE  
19 WITH THE PLAN may receive credited service for periods of active military  
20 service performed before employment with the member's current employer if:

21 1. The member was honorably separated from the military service.

22 2. The period of military service for which the member receives  
23 credited service does not exceed ~~forty-eight~~ SIXTY months.

24 3. The period of military service for which the member receives  
25 credited service is not on account with any other retirement system, except  
26 as provided by 10 United States Code section 12736 OR EXCEPT IF THE MEMBER IS  
27 NOT YET ELIGIBLE FOR A MILITARY RETIREMENT BENEFIT.

28 4. The member pays the cost to purchase the prior active military  
29 service. The cost is the amount necessary to equal the increase in the  
30 actuarial present value of projected benefits resulting from the additional  
31 credited service.

32 5. The amount of benefits purchased pursuant to this subsection is  
33 subject to limits established by section 415 of the internal revenue code.

34 B. An active member of the plan who volunteers or is ordered to  
35 perform military service may receive credited service for not more than sixty  
36 months of military service as provided by the uniformed services employment  
37 and reemployment rights act (38 United States Code part III, chapter 43).  
38 The member's employer shall make employer contributions and the member shall  
39 make the member contributions pursuant to subsection C of this section if the  
40 member meets the following requirements:

41 1. Was an active member of the plan on the day before the member began  
42 military service.

43 2. Entered into and served in the armed forces of the United States or  
44 is a member of the national guard.

1           3. Complies with the notice and return to work provisions of 38 United  
2 States Code section 4312.

3           C. Contributions made pursuant to subsection B of this section shall  
4 be for the period of time beginning on the date the member began military  
5 service and ending on the later of one of the following dates:

6           1. The date the member is separated from military service.

7           2. The date the member is released from service related  
8 hospitalization or two years after initiation of service related  
9 hospitalization, whichever date is earlier.

10          3. The date the member dies as a result of or during military service.

11          D. Notwithstanding any other law, on payment of the contributions made  
12 pursuant to subsection B of this section, the member shall be credited with  
13 service for retirement purposes for the period of military service of not  
14 more than sixty months. The member shall submit a copy of the military  
15 discharge certificate (DD-256A) and a copy of the military service record  
16 (DD-214) or its equivalent with the member's application when applying for  
17 credited service corresponding to the period of military service.

18          E. The employer and the member shall make contributions pursuant to  
19 subsection B of this section as follows:

20          1. Contributions shall be based on the compensation that the member  
21 would have received but for the period that the member was ordered into  
22 active military service.

23          2. If the employer cannot reasonably determine the member's rate of  
24 compensation for the period that the member was ordered into military  
25 service, contributions shall be based on the member's average rate of  
26 compensation during the twelve-month period immediately preceding the period  
27 of military service.

28          3. If a member has been employed less than twelve months before being  
29 ordered into military service, contributions shall be based on the member's  
30 compensation being earned immediately preceding the period of military  
31 service.

32          4. The member has up to three times the length of military service,  
33 not to exceed sixty months, to make the member contributions. Once the  
34 member has made the member contributions or on receipt of the member's death  
35 certificate, the employer shall make the employer contributions in a lump  
36 sum. Death benefits shall be calculated as prescribed by law.

37          5. If the member's employer pays military differential wage pay to  
38 members serving in the military, contributions shall be paid to the plan  
39 pursuant to section 38-891 for any military differential wage pay paid to the  
40 member while performing military service.

41          F. In computing the length of total credited service of a member for  
42 the purpose of determining retirement benefits or eligibility, the period of  
43 military service, as prescribed by this section, shall be included.

44          G. If a member performs military service due to a presidential  
45 call-up, not to exceed forty-eight months, the employer shall make the

1 employer and member contributions computed pursuant to subsection E of this  
2 section on the member's return and in compliance with subsection B of this  
3 section.

4 H. In addition to, but not in duplication of, the provisions of  
5 subsection B of this section, beginning December 12, 1994 contributions,  
6 benefits and credited service provided pursuant to this section shall be  
7 provided pursuant to section 414(u) of the internal revenue code, and this  
8 section shall be interpreted in a manner consistent with that internal  
9 revenue code section.

10 Sec. 50. Section 38-909, Arizona Revised Statutes, is amended to read:

11 38-909. Redemption of prior service; calculation

12 A. Each present active member of the plan WHO HAS AT LEAST TEN YEARS  
13 OF CREDITED SERVICE WITH THE PLAN who had previous service in this state as  
14 an employee with an employer now covered by the plan or who had previous  
15 service with an agency of the United States government, a state of the United  
16 States or a political subdivision of a state of the United States as a  
17 full-time paid corrections officer or full-time paid certified peace officer  
18 may elect to redeem UP TO SIXTY MONTHS OF any part of the prior service by  
19 paying into the plan any amounts required under subsection B if the prior  
20 service is not on account with any other retirement system.

21 B. Any present active member who elects to redeem any part of the  
22 prior service for which the employee is deemed eligible by the board under  
23 this section shall pay into the plan the amounts previously withdrawn by the  
24 member, if any, as a refund of the member's accumulated contributions plus  
25 accumulated interest as determined by the board and the additional amount, if  
26 any, computed by the plan's actuary that is necessary to equal the increase  
27 in the actuarial present value of projected benefits resulting from the  
28 redemption calculated using the actuarial methods and assumptions prescribed  
29 by the plan's actuary.

30 C. The discount rate used by the actuary for the redemption  
31 calculation pursuant to subsection B is an amount equal to the lesser of the  
32 assumed rate of return that is prescribed by the board or an amount equal to  
33 the yield on a ten year treasury note as of March 1 that is published by the  
34 federal reserve board plus two per cent. This discount rate is effective  
35 beginning in the next fiscal year and shall be recalculated each year.

36 D. A member electing to redeem service pursuant to this section may  
37 pay for service being redeemed in the form of a lump sum payment to the plan,  
38 a trustee-to-trustee transfer or a direct rollover of an eligible  
39 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or  
40 (vi) of the internal revenue code or a rollover of an eligible distribution  
41 from an individual retirement account or annuity described in section 408(a)  
42 or (b) of the internal revenue code.



1 Sec. 51. Section 38-911, Arizona Revised Statutes, is amended to read:

2 38-911. Deferred annuity; eligibility; amount; exception

3 A. If any member who has at least ten years of credited service  
4 terminates employment for reasons other than retirement or disability, the  
5 person may elect to receive a deferred annuity, except that if the person  
6 withdraws the person's accumulated contributions from the plan, all rights to  
7 a deferred annuity are forfeited. A deferred annuity is a lifetime monthly  
8 payment that is actuarially equivalent to the annuitant's accumulated  
9 contributions in the plan plus an equal amount paid by the employer and  
10 commences on application on or after the sixty-second birthday of the  
11 annuitant. The deferred annuity is not a retirement benefit and annuitants  
12 are not entitled to receive any amount prescribed by section 38-887, 38-888,  
13 38-904, 38-905, 38-905.02 or 38-906.

14 B. THIS SECTION DOES NOT APPLY TO A MEMBER WHO BECOMES A MEMBER OF THE  
15 PLAN ON OR AFTER JANUARY 1, 2012. SUCH A PERSON WHO ATTAINS A NORMAL  
16 RETIREMENT DATE IS ELIGIBLE FOR RETIREMENT AND A RETIREMENT BENEFIT EVEN IF  
17 THE MEMBER TERMINATES EMPLOYMENT WITH AN EMPLOYER BEFORE THE AGE REQUIREMENT  
18 FOR NORMAL RETIREMENT IF THE MEMBER ATTAINS THE SERVICE REQUIREMENT FOR  
19 NORMAL RETIREMENT.

20 Sec. 52. Section 38-912, Arizona Revised Statutes, is amended to read:

21 38-912. Civil liability; restitution or payment of fine;  
22 forfeiture of benefits; violation; classification;  
23 offset of benefits

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

37 B. If a member is convicted of, or discharged because of, theft,  
38 embezzlement, fraud or misappropriation of an employer's property or property  
39 under the control of the employer, the member is subject to restitution and  
40 fines imposed by a court of competent jurisdiction. The court may order the  
41 restitution or fines to be paid from any payments otherwise payable to the  
42 member from the plan.

43 C. A person who knowingly makes any false statement or who falsifies  
44 or permits to be falsified any record of the plan with an intent to defraud  
45 the plan is guilty of a class ~~6~~ 5 felony. If any change or error in the

1 records results in any member or beneficiary receiving from the plan more or  
2 less than the member or beneficiary would have been entitled to receive had  
3 the records been correct, the local board shall correct the error, and as far  
4 as practicable shall adjust the payments in a manner that the actuarial  
5 equivalent of the benefit to which the member or beneficiary was correctly  
6 entitled shall be paid. If a member is convicted of a crime pursuant to this  
7 subsection, **SECTION 13-713 APPLIES.** ~~the member is entitled to receive a lump  
8 sum payment of the member's accumulated contributions but forfeits any future  
9 compensation and benefits that would otherwise accrue to the member or the  
10 member's estate under this article.~~

11 D. Notwithstanding any other provision of this article, the board may  
12 offset against any benefits otherwise payable by the plan to a member or  
13 survivor any court ordered amounts awarded to the board and plan and assessed  
14 against the member or survivor.

15 Sec. 53. Repeal

16 Laws 2005, chapter 324, section 2 is repealed.

17 Sec. 54. Severability

18 If a provision of this act or its application to any person or  
19 circumstance is held invalid, the invalidity does not affect other provisions  
20 or applications of the act that can be given effect without the invalid  
21 provision or application, and to this end the provisions of this act are  
22 severable.

23 Sec. 55. Legislative findings

24 A. The legislature recognizes that in order to have a sound public  
25 retirement system that benefits this state, taxpayers and members of the  
26 retirement systems, the public retirement systems must be funded with  
27 contributions and investment earnings based on actuarial methods and  
28 assumptions that meet generally accepted actuarial standards. Article XXIX,  
29 Constitution of Arizona. The legislature finds that the current structures  
30 of the elected officials' retirement plan, the public safety personnel  
31 retirement system and the corrections officer retirement plan do not achieve  
32 this goal. Since rights to benefits have not vested because application and  
33 eligibility for benefits have not occurred, the legislature intends to modify  
34 and amend these various retirement programs in order to protect the best  
35 interests of the members and beneficiaries.

36 B. The legislature further finds:

37 1. Members of the:

38 (a) Elected officials' retirement plan who entered the plan on or  
39 after July 18, 2000 agreed to the benefit and vesting terms prescribed in  
40 section 38-810.02, subsection B, Arizona Revised Statutes, as a material  
41 condition of their contract with this state.

42 (b) Public safety personnel retirement system who entered the system  
43 on or after July 27, 1983 agreed to the benefit and vesting terms prescribed  
44 in section 38-844.01, Arizona Revised Statutes, as a material condition of  
45 their contract with this state.

1 (c) Corrections officer retirement plan who entered the plan on or  
2 after July 1, 1986 agreed to the legislative reservation terms prescribed in  
3 section 38-903, Arizona Revised Statutes, and members who entered the plan on  
4 or after July 18, 2000 agreed to the benefit and vesting terms prescribed in  
5 section 38-900.01, subsection B, Arizona Revised Statutes, as a material  
6 condition of their contract with this state.

7 2. That the current structures of the elected officials' retirement  
8 plan, the public safety personnel retirement system and the corrections  
9 officer retirement plan do not lead to the goal of attaining one hundred per  
10 cent funded status and jeopardizes the future payment of benefits to current  
11 and future retirees of these three retirement programs.

12 3. That the current structure of the public safety personnel  
13 retirement system and the elected officials' retirement plan that requires a  
14 fixed employee contribution rate requires a contribution rate from employees  
15 that is insufficient in relation to the cost associated with the benefits  
16 required by the plan design and therefore places a greater financial burden  
17 on employers. By moving to an increased shared cost structure, public safety  
18 and corrections employees will bear increased responsibility for the fiscal  
19 health of the funds and, as the funds improve their funded status and  
20 approach fully funded or overfunded status, the employees will realize  
21 decreased contribution costs that would be lower than currently required.

22 4. That the current method of funding benefit increases to retirees of  
23 the elected officials retirement plan, the public safety personnel retirement  
24 system and the corrections officers retirement plan is flawed and makes it  
25 highly unlikely that these funds will achieve their actuarially assumed  
26 earning rates during positive and negative investment environments and  
27 invariably leads to greater investment risk on the part of the funds'  
28 trustees. It is fundamentally unsound to provide a benefit increase during  
29 periods when the funded status of the retirement programs is less than sixty  
30 per cent. Changing the manner of funding these benefit increases is intended  
31 to improve the funded status of the elected officials' retirement plan, the  
32 public safety personnel retirement system and the corrections officer  
33 retirement plan and is in the best interests of the members and beneficiaries  
34 of these retirement programs in that it will preserve future benefits for  
35 plan participants.

36 5. It is necessary to change the future plan and system structures for  
37 nonvested members to take into consideration the increased life expectancy of  
38 members and future employees and make the reforms necessary to preserve the  
39 funded status of the retirement programs in future years.

40 6. To protect the future benefits of retired, active and future  
41 employees it is necessary to make the changes outlined in this act to  
42 preserve the funded status of these three retirement programs and return the  
43 programs to fiscal solvency.

1           Sec. 56. Defined contribution and retirement study committee:  
2                                   delayed repeal

3           A. The defined contribution and retirement study committee is  
4 established consisting of:

5           1. The five members of the state board of investment established by  
6 section 35-311, Arizona Revised Statutes. The chairperson of the state board  
7 of investment is the chairperson of the study committee.

8           2. Three members of the senate who are appointed by the president of  
9 the senate, not more than two of whom are members of the same political  
10 party.

11           3. Three members of the house of representatives who are appointed by  
12 the speaker of the house of representatives, not more than two of whom are  
13 members of the same political party.

14           4. One member of the board of trustees of the public safety personnel  
15 retirement system who is appointed by the board of trustees of the public  
16 safety personnel retirement system.

17           5. One member of the Arizona state retirement system board who is  
18 appointed by the Arizona state retirement system board.

19           B. The committee shall study:

20           1. The feasibility and cost of transferring existing members of a  
21 public retirement system or plan to a new defined contribution plan as well  
22 as providing for a defined contribution plan for newly hired public  
23 employees. The committee shall examine public and private defined  
24 contribution plans in other states, including their plan designs, and the  
25 federal tax issues that affect a defined contribution retirement plan.

26           2. All the existing supplemental retirement plans in the public safety  
27 personnel retirement system and the Arizona state retirement system, the  
28 advantages and disadvantages of these supplemental retirement plans and the  
29 feasibility of merging these supplemental retirement plans to achieve maximum  
30 effectiveness and minimization of costs to members and employers.

31           3. The definitions of compensation, average yearly salary and salary  
32 as used by the Arizona state retirement system, the elected officials'  
33 retirement plan, the public safety personnel retirement system and the  
34 corrections officer retirement plan to ascertain the actuarial effect of  
35 these definitions on the respective retirement systems and plans,  
36 particularly the ability and actuality of "spiking" compensation.

37           4. In regards to the public safety personnel retirement system and the  
38 corrections officer retirement plan, the advantages and disadvantages of the  
39 local board system, the advantages and disadvantages of the agent  
40 multiple-employer public retirement system model and the feasibility of  
41 establishing a single employer public retirement system model.

42           5. In regards to the public safety personnel retirement system and the  
43 corrections officer retirement plan, the procedures, determinations and  
44 granting of accidental and ordinary disability retirements to members, the  
45 effect of the local boards in providing adequate cost controls for these

1 disability retirements, the establishment of another medical disability tier  
2 that provides for those members who cannot perform a reasonable range of  
3 duties within the member's job classification or department but who are not  
4 totally disabled and the elimination of the local boards in making such  
5 determinations and replacing the determinations of granting medical  
6 disabilities with a single determination board in the administrative offices  
7 of the public safety personnel retirement system.

8 C. The committee may use the services of consultants, actuaries and  
9 attorneys in performing the committee's duties. Contracts for services  
10 approved by the committee are exempt from title 41, chapter 23, Arizona  
11 Revised Statutes.

12 D. The committee shall meet at least twice on or before December 31,  
13 2011 and shall provide an interim report to the speaker of the house of  
14 representatives, the president of the senate and the governor on or before  
15 December 31, 2011. On or before December 31, 2012, the committee shall  
16 submit a written report of its findings and recommendations to the speaker of  
17 the house of representatives, the president of the senate and the governor.  
18 The committee shall provide copies of these reports to the secretary of  
19 state.

20 E. This section is repealed from and after September 30, 2013.

21 Sec. 57. Rule making authority

22 Notwithstanding any other law, the Arizona state retirement system may  
23 conduct rule making for the purpose of implementing this act.

24 Sec. 58. Legislative intent; alternate contribution rate; ASRS  
25 employers; EORP, PSPRS and CORP employers

26 The legislature intends by this act:

27 1. To establish an alternate contribution rate in order to mitigate  
28 the potential actuarial impact that a retired member who returns to work for  
29 an employer may have on the Arizona state retirement system. Through the  
30 establishment of the alternate contribution rate the legislature intends to  
31 assure employers that the use of leased, contracted or retired employees and  
32 services will have a minimal, if any, actuarial impact on the Arizona state  
33 retirement system.

34 2. To establish an alternate contribution rate in order to mitigate  
35 the potential actuarial impact that is caused by distorting the actuarial  
36 assumption relating to age related rates of retirement that a retired member  
37 who returns to work for an employer may have on the elected officials'  
38 retirement plan, the public safety personnel retirement system and the  
39 corrections officer retirement plan.

40 Sec. 59. Appropriation; Arizona state retirement system;  
41 exemption

42 A. The sum of \$250,000 is appropriated from the Arizona state  
43 retirement system administration account in fiscal year 2011-2012 to the  
44 Arizona state retirement system for the administrative implementation of this  
45 act.

1 B. The appropriation made in subsection A of this section is exempt  
2 from the provisions of section 35-190, Arizona Revised Statutes, relating to  
3 lapsing of appropriations.

4 Sec. 60. Use of previously appropriated monies

5 The monies appropriated to the Arizona state retirement system pursuant  
6 to Laws 2010, chapter 50, section 8 that remain unexpended and unencumbered  
7 may be used for the administrative implementation of this act.

8 Sec. 61. Appropriation; state treasurer; defined contribution  
9 and retirement study committee; purpose; exemption;  
10 reversion

11 A. The sum of \$50,000 is appropriated from the Arizona state  
12 retirement system administration account in fiscal year 2011-2012 to the  
13 state treasurer for the purpose of implementing the duties of the defined  
14 contribution and retirement study committee that is established by this act.  
15 The Arizona state retirement system board shall allocate the appropriation  
16 from the administration account as described in section 38-721, subsection C,  
17 Arizona Revised Statutes.

18 B. Notwithstanding any other law, the sum of \$50,000 is appropriated  
19 from the public safety personnel retirement system in fiscal year 2011-2012  
20 to the state treasurer for the purpose of implementing the duties of the  
21 defined contribution and retirement study committee that is established by  
22 this act. The administrator of the public safety personnel retirement system  
23 shall allocate the appropriation from the respective funds administered by  
24 the board of trustees of the public safety personnel retirement system.

25 C. The appropriations made in subsections A and B of this section are  
26 exempt from the provisions of section 35-190, Arizona Revised Statutes,  
27 relating to lapsing of appropriations.

28 D. All monies remaining unexpended and unencumbered on September 30,  
29 2013 from the appropriations made by this section revert respectively to the  
30 Arizona state retirement system administrative account and the public safety  
31 personnel retirement system.

32 Sec. 62. EORP; PSPRS; CORP; transfers to the excess investment  
33 earning account prohibited; retroactivity

34 A. Notwithstanding section 38-818, Arizona Revised Statutes, from and  
35 after May 31, 2011 and each year thereafter, no excess investment earnings  
36 shall be transferred to the excess investment earnings on pensions in payment  
37 status account.

38 B. Notwithstanding section 38-856, Arizona Revised Statutes, from and  
39 after May 31, 2011, and each year thereafter, no excess investment earnings  
40 on the net assets of the fund shall be transferred to the excess investment  
41 earnings account.

42 C. Notwithstanding section 38-905, Arizona Revised Statutes, from and  
43 after May 31, 2011 and each year thereafter, no excess investment earning on  
44 the net assets of the fund shall be transferred to the excess investment  
45 earnings account.

1 D. This section is effective retroactively to from and after May 31,  
2 2011.

3 Sec. 63. Board of trustees report on employer and employee  
4 costs

5 On or before December 31 of each year, the board of trustees shall  
6 provide to the legislature, and the joint legislative budget committee and  
7 post on its website the shared cost structure of employees and employers, the  
8 funding status and the rate of return. The report to the legislature shall  
9 include when the trigger to the reduction in the employee rates is being met.

10 Sec. 64. Retroactivity

11 Sections 38-711, 38-758, 38-810, 38-843 and 38-891, Arizona Revised  
12 Statutes, as amended by this act, apply retroactively to from and after June  
13 30, 2011.

14 (EMERGENCY NOT ENACTED)

15 Sec. 65. Emergency

16 This act is an emergency measure that is necessary to preserve the  
17 public peace, health or safety and is operative immediately as provided by  
18 law.