

COMMITTEE ON EMPLOYMENT AND REGULATORY AFFAIRS
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1609
(Reference to Senate engrossed bill)

Page 1, between lines 1 and 2, insert:

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

13-713. Forfeiture of public retirement system benefits;
definition

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

B. AN ORDER FORFEITING A MEMBER'S BENEFITS ON CONVICTION OF AN OFFENSE LISTED IN SUBSECTION A SHALL NOT BE STAYED ON THE FILING OF ANY APPEAL OF THE CONVICTION. IF THE CONVICTION IS REVERSED ON FINAL JUDGMENT, NO RIGHTS OR BENEFITS SHALL BE FORFEITED AND THE MEMBER'S MEMBERSHIP SHALL BE REINSTATED.

C. NOTWITHSTANDING SUBSECTION A, THE COURT MAY AWARD TO A SPOUSE, DEPENDENT OR FORMER SPOUSE OF A MEMBER WHO IS SUBJECT TO SUBSECTION A SOME OR ALL OF THE AMOUNT THAT, BUT FOR THE ORDERED FORFEITURE UNDER SUBSECTION A, MAY OTHERWISE BE PAYABLE. THE AWARD UNDER THIS SUBSECTION SHALL NOT REQUIRE THE BOARD OF THE STATE RETIREMENT SYSTEM OR PLAN TO PROVIDE ANY TYPE, FORM OR TIME OF PAYMENT OF SEVERANCE, SURVIVOR OR RETIREMENT BENEFITS OR ANY SEVERANCE, SURVIVOR OR RETIREMENT BENEFIT OPTION THAT IS NOT PROVIDED BY THE LAWS GOVERNING THE STATE RETIREMENT SYSTEM OR PLAN FROM WHICH THE AWARD IS BEING MADE. IN DETERMINING WHETHER TO MAKE AN AWARD UNDER THIS SUBSECTION, THE JUDGE SHALL CONSIDER THE TOTALITY OF CIRCUMSTANCES, INCLUDING:

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

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

3. THE COMMUNITY PROPERTY NATURE OF THE BENEFITS INVOLVED.

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

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

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

1 F. THIS SECTION DOES NOT APPLY TO A MEMBER WHOSE MOST RECENT
2 RETIREMENT OCCURS BEFORE THE EFFECTIVE DATE OF THIS SECTION, UNLESS THE
3 MEMBER HAS RESUMED MAKING CONTRIBUTIONS IN THE STATE RETIREMENT SYSTEM OR
4 PLAN.

5 G. THIS SECTION APPLIES ONLY TO THE STATE RETIREMENT SYSTEM OR PLAN IN
6 WHICH THE PERSON WAS A CONTRIBUTING MEMBER AT THE TIME THE OFFENSE WAS
7 COMMITTED.

8 H. FOR THE PURPOSES OF THIS SECTION, "STATE RETIREMENT SYSTEM OR PLAN"
9 MEANS THE ARIZONA STATE RETIREMENT SYSTEM ESTABLISHED BY TITLE 38, CHAPTER 5,
10 ARTICLE 2, THE ELECTED OFFICIALS' RETIREMENT PLAN ESTABLISHED BY TITLE 38,
11 CHAPTER 5, ARTICLE 3, THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
12 ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 4 AND THE CORRECTIONS OFFICER
13 RETIREMENT PLAN ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 6.

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

15 38-711. Definitions

16 In this article, unless the context otherwise requires:

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

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

25 3. "ASRS" means the Arizona state retirement system established by
26 this article.

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

29 5. "Average monthly compensation" means:

30 (a) For a member whose membership in ASRS commenced before January 1,
31 1984 and who left the member's contributions on deposit or reinstated
32 forfeited credited service pursuant to section 38-742 for a period of
33 employment that commenced before January 1, 1984, the higher of either:

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

36 (ii) The monthly average of compensation on which contributions were
37 remitted during a period of sixty consecutive months during which the member
38 receives the highest compensation within the last one hundred twenty months
39 of credited service. Any month for which no contributions are reported to
40 ASRS or that falls within a period of nonpaid or partially paid leave of
41 absence or sabbatical leave shall be excluded from the computation. The
42 sixty consecutive months may entirely precede, may be both before and after
43 or may be completely after any excluded months. If the member was employed
44 for less than sixty consecutive months, the average monthly compensation is
45 based on the total consecutive months worked. Payments for accumulated

1 vacation or annual leave, sick leave, compensatory time or other forms of
2 termination pay which, before August 12, 2005, constitute compensation for
3 members whose membership in ASRS commenced before January 1, 1984, do not
4 cease to be included as compensation if paid in the form of nonelective
5 employer contributions under a 26 United States Code section 403(b) plan if
6 all payments of employer and employee contributions are made at the time of
7 termination. Contributions shall be made to ASRS on these amounts pursuant
8 to sections 38-735, 38-736 and 38-737.

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

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

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

33 7. "Compensation" means the gross amount paid to a member by an
34 employer as salary or wages, including amounts that are subject to deferred
35 compensation or tax shelter agreements, for services rendered to or for an
36 employer, or that would have been paid to the member except for the member's
37 election or a legal requirement that all or part of the gross amount be used
38 for other purposes, but does not include amounts paid in excess of
39 compensation limits established in section 38-746. Compensation includes
40 amounts paid as salary or wages to a member by a second employer if the
41 member meets the requirements prescribed in paragraph 23, subdivision (b) of
42 this section with that second employer. Compensation, as provided in
43 paragraph 5, subdivision (b) or (c) of this section, does not include:

44 (a) Lump sum payments, on termination of employment, for accumulated
45 vacation or annual leave, sick leave, compensatory time or any other form of

1 termination pay whether the payments are made in one payment or by
2 installments over a period of time.

3 (b) Damages, costs, attorney fees, interest or other penalties paid
4 pursuant to a court order or a compromise settlement or agreement to satisfy
5 a grievance or claim even though the amount of the payment is based in whole
6 or in part on previous salary or wage levels, except that, if the court order
7 or compromise settlement or agreement directs salary or wages to be paid for
8 a specific period of time, the payment is compensation for that specific
9 period of time. If the amount directed to be paid is less than the actual
10 salary or wages that would have been paid for the period if service had been
11 performed, the contributions for the period shall be based on the amount of
12 compensation that would have been paid if the service had been performed.

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

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

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

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

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

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

26 (a) Annualized compensation of the typical pay period amount
27 immediately before the date of a request to ASRS to purchase credited service
28 pursuant to section ~~38-743, 38-744 or~~ 38-745. The typical pay period amount
29 shall be determined by taking the five pay periods immediately before the
30 date of a request, disregarding the highest and lowest compensation amount
31 pay periods and averaging the three remaining pay periods.

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

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

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

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

45 11. "Early retirement" means retirement before a member's normal

1 retirement date after five years of total credited service and attainment of
2 age fifty.

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

7 13. "Employer" means:

8 (a) This state.

9 (b) Participating political subdivisions.

10 (c) Participating political subdivision entities.

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

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

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

17 (a) Has not retired.

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

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

20 (d) Has not withdrawn contributions from ASRS.

21 17. "Interest" means the assumed actuarial investment earnings rate
22 approved by the board.

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

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

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

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

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

35 23. "Member":

36 (a) Means any employee of an employer on the effective date.

37 (b) Means all employees of an employer who are eligible for membership
38 pursuant to section 38-727 and who are engaged to work at least twenty weeks
39 in each fiscal year and at least twenty hours each week.

40 (c) Means any person receiving a benefit under ASRS.

41 (d) Means any person who is a former active member of ASRS and who has
42 not withdrawn contributions from ASRS pursuant to section 38-740.

43 (e) Does not include any employee of an employer who is otherwise
44 eligible pursuant to this article and who begins service in a limited
45 appointment for not more than eighteen months on or after July 1, 1979. If

1 the employment exceeds eighteen months, the employee shall be covered by ASRS
2 as of the beginning of the nineteenth month of employment. In order to be
3 excluded under this subdivision, classifications of employees designated by
4 employers as limited appointments must be approved by the director.

5 (f) Does not include any leased employee. For the purposes of section
6 414(n) of the internal revenue code, "leased employee" means an individual
7 who:

8 (i) Is not otherwise an employee of an employer.

9 (ii) Pursuant to a leasing agreement between the employer and another
10 person, performs services for the employer on a substantially full-time basis
11 for at least one year.

12 (iii) Performs services under the primary direction or control of the
13 employer.

14 24. "Member contributions" means all amounts paid to ASRS by a member.

15 25. "Normal costs" means the sum of the individual normal costs for all
16 active members for each fiscal year. The normal cost for an individual
17 active member is the cost that is assigned to the fiscal year using the
18 projected unit credit method.

19 26. "Normal retirement age" means the age at which a member reaches the
20 member's normal retirement date.

21 27. "Normal retirement date" means the earliest of the following:

22 (a) A member's sixty-fifth birthday.

23 (b) A member's sixty-second birthday and completion of at least ten
24 years of credited service.

25 (c) For a member whose membership commenced before July 1, 2011, the
26 first day that the sum of a member's age and years of total credited service
27 equals eighty. ~~For a member whose membership commenced on or after July 1,~~
28 ~~2011, the first day that the sum of a member's age and years of total~~
29 ~~credited service equals eighty-five.~~

30 28. "Political subdivision" means any political subdivision of this
31 state and includes a political subdivision entity.

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

33 (a) That is located in this state.

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

36 (c) Where a majority of the membership of the entity is composed of
37 political subdivisions.

38 (d) Whose primary purpose is the performance of a government related
39 service.

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

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

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

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

5 (c) In determining average monthly compensation pursuant to paragraph
6 5 of this section, the service year is considered to be twelve months of
7 compensation.

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

10 33. "Vested" means that a member is eligible to receive a future
11 retirement benefit."

12 Renumber to conform

13 Page 2, between lines 38 and 39, insert:

14 "Sec. 4. Section 38-738, Arizona Revised Statutes, is amended to read:
15 38-738. Adjustment and refund

16 A. If more than the correct amount of employer or member contributions
17 is paid into ASRS by an employer through a mistake of fact, ASRS shall return
18 those contributions to the employer if the employer requests return of the
19 contributions within one year after the date of overpayment. ASRS shall not
20 pay an employer earnings attributable to excess contributions but shall
21 reduce the amount returned to an employer pursuant to this section by the
22 amount of losses attributable to the excess contributions.

23 B. If less than the correct amount of employer or member contributions
24 is paid into ASRS by an employer, the following apply:

25 1. The member shall pay an amount that is equal to the amount that
26 would have been paid in member contributions for the period in question. The
27 member's payments shall be made as provided in section 38-747. If the member
28 does not make the payment within ninety days of being notified by ASRS that
29 the employer has paid all amounts due from the employer, the unpaid amount
30 accrues interest until the amount is paid in full. The member is responsible
31 for payment of the unpaid amount and interest. The interest rate is the
32 interest rate assumption that is approved by the board for actuarial
33 equivalency for the period in question to the date payment is received.

34 2. If the member contributions to ASRS made pursuant to this
35 subsection exceed the limits prescribed in section 38-747, subsection E when
36 taking into account other annual additions of the member for the limitation
37 year, the amount to be paid by the member shall be adjusted as provided in
38 section 38-747. For the purposes of this ~~subsection~~ PARAGRAPH, "limitation
39 year" has the same meaning prescribed in section 38-769.

40 3. The employer shall pay to ASRS an amount equal to the amount that
41 would have been paid in employer contributions for the period in question
42 together with accumulated interest that would have accrued on both the
43 employer and member contributions due. If the employer does not remit full
44 payment of all employer contributions and all interest due within ninety days
45 of being notified by ASRS of the amount due, the unpaid amount accrues

1 interest until the amount is paid in full. The interest rate is the interest
2 rate assumption that is approved by the board for actuarial equivalency for
3 the period in question to the date payment is received.

4 4. On satisfaction of the requirements of this subsection, the
5 member's salary history on the records of ASRS shall be adjusted and any
6 additional service credits acquired by the member shall be reinstated.

7 5. If the member retires before all contributions are made pursuant to
8 this subsection, the member's benefits shall be calculated only based on the
9 contributions actually made.

10 6. Annual additions shall be determined as provided in section 38-747,
11 subsection 0.

12 7. The initiator of the request for correction of salary history and
13 service credits on records of ASRS is responsible for providing credible
14 evidence of past employment and compensation to ASRS in a form or forms that
15 would lead a reasonable person to conclude that a period of employment
16 occurred under circumstances that made the employee eligible for membership
17 in ASRS during that period. A determination of eligibility by ASRS may be
18 appealed to the ASRS board in a manner prescribed by the board.

19 C. Subsection B of this section applies to eligible verified service
20 that occurred less than or equal to fifteen years before the date the
21 initiator of the request for correction of salary history and service credits
22 on the records of ASRS provides ASRS with credible evidence in writing that
23 less than the correct amount of contributions ~~were~~ WAS paid into ASRS or ASRS
24 otherwise determines that less than the correct amount of contributions ~~were~~
25 WAS made.

26 D. Eligible verified service that is more than fifteen years before
27 the date the initiator of the request for correction of salary history and
28 service credits on the records of ASRS provides ASRS with credible evidence
29 in writing that less than the correct amount of contributions ~~were~~ WAS paid
30 into ASRS or ASRS otherwise determines that less than the correct amount of
31 contributions ~~were~~ WAS made is considered public service credit. The member
32 may purchase this service ~~pursuant to~~ BY PAYING TO ASRS THE AMOUNT PRESCRIBED
33 BY section 38-743, SUBSECTION B.

34 Sec. 5. Section 38-743, Arizona Revised Statutes, is amended to read:
35 38-743. Public service credit

36 A. If an active member of ASRS or a member who is receiving benefits
37 pursuant to section 38-797.07 was previously employed by the United States
38 government, a state, territory, commonwealth, overseas possession or insular
39 area of the United States or a political subdivision of a state, territory,
40 commonwealth, overseas possession or insular area of the United States,
41 excluding any time worked for a prison while the member was incarcerated, the
42 member may receive credited service for this prior employment if the member
43 pays into ASRS the amount prescribed in subsection B of this section **BUT ONLY**
44 **IF THE MEMBER INITIATES THE REQUEST TO PURCHASE THE SERVICE ON OR BEFORE THE**
45 **EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.**

1 B. A member who elects to receive credit for service with the United
2 States government, a state, territory, commonwealth, overseas possession or
3 insular area of the United States or a political subdivision of a state,
4 territory, commonwealth, overseas possession or insular area of the United
5 States shall pay to ASRS an amount equal to the present value of the
6 additional benefit that is derived from the purchased credited service using
7 the actuarial assumptions that are approved by the board.

8 C. A member who previously was a member of another public employee
9 retirement system and who receives or is eligible to receive retirement
10 benefits from that system for any period of employment is ineligible to
11 receive retirement benefits from ASRS for the same period.

12 D. Beginning July 1, 2010, a member shall have at least five years of
13 credited service in ASRS before electing to receive credit for service
14 pursuant to this section.

15 Sec. 6. Section 38-744, Arizona Revised Statutes, is amended to read:

16 38-744. Leave of absence: credit for leave without pay

17 A. If an active member of ASRS or a member who is receiving benefits
18 pursuant to section 38-797.07 is officially granted a leave of absence from
19 employment without pay and returns to employment with the same employer,
20 unless employment could not be resumed because of disability or
21 nonavailability of a position, the member may elect to be credited with
22 service for retirement purposes for not more than one year of the leave by
23 paying to ASRS the amounts as provided in subsection B of this section, if
24 the member has not withdrawn contributions from ASRS and the member's
25 employer has certified that the leave of absence benefits or is in the best
26 interests of the employer **BUT ONLY IF THE MEMBER INITIATES THE REQUEST TO**
27 **PURCHASE THE LEAVE ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS**
28 **SECTION.**

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

34 C. Beginning July 1, 2010, a member shall have at least five years of
35 credited service in ASRS before electing to receive credit for service
36 pursuant to this section.

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

40 Sec. 7. Section 38-745, Arizona Revised Statutes, is amended to read:

41 38-745. Credit for military service

42 A. An active member of ASRS or a member who is receiving benefits
43 pursuant to section 38-797.07 may purchase credited service in ASRS for
44 active military service if all of the following apply:

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

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

4 3. Beginning July 1, 2010, a member has at least five years of
5 credited service in ASRS.

6 4. THE MEMBER INITIATES THE REQUEST TO PURCHASE THE CREDITED SERVICE
7 ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.

8 B. The cost to purchase military service credit is an amount equal to
9 the present value of the additional benefit that is derived from the
10 purchased credited service using the actuarial assumptions that are approved
11 by the board.

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

18 1. Was an active member of ASRS on the day before the member began
19 active military service.

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

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

24 4. One of the following occurs:

25 (a) Is honorably separated from active military service and returns to
26 employment for the same employer from which the member left for active
27 military service within ninety days after the date active military service is
28 terminated.

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

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

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

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

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

40 2. The date the member is released from service related
41 hospitalization or one year after initiation of service related
42 hospitalization, whichever date is earlier.

43 3. One year after the date of disability.

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

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

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

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

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

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

19 4. Employer contributions shall be made in a lump sum and without
20 penalty when the member returns to employment, when it is determined that the
21 member is unable to return to employment because of a disability as a result
22 of or that occurred during military service or on receipt of the member's
23 death certificate. If a member suffers a service related death, the employer
24 shall make the employer and member contributions up to and including the date
25 of the member's death. Death benefits shall be calculated as prescribed by
26 law.

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

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

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

37 Sec. 8. Section 38-758, Arizona Revised Statutes, is amended to read:

38 38-758. Early retirement

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

42 B. For a member whose membership in ASRS commenced before July 1,
43 2011, the benefit payable to a member electing early retirement shall be
44 determined by reducing the normal retirement benefit computed in accordance
45 with section 38-757 either:

1 1. At the rate of three per cent per year from age sixty to age
2 sixty-five and five per cent per year from age fifty to age sixty. The
3 reduction in normal retirement benefits pursuant to this paragraph for an
4 eligible member electing early retirement shall be based on the period from
5 the date of commencement of early retirement benefits to the member's
6 sixtieth birthday if the member has at least twenty years of total credited
7 service, sixty-second birthday if the member has at least ten but less than
8 twenty years of total credited service or sixty-fifth birthday if the member
9 has at least five but less than ten years of total credited service.

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

14 C. For a member whose membership in ASRS commenced on or after July 1,
15 2011, the benefit payable to a member electing early retirement shall be
16 determined by reducing the normal retirement benefit computed in accordance
17 with section 38-757 ~~by the lesser of either:~~

18 ~~1. at the rate of three per cent per year from age sixty to age~~
19 ~~sixty-five and five per cent per year from age fifty to age sixty. The~~
20 ~~reduction in normal retirement benefits pursuant to this paragraph~~ SUBSECTION
21 ~~for an eligible member electing early retirement shall be based on the period~~
22 ~~from the date of commencement of early retirement benefits to the member's~~
23 ~~sixty-second birthday if the member has at least ten years of total credited~~
24 ~~service or sixty-fifth birthday if the member has at least five but less than~~
25 ~~ten years of total credited service.~~

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

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

31 38-766. Retired members; return to work; suspension of
32 benefits; exceptions; maximum benefit

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

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

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

42 B. A RETIRED MEMBER WHOSE RETIREMENT BENEFITS HAVE BEEN SUSPENDED
43 PURSUANT TO SUBSECTION A OF THIS SECTION SHALL REPAY ASRS ANY RETIREMENT
44 BENEFITS RECEIVED BY THE MEMBER FROM THE DATE ASRS NOTIFIES THE MEMBER IN
45 WRITING THAT THE MEMBER'S EMPLOYMENT RESULTED IN ACTIVE MEMBERSHIP IN ASRS

PURSUANT TO SUBSECTION A OF THIS SECTION, FROM THE DATE ASRS DETERMINES THAT THE MEMBER KNEW OR SHOULD HAVE KNOWN THAT THE MEMBER'S EMPLOYMENT RESULTED IN MEMBERSHIP IN ASRS PURSUANT TO SUBSECTION A OF THIS SECTION OR FOR ANY OTHER PERIOD THAT APPROXIMATES THE DURATION OF THE VIOLATION, AS DETERMINED BY ASRS.

~~B.~~ C. A member who satisfies subsection A, paragraph 1 or 2 of this section is entitled to receive an annuity recomputed to include the additional compensation and credited service. However, the recomputed annuity shall be in the original optional form chosen pursuant to section 38-760, with the same beneficiary, if applicable, as when the member first retired, unless the member has resumed active membership for at least sixty consecutive months. A member who retired under a provision of law allowing increased benefits if the retirement occurred during a specific period of time and who subsequently becomes an employee under ASRS shall not retain the increased benefits under the prior law when benefits are computed for the member's most recent retirement.

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

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

2. Either:

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

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

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

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

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

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

1. THE DATE THE MEMBER TERMINATES EMPLOYMENT.
2. THE DATE THE EMPLOYER BEGINS PAYMENT FOR THAT MEMBER PURSUANT TO SECTION 38-766.02.
3. THE DATE THE MEMBER RESUMES ACTIVE MEMBERSHIP PURSUANT TO SUBSECTION A OF THIS SECTION AND THE MEMBER AND EMPLOYER ARE REQUIRED TO MAKE CONTRIBUTIONS PURSUANT TO SECTION 38-736, 38-737 OR 38-738.

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

38-766.01. Retired members; return to work

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

1. The retired member has attained the member's normal retirement age.
2. The retired member terminated DIRECT employment WITH AN EMPLOYER at least ~~twelve months~~ THREE HUNDRED SIXTY-FIVE CONSECUTIVE DAYS before returning to work.
3. If the retired member returns to work as a teacher, the retired member's employment is not subject to the requirements prescribed in sections 15-536, 15-538, 15-538.01 and 15-539 through 15-543.

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

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

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

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

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

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

A. NOTWITHSTANDING SECTION 38-766.01, SUBSECTION D, BEGINNING JULY 1, 2012, AN EMPLOYER SHALL PAY CONTRIBUTIONS AT AN ALTERNATE CONTRIBUTION RATE ON BEHALF OF A RETIRED MEMBER WHO RETURNS TO WORK IN ANY CAPACITY IN A POSITION ORDINARILY FILLED BY AN EMPLOYEE OF THE EMPLOYER WHO IS INCLUDED IN AGREEMENTS PROVIDING FOR COVERAGE UNDER THE FEDERAL OLD AGE AND SURVIVORS INSURANCE SYSTEM. THIS SUBSECTION APPLIES TO A RETIRED MEMBER WHO HAS BEEN

1 RETIRED FOR MORE THAN THREE HUNDRED SIXTY-FIVE DAYS IF THE RETIRED MEMBER HAS
2 REACHED A NORMAL RETIREMENT AGE OR IF THE RETIRED MEMBER RETIRED UNDER
3 SECTION 38-758 AND THE RETIRED MEMBER'S RETIREMENT BENEFIT HAS NOT BEEN
4 SUSPENDED PURSUANT TO SECTION 38-766.

5 B. THE ASRS ACTUARY SHALL DETERMINE THE ALTERNATE CONTRIBUTION RATE IN
6 AN ANNUAL VALUATION PERFORMED AS OF JUNE 30. FOR THE FISCAL YEAR BEGINNING
7 ON JULY 1 OF THE FOLLOWING CALENDAR YEAR, THE VALUATION SHALL DETERMINE THE
8 PERCENTAGE TO BE APPLIED TO THE COMPENSATION, GROSS SALARY OR CONTRACT FEE OF
9 A RETIRED MEMBER WHO MEETS THE REQUIREMENTS OF THIS SECTION.

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

13 1. THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY THE ASRS ACTUARY
14 PURSUANT TO SECTION 38-737 PLUS THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY
15 THE ASRS ACTUARY PURSUANT TO SECTION 38-797.06.

16 2. TWO TIMES THE PAST SERVICE FUNDING REQUIREMENT RATE ESTABLISHED BY
17 THE ASRS ACTUARY PURSUANT TO SECTION 38-737 PLUS THE PAST SERVICE FUNDING
18 REQUIREMENT RATE ESTABLISHED BY THE ASRS ACTUARY PURSUANT TO SECTION
19 38-797.06.

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

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

40 F. FOR THE PURPOSES OF THIS SECTION:

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

44 2. "GROSS SALARY" MEANS THE GROSS AMOUNT PAID TO A RETIRED MEMBER BY A
45 LEASING COMPANY AS SALARY OR WAGES, INCLUDING AMOUNTS THAT ARE SUBJECT TO

1 DEFERRED COMPENSATION OR TAX SHELTER AGREEMENTS, FOR SERVICES RENDERED OR
2 THAT WOULD HAVE BEEN PAID TO THE RETIRED MEMBER EXCEPT FOR THE MEMBER'S
3 ELECTION OR A LEGAL REQUIREMENT THAT ALL OR PART OF THE GROSS AMOUNT BE USED
4 FOR OTHER PURPOSES."

5 Renumber to conform

6 Page 4, line 34, after "person" insert "BUT ONLY IF THE ADMINISTRATOR IS EMPLOYED
7 BY THE BOARD BEFORE JANUARY 1, 2012"

8 Page 8, after line 43, insert:

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

11 38-804.01. Reinstatement of credited service; effect of prior
12 law

13 AN ELECTED OFFICIAL WHO RECEIVED A REFUND AS PROVIDED IN SECTION
14 38-804, WHO IS SUBSEQUENTLY REEMPLOYED AS AN ELECTED OFFICIAL AND WHO
15 REDEPOSITS THE AMOUNT WITHDRAWN WITH INTEREST AS PROVIDED IN SECTION 38-804
16 OR AN ELECTED OFFICIAL WHO REDEEMS PRIOR SERVICE PURSUANT TO STATUTE IS
17 SUBJECT TO THE BENEFITS AND DUTIES IN EFFECT AT THE TIME OF THE ELECTED
18 OFFICIAL'S MOST RECENT REEMPLOYMENT. THIS SECTION DOES NOT APPLY IF A COURT
19 OF COMPETENT JURISDICTION ORDERS REINSTATEMENT OF BENEFITS AND DUTIES UNDER A
20 PRIOR LAW."

21 Renumber to conform

22 Page 9, strike lines 23, 24 and 25

23 Reletter to conform

24 Page 12, line 18, strike "THIS"

25 Strike lines 19 through 22

26 Page 13, strike lines 3 through 45

27 Page 14, strike lines 1 through 23

28 Renumber to conform

29 Line 28, strike "OR G"

30 Page 16, line 20, after "F." strike remainder of line; line 21, strike "2012 AND
31 WHO IS NOT A RECENT ELECTED OFFICIAL,"

32 Line 24, strike "NINE" insert "TEN"

33 Line 26, strike "TEN" insert "ELEVEN AND ONE-HALF"

34 Line 28, strike "ELEVEN" insert "THIRTEEN"

35 Strike lines 37 through 45

36 Page 17, strike lines 1 through 5

37 Reletter to conform

38 Between lines 38 and 39, insert:

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

41 38-816. Redemption of prior service

42 A. Any present active elected official may elect to redeem any part of
43 the following prior service or employment by paying into the fund the amounts
44 required under subsection B of this section if the prior service or
45 employment is not on account with any other retirement system or plan:

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

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

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

14 ~~4. Prior employment with the United States government, a state of the~~
15 ~~United States or a political subdivision of a state of the United States.~~

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

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

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

39 Renumber to conform

40 Page 19, between lines 12 and 13, insert:

41 "Sec. 23. Title 38, chapter 5, article 3, Arizona Revised Statutes, is
42 amended by adding section 38-818.01, to read:

43 38-818.01. Ad hoc increase in retirement benefits; analysis by
44 the joint legislative budget committee

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

11 Sec. 24. Section 38-820, Arizona Revised Statutes, is amended to read:
12 38-820. Credit for military service

13 A. A member of the plan may receive credited service for periods of
14 active military service performed before employment with the member's current
15 employer if:

- 16 1. The member was honorably separated from the military service.
- 17 2. The period of military service for which the member receives
18 credited service does not exceed forty-eight months.
- 19 3. The period of military service for which the member receives
20 credited service is not on account with any other retirement system, except
21 as provided by 10 United States Code section 12736.
- 22 4. The member pays the cost to purchase the prior active military
23 service. The cost is the amount necessary to equal the increase in the
24 actuarial present value of projected benefits resulting from the additional
25 credited service.

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

28 6. THE MEMBER INITIATES THE REQUEST TO PURCHASE THE CREDITED SERVICE
29 ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.

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

- 37 1. Was an active member of the plan on the day before the member began
38 military service.
- 39 2. Entered into and served in the armed forces of the United States or
40 is a member of the national guard.
- 41 3. Complies with the notice and return to work provisions of 38 United
42 States Code section 4312.

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

- 1 1. The date the member is separated from military service.
- 2 2. The date the member is released from service related
- 3 hospitalization or two years after initiation of service related
- 4 hospitalization, whichever date is earlier.
- 5 3. The date the member dies as a result of or during military service.
- 6 D. Notwithstanding any other law, on payment of the contributions made
- 7 pursuant to subsection B of this section, the member shall be credited with
- 8 service for retirement purposes for the period of military service of not
- 9 more than sixty months. The member shall submit a copy of the military
- 10 discharge certificate (DD-256A) and a copy of the military service record
- 11 (DD-214) or its equivalent with the member's application when applying for
- 12 credited service corresponding to the period of military service.
- 13 E. The employer and the member shall make contributions pursuant to
- 14 subsection B of this section as follows:
- 15 1. Contributions shall be based on the compensation that the member
- 16 would have received but for the period that the member was ordered into
- 17 active military service.
- 18 2. If the employer cannot reasonably determine the member's rate of
- 19 compensation for the period that the member was ordered into military
- 20 service, contributions shall be based on the member's average rate of
- 21 compensation during the twelve-month period immediately preceding the period
- 22 of military service.
- 23 3. If a member has been employed less than twelve months before being
- 24 ordered into military service, contributions shall be based on the member's
- 25 compensation being earned immediately preceding the period of military
- 26 service.
- 27 4. The member has up to three times the length of military service,
- 28 not to exceed sixty months, to make the member contributions. Once the
- 29 member has made the member contributions or on receipt of the member's death
- 30 certificate, the employer shall make the employer contributions in a lump
- 31 sum. Death benefits shall be calculated as prescribed by law.
- 32 5. If the member's employer pays military differential wage pay to
- 33 members serving in the military, contributions shall be paid to the plan
- 34 pursuant to section 38-810 for any military differential wage pay paid to the
- 35 member while performing military service.
- 36 F. In computing the length of total credited service of a member for
- 37 the purpose of determining retirement benefits or eligibility, the period of
- 38 military service, as prescribed by this section, shall be included.
- 39 G. If a member performs military service due to a presidential
- 40 call-up, not to exceed forty-eight months, the employer shall make the
- 41 employer and member contributions computed pursuant to subsection E of this
- 42 section on the member's return and in compliance with subsection B of this
- 43 section.
- 44 H. In addition to, but not in duplication of, the provisions of
- 45 subsection B of this section, beginning December 12, 1994 contributions,

benefits and credited service provided pursuant to this section shall be provided pursuant to section 414(u) of the internal revenue code, and this section shall be interpreted in a manner consistent with that internal revenue code section."

Renumber to conform

Page 20, line 27, after "party" strike remainder of line

Strike lines 28 through 32

Line 33, strike "~~management-services~~" insert ", except for third party contracts between public agencies for law enforcement, criminal, traffic and crime suppression activities training OR FIRE, wildfire, emergency medical or emergency management activities or where the employer supervises the employee's performance of law enforcement, criminal, traffic and crime suppression activities, training, OR fire, wildfire, emergency medical or emergency management ~~services~~ ACTIVITIES"

Page 28, line 24, strike "OR F"

Page 29, line 3, after "E." strike remainder of line; line 4, strike "1, 2012,"

Strike lines 17 through 29

Reletter to conform

Page 30, line 22, strike "January 1, 2012" insert "July 1, 2006"

Line 24, strike "JANUARY 1, 2012" insert "JULY 1, 2006"

Between lines 31 and 32, insert:

"Sec. 29. Section 38-844.03, Arizona Revised Statutes, is amended to read:

38-844.03. Eligibility; participation

A. Any member who is eligible for a normal pension pursuant to section 38-844, subsection A, WHO BECOMES A MEMBER OF THE SYSTEM BEFORE JULY 1, 2006 and who has at least twenty years of credited service is eligible to participate in the deferred retirement option plan. In addition, any member who is subject to section 38-858, subsection B is eligible to participate in the deferred retirement option plan retroactive to the member's twentieth year of credited service or on the day before the member began military service, whichever is later, if the member makes the election pursuant to this section on or before resuming employment with the member's employer.

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

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

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

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

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

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

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

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

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

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

17 4. The member does not acquire any further credited service in the
18 system.

19 Sec. 30. Section 38-844.05, Arizona Revised Statutes, is amended to
20 read:

21 38-844.05. Deferred retirement option benefits and
22 participation accounts

23 A. A deferred retirement option plan participation account is an
24 account established within the system on behalf of each deferred retirement
25 option plan participant. All benefits accrued pursuant to this article shall
26 be accounted for in the deferred retirement option plan participation
27 account. A deferred retirement option plan participant does not have a claim
28 on the assets of the system with respect to the member's deferred retirement
29 option plan participation account and assets shall not be set aside for any
30 deferred retirement option plan participant that are separate from all other
31 system assets.

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

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

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

40 2. An amount, credited monthly, that represents interest at a rate
41 equal to the assumed rate of return determined by the board, **EXCEPT THAT FOR**
42 **A MEMBER WHO HAS FIVE OR MORE YEARS OF SERVICE BUT LESS THAN TWENTY YEARS OF**
43 **CREDITED SERVICE ON JULY 1, 2011 AND WHO ELECTS TO PARTICIPATE IN THE**
44 **DEFERRED RETIREMENT OPTION PLAN ON OR AFTER JULY 1, 2011, THE AMOUNT CREDITED**
45 **MONTHLY IS THE AMOUNT THAT REPRESENTS INTEREST AT A RATE EQUAL TO THE AVERAGE**

1 ANNUAL RETURN OF THE SYSTEM OVER THE PERIOD OF YEARS ESTABLISHED BY THE BOARD
2 FOR USE IN THE CALCULATION OF THE ACTUARIAL VALUE OF ASSETS FOR THE PREVIOUS
3 YEAR, BUT NOT TO EXCEED THE SYSTEM'S ASSUMED INVESTMENT RATE OF RETURN BUT AT
4 LEAST TWO PER CENT.

5 D. The participant is not entitled to receive any amount prescribed by
6 section 38-856 or 38-857 during the deferred retirement option plan
7 participation period.

8 Sec. 31. Section 38-844.06, Arizona Revised Statutes, is amended to
9 read:

10 38-844.06. Additional deferred retirement option plan
11 provisions

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

16 B. A MEMBER WHO HAS FIVE OR MORE YEARS OF SERVICE BUT LESS THAN TWENTY
17 YEARS OF CREDITED SERVICE ON JULY 1, 2011 AND WHO ELECTS TO PARTICIPATE IN
18 THE DEFERRED RETIREMENT OPTION PLAN ON OR AFTER JULY 1, 2011 SHALL MAKE
19 EMPLOYEE CONTRIBUTIONS TO THE SYSTEM IN THE AMOUNT EQUAL TO THE EMPLOYER
20 CONTRIBUTIONS CALCULATED PURSUANT TO SECTION 38-843.05.

21 ~~B.~~ C. A member who elects to participate in the deferred retirement
22 option plan and who becomes disabled during the period of deferred retirement
23 option plan participation is eligible to apply for disability retirement
24 benefits. If the application for disability retirement benefits is approved
25 by the local board:

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

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

32 ~~C.~~ D. If a member dies during the period of the member's deferred
33 retirement option plan participation, the designated beneficiary of the
34 member is entitled to receive all amounts in the member's deferred retirement
35 option plan participation account."

36 Renumber to conform

37 Page 33, after line 45, insert:

38 "Sec. 35. Title 38, chapter 5, article 4, Arizona Revised Statutes, is
39 amended by adding section 38-846.04, to read:

40 38-846.04. Reinstatement of credited service; effect of prior
41 law

42 A. A MEMBER WHO RECEIVED A SEVERANCE REFUND ON TERMINATION OF
43 EMPLOYMENT AS PROVIDED IN SECTION 38-846.02, WHO IS SUBSEQUENTLY REEMPLOYED
44 BY AN EMPLOYER AND WHO REDEPOSITS THE AMOUNT WITHDRAWN WITH INTEREST AS
45 PROVIDED IN SECTION 38-849 OR A MEMBER WHO REDEEMS PRIOR SERVICE PURSUANT TO

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

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

8 Renumber to conform

9 Page 34, line 12, after the period strike remainder of line

10 Strike lines 13 through 16

11 Line 19, strike "6" insert "5"

12 Line 26, after "subsection" strike remainder of line; strike lines 27 through
13 29, insert ", SECTION 13-713 APPLIES."

14 Page 36, between lines 3 and 4, insert:

15 "Sec. 38. Section 38-853.01, Arizona Revised Statutes, is amended to
16 read:

17 38-853.01. Redemption of prior service

18 A. Each present active member of the system may elect to redeem any
19 part of the following prior service or employment by paying into the system
20 any amounts required under subsection B if the prior service or employment is
21 not on account with any other retirement system:

22 1. Prior service in this state as an employee with an employer now
23 covered by the system ~~or prior service with an agency of the United States~~
24 ~~government, a state of the United States or a political subdivision of this~~
25 ~~state or of a state of the United States~~ as a full-time paid firefighter or
26 full-time paid certified peace officer.

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

32 B. Any present active member who elects to redeem any part of the
33 prior service or employment for which the employee is deemed eligible by the
34 board under this section shall pay into the system the amounts previously
35 withdrawn by the member, if any, as a refund of the member's accumulated
36 contributions plus accumulated interest as determined by the board and the
37 additional amount, if any, computed by the system's actuary that is necessary
38 to equal the increase in the actuarial present value of projected benefits
39 resulting from the redemption calculated using the actuarial methods and
40 assumptions prescribed by the system's actuary.

41 C. A member electing to redeem service pursuant to this section may
42 pay for service being redeemed in the form of a lump sum payment to the
43 system, a trustee-to-trustee transfer or a direct rollover of an eligible
44 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or
45 (vi) of the internal revenue code or a rollover of an eligible distribution

1 from an individual retirement account or annuity described in section 408(a)
2 or (b) of the internal revenue code."

3 Renumber to conform

4 Page 37, between lines 23 and 24, insert:

5 "Sec. 40. Title 38, chapter 5, article 4, Arizona Revised Statutes, is
6 amended by adding section 36-856.02, to read:

7 36-856.02. Ad hoc increase in retirement benefits; analysis by
8 the joint legislative budget committee

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

19 Sec. 41. Section 38-858, Arizona Revised Statutes, is amended to read:

20 38-858. Credit for military service

21 A. A member of the system may receive credited service for periods of
22 active military service performed before employment with the member's current
23 employer if:

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

25 2. The period of military service for which the member receives
26 credited service does not exceed forty-eight months.

27 3. The period of military service for which the member receives
28 credited service is not on account with any other retirement system, except
29 as provided by 10 United States Code section 12736.

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

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

36 6. THE MEMBER INITIATES THE REQUEST TO PURCHASE THE CREDITED SERVICE
37 ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.

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

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

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

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

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

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

11 2. The date the member is released from service related
12 hospitalization or two years after initiation of service related
13 hospitalization, whichever date is earlier.

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

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

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

24 1. Contributions shall be based on the compensation that the member
25 would have received but for the period that the member was ordered into
26 active military service.

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

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

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

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

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

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

9 H. In addition to, but not in duplication of, the provisions of
10 subsection B of this section, beginning December 12, 1994 contributions,
11 benefits and credited service provided pursuant to this section shall be
12 provided pursuant to section 414(u) of the internal revenue code, and this
13 section shall be interpreted in a manner consistent with that internal
14 revenue code section."

15 Renumber to conform

16 Page 46, between lines 6 and 7, insert:

17 "Sec. 45 Title 38, chapter 5, article 6, Arizona Revised Statutes, is
18 amended by adding section 38-884.01, to read:

19 38-884.01. Reinstatement of credited service; effect of prior
20 law

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

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

32 Renumber to conform

33 Page 54, between lines 4 and 5, insert:

34 "Sec. 51. Title 38, chapter 5, article 6, Arizona Revised Statutes, is
35 amended by adding section 38-905.02, to read:

36 38-905.02. Ad hoc increase in retirement benefits; analysis by
37 the joint legislative budget committee

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

1 OF THE PLAN, THE OVERALL VIEW OF THE ECONOMY AND MARKET AND THE TOTAL COST OF
2 THE BENEFIT INCREASE TO THE PLAN.

3 Sec. 52. Section 38-907, Arizona Revised Statutes, is amended to read:

4 38-907. Credit for military service

5 A. A member of the plan may receive credited service for periods of
6 active military service performed before employment with the member's current
7 employer if:

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

9 2. The period of military service for which the member receives
10 credited service does not exceed forty-eight months.

11 3. The period of military service for which the member receives
12 credited service is not on account with any other retirement system, except
13 as provided by 10 United States Code section 12736.

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

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

20 6. THE MEMBER INITIATES THE REQUEST TO PURCHASE THE CREDITED SERVICE
21 ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.

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

29 1. Was an active member of the plan on the day before the member began
30 military service.

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

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

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

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

39 2. The date the member is released from service related
40 hospitalization or two years after initiation of service related
41 hospitalization, whichever date is earlier.

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

43 D. Notwithstanding any other law, on payment of the contributions made
44 pursuant to subsection B of this section, the member shall be credited with
45 service for retirement purposes for the period of military service of not

1 more than sixty months. The member shall submit a copy of the military
2 discharge certificate (DD-256A) and a copy of the military service record
3 (DD-214) or its equivalent with the member's application when applying for
4 credited service corresponding to the period of military service.

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

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

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

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

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

24 5. If the member's employer pays military differential wage pay to
25 members serving in the military, contributions shall be paid to the plan
26 pursuant to section 38-891 for any military differential wage pay paid to the
27 member while performing military service.

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

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

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

42 Sec. 53. Section 38-909, Arizona Revised Statutes, is amended to read:
43 38-909. Redemption of prior service; calculation

44 A. Each present active member of the plan who had previous service in
45 this state as an employee with an employer now covered by the plan ~~or who had~~

~~previous service with an agency of the United States government, a state of the United States or a political subdivision of a state of the United States~~
as a full-time paid corrections officer or full-time paid certified peace officer may elect to redeem any part of the prior service by paying into the plan any amounts required under subsection B if the prior service is not on account with any other retirement system.

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

C. The discount rate used by the actuary for the redemption calculation pursuant to subsection B is an amount equal to the lesser of the assumed rate of return that is prescribed by the board or an amount equal to the yield on a ten year treasury note as of March 1 that is published by the federal reserve board plus two per cent. This discount rate is effective beginning in the next fiscal year and shall be recalculated each year.

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

Renumber to conform

Page 55, line 1, after the period strike remainder of line; strike lines 2 through 5

Line 8, strike "6" insert "5"

Line 15, after "subsection" strike remainder of line

Strike lines 16, 17 and 18, insert ", SECTION 13-713 APPLIES."

Strike lines 31 through 45

Page 56, strike lines 1 through 26, insert:

Sec. 57. Legislative findings

A. The legislature recognizes that in order to have a sound public retirement system that benefits this state, taxpayers and members of the retirement systems, the public retirement systems must be funded with contributions and investment earnings based on actuarial methods and assumptions that meet generally accepted actuarial standards. Article XXIX, Constitution of Arizona. The legislature finds that the current structures of the elected officials' retirement plan, the public safety personnel retirement system and the corrections officer retirement plan do not achieve this goal. Since rights to benefits have not vested because application and

1 eligibility for benefits have not occurred, the legislature intends to modify
2 and amend these various retirement programs in order to protect the best
3 interests of the members and beneficiaries.

4 B. The legislature further finds:

5 1. Members of the:

6 (a) Elected officials' retirement plan who entered the plan on or
7 after July 18, 2000 agreed to the benefit and vesting terms prescribed in
8 section 38-810.02, subsection B, Arizona Revised Statutes, as a material
9 condition of their contract with this state.

10 (b) Public safety personnel retirement system who entered the system
11 on or after July 27, 1983 agreed to the benefit and vesting terms prescribed
12 in section 38-844.01, Arizona Revised Statutes, as a material condition of
13 their contract with this state.

14 (c) Corrections officer retirement plan who entered the plan on or
15 after July 1, 1986 agreed to the legislative reservation terms prescribed in
16 section 38-903, Arizona Revised Statutes, and members who entered the plan on
17 or after July 18, 2000 agreed to the benefit and vesting terms prescribed in
18 section 38-900.01, subsection B, Arizona Revised Statutes, as a material
19 condition of their contract with this state.

20 2. That the current structures of the elected officials' retirement
21 plan, the public safety personnel retirement system and the corrections
22 officer retirement plan do not lead to the goal of attaining one hundred per
23 cent funded status and jeopardizes the future payment of benefits to current
24 and future retirees of these three retirement programs.

25 3. That the current structure of the public safety personnel
26 retirement system, the corrections officer retirement plan and the elected
27 officials' retirement plan that requires a fixed employee contribution rate
28 requires a contribution rate from employees that is insufficient in relation
29 to the cost associated with the benefits required by the plan design and
30 therefore places a greater financial burden on employers. By moving to an
31 increased shared cost structure, employees will bear increased responsibility
32 for the fiscal health of the funds and, as the funds improve their funded
33 status and approach fully funded or overfunded status, the employees will
34 realize decreased contribution costs that would be lower than currently
35 required.

36 4. That the current method of funding benefit increases to retirees of
37 the elected officials retirement plan, the public safety personnel retirement
38 system and the corrections officers retirement plan is flawed and makes it
39 highly unlikely that these funds will achieve their actuarially assumed
40 earning rates during positive and negative investment environments and
41 invariably leads to greater investment risk on the part of the funds'
42 trustees. It is fundamentally unsound to provide a benefit increase during
43 periods when the funded status of the retirement programs is less than
44 seventy per cent. Changing the manner of funding these benefit increases is
45 intended to improve the funded status of the elected officials' retirement

1 plan, the public safety personnel retirement system and the corrections
2 officer retirement plan and is in the best interests of the members and
3 beneficiaries of these retirement programs in that it will preserve future
4 benefits for plan participants.

5 5. It is necessary to change the future plan and system structures for
6 nonvested members to take into consideration the increased life expectancy of
7 members and future employees and make the reforms necessary to preserve the
8 funded status of the retirement programs in future years.

9 6. To protect the future benefits of retired, active and future
10 employees it is necessary to make the changes outlined in this act to
11 preserve the funded status of these three retirement programs and return the
12 programs to fiscal solvency.

13 Sec. 58. Defined contribution and retirement study committee;
14 delayed repeal

15 A. The defined contribution and retirement study committee is
16 established consisting of:

17 1. The five members of the state board of investment established by
18 section 35-311, Arizona Revised Statutes. The chairperson of the state board
19 of investment is the chairperson of the study committee.

20 2. Three members of the senate who are appointed by the president of
21 the senate, not more than two of whom are members of the same political
22 party.

23 3. Three members of the house of representatives who are appointed by
24 the speaker of the house of representatives, not more than two of whom are
25 members of the same political party.

26 4. One member of the board of trustees of the public safety personnel
27 retirement system who is appointed by the board of trustees of the public
28 safety personnel retirement system.

29 5. One member of the Arizona state retirement system board who is
30 appointed by the Arizona state retirement system board.

31 B. The committee shall study:

32 1. The feasibility and cost of transferring existing members of a
33 public retirement system or plan to a new defined contribution plan as well
34 as providing for a defined contribution plan for newly hired public
35 employees. The committee shall examine public and private defined
36 contribution plans in other states, including their plan designs, and the
37 federal tax issues that affect a defined contribution retirement plan.

38 2. The existing section 401(a) retirement plans in the public safety
39 personnel retirement system and the Arizona state retirement system, the
40 advantages and disadvantages of these retirement plans and the feasibility of
41 merging these retirement plans to achieve maximum effectiveness and
42 minimization of costs to members and employers.

43 3. The definitions of compensation, average yearly salary and salary
44 as used by the Arizona state retirement system, the elected officials'
45 retirement plan, the public safety personnel retirement system and the

1 corrections officer retirement plan to ascertain the actuarial effect of
2 these definitions on the respective retirement systems and plans,
3 particularly the ability and actuality of "spiking" compensation. In
4 examining this issue for the Arizona state retirement system, the public
5 safety personnel retirement system and the corrections officer retirement
6 plan, the committee shall examine the effect of employment contracts between
7 political subdivisions and employees to ascertain the actuarial effect of
8 these contracts on the retirement system and plans.

9 4. In regards to the public safety personnel retirement system and the
10 corrections officer retirement plan, the advantages and disadvantages of the
11 local board system, the advantages and disadvantages of the agent
12 multiple-employer public retirement system model and the feasibility of
13 establishing a single employer public retirement system model.

14 5. In regards to the public safety personnel retirement system and the
15 corrections officer retirement plan, the procedures, determinations and
16 granting of accidental and ordinary disability retirements to members, the
17 effect of the local boards in providing adequate cost controls for these
18 disability retirements, the establishment of another medical disability tier
19 that provides for those members who cannot perform a reasonable range of
20 duties within the member's job classification or department but who are not
21 totally disabled and the elimination of the local boards in making such
22 determinations and replacing the determinations of granting medical
23 disabilities with a single determination board in the administrative offices
24 of the public safety personnel retirement system.

25 C. The committee may use the services of consultants, actuaries and
26 attorneys in performing the committee's duties. Contracts for services
27 approved by the committee are exempt from title 41, chapter 23, Arizona
28 Revised Statutes.

29 D. The committee shall meet at least twice on or before December 31,
30 2011 and shall provide an interim report to the speaker of the house of
31 representatives, the president of the senate and the governor on or before
32 December 31, 2011. On or before December 31, 2012, the committee shall
33 submit a written report of its findings and recommendations to the speaker of
34 the house of representatives, the president of the senate and the governor.
35 The committee shall provide copies of these reports to the secretary of
36 state.

37 E. This section is repealed from and after September 30, 2013.

38 Sec. 59. Rule making authority

39 Notwithstanding any other law, the Arizona state retirement system may
40 conduct rule making for the purpose of implementing sections 38-766 and
41 38-766.01, Arizona Revised Statutes, as amended by this act, and section
42 38-766.02, Arizona Revised Statutes, as added by this act.

43 Sec. 60. Legislative intent; alternate contribution rate; ASRS
44 employers; EORP, PSPRS and CORP employers

45 The legislature intends by this act:

1 1. To establish an alternate contribution rate in order to mitigate
2 the potential actuarial impact that a retired member who returns to work for
3 an employer may have on the Arizona state retirement system. Through the
4 establishment of the alternate contribution rate the legislature intends to
5 assure employers that the use of leased, contracted or retired employees and
6 services will have a minimal, if any, actuarial impact on the Arizona state
7 retirement system.

8 2. To establish an alternate contribution rate in order to mitigate
9 the potential actuarial impact that is caused by distorting the actuarial
10 assumption relating to age related rates of retirement that a retired member
11 who returns to work for an employer may have on the elected officials'
12 retirement plan, the public safety personnel retirement system and the
13 corrections officer retirement plan.

14 Sec. 61. Appropriation; Arizona state retirement system;
15 exemption

16 A. The sum of \$250,000 is appropriated from the Arizona state
17 retirement system administration account in fiscal year 2011-2012 to the
18 Arizona state retirement system for the administrative implementation of this
19 act.

20 B. The appropriation made in subsection A of this section is exempt
21 from the provisions of section 35-190, Arizona Revised Statutes, relating to
22 lapsing of appropriations.

23 Sec. 62. Appropriation; state treasurer; defined contribution
24 and retirement study committee; purpose; exemption;
25 reversion

26 A. The sum of \$50,000 is appropriated from the Arizona state
27 retirement system administration account in fiscal year 2011-2012 to the
28 state treasurer for the purpose of implementing the duties of the defined
29 contribution and retirement study committee that is established by this act.
30 The Arizona state retirement system board shall allocate the appropriation
31 from the administration account as described in section 38-721, subsection C,
32 Arizona Revised Statutes.

33 B. Notwithstanding any other law, the sum of \$50,000 is appropriated
34 from the public safety personnel retirement system in fiscal year 2011-2012
35 to the state treasurer for the purpose of implementing the duties of the
36 defined contribution and retirement study committee that is established by
37 this act. The administrator of the public safety personnel retirement system
38 shall allocate the appropriation from the respective funds administered by
39 the board of trustees of the public safety personnel retirement system.

40 C. The appropriations made in subsections A and B of this section are
41 exempt from the provisions of section 35-190, Arizona Revised Statutes,
42 relating to lapsing of appropriations.

43 D. All monies remaining unexpended and unencumbered on September 30,
44 2013 from the appropriations made by this section revert respectively to the

1 Arizona state retirement system administrative account and the public safety
2 personnel retirement system."
3 Renumber to conform
4 Page 56, line 30, after "Sections" insert "38-711, 38-758,"; after "38-843" insert
5 ", 38-844.05, 38-844.06"
6 Page 56, after line 31, insert:
7 "Sec. 64. Emergency
8 This act is an emergency measure that is necessary to preserve the
9 public peace, health or safety and is operative immediately as provided by
10 law."
11 Amend title to conform

and, as so amended, it do pass

JUSTIN OLSON
Vice-Chairman

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