

ADAMS SUBSTITUTE FLOOR AMENDMENT  
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1609

I move the following SUBSTITUTE amendment to the EMPLOYMENT AND REGULATORY AFFAIRS  
Committee Amendment to  
SENATE BILL 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. WHILE AN APPEAL OF THE CONVICTION IS BEING ADJUDICATED AND UNTIL  
A FINAL JUDGMENT IS ISSUED, FOR A MEMBER WHO IS NOT RECEIVING BENEFITS, THE  
MEMBER AND THE MEMBER'S EMPLOYER ARE REQUIRED TO CONTINUE MAKING  
CONTRIBUTIONS TO THE RETIREMENT SYSTEM OR PLAN AND FOR A MEMBER WHO IS  
RECEIVING BENEFITS, THE RETIREMENT SYSTEM OR PLAN SHALL SUSPEND PAYMENTS TO  
THE MEMBER AND HOLD THE ASSETS IN TRUST. IF THE CONVICTION IS REVERSED ON  
FINAL JUDGMENT, NO RIGHTS OR BENEFITS SHALL BE FORFEITED AND THE MEMBER'S  
MEMBERSHIP SHALL BE REINSTATED.

1 C. NOTWITHSTANDING SUBSECTION A, THE COURT MAY AWARD TO A SPOUSE,  
2 DEPENDENT OR FORMER SPOUSE OF A MEMBER WHO IS SUBJECT TO SUBSECTION A SOME OR  
3 ALL OF THE AMOUNT THAT WAS FORFEITED UNDER SUBSECTION A. THE AWARD UNDER  
4 THIS SUBSECTION SHALL NOT REQUIRE THE BOARD OF THE STATE RETIREMENT SYSTEM OR  
5 PLAN TO PROVIDE ANY TYPE, FORM OR TIME OF PAYMENT OF SEVERANCE, SURVIVOR OR  
6 RETIREMENT BENEFITS OR ANY SEVERANCE, SURVIVOR OR RETIREMENT BENEFIT OPTION  
7 THAT IS NOT PROVIDED BY THE LAWS GOVERNING THE STATE RETIREMENT SYSTEM OR  
8 PLAN FROM WHICH THE AWARD IS BEING MADE. IN DETERMINING WHETHER TO MAKE AN  
9 AWARD UNDER THIS SUBSECTION, THE JUDGE SHALL CONSIDER THE TOTALITY OF  
10 CIRCUMSTANCES, INCLUDING:

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

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

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

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

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

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

25 F. THIS SECTION DOES NOT APPLY TO A MEMBER WHOSE MOST RECENT  
26 RETIREMENT OCCURS BEFORE THE EFFECTIVE DATE OF THIS SECTION, UNLESS THE  
27 MEMBER HAS RESUMED MAKING CONTRIBUTIONS TO THE STATE RETIREMENT SYSTEM OR  
28 PLAN.

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

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

36 I. FOR THE PURPOSES OF THIS SECTION, "STATE RETIREMENT SYSTEM OR PLAN"  
37 MEANS THE ARIZONA STATE RETIREMENT SYSTEM ESTABLISHED BY TITLE 38, CHAPTER 5,

ARTICLE 2, THE ELECTED OFFICIALS' RETIREMENT PLAN ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 3, THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 4 AND THE CORRECTIONS OFFICER RETIREMENT PLAN ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 6.

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

38-711. Definitions

In this article, unless the context otherwise requires:

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

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

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

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

5. "Average monthly compensation" means:

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

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

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

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

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

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

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

32 7. "Compensation" means the gross amount paid to a member by an  
33 employer as salary or wages, including amounts that are subject to deferred  
34 compensation or tax shelter agreements, for services rendered to or for an  
35 employer, or that would have been paid to the member except for the member's  
36 election or a legal requirement that all or part of the gross amount be used  
37 for other purposes, but does not include amounts paid in excess of

1 compensation limits established in section 38-746. Compensation includes  
2 amounts paid as salary or wages to a member by a second employer if the  
3 member meets the requirements prescribed in paragraph 23, subdivision (b) of  
4 this section with that second employer. Compensation, as provided in  
5 paragraph 5, subdivision (b) or (c) of this section, does not include:

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

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

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

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

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

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

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

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

33 (a) Annualized compensation of the typical pay period amount  
34 immediately before the date of a request to ASRS to purchase credited service  
35 pursuant to section 38-743, 38-744 or 38-745. The typical pay period amount  
36 shall be determined by taking the five pay periods immediately before the

1 date of a request, disregarding the highest and lowest compensation amount  
2 pay periods and averaging the three remaining pay periods.

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

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

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

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

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

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

23 13. "Employer" means:

24 (a) This state.

25 (b) Participating political subdivisions.

26 (c) Participating political subdivision entities.

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

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

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

33 (a) Has not retired.

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

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

36 (d) Has not withdrawn contributions from ASRS.

1           17. "Interest" means the assumed actuarial investment earnings rate  
2 approved by the board.

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

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

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

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

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

15          23. "Member":

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

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

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

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

23           (e) Does not include any employee of an employer who is otherwise  
24 eligible pursuant to this article and who begins service in a limited  
25 appointment for not more than eighteen months on or after July 1, 1979. If  
26 the employment exceeds eighteen months, the employee shall be covered by ASRS  
27 as of the beginning of the nineteenth month of employment. In order to be  
28 excluded under this subdivision, classifications of employees designated by  
29 employers as limited appointments must be approved by the director.

30           (f) Does not include any leased employee. For the purposes of section  
31 414(n) of the internal revenue code, "leased employee" means an individual  
32 who:

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

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

1 (iii) Performs services under the primary direction or control of the  
2 employer.

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

4 25. "Normal costs" means the sum of the individual normal costs for all  
5 active members for each fiscal year. The normal cost for an individual  
6 active member is the cost that is assigned to the fiscal year using the  
7 projected unit credit method.

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

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

11 (a) FOR A MEMBER WHOSE MEMBERSHIP COMMENCED BEFORE JULY 1, 2011:

12 ~~(a)~~ (i) A member's sixty-fifth birthday.

13 ~~(b)~~ (ii) A member's sixty-second birthday and completion of at least  
14 ten years of credited service.

15 ~~(c)~~ (iii) ~~For a member whose membership commenced before July 1,~~  
16 ~~2011,~~ The first day that the sum of a member's age and years of total  
17 credited service equals eighty. ~~For a member whose membership commenced on~~  
18 ~~or after July 1, 2011, the first day that the sum of a member's age and years~~  
19 ~~of total credited service equals eighty-five.~~

20 (b) FOR A MEMBER WHOSE MEMBERSHIP COMMENCED ON OR AFTER JULY 1, 2011:

21 (i) A MEMBER'S SIXTY-FIFTH BIRTHDAY.

22 (ii) A MEMBER'S SIXTY-SECOND BIRTHDAY AND COMPLETION OF AT LEAST TEN  
23 YEARS OF CREDITED SERVICE.

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

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

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

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

31 (a) That is located in this state.

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

34 (c) Where a majority of the membership of the entity is composed of  
35 political subdivisions.

36 (d) Whose primary purpose is the performance of a government related  
37 service.



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

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

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

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

11           (c) In determining average monthly compensation pursuant to paragraph  
12 5 of this section, the service year is considered to be twelve months of  
13 compensation.

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

16           33. "Vested" means that a member is eligible to receive a future  
17 retirement benefit."

18       Renumber to conform

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

20           "Sec. 4. Repeal

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

22           Sec. 5. Section 38-743, Arizona Revised Statutes, is amended to read:

23           38-743. Public service credit

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

33           B. A member who elects to receive credit for service with the United  
34 States government, a state, territory, commonwealth, overseas possession or  
35 insular area of the United States or a political subdivision of a state,  
36 territory, commonwealth, overseas possession or insular area of the United  
37 States shall pay to ASRS an amount equal to the present value of the

1 additional benefit that is derived from the purchased credited service using  
2 the actuarial assumptions that are approved by the board.

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

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

10 Sec. 6. Section 38-744, Arizona Revised Statutes, is amended to read:  
11 38-744. Leave of absence; credit for leave without pay

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

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

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

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

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

2           38-745. Credit for military service

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

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

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

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

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

13          B. The cost to purchase military service credit is an amount equal to  
14 the present value of the additional benefit that is derived from the  
15 purchased credited service using the actuarial assumptions that are approved  
16 by the board.

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

23          1. Was an active member of ASRS on the day before the member began  
24 active military service.

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

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

29          4. One of the following occurs:

30           (a) Is honorably separated from active military service and returns to  
31 employment for the same employer from which the member left for active  
32 military service within ninety days after the date active military service is  
33 terminated.

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

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

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

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

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

8 2. The date the member is released from service related  
9 hospitalization or one year after initiation of service related  
10 hospitalization, whichever date is earlier.

11 3. One year after the date of disability.

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

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

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

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

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

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

32 4. Employer contributions shall be made in a lump sum and without  
33 penalty when the member returns to employment, when it is determined that the  
34 member is unable to return to employment because of a disability as a result  
35 of or that occurred during military service or on receipt of the member's  
36 death certificate. If a member suffers a service related death, the employer  
37 shall make the employer and member contributions up to and including the date

1 of the member's death. Death benefits shall be calculated as prescribed by  
2 law.

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

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

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

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

14 38-758. Early retirement

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

18 B. For a member whose membership in ASRS commenced before July 1,  
19 2011, the benefit payable to a member electing early retirement shall be  
20 determined by reducing the normal retirement benefit computed in accordance  
21 with section 38-757 either:

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

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

35 C. For a member whose membership in ASRS commenced on or after July 1,  
36 2011, the benefit payable to a member electing early retirement shall be

1 determined by reducing the normal retirement benefit computed in accordance  
2 with section 38-757 ~~by the lesser of either:~~

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

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

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

16 38-766. Retired members: return to work: suspension of benefits:  
17 exceptions: maximum benefit

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

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

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

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

36 ~~B.~~ C. A member who satisfies subsection A, paragraph 1 or 2 of this  
37 section is entitled to receive an annuity recomputed to include the

1 additional compensation and credited service. However, the recomputed  
2 annuity shall be in the original optional form chosen pursuant to section  
3 38-760, with the same beneficiary, if applicable, as when the member first  
4 retired, unless the member has resumed active membership for at least sixty  
5 consecutive months. A member who retired under a provision of law allowing  
6 increased benefits if the retirement occurred during a specific period of  
7 time and who subsequently becomes an employee under ASRS shall not retain the  
8 increased benefits under the prior law when benefits are computed for the  
9 member's most recent retirement.

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

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

16 2. Either:

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

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

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

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

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

34 G. AN EMPLOYER THAT ENGAGED THE RETIRED MEMBER TO WORK PURSUANT TO  
35 THIS SECTION SHALL PAY TO ASRS AN AMOUNT EQUAL TO THE RATE ESTABLISHED BY THE  
36 ACTUARY PURSUANT TO SECTION 38-766.02, SUBSECTION B FOR THE PERIOD STARTING

1 WITH THE FIRST DAY THE RETIRED MEMBER BEGAN WORKING AFTER RETIREMENT THROUGH  
2 THE EARLIER OF:

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

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

11 38-766.01. Retired members; return to work

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

- 15 1. The retired member has attained the member's normal retirement age.
- 16 2. The retired member terminated DIRECT employment WITH AN EMPLOYER at  
17 least ~~twelve months~~ THREE HUNDRED SIXTY-FIVE CONSECUTIVE DAYS before  
18 returning to work.

19 3. If the retired member returns to work as a teacher, the retired  
20 member's employment is not subject to the requirements prescribed in sections  
21 15-536, 15-538, 15-538.01 and 15-539 through 15-543.

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

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

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

31 E. A retired member who returns to work pursuant to this section does  
32 not accrue credited service, member service as provided in section 15-1628,  
33 subsection B, paragraph 4, additional account balances, retirement benefits  
34 or long-term disability program benefits pursuant to article 2.1 of this  
35 chapter for the period the retired member returns to work. The period the  
36 retired member returns to work is not eligible for purchase under section  
37 38-743 or 38-744.



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

3           38-766.02. Retired members; return to work; employer  
4           contribution payments; definitions

5           A. NOTWITHSTANDING SECTION 38-766.01, SUBSECTION D, BEGINNING JULY 1,  
6 2012, AN EMPLOYER SHALL PAY CONTRIBUTIONS AT AN ALTERNATE CONTRIBUTION RATE  
7 ON BEHALF OF A RETIRED MEMBER WHO RETURNS TO WORK IN ANY CAPACITY IN A  
8 POSITION ORDINARILY FILLED BY AN EMPLOYEE OF THE EMPLOYER WHO IS INCLUDED IN  
9 AGREEMENTS PROVIDING FOR THEIR COVERAGE UNDER THE FEDERAL OLD AGE AND  
10 SURVIVORS INSURANCE SYSTEM. THIS SUBSECTION APPLIES TO A RETIRED MEMBER WHO  
11 HAS REACHED A NORMAL RETIREMENT AGE OR A RETIRED MEMBER WHO RETIRED UNDER  
12 SECTION 38-758 IF THE RETIRED MEMBER'S RETIREMENT BENEFIT HAS NOT BEEN  
13 SUSPENDED PURSUANT TO SECTION 38-766.

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

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

22           1. THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY THE ASRS ACTUARY  
23 PURSUANT TO SECTION 38-737 PLUS THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY  
24 THE ASRS ACTUARY PURSUANT TO SECTION 38-797.06.

25           2. THE TOTAL PAST SERVICE FUNDING REQUIREMENT RATE ESTABLISHED BY THE  
26 ASRS ACTUARY PURSUANT TO SECTION 38-737 PLUS THE TOTAL PAST SERVICE FUNDING  
27 REQUIREMENT RATE ESTABLISHED BY THE ASRS ACTUARY PURSUANT TO SECTION  
28 38-797.06.

29           D. ASRS SHALL DETERMINE THE SCHEDULE AND METHOD OF PAYMENT OF THE  
30 ALTERNATE CONTRIBUTION RATE. SUBJECT TO SECTION 38-738, SUBSECTION A, ALL  
31 CONTRIBUTIONS MADE BY THE EMPLOYER AND ALLOCATED TO THE FUND ESTABLISHED BY  
32 SECTION 38-712 ARE IRREVOCABLE AND SHALL BE USED AS BENEFITS UNDER THIS  
33 ARTICLE OR TO PAY THE EXPENSES OF ASRS. PAYMENTS MADE PURSUANT TO THIS  
34 SECTION BY EMPLOYERS BECOME DELINQUENT AFTER THE DUE DATE PRESCRIBED IN THE  
35 BOARD'S RULES AND THEREAFTER SHALL BE INCREASED BY INTEREST FROM AND AFTER  
36 THAT DATE UNTIL PAYMENT IS RECEIVED BY ASRS. ASRS SHALL CHARGE INTEREST ON  
37 THE DELINQUENT PAYMENTS AS PRESCRIBED IN SECTION 38-711. ASRS MAY RECOVER

1 DELINQUENT PAYMENTS DUE UNDER THIS SECTION, TOGETHER WITH INTEREST CHARGES AS  
2 PROVIDED IN THIS SECTION, BY ACTION IN A COURT OF COMPETENT JURISDICTION  
3 AGAINST AN EMPLOYER LIABLE FOR PAYMENTS OR, AT THE REQUEST OF THE DIRECTOR,  
4 ASRS MAY DEDUCT THE DELINQUENT PAYMENTS AND INTEREST CHARGES FROM ANY OTHER  
5 MONIES, INCLUDING EXCISE REVENUE TAXES, PAYABLE TO THE EMPLOYER BY ANY  
6 DEPARTMENT OR AGENCY OF THIS STATE.

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

12 F. FOR THE PURPOSES OF THIS SECTION:

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

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

22 Renumber to conform

23 Page 3, line 13, strike "AND WHO IS NOT A RECENT ELECTED OFFICIAL"

24 Line 19, strike "A RECENT ELECTED OFFICIAL" insert "AN ELECTED OFFICIAL WHO  
25 BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012"

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

28 Strike line 38

29 Page 6, strike lines 11 through 14

30 Renumber to conform

31 Page 7, line 2, strike "AND WHO IS NOT A RECENT ELECTED OFFICIAL"

32 Line 38, strike "A RECENT ELECTED OFFICIAL" insert "AN ELECTED OFFICIAL WHO  
33 BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012"

Page 8, after line 43, insert:

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

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

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

Renumber to conform

Page 9, lines 3 and 4, strike ", WHO IS NOT A RECENT ELECTED OFFICIAL"

Line 12, strike "RECENT ELECTED OFFICIAL" insert "MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012 AND"

Line 20, strike "WHO IS NOT A RECENT ELECTED OFFICIAL,"

Strike lines 23, 24 and 25

Reletter to conform

Page 10, line 33, strike "AND WHO IS NOT A RECENT ELECTED OFFICIAL"

Lines 35 and 36, strike "RECENT ELECTED OFFICIAL" insert "MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012"

Page 11, line 5, strike "AND WHO IS NOT A RECENT ELECTED OFFICIAL"

Lines 7 and 8, strike "RECENT ELECTED OFFICIAL" insert "MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012"

Line 37, strike "AND WHO IS NOT A RECENT ELECTED OFFICIAL"

Page 12, line 12, strike "RECENT ELECTED OFFICIAL" insert "MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012"

Line 14, after the period strike remainder of line

Strike line 15

Line 17, strike "THAT IS ACCRUED ON OR AFTER JANUARY 1, 2012"

Line 18, strike "THIS"

Strike lines 19 through 22

Page 13, strike lines 3 through 45

Page 14, strike lines 1 through 23

Renumber to conform

Line 28, strike "OR G"

Page 16, line 20, after "F." strike remainder of line

Line 21, strike "2012 AND WHO IS NOT A RECENT ELECTED OFFICIAL,"

Line 24, strike "NINE" insert "TEN"

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

Line 28, strike "ELEVEN" insert "THIRTEEN"

Strike lines 37 through 45

Page 17, strike lines 1 through 5

Reletter to conform

Strike lines 39 through 45

Strike page 18

Page 19, strike lines 1 through 12, insert:

"Sec. 22. Section 38-816, Arizona Revised Statutes, is amended to read:

38-816. Redemption of prior service

A. Any present active elected official WHO HAS AT LEAST TEN YEARS OF CREDITED SERVICE WITH THE PLAN may elect to redeem UP TO SIXTY MONTHS OF any part of the following prior service or employment by paying into the fund the amounts required under subsection B of this section if the prior service or employment is not on account with any other retirement system or plan:

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

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

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

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

1           B. Any present active elected official who elects to redeem any part  
2 of the prior service or employment for which the elected official is deemed  
3 eligible by the board under this section shall pay into the plan the amounts  
4 previously withdrawn by the elected official as a refund of the elected  
5 official's accumulated contributions, if any, plus the additional amount, if  
6 any, that is computed by the plan's actuary and that is necessary to equal  
7 the increase in the actuarial present value of projected benefits resulting  
8 from the redemption calculated using the actuarial methods and assumptions  
9 that are prescribed by the plan's actuary.

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

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

24           Sec. 23. Title 38, chapter 5, article 3, Arizona Revised Statutes, is  
25 amended by adding sections 38-818.01 and 38-818.02, to read:

26           38-818.01. Future benefit increases for retirees and survivors

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

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

33           1. IF THE RETIRED MEMBER BECAME A MEMBER OF THE PLAN BEFORE JANUARY 1,  
34 2012:

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

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

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

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

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

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

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

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

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

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

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

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

20 F. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

33 FROM AND AFTER DECEMBER 31, 2015, THE LEGISLATURE MAY ENACT PERMANENT  
34 ONE-TIME INCREASES IN RETIREMENT BENEFITS FOR ELIGIBLE RETIREES AND SURVIVORS  
35 OF THE PLAN AFTER AN ANALYSIS OF THE EFFECT OF THE INCREASE ON THE PLAN BY  
36 THE JOINT LEGISLATIVE BUDGET COMMITTEE. THE JOINT LEGISLATIVE BUDGET  
37 COMMITTEE SHALL ANALYZE THE EFFECT OF THE PERMANENT BENEFIT INCREASE

1        CONSIDERING THE FUNDED STATUS OF THE PLAN, THE LENGTH OF TIME SINCE THE LAST  
2        BENEFIT INCREASE, THE INCREASE IN THE COST OF LIVING SINCE THE LAST INCREASE,  
3        THE CURRENT ECONOMIC CONDITION OF THIS STATE, RECENT INVESTMENT PERFORMANCE  
4        OF THE PLAN, THE OVERALL VIEW OF THE ECONOMY AND MARKET AND THE TOTAL COST OF  
5        THE BENEFIT INCREASE TO THE PLAN.

6            Sec. 24. Section 38-820, Arizona Revised Statutes, is amended to read:

7            38-820. Credit for military service

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

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

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

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

18           4. The member pays the cost to purchase the prior active military  
19       service. The cost is the amount necessary to equal the increase in the  
20       actuarial present value of projected benefits resulting from the additional  
21       credited service.

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

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

31           1. Was an active member of the plan on the day before the member began  
32       military service.

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

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



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

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

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

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

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

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

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

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

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

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

35           5. If the member's employer pays military differential wage pay to  
36 members serving in the military, contributions shall be paid to the plan

1 pursuant to section 38-810 for any military differential wage pay paid to the  
2 member while performing military service.

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

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

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

17 Renumber to conform

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

19 Strike lines 28 through 32

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

27 Page 24, line 24, after "duty" insert "OR, BEGINNING RETROACTIVELY TO JANUARY 1,  
28 2009, WHO IS A POLICE CHIEF OR A FIRE CHIEF"

29 Page 28, line 24, strike "OR F"

30 Page 29, line 3, after "E." strike remainder of line

31 Line 4, strike "1, 2012,"

32 Line 6, strike "9.65" insert "8.65"

33 Line 8, strike "10.65" insert "9.55"

34 Between lines 9 and 10, insert:

35 "4. FOR FISCAL YEAR 2013-2014, 10.35 PER CENT OF THE MEMBER'S  
36 COMPENSATION.

1                   5. FOR FISCAL YEAR 2014-2015, 11.05 PER CENT OF THE MEMBER'S  
2                   COMPENSATION."

3           Renumber to conform

4   Page 29, line 10, strike "2013-2014" insert "2015-2016"

5           Strike lines 17 through 29

6           Reletter to conform

7   Page 30, between lines 31 and 32, insert:

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

10                   38-844.03. Eligibility; participation

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

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

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

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

29                   3. Have deferred retirement option plan benefits credited to a  
30                   deferred retirement option plan participation account pursuant to section  
31                   38-844.05.

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

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

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

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

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

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

12 4. The member does not acquire any further credited service in the  
13 system.

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

16 38-844.05. Deferred retirement option benefits and  
17 participation accounts

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

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

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

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

35 2. An amount, credited monthly, that represents interest at a rate  
36 equal to the assumed rate of return determined by the board, EXCEPT THAT FOR  
37 A MEMBER WHO HAS LESS THAN TWENTY YEARS OF CREDITED SERVICE ON JANUARY 1,

2012 AND WHO ELECTS TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION PLAN ON OR AFTER JANUARY 1, 2012, THE AMOUNT CREDITED MONTHLY IS THE AMOUNT THAT REPRESENTS INTEREST AT A RATE EQUAL TO THE AVERAGE ANNUAL RETURN OF THE SYSTEM OVER THE PERIOD OF YEARS ESTABLISHED BY THE BOARD FOR USE IN THE CALCULATION OF THE ACTUARIAL VALUE OF ASSETS FOR THE PREVIOUS YEAR, BUT NOT TO EXCEED THE SYSTEM'S ASSUMED INVESTMENT RATE OF RETURN BUT AT LEAST TWO PER CENT.

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

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

38-844.06. Additional deferred retirement option plan provisions

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

B. A MEMBER WHO HAS LESS THAN TWENTY YEARS OF CREDITED SERVICE ON JANUARY 1, 2012 AND WHO ELECTS TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION PLAN ON OR AFTER JANUARY 1, 2012, SHALL MAKE EMPLOYEE CONTRIBUTIONS TO THE SYSTEM IN THE AMOUNT EQUAL TO THE EMPLOYEE CONTRIBUTIONS CALCULATED PURSUANT TO SECTION 38-843.

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

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

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

~~C.~~ D. If a member dies during the period of the member's deferred retirement option plan participation, the designated beneficiary of the

member is entitled to receive all amounts in the member's deferred retirement option plan participation account."

Renumber to conform

Page 32, line 24, after "38-856" insert ", 38-856.02"

Page 33, after line 45, insert:

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

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

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

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

Renumber to conform

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

Strike lines 13 through 16

Line 19, strike "6" insert "5"

Line 26, after "subsection" strike remainder of line

Strike lines 27, 28 and 29, insert ", SECTION 13-713 APPLIES."

Page 36, strike lines 4 through 44

Page 37, strike lines 1 through 23, insert:

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

38-853.01. Redemption of prior service

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

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

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

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

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

27           Sec. 39. Title 38, chapter 5, article 4, Arizona Revised Statutes, is  
28 amended by adding sections 38-856.02 and 38-856.03, to read:

29           38-856.02. Future benefit increases for retirees and survivors

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

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

36           1. IF THE RETIRED MEMBER BECAME A MEMBER OF THE SYSTEM BEFORE JANUARY  
37 1, 2012:

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

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

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

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

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

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

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

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

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

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



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

7           5. IF THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL  
8       ACCRUED LIABILITY OF THE FUND IS EIGHTY PER CENT OR MORE AND THE TOTAL RETURN  
9       IS MORE THAN TEN AND ONE-HALF PER CENT FOR THE FISCAL YEAR ENDING JUNE 30 OF  
10      THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE INCREASE, FOUR PER CENT OF THE  
11      AVERAGE NORMAL BENEFIT CALCULATED AS OF THE PRECEDING JUNE 30.

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

25          E. ANY EARNINGS IN EXCESS OF THE AMOUNT NECESSARY TO FULLY PAY THE  
26      AMOUNT PRESCRIBED IN SUBSECTION C ARE NOT AVAILABLE FOR FUTURE BENEFIT  
27      INCREASES IN THE FOLLOWING YEARS AND REVERT BACK TO THE APPROPRIATE EMPLOYER  
28      ACCOUNTS.

29          F. FOR THE PURPOSES OF THIS SECTION:

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

33           2. THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL ACCRUED  
34      LIABILITY OF THE FUND IS THE NUMBER DETERMINED BY THE ADMINISTRATOR FOR THE  
35      FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE  
36      INCREASE.

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

4           38-856.03. Ad hoc increase in retirement benefits; analysis by  
5                           the joint legislative budget committee

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

16           Sec. 40. Section 38-858, Arizona Revised Statutes, is amended to read:

17           38-858. Credit for military service

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

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

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

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

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

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

34           B. An active member of the system who volunteers or is ordered to  
35 perform military service may receive credited service for not more than sixty  
36 months of military service as provided by the uniformed services employment  
37 and reemployment rights act (38 United States Code part III, chapter 43).

1 The member's employer shall make employer contributions and the member shall  
2 make the member contributions pursuant to subsection C of this section if the  
3 member meets the following requirements:

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

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

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

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

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

14 2. The date the member is released from service related  
15 hospitalization or two years after initiation of service related  
16 hospitalization, whichever date is earlier.

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

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

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

27 1. Contributions shall be based on the compensation that the member  
28 would have received but for the period that the member was ordered into  
29 active military service.

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

35 3. If a member has been employed less than twelve months before being  
36 ordered into military service, contributions shall be based on the member's

1 compensation being earned immediately preceding the period of military  
2 service.

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

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

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

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

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

26 Renumber to conform

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

28 "Sec. 44. Title 38, chapter 5, article 6, Arizona Revised Statutes, is  
29 amended by adding section 38-884.01, to read:

30 38-884.01. Reinstatement of credited service; effect of prior  
31 law

32 A. A MEMBER WHO RECEIVED A SEVERANCE REFUND ON TERMINATION OF  
33 EMPLOYMENT AS PROVIDED IN SECTION 38-884, WHO IS SUBSEQUENTLY REEMPLOYED BY  
34 AN EMPLOYER AND WHO REDEPOSITS THE AMOUNT WITHDRAWN WITH INTEREST AS PROVIDED  
35 IN SECTION 38-884 OR A MEMBER WHO REDEEMS PRIOR SERVICE PURSUANT TO STATUTE  
36 IS SUBJECT TO THE BENEFITS AND DUTIES IN EFFECT AT THE TIME OF THE MEMBER'S  
37 MOST RECENT REEMPLOYMENT. THIS SUBSECTION DOES NOT APPLY IF A COURT OF

1       COMPETENT JURISDICTION ORDERS REINSTATEMENT OF BENEFITS AND DUTIES UNDER A  
2       PRIOR LAW.

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

6       Renumber to conform

7       Page 51, strike lines 18, 19 and 20

8       Renumber to conform

9       Line 21, strike "2012-2013" insert "2011-2012"; strike "8.91" insert "8.41"

10      Lines 28 and 30, strike "3" insert "2"

11      Page 52, strike lines 30 through 45

12      Strike page 53

13      Page 54, strike lines 1 through 4, insert:

14           "Sec. 49. Title 38, chapter 5, article 6, Arizona Revised Statutes, is  
15      amended by adding sections 38-905.02 and 38-905.03, to read:

16           38-905.02. Future benefit increases for retirees and survivors

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

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

23           1. IF THE RETIRED MEMBER BECAME A MEMBER OF THE PLAN BEFORE JANUARY 1,  
24      2012:

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

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

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

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

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

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

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

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

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

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

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

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

35           D. A PERMANENT INCREASE IN BENEFITS IS AVAILABLE ONLY IF THE FUND  
36 ATTAINS A TOTAL RETURN OF MORE THAN TEN AND ONE-HALF PER CENT FOR THE FISCAL  
37 YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE

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

11 E. ANY EARNINGS IN EXCESS OF THE AMOUNT NECESSARY TO FULLY PAY THE  
12 AMOUNT PRESCRIBED IN SUBSECTION C ARE NOT AVAILABLE FOR FUTURE BENEFIT  
13 INCREASES IN THE FOLLOWING YEARS AND REVERT BACK TO THE APPROPRIATE EMPLOYER  
14 ACCOUNTS.

15 F. FOR THE PURPOSES OF THIS SECTION:

16 1. TOTAL RETURN IS THE AMOUNT PUBLISHED IN THE ANNUAL REPORT OF THE  
17 PLAN FOR THE FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE  
18 JULY 1 OF THE INCREASE.

19 2. THE RATIO OF THE ACTUARIAL VALUE OF ASSETS TO THE ACTUARIAL ACCRUED  
20 LIABILITY OF THE FUND IS THE NUMBER DETERMINED BY THE ADMINISTRATOR FOR THE  
21 FISCAL YEAR ENDING JUNE 30 OF THE CALENDAR YEAR PRECEDING THE JULY 1 OF THE  
22 INCREASE.

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

26 38-905.03. Ad hoc increase in retirement benefits; analysis by  
27 the joint legislative budget committee

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

1           Sec. 50. Section 38-907, Arizona Revised Statutes, is amended to read:

2           38-907. Credit for military service

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

14           1. Contributions shall be based on the compensation that the member  
15 would have received but for the period that the member was ordered into  
16 active military service.

17           2. If the employer cannot reasonably determine the member's rate of  
18 compensation for the period that the member was ordered into military  
19 service, contributions shall be based on the member's average rate of  
20 compensation during the twelve-month period immediately preceding the period  
21 of military service.

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

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

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

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

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

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

12           Sec. 51. Section 38-909, Arizona Revised Statutes, is amended to read:

13           38-909. Redemption of prior service: calculation

14           A. Each present active member of the plan **WHO HAS AT LEAST TEN YEARS**  
15 **OF CREDITED SERVICE WITH THE PLAN** who had previous service in this state as  
16 an employee with an employer now covered by the plan or who had previous  
17 service with an agency of the United States government, a state of the United  
18 States or a political subdivision of a state of the United States as a  
19 full-time paid corrections officer or full-time paid certified peace officer  
20 may elect to redeem **UP TO SIXTY MONTHS OF** any part of the prior service by  
21 paying into the plan any amounts required under subsection B if the prior  
22 service is not on account with any other retirement system.

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

32           C. The discount rate used by the actuary for the redemption  
33 calculation pursuant to subsection B is an amount equal to the lesser of the  
34 assumed rate of return that is prescribed by the board or an amount equal to  
35 the yield on a ten year treasury note as of March 1 that is published by the  
36 federal reserve board plus two per cent. This discount rate is effective  
37 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 54, line 17, after "38-905" insert ", 38-905.02"

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

B. The legislature further finds:

1. Members of the:

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

(b) Public safety personnel retirement system who entered the system on or after July 27, 1983 agreed to the benefit and vesting terms prescribed

1 in section 38-844.01, Arizona Revised Statutes, as a material condition of  
2 their contract with this state.

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

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

14 3. That the current structure of the public safety personnel  
15 retirement system and the elected officials' retirement plan that requires a  
16 fixed employee contribution rate requires a contribution rate from employees  
17 that is insufficient in relation to the cost associated with the benefits  
18 required by the plan design and therefore places a greater financial burden  
19 on employers. By moving to an increased shared cost structure, public safety  
20 and corrections employees will bear increased responsibility for the fiscal  
21 health of the funds and, as the funds improve their funded status and  
22 approach fully funded or overfunded status, the employees will realize  
23 decreased contribution costs that would be lower than currently required.

24 4. That the current method of funding benefit increases to retirees of  
25 the elected officials retirement plan, the public safety personnel retirement  
26 system and the corrections officers retirement plan is flawed and makes it  
27 highly unlikely that these funds will achieve their actuarially assumed  
28 earning rates during positive and negative investment environments and  
29 invariably leads to greater investment risk on the part of the funds'  
30 trustees. It is fundamentally unsound to provide a benefit increase during  
31 periods when the funded status of the retirement programs is less than sixty  
32 per cent. Changing the manner of funding these benefit increases is intended  
33 to improve the funded status of the elected officials' retirement plan, the  
34 public safety personnel retirement system and the corrections officer  
35 retirement plan and is in the best interests of the members and beneficiaries  
36 of these retirement programs in that it will preserve future benefits for  
37 plan participants.

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

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

9           Sec. 57. Defined contribution and retirement study committee:  
10 delayed repeal

11           A. The defined contribution and retirement study committee is  
12 established consisting of:

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

16           2. Three members of the senate who are appointed by the president of  
17 the senate, not more than two of whom are members of the same political  
18 party.

19           3. Three members of the house of representatives who are appointed by  
20 the speaker of the house of representatives, not more than two of whom are  
21 members of the same political party.

22           4. One member of the board of trustees of the public safety personnel  
23 retirement system who is appointed by the board of trustees of the public  
24 safety personnel retirement system.

25           5. One member of the Arizona state retirement system board who is  
26 appointed by the Arizona state retirement system board.

27           B. The committee shall study:

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

34           2. All the existing supplemental retirement plans in the public safety  
35 personnel retirement system and the Arizona state retirement system, the  
36 advantages and disadvantages of these supplemental retirement plans and the

1 feasibility of merging these supplemental retirement plans to achieve maximum  
2 effectiveness and minimization of costs to members and employers.

3 3. The definitions of compensation, average yearly salary and salary  
4 as used by the Arizona state retirement system, the elected officials'  
5 retirement plan, the public safety personnel retirement system and the  
6 corrections officer retirement plan to ascertain the actuarial effect of  
7 these definitions on the respective retirement systems and plans,  
8 particularly the ability and actuality of "spiking" compensation.

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.

1           Sec. 58. Rule making authority

2           Notwithstanding any other law, the Arizona state retirement system may  
3 conduct rule making for the purpose of implementing this act.

4           Sec. 59. Legislative intent; alternate contribution rate; ASRS  
5                           employers; EORP, PSPRS and CORP employers

6           The legislature intends by this act:

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

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

20          Sec. 60. Appropriation; Arizona state retirement system; exemption

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

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

28          Sec. 61. Use of previously appropriated monies

29          The monies appropriated to the Arizona state retirement system pursuant  
30 to Laws 2010, chapter 50, section 8 that remain unexpended and unencumbered  
31 may be used for the administrative implementation of this act.

1           Sec. 62. Appropriation; state treasurer; defined contribution and  
2                     retirement study committee; purpose; exemption;  
3                     reversion

4           A. The sum of \$50,000 is appropriated from the Arizona state  
5           retirement system administration account in fiscal year 2011-2012 to the  
6           state treasurer for the purpose of implementing the duties of the defined  
7           contribution and retirement study committee that is established by this act.  
8           The Arizona state retirement system board shall allocate the appropriation  
9           from the administration account as described in section 38-721, subsection C,  
10          Arizona Revised Statutes.

11          B. Notwithstanding any other law, the sum of \$50,000 is appropriated  
12          from the public safety personnel retirement system in fiscal year 2011-2012  
13          to the state treasurer for the purpose of implementing the duties of the  
14          defined contribution and retirement study committee that is established by  
15          this act. The administrator of the public safety personnel retirement system  
16          shall allocate the appropriation from the respective funds administered by  
17          the board of trustees of the public safety personnel retirement system.

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

21          D. All monies remaining unexpended and unencumbered on September 30,  
22          2013 from the appropriations made by this section revert respectively to the  
23          Arizona state retirement system administrative account and the public safety  
24          personnel retirement system.

25          Sec. 63. EORP; PSPRS; CORP; transfers to the excess investment  
26                     earning account prohibited; retroactivity

27          A. Notwithstanding section 38-818, Arizona Revised Statutes, from and  
28          after May 31, 2011 and each year thereafter, no excess investment earnings  
29          shall be transferred to the excess investment earnings on pensions in payment  
30          status account.

31          B. Notwithstanding section 38-856, Arizona Revised Statutes, from and  
32          after May 31, 2011, and each year thereafter, no excess investment earnings  
33          on the net assets of the fund shall be transferred to the excess investment  
34          earnings account.

35          C. Notwithstanding section 38-905, Arizona Revised Statutes, from and  
36          after May 31, 2011 and each year thereafter, no excess investment earning on



1 the net assets of the fund shall be transferred to the excess investment  
2 earnings account.

3 D. This section is effective retroactively to from and after May 31,  
4 2011.

5 Sec. 64. Board of trustees report on employer and employee costs

6 On or before December 31 of each year, the board of trustees shall  
7 provide to the legislature, and the joint legislative budget committee and  
8 post on its website the shared cost structure of employees and employers, the  
9 funding status and the rate of return. The report to the legislature shall  
10 include when the trigger to the reduction in the employee rates is being met.

11 Renumber to conform

12 Page 56, strike lines 28 and 29

13 Line 30, strike "B."; after "Sections" insert "38-711, 38-758,"

14 After line 31, insert:

15 "Sec. 66. Emergency

16 This act is an emergency measure that is necessary to preserve the  
17 public peace, health or safety and is operative immediately as provided by  
18 law."

19 Amend title to conform

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KIRK D. ADAMS

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