

State of Arizona
Senate
Fiftieth Legislature
First Regular Session
2011

SENATE BILL 1609

AN ACT

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

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

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 38-711. Definitions

25 In this article, unless the context otherwise requires:

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

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

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

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

38 5. "Average monthly compensation" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 13. "Employer" means:

18 (a) This state.

19 (b) Participating political subdivisions.

20 (c) Participating political subdivision entities.

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

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

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

27 (a) Has not retired.

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

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

30 (d) Has not withdrawn contributions from ASRS.

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

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

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

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

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

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

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

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

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

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

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

8 (a) That is located in this state.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 Sec. 4. Repeal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 4. One of the following occurs:

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

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

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

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

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

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

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

32 3. One year after the date of disability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 2. Either:

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

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

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

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

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

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

37 1. THE DATE THE MEMBER TERMINATES EMPLOYMENT.

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

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

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

3 38-766.01. Retired members; return to work

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 F. FOR THE PURPOSES OF THIS SECTION:

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

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

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

45 In this article, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 15. "Elected official" means:

27 (a) Every elected official of this state.

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

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

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

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

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

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

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

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

1 (a) Is under eighteen years of age.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 38-804. Membership; termination

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

45 (c) The member should be retired.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

32 2. The date the member terminates employment.

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

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

41 38-810. Contributions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41 38-816. Redemption of prior service

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 F. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41 38-842. Definitions

42 In this article, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (a) Is under eighteen years of age.

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

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

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

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

23 (b) Municipal fire fighters.

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

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

29 (e) State fire fighters.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 28. "Employers" means:

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

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

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

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

20 (e) Indian tribes that have elected to participate in the system on
21 behalf of an eligible group of public safety personnel pursuant to a joinder
22 agreement entered into after July 1, 1968.

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

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

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

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

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

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

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

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

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

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

22 32. "Normal retirement date" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 38-843. Contributions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 38-844.03. Eligibility: participation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43 38-846.01. Deferred annuity; exception

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

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

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

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

19 38-846.02. Termination of membership

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41 Sec. 36. Repeal

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

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

3 38-853.01. Redemption of prior service

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 F. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42 38-881. Definitions

43 In this article, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 13. "Designated position" means:

18 (a) For a county:

19 (i) A county detention officer.

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

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

24 (i) Food service.

25 (ii) Nursing personnel.

26 (iii) Corrections physician assistant.

27 (iv) Therapist.

28 (v) Corrections dental assistant.

29 (vi) Hygienist.

30 (vii) Corrections medical assistant.

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

33 (ix) State correctional program officer.

34 (x) Parole or community supervision officers.

35 (xi) Investigators.

36 (xii) Teachers.

37 (xiii) Institutional maintenance workers.

38 (xiv) Youth corrections officer.

39 (xv) Youth program officer.

40 (xvi) Behavioral health treatment unit managers.

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

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

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

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

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

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

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

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

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

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

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

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

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

32 (a) Is under eighteen years of age.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42 28. "Normal retirement date" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 Sec. 41. Repeal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 38-885. Normal retirement; conditions and pension

36 A. A member may retire if the member:

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

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

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

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

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

1 (b) THE MEMBER'S CREDITED SERVICE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 38-891. Employer and member contributions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 F. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

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

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

17 38-907. Credit for military service

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44 G. If a member performs military service due to a presidential
45 call-up, not to exceed forty-eight months, the employer shall make the

1 employer and member contributions computed pursuant to subsection E of this
2 section on the member's return and in compliance with subsection B of this
3 section.

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

10 Sec. 50. Section 38-909, Arizona Revised Statutes, is amended to read:

11 38-909. Redemption of prior service; calculation

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

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

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

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

1 Sec. 51. Section 38-911, Arizona Revised Statutes, is amended to read:

2 38-911. Deferred annuity; eligibility; amount; exception

3 A. If any member who has at least ten years of credited service
4 terminates employment for reasons other than retirement or disability, the
5 person may elect to receive a deferred annuity, except that if the person
6 withdraws the person's accumulated contributions from the plan, all rights to
7 a deferred annuity are forfeited. A deferred annuity is a lifetime monthly
8 payment that is actuarially equivalent to the annuitant's accumulated
9 contributions in the plan plus an equal amount paid by the employer and
10 commences on application on or after the sixty-second birthday of the
11 annuitant. The deferred annuity is not a retirement benefit and annuitants
12 are not entitled to receive any amount prescribed by section 38-887, 38-888,
13 38-904, 38-905, 38-905.02 or 38-906.

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

20 Sec. 52. Section 38-912, Arizona Revised Statutes, is amended to read:

21 38-912. Civil liability; restitution or payment of fine;
22 forfeiture of benefits; violation; classification;
23 offset of benefits

24 A. A person who defrauds the plan or who takes, converts, steals or
25 embezzles monies owned by or from the plan and who fails or refuses to return
26 the monies to the plan on the board's written request is subject to civil
27 suit by the plan in the superior court in Maricopa county. On entry of an
28 order finding the person has defrauded the plan or taken, converted, stolen
29 or embezzled monies owned by or from the plan, the court shall enter an order
30 against that person and for the plan awarding the plan all of its costs and
31 expenses of any kind, including attorney fees, that were necessary to
32 successfully prosecute the action. The court shall also grant the plan a
33 judicial lien on all of the nonexempt property of the person against whom
34 judgment is entered pursuant to this subsection in an amount equal to all
35 amounts awarded to the plan, plus interest at the rate prescribed by section
36 44-1201, subsection A, until all amounts owed are paid to the plan.

37 B. If a member is convicted of, or discharged because of, theft,
38 embezzlement, fraud or misappropriation of an employer's property or property
39 under the control of the employer, the member is subject to restitution and
40 fines imposed by a court of competent jurisdiction. The court may order the
41 restitution or fines to be paid from any payments otherwise payable to the
42 member from the plan.

43 C. A person who knowingly makes any false statement or who falsifies
44 or permits to be falsified any record of the plan with an intent to defraud
45 the plan is guilty of a class ~~6~~ 5 felony. If any change or error in the

1 records results in any member or beneficiary receiving from the plan more or
2 less than the member or beneficiary would have been entitled to receive had
3 the records been correct, the local board shall correct the error, and as far
4 as practicable shall adjust the payments in a manner that the actuarial
5 equivalent of the benefit to which the member or beneficiary was correctly
6 entitled shall be paid. If a member is convicted of a crime pursuant to this
7 subsection, SECTION 13-713 APPLIES. ~~the member is entitled to receive a lump~~
8 ~~sum payment of the member's accumulated contributions but forfeits any future~~
9 ~~compensation and benefits that would otherwise accrue to the member or the~~
10 ~~member's estate under this article.~~

11 D. Notwithstanding any other provision of this article, the board may
12 offset against any benefits otherwise payable by the plan to a member or
13 survivor any court ordered amounts awarded to the board and plan and assessed
14 against the member or survivor.

15 Sec. 53. Repeal

16 Laws 2005, chapter 324, section 2 is repealed.

17 Sec. 54. Severability

18 If a provision of this act or its application to any person or
19 circumstance is held invalid, the invalidity does not affect other provisions
20 or applications of the act that can be given effect without the invalid
21 provision or application, and to this end the provisions of this act are
22 severable.

23 Sec. 55. Legislative findings

24 A. The legislature recognizes that in order to have a sound public
25 retirement system that benefits this state, taxpayers and members of the
26 retirement systems, the public retirement systems must be funded with
27 contributions and investment earnings based on actuarial methods and
28 assumptions that meet generally accepted actuarial standards. Article XXIX,
29 Constitution of Arizona. The legislature finds that the current structures
30 of the elected officials' retirement plan, the public safety personnel
31 retirement system and the corrections officer retirement plan do not achieve
32 this goal. Since rights to benefits have not vested because application and
33 eligibility for benefits have not occurred, the legislature intends to modify
34 and amend these various retirement programs in order to protect the best
35 interests of the members and beneficiaries.

36 B. The legislature further finds:

37 1. Members of the:

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

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

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

7 2. That the current structures of the elected officials' retirement
8 plan, the public safety personnel retirement system and the corrections
9 officer retirement plan do not lead to the goal of attaining one hundred per
10 cent funded status and jeopardizes the future payment of benefits to current
11 and future retirees of these three retirement programs.

12 3. That the current structure of the public safety personnel
13 retirement system and the elected officials' retirement plan that requires a
14 fixed employee contribution rate requires a contribution rate from employees
15 that is insufficient in relation to the cost associated with the benefits
16 required by the plan design and therefore places a greater financial burden
17 on employers. By moving to an increased shared cost structure, public safety
18 and corrections employees will bear increased responsibility for the fiscal
19 health of the funds and, as the funds improve their funded status and
20 approach fully funded or overfunded status, the employees will realize
21 decreased contribution costs that would be lower than currently required.

22 4. That the current method of funding benefit increases to retirees of
23 the elected officials retirement plan, the public safety personnel retirement
24 system and the corrections officers retirement plan is flawed and makes it
25 highly unlikely that these funds will achieve their actuarially assumed
26 earning rates during positive and negative investment environments and
27 invariably leads to greater investment risk on the part of the funds'
28 trustees. It is fundamentally unsound to provide a benefit increase during
29 periods when the funded status of the retirement programs is less than sixty
30 per cent. Changing the manner of funding these benefit increases is intended
31 to improve the funded status of the elected officials' retirement plan, the
32 public safety personnel retirement system and the corrections officer
33 retirement plan and is in the best interests of the members and beneficiaries
34 of these retirement programs in that it will preserve future benefits for
35 plan participants.

36 5. It is necessary to change the future plan and system structures for
37 nonvested members to take into consideration the increased life expectancy of
38 members and future employees and make the reforms necessary to preserve the
39 funded status of the retirement programs in future years.

40 6. To protect the future benefits of retired, active and future
41 employees it is necessary to make the changes outlined in this act to
42 preserve the funded status of these three retirement programs and return the
43 programs to fiscal solvency.

1 Sec. 56. Defined contribution and retirement study committee:
2 delayed repeal

3 A. The defined contribution and retirement study committee is
4 established consisting of:

5 1. The five members of the state board of investment established by
6 section 35-311, Arizona Revised Statutes. The chairperson of the state board
7 of investment is the chairperson of the study committee.

8 2. Three members of the senate who are appointed by the president of
9 the senate, not more than two of whom are members of the same political
10 party.

11 3. Three members of the house of representatives who are appointed by
12 the speaker of the house of representatives, not more than two of whom are
13 members of the same political party.

14 4. One member of the board of trustees of the public safety personnel
15 retirement system who is appointed by the board of trustees of the public
16 safety personnel retirement system.

17 5. One member of the Arizona state retirement system board who is
18 appointed by the Arizona state retirement system board.

19 B. The committee shall study:

20 1. The feasibility and cost of transferring existing members of a
21 public retirement system or plan to a new defined contribution plan as well
22 as providing for a defined contribution plan for newly hired public
23 employees. The committee shall examine public and private defined
24 contribution plans in other states, including their plan designs, and the
25 federal tax issues that affect a defined contribution retirement plan.

26 2. All the existing supplemental retirement plans in the public safety
27 personnel retirement system and the Arizona state retirement system, the
28 advantages and disadvantages of these supplemental retirement plans and the
29 feasibility of merging these supplemental retirement plans to achieve maximum
30 effectiveness and minimization of costs to members and employers.

31 3. The definitions of compensation, average yearly salary and salary
32 as used by the Arizona state retirement system, the elected officials'
33 retirement plan, the public safety personnel retirement system and the
34 corrections officer retirement plan to ascertain the actuarial effect of
35 these definitions on the respective retirement systems and plans,
36 particularly the ability and actuality of "spiking" compensation.

37 4. In regards to the public safety personnel retirement system and the
38 corrections officer retirement plan, the advantages and disadvantages of the
39 local board system, the advantages and disadvantages of the agent
40 multiple-employer public retirement system model and the feasibility of
41 establishing a single employer public retirement system model.

42 5. In regards to the public safety personnel retirement system and the
43 corrections officer retirement plan, the procedures, determinations and
44 granting of accidental and ordinary disability retirements to members, the
45 effect of the local boards in providing adequate cost controls for these

1 disability retirements, the establishment of another medical disability tier
2 that provides for those members who cannot perform a reasonable range of
3 duties within the member's job classification or department but who are not
4 totally disabled and the elimination of the local boards in making such
5 determinations and replacing the determinations of granting medical
6 disabilities with a single determination board in the administrative offices
7 of the public safety personnel retirement system.

8 C. The committee may use the services of consultants, actuaries and
9 attorneys in performing the committee's duties. Contracts for services
10 approved by the committee are exempt from title 41, chapter 23, Arizona
11 Revised Statutes.

12 D. The committee shall meet at least twice on or before December 31,
13 2011 and shall provide an interim report to the speaker of the house of
14 representatives, the president of the senate and the governor on or before
15 December 31, 2011. On or before December 31, 2012, the committee shall
16 submit a written report of its findings and recommendations to the speaker of
17 the house of representatives, the president of the senate and the governor.
18 The committee shall provide copies of these reports to the secretary of
19 state.

20 E. This section is repealed from and after September 30, 2013.

21 Sec. 57. Rule making authority

22 Notwithstanding any other law, the Arizona state retirement system may
23 conduct rule making for the purpose of implementing this act.

24 Sec. 58. Legislative intent; alternate contribution rate; ASRS
25 employers; EORP, PSPRS and CORP employers

26 The legislature intends by this act:

27 1. To establish an alternate contribution rate in order to mitigate
28 the potential actuarial impact that a retired member who returns to work for
29 an employer may have on the Arizona state retirement system. Through the
30 establishment of the alternate contribution rate the legislature intends to
31 assure employers that the use of leased, contracted or retired employees and
32 services will have a minimal, if any, actuarial impact on the Arizona state
33 retirement system.

34 2. To establish an alternate contribution rate in order to mitigate
35 the potential actuarial impact that is caused by distorting the actuarial
36 assumption relating to age related rates of retirement that a retired member
37 who returns to work for an employer may have on the elected officials'
38 retirement plan, the public safety personnel retirement system and the
39 corrections officer retirement plan.

40 Sec. 59. Appropriation; Arizona state retirement system;
41 exemption

42 A. The sum of \$250,000 is appropriated from the Arizona state
43 retirement system administration account in fiscal year 2011-2012 to the
44 Arizona state retirement system for the administrative implementation of this
45 act.

1 B. The appropriation made in subsection A of this section is exempt
2 from the provisions of section 35-190, Arizona Revised Statutes, relating to
3 lapsing of appropriations.

4 Sec. 60. Use of previously appropriated monies

5 The monies appropriated to the Arizona state retirement system pursuant
6 to Laws 2010, chapter 50, section 8 that remain unexpended and unencumbered
7 may be used for the administrative implementation of this act.

8 Sec. 61. Appropriation; state treasurer; defined contribution
9 and retirement study committee; purpose; exemption;
10 reversion

11 A. The sum of \$50,000 is appropriated from the Arizona state
12 retirement system administration account in fiscal year 2011-2012 to the
13 state treasurer for the purpose of implementing the duties of the defined
14 contribution and retirement study committee that is established by this act.
15 The Arizona state retirement system board shall allocate the appropriation
16 from the administration account as described in section 38-721, subsection C,
17 Arizona Revised Statutes.

18 B. Notwithstanding any other law, the sum of \$50,000 is appropriated
19 from the public safety personnel retirement system in fiscal year 2011-2012
20 to the state treasurer for the purpose of implementing the duties of the
21 defined contribution and retirement study committee that is established by
22 this act. The administrator of the public safety personnel retirement system
23 shall allocate the appropriation from the respective funds administered by
24 the board of trustees of the public safety personnel retirement system.

25 C. The appropriations made in subsections A and B of this section are
26 exempt from the provisions of section 35-190, Arizona Revised Statutes,
27 relating to lapsing of appropriations.

28 D. All monies remaining unexpended and unencumbered on September 30,
29 2013 from the appropriations made by this section revert respectively to the
30 Arizona state retirement system administrative account and the public safety
31 personnel retirement system.

32 Sec. 62. EORP; PSPRS; CORP; transfers to the excess investment
33 earning account prohibited; retroactivity

34 A. Notwithstanding section 38-818, Arizona Revised Statutes, from and
35 after May 31, 2011 and each year thereafter, no excess investment earnings
36 shall be transferred to the excess investment earnings on pensions in payment
37 status account.

38 B. Notwithstanding section 38-856, Arizona Revised Statutes, from and
39 after May 31, 2011, and each year thereafter, no excess investment earnings
40 on the net assets of the fund shall be transferred to the excess investment
41 earnings account.

42 C. Notwithstanding section 38-905, Arizona Revised Statutes, from and
43 after May 31, 2011 and each year thereafter, no excess investment earning on
44 the net assets of the fund shall be transferred to the excess investment
45 earnings account.

1 D. This section is effective retroactively to from and after May 31,
2 2011.

3 Sec. 63. Board of trustees report on employer and employee
4 costs

5 On or before December 31 of each year, the board of trustees shall
6 provide to the legislature, and the joint legislative budget committee and
7 post on its website the shared cost structure of employees and employers, the
8 funding status and the rate of return. The report to the legislature shall
9 include when the trigger to the reduction in the employee rates is being met.

10 Sec. 64. Retroactivity

11 Sections 38-711, 38-758, 38-810, 38-843 and 38-891, Arizona Revised
12 Statutes, as amended by this act, apply retroactively to from and after June
13 30, 2011.

14 Sec. 65. Emergency

15 This act is an emergency measure that is necessary to preserve the
16 public peace, health or safety and is operative immediately as provided by
17 law.