

REFERENCE TITLE: public retirement systems; plan design

State of Arizona
House of Representatives
Fiftieth Legislature
First Regular Session
2011

HB 2726

Introduced by
Representatives Adams, Olson

AN ACT

AMENDING SECTIONS 38-711, 38-758, 38-760, 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; REPEALING SECTION 38-767, ARIZONA REVISED STATUTES; AMENDING SECTIONS 38-801, 38-804, 38-805, 38-806, 38-808 AND 38-810, ARIZONA REVISED STATUTES; REPEALING SECTION 38-818, ARIZONA REVISED STATUTES; AMENDING SECTIONS 38-842, 38-843, 38-844.03, 38-844.05, 38-845, 38-846.01 AND 38-846.02, ARIZONA REVISED STATUTES; 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; REPEALING SECTION 38-856, 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 SECTIONS 38-884, 38-885, 38-885.01, 38-886.01 AND 38-891, ARIZONA REVISED STATUTES; REPEALING SECTION 38-905, ARIZONA REVISED STATUTES; AMENDING SECTION 38-911, ARIZONA REVISED STATUTES; REPEALING LAWS 2005, CHAPTER 324, SECTION 2; 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. Section 38-711, Arizona Revised Statutes, is amended to
3 read:

4 38-711. Definitions

5 In this article, unless the context otherwise requires:

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

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

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

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

18 5. "Average monthly compensation" means:

19 (a) For a member whose membership in ASRS commenced before January 1,
20 1984 and who left the member's contributions on deposit or reinstated
21 forfeited credited service pursuant to section 38-742 for a period of
22 employment that commenced before January 1, 1984, the higher of either:

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

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

43 (b) For a member whose membership in ASRS commenced on or after
44 January 1, 1984 but before July 1, 2011, the monthly average of compensation
45 on which contributions were remitted during a period of thirty-six

1 consecutive months during which a member receives the highest compensation
2 within the last one hundred twenty months of credited service. Any month for
3 which no contributions are reported to ASRS or that falls within a period of
4 nonpaid or partially paid leave of absence or sabbatical leave shall be
5 excluded from the computation. The thirty-six consecutive months may
6 entirely precede, may be both before and after or may be completely after any
7 excluded months. If the member was employed for less than thirty-six
8 consecutive months, the average monthly compensation shall be based on the
9 total consecutive months worked.

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

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

22 7. "Compensation" means the gross amount paid to a member by an
23 employer as salary or wages, including amounts that are subject to deferred
24 compensation or tax shelter agreements, for services rendered to or for an
25 employer, or that would have been paid to the member except for the member's
26 election or a legal requirement that all or part of the gross amount be used
27 for other purposes, but does not include amounts paid in excess of
28 compensation limits established in section 38-746. Compensation includes
29 amounts paid as salary or wages to a member by a second employer if the
30 member meets the requirements prescribed in paragraph 23, subdivision (b) of
31 this section with that second employer. Compensation, as provided in
32 paragraph 5, subdivision (b) or (c) of this section, does not include:

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

37 (b) Damages, costs, attorney fees, interest or other penalties paid
38 pursuant to a court order or a compromise settlement or agreement to satisfy
39 a grievance or claim even though the amount of the payment is based in whole
40 or in part on previous salary or wage levels, except that, if the court order
41 or compromise settlement or agreement directs salary or wages to be paid for
42 a specific period of time, the payment is compensation for that specific
43 period of time. If the amount directed to be paid is less than the actual
44 salary or wages that would have been paid for the period if service had been

1 performed, the contributions for the period shall be based on the amount of
2 compensation that would have been paid if the service had been performed.

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

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

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

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

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

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

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

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

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

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

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

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

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

42 13. "Employer" means:

43 (a) This state.

44 (b) Participating political subdivisions.

45 (c) Participating political subdivision entities.

- 1 14. "Employer contributions" means all amounts paid into ASRS by an
2 employer on behalf of a member.
- 3 15. "Fiscal year" means the period from July 1 of any year to June 30
4 of the following year.
- 5 16. "Inactive member" means a member who previously made contributions
6 to ASRS and who satisfies each of the following:
7 (a) Has not retired.
8 (b) Is not eligible for active membership in ASRS.
9 (c) Is not currently making contributions to ASRS.
10 (d) Has not withdrawn contributions from ASRS.
- 11 17. "Interest" means the assumed actuarial investment earnings rate
12 approved by the board.
- 13 18. "Internal revenue code" means the United States internal revenue
14 code of 1986, as amended.
- 15 19. "Investment management" means the persons, companies, banks,
16 insurance company investment funds, mutual fund companies, management or any
17 combinations of those entities that are appointed by ASRS and that have
18 responsibility and authority for investment of the monies of ASRS.
- 19 20. "Late retirement" means retirement after normal retirement.
- 20 21. "Leave of absence" means any unpaid leave authorized by the
21 employer, including leaves authorized for sickness or disability or to pursue
22 education or training.
- 23 22. "Life annuity" means equal monthly installments payable during the
24 member's lifetime after retirement.
- 25 23. "Member":
26 (a) Means any employee of an employer on the effective date.
27 (b) Means all employees of an employer who are eligible for membership
28 pursuant to section 38-727 and who are engaged to work at least twenty weeks
29 in each fiscal year and at least twenty hours each week.
30 (c) Means any person receiving a benefit under ASRS.
31 (d) Means any person who is a former active member of ASRS and who has
32 not withdrawn contributions from ASRS pursuant to section 38-740.
33 (e) Does not include any employee of an employer who is otherwise
34 eligible pursuant to this article and who begins service in a limited
35 appointment for not more than eighteen months on or after July 1, 1979. If
36 the employment exceeds eighteen months, the employee shall be covered by ASRS
37 as of the beginning of the nineteenth month of employment. In order to be
38 excluded under this subdivision, classifications of employees designated by
39 employers as limited appointments must be approved by the director.
40 (f) Does not include any leased employee. For the purposes of section
41 414(n) of the internal revenue code, "leased employee" means an individual
42 who:

- 1 (i) Is not otherwise an employee of an employer.
2 (ii) Pursuant to a leasing agreement between the employer and another
3 person, performs services for the employer on a substantially full-time basis
4 for at least one year.
5 (iii) Performs services under the primary direction or control of the
6 employer.
7 24. "Member contributions" means all amounts paid to ASRS by a member.
8 25. "Normal costs" means the sum of the individual normal costs for all
9 active members for each fiscal year. The normal cost for an individual
10 active member is the cost that is assigned to the fiscal year using the
11 projected unit credit method.
12 26. "Normal retirement age" means the age at which a member reaches the
13 member's normal retirement date.
14 27. "Normal retirement date" means the earliest of the following:
15 (a) A member's sixty-fifth birthday.
16 (b) A member's sixty-second birthday and completion of at least ten
17 years of credited service.
18 (c) For a member whose membership commenced before July 1, 2011, the
19 first day that the sum of a member's age and years of total credited service
20 equals eighty. ~~For a member whose membership commenced on or after July 1,~~
21 ~~2011, the first day that the sum of a member's age and years of total~~
22 ~~credited service equals eighty-five.~~
23 28. "Political subdivision" means any political subdivision of this
24 state and includes a political subdivision entity.
25 29. "Political subdivision entity" means an entity:
26 (a) That is located in this state.
27 (b) That is created in whole or in part by political subdivisions,
28 including instrumentalities of political subdivisions.
29 (c) Where a majority of the membership of the entity is composed of
30 political subdivisions.
31 (d) Whose primary purpose is the performance of a government related
32 service.
33 30. "Retired member" means a member who is receiving retirement
34 benefits pursuant to this article.
35 31. "Service year" means fiscal year, except that:
36 (a) If the normal work year required of a member is less than the full
37 fiscal year but is for a period of at least nine months, the service year is
38 the normal work year.
39 (b) For a salaried member employed on a contract basis under one
40 contract, or two or more consecutive contracts, for a total period of at
41 least nine months, the service year is the total period of the contract or
42 consecutive contracts.
43 (c) In determining average monthly compensation pursuant to paragraph
44 5 of this section, the service year is considered to be twelve months of
45 compensation.

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

3 33. "Vested" means that a member is eligible to receive a future
4 retirement benefit.

5 Sec. 2. Section 38-758, Arizona Revised Statutes, is amended to read:
6 38-758. Early retirement

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

10 B. For a member whose membership in ASRS commenced before July 1,
11 2011, the benefit payable to a member electing early retirement shall be
12 determined by reducing the normal retirement benefit computed in accordance
13 with section 38-757 either:

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

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

27 C. For a member whose membership in ASRS commenced on or after July 1,
28 2011, the benefit payable to a member electing early retirement shall be
29 determined by reducing the normal retirement benefit computed in accordance
30 with section 38-757 ~~by the lesser of either:~~

31 ~~1.~~ at the rate of three per cent per year from age sixty to age
32 sixty-five and five per cent per year from age fifty to age sixty. The
33 reduction in normal retirement benefits pursuant to this ~~paragraph~~ **SUBSECTION**
34 for an eligible member electing early retirement shall be based on the period
35 from the date of commencement of early retirement benefits to the member's
36 sixty-second birthday if the member has at least ten years of total credited
37 service or sixty-fifth birthday if the member has at least five but less than
38 ten years of total credited service.

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

1 Sec. 3. Section 38-760, Arizona Revised Statutes, is amended to read:
2 38-760. Optional forms of retirement benefits

3 A. On retirement, members may elect an optional form of retirement
4 benefit as provided in this section.

5 B. The optional retirement benefits available under this section
6 include the following:

7 1. Joint and survivor annuity in a reduced amount payable to the
8 retiring member during life, with the provisions that after the member's
9 death all, two-thirds or one-half of the retirement income, as the member
10 elects, shall be continued during the lifetime of the contingent annuitant
11 designated by the retiring member subject to the restrictions prescribed in
12 section 38-764. The amount of retirement income shall be the actuarial
13 equivalent of the retirement income to which the member would be entitled
14 under normal or early retirement. The election in a manner prescribed by the
15 board shall name the contingent annuitant. The election may be revoked at
16 any time before the member's effective date of retirement. At any time after
17 benefits have commenced, the member may name a different contingent annuitant
18 or rescind the election by written notice to the board as follows:

19 (a) If a different contingent annuitant is named, the annuity of the
20 member under the same joint and survivor annuity option previously elected
21 shall be adjusted to the actuarial equivalent of the original annuity, based
22 on the age of the new contingent annuitant. The adjustment shall include all
23 postretirement increases in retirement income that are authorized by law
24 after the member's date of retirement. Payment of this adjusted annuity
25 shall continue under the provisions of the option previously elected by the
26 member.

27 (b) If the member rescinds the election, the member shall thereafter
28 receive a straight life annuity equal to what the member would otherwise be
29 entitled to receive if the member had not elected the joint and survivor
30 annuity option, including all postretirement increases in retirement income
31 that are authorized by law after the date of retirement. The increased
32 payment shall continue during the remainder of the member's lifetime.

33 (c) If a member whose original date of retirement is before ~~the~~
34 ~~effective date of this amendment to this section~~ JULY 1, 2008 rescinds the
35 joint and survivor annuity option previously elected and receives the
36 straight life annuity pursuant to subdivision (b) of this paragraph, the
37 member may again elect the same joint and survivor annuity option previously
38 elected subject to the same restrictions prescribed in subdivision (a) of
39 this paragraph.

40 (d) A member whose original date of retirement is on or after ~~the~~
41 ~~effective date of this amendment to this section~~ JULY 1, 2008 may exercise a
42 one-time election to rescind the joint and survivor annuity option elected by
43 the member if the contingent annuitant dies or ceases to be a contingent
44 annuitant pursuant to the terms of a qualified domestic relations order.

1 (e) If the member's contingent annuitant is the member's current
2 spouse, the member shall notify the contingent annuitant before the member
3 names a new contingent annuitant or before the member rescinds the election.

4 2. A period certain and life annuity actuarially reduced with payments
5 for five, ten or fifteen years that are not dependent on the continued
6 lifetime of the member but whose payments continue for the member's lifetime
7 beyond the five, ten or fifteen year period. At the time of electing this
8 option the member shall name a period certain beneficiary or beneficiaries
9 who are entitled to receive the payments for any portion of the period
10 certain beyond the lifetime of the member. The member may name a different
11 beneficiary at any time. If no beneficiary survives the member, any
12 remaining payments are the property of the member's estate. A member who
13 retires after August 9, 2001 and before ~~the effective date of this amendment~~
14 ~~to this section~~ JULY 1, 2008 may rescind the election of a period certain and
15 life annuity. If the member rescinds the election of a period certain and
16 life annuity, the member shall thereafter receive a straight life annuity
17 equal to what the member would otherwise be entitled to receive if the member
18 had not elected the period certain and life annuity option, including all
19 postretirement increases in retirement income that are authorized by law
20 after the date of retirement. The increased payment shall continue during
21 the remainder of the member's lifetime. If the member reverts to a straight
22 life annuity pursuant to this paragraph, the member may again elect a period
23 certain and life annuity subject to the same provisions of the period certain
24 and life annuity previously elected by the member. A member whose original
25 date of retirement is on or after ~~the effective date of this amendment to~~
26 ~~this section~~ JULY 1, 2008 may exercise a one-time election to rescind the
27 period certain and life annuity option elected by the member if the
28 beneficiary dies or ceases to be a beneficiary pursuant to the terms of a
29 qualified domestic relations order or at the expiration of the member's
30 period certain term. If the member's contingent annuitant is the member's
31 current spouse, the member shall notify the contingent annuitant before the
32 member rescinds the election of a period certain and life annuity or again
33 elects a period certain and life annuity pursuant to this paragraph.

34 3. Beginning on July 1, 2002, a lump sum payment equal to not more
35 than thirty-six months of the member's retirement benefits under the benefit
36 option elected by the member. The member's benefit shall be actuarially
37 reduced to provide for the lump sum payment. The lump sum payment shall be
38 made at the time of retirement. Any benefit increase granted to a member who
39 elects a lump sum payment pursuant to this paragraph ~~is subject to the~~
40 ~~following conditions:~~

41 ~~(a) If the benefit increase is a percentage increase of the member's~~
42 ~~retirement benefit, the increase~~ shall be based on the actuarially reduced
43 retirement benefit of the member.

1 ~~(b) If the benefit increase is pursuant to section 38-767, the amount~~
2 ~~of the member's benefit increase shall be calculated without regard to the~~
3 ~~lump sum payment pursuant to this paragraph.~~

4 4. Other forms of actuarially reduced optional benefits prescribed by
5 the board.

6 Sec. 4. Section 38-766, Arizona Revised Statutes, is amended to read:
7 38-766. Retired members; return to work; suspension of
8 benefits; exceptions; maximum benefit

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

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

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

18 B. A RETIRED MEMBER WHOSE RETIREMENT BENEFITS HAVE BEEN SUSPENDED
19 PURSUANT TO SUBSECTION A OF THIS SECTION SHALL REPAY ASRS ANY RETIREMENT
20 BENEFITS RECEIVED BY THE MEMBER FROM THE DATE ASRS NOTIFIES THE MEMBER IN
21 WRITING THAT THE MEMBER'S EMPLOYMENT RESULTED IN ACTIVE MEMBERSHIP IN ASRS
22 PURSUANT TO SUBSECTION A OF THIS SECTION, FROM THE DATE ASRS DETERMINES THAT
23 THE MEMBER KNEW OR SHOULD HAVE KNOWN THAT THE MEMBER'S EMPLOYMENT RESULTED IN
24 MEMBERSHIP IN ASRS PURSUANT TO SUBSECTION A OF THIS SECTION OR FOR ANY OTHER
25 PERIOD AS DETERMINED BY ASRS.

26 ~~B.~~ C. A member who satisfies subsection A, paragraph 1 or 2 of this
27 section is entitled to receive an annuity recomputed to include the
28 additional compensation and credited service. However, the recomputed
29 annuity shall be in the original optional form chosen pursuant to section
30 38-760, with the same beneficiary, if applicable, as when the member first
31 retired, unless the member has resumed active membership for at least sixty
32 consecutive months. A member who retired under a provision of law allowing
33 increased benefits if the retirement occurred during a specific period of
34 time and who subsequently becomes an employee under ASRS shall not retain the
35 increased benefits under the prior law when benefits are computed for the
36 member's most recent retirement.

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

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

- 1 2. Either:
- 2 (a) Requires participation in another state retirement system, plan or
- 3 program and the retired member makes contributions or waives participation
- 4 pursuant to section 38-804, subsection A.
- 5 (b) Permits a member to elect to participate in another state
- 6 retirement system, plan or program and the member makes such an election.
- 7 3. Does not require membership in the defined benefit plan established
- 8 by this article.

9 ~~D~~ E. A retired member who returns to work pursuant to subsection ~~E~~

10 D of this section does not accrue credited service, member service as

11 provided in section 15-1628, subsection B, paragraph 4, additional account

12 balances, retirement benefits or long-term disability program benefits

13 pursuant to article 2.1 of this chapter for the period the retired member

14 returns to work. The period the retired member returns to work is not

15 eligible for purchase under section 38-743 or 38-744.

16 ~~E~~ F. Section 38-769, subsection L applies when determining the

17 maximum benefit that may be paid to a retired member who resumes active

18 membership and subsequently retires.

19 G. AN EMPLOYER THAT ENGAGED THE RETIRED MEMBER TO WORK PURSUANT TO

20 THIS SECTION SHALL PAY TO ASRS AN AMOUNT EQUAL TO THE RATE ESTABLISHED BY THE

21 ACTUARY PURSUANT TO SECTION 38-766.02, SUBSECTION B FOR THE PERIOD STARTING

22 WITH THE FIRST DAY THE RETIRED MEMBER BEGAN WORKING AFTER RETIREMENT THROUGH

23 THE EARLIER OF:

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

30 Sec. 5. Section 38-766.01, Arizona Revised Statutes, is amended to

31 read:

32 38-766.01. Retired members; return to work

33 A. Notwithstanding section 38-766, at a retired member's election, a

34 retired member may return to work and still be eligible to receive retirement

35 benefits if all of the following requirements are satisfied:

- 36 1. The retired member has attained the member's normal retirement age.
- 37 2. The retired member terminated DIRECT employment WITH AN EMPLOYER at
- 38 least twelve CONSECUTIVE months before returning to work.
- 39 3. If the retired member returns to work as a teacher, the retired
- 40 member's employment is not subject to the requirements prescribed in sections
- 41 15-536, 15-538, 15-538.01 and 15-539 through 15-543.

42 B. A retired member's election to return to work under this section is

43 irrevocable for the remainder of the retired member's employment for which

44 the retiree made the election.

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

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

7 E. A retired member who returns to work pursuant to this section does
8 not accrue credited service, member service as provided in section 15-1628,
9 subsection B, paragraph 4, additional account balances, retirement benefits
10 or long-term disability program benefits pursuant to article 2.1 of this
11 chapter for the period the retired member returns to work. The period the
12 retired member returns to work is not eligible for purchase under section
13 38-743 or 38-744.

14 Sec. 6. Title 38, chapter 5, article 2, Arizona Revised Statutes, is
15 amended by adding section 38-766.02, to read:

16 38-766.02. Retired members; return to work; employer
17 contribution payments; definitions

18 A. NOTWITHSTANDING SECTION 38-766.01, SUBSECTION D, BEGINNING JULY 1,
19 2012, AN EMPLOYER SHALL PAY CONTRIBUTIONS AT AN ALTERNATE CONTRIBUTION RATE
20 ON BEHALF OF A RETIRED MEMBER WHO RETURNS TO WORK IN ANY CAPACITY IN A
21 POSITION ORDINARILY FILLED BY AN EMPLOYEE OF THE EMPLOYER WHO IS INCLUDED IN
22 AGREEMENTS PROVIDING FOR THEIR COVERAGE UNDER THE FEDERAL OLD AGE AND
23 SURVIVORS INSURANCE SYSTEM. THIS SUBSECTION APPLIES TO A RETIRED MEMBER WHO
24 HAS BEEN RETIRED FOR MORE THAN THREE HUNDRED SIXTY-FIVE DAYS IF THE RETIRED
25 MEMBER HAS REACHED A NORMAL RETIREMENT AGE OR IF THE RETIRED MEMBER RETIRED
26 UNDER SECTION 38-758 AND THE RETIRED MEMBER'S RETIREMENT BENEFIT HAS NOT BEEN
27 SUSPENDED PURSUANT TO SECTION 38-766.

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

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

36 1. THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY THE ASRS ACTUARY
37 PURSUANT TO SECTION 38-737 PLUS THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY
38 THE ASRS ACTUARY PURSUANT TO SECTION 38-797.06.

39 2. TWO TIMES THE PAST SERVICE FUNDING REQUIREMENT RATE ESTABLISHED BY
40 THE ASRS ACTUARY PURSUANT TO SECTION 38-737 PLUS THE PAST SERVICE FUNDING
41 REQUIREMENT RATE ESTABLISHED BY THE ASRS ACTUARY PURSUANT TO SECTION
42 38-797.06.

43 D. ASRS SHALL DETERMINE THE SCHEDULE AND METHOD OF PAYMENT OF THE
44 ALTERNATE CONTRIBUTION RATE. SUBJECT TO SECTION 38-738, SUBSECTION A, ALL
45 CONTRIBUTIONS MADE BY THE EMPLOYER AND ALLOCATED TO THE FUND ESTABLISHED BY

1 SECTION 38-712 ARE IRREVOCABLE AND SHALL BE USED AS BENEFITS UNDER THIS
2 ARTICLE OR TO PAY THE EXPENSES OF ASRS. PAYMENTS MADE PURSUANT TO THIS
3 SECTION BY EMPLOYERS BECOME DELINQUENT AFTER THE DUE DATE PRESCRIBED IN THE
4 BOARD'S RULES AND THEREAFTER SHALL BE INCREASED BY INTEREST FROM AND AFTER
5 THAT DATE UNTIL PAYMENT IS RECEIVED BY ASRS. ASRS SHALL CHARGE INTEREST ON
6 THE DELINQUENT PAYMENTS AS PRESCRIBED IN SECTION 38-711. ASRS MAY RECOVER
7 DELINQUENT PAYMENTS DUE UNDER THIS SECTION, TOGETHER WITH INTEREST CHARGES AS
8 PROVIDED IN THIS SECTION, BY ACTION IN A COURT OF COMPETENT JURISDICTION
9 AGAINST AN EMPLOYER LIABLE FOR PAYMENTS OR, AT THE REQUEST OF THE DIRECTOR,
10 ASRS MAY DEDUCT THE DELINQUENT PAYMENTS AND INTEREST CHARGES FROM ANY OTHER
11 MONIES, INCLUDING EXCISE REVENUE TAXES, PAYABLE TO THE EMPLOYER BY ANY
12 DEPARTMENT OR AGENCY OF THIS STATE.

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

18 F. FOR THE PURPOSES OF THIS SECTION:

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

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

28 Sec. 7. Repeal; retroactivity

29 A. Section 38-767, Arizona Revised Statutes, is repealed.

30 B. This section is effective retroactively to from and after June
31 29, 2011.

32 Sec. 8. Section 38-801, Arizona Revised Statutes, is amended to read:
33 38-801. Definitions

34 In this article, unless the context otherwise requires:

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

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

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

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

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

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

12 (b) ~~FOR AN ELECTED OFFICIAL WHO BECOMES A MEMBER OF THE PLAN ON OR~~
13 ~~AFTER JANUARY 1, 2012, THE FIVE CONSECUTIVE YEARS WITHIN THE LAST TEN~~
14 ~~COMPLETED YEARS OF CREDITED SERVICE AS AN ELECTED OFFICIAL THAT YIELD THE~~
15 ~~HIGHEST AVERAGE. IF A MEMBER DOES NOT HAVE FIVE CONSECUTIVE YEARS OF~~
16 ~~CREDITED SERVICE AS AN ELECTED OFFICIAL, THE CONSIDERED PERIOD IS THE~~
17 ~~MEMBER'S LAST CONSECUTIVE PERIOD OF EMPLOYMENT WITH A PLAN EMPLOYER~~
18 ~~IMMEDIATELY BEFORE RETIREMENT.~~

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

20 7. "Credited service" means the number of whole and fractional years
21 of a member's service as an elected official after the elected official's
22 effective date of participation for which member and employer contributions
23 are on deposit with the fund, plus credited service transferred to the plan
24 from another retirement system or plan for public employees of this state,
25 plus service as an elected official before the elected official's effective
26 date of participation that is being funded pursuant to a joinder agreement
27 pursuant to section 38-810, subsection C and section 38-815 or service that
28 was redeemed pursuant to section 38-816. Credited service does not include
29 periods of service for which an active member is uncompensated by the
30 employer and for which no contributions to the plan are made.

31 8. "Cure period" means the ninety-day period in which a participant or
32 alternate payee may submit an amended domestic relations order and request a
33 determination, calculated from the time the plan issues a determination
34 finding that a previously submitted domestic relations order did not qualify
35 as a plan approved domestic relations order.

36 9. "Determination" means a written document that indicates to a
37 participant and alternate payee whether a domestic relations order qualifies
38 as a plan approved domestic relations order.

39 10. "Determination period" means the ninety-day period in which the
40 plan must review a domestic relations order that is submitted by a
41 participant or alternate payee to determine whether the domestic relations
42 order qualifies as a plan approved domestic relations order, calculated from
43 the time the plan mails a notice of receipt to the participant and alternate
44 payee.

- 1 11. "Direct rollover" means a payment by the plan to an eligible
2 retirement plan that is specified by the distributee.
- 3 12. "Distributee" means a member, a member's surviving spouse or a
4 member's spouse or former spouse who is the alternate payee under a plan
5 approved domestic relations order.
- 6 13. "Domestic relations order" means an order of a court of this state
7 that is made pursuant to the domestic relations laws of this state and that
8 creates or recognizes the existence of an alternate payee's right to, or
9 assigns to an alternate payee the right to, receive a portion of the benefits
10 payable to a participant.
- 11 14. "Effective date of participation" means August 7, 1985, except with
12 respect to employers and their elected officials whose contributions to the
13 plan commence after that date, in which case the effective date of their
14 participation in the plan is specified in the applicable joinder agreement.
- 15 15. "Elected official" means:
- 16 (a) Every elected official of this state.
- 17 (b) Every elected official of each county of this state.
- 18 (c) Every justice of the supreme court, every judge of the court of
19 appeals, every judge of the superior court and every full-time superior court
20 commissioner, except full-time superior court commissioners who failed to
21 make a timely election of membership under the judges' retirement plan,
22 repealed on August 7, 1985.
- 23 (d) The administrator of the board if the administrator is a natural
24 person.
- 25 (e) Each elected official of an incorporated city or town whose
26 employer has executed a proper joinder agreement for coverage of its elected
27 officials.
- 28 16. "Eligible child" means an unmarried child of a deceased active or
29 retired member who meets one of the following qualifications:
- 30 (a) Is under eighteen years of age.
- 31 (b) Is at least eighteen years of age and under twenty-three years of
32 age only during any period that the child is a full-time student.
- 33 (c) Is under a disability that began before the child attained
34 twenty-three years of age and remains a dependent of the surviving spouse or
35 guardian.
- 36 17. "Eligible retirement plan" means any of the following that accepts
37 a distributee's eligible rollover distribution:
- 38 (a) An individual retirement account described in section 408(a) of
39 the internal revenue code.
- 40 (b) An individual retirement annuity described in section 408(b) of
41 the internal revenue code.
- 42 (c) An annuity plan described in section 403(a) of the internal
43 revenue code.
- 44 (d) A qualified trust described in section 401(a) of the internal
45 revenue code.

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

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

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

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

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

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

20 19. "Employer" means a department, agency or political subdivision of
21 this state that makes employer contributions to the plan pursuant to section
22 38-810 on behalf of an elected official who participates in the plan.

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

24 21. "Notice of receipt" means a written document that is issued by the
25 plan to a participant and alternate payee and that states that the plan has
26 received a domestic relations order and a request for a determination that
27 the domestic relations order is a plan approved domestic relations order.

28 22. "Participant" means a member who is subject to a domestic relations
29 order.

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

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

34 25. "Personal representative" means the personal representative of a
35 deceased alternate payee.

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

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

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

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

1 if the domestic relations order were determined to be a plan approved
2 domestic relations order.

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

4 Sec. 9. Section 38-804, Arizona Revised Statutes, is amended to read:

5 38-804. Membership; termination

6 A. All elected officials are members of the plan, except that a state
7 elected official who is subject to term limits may elect not to participate
8 in the plan. The state elected official who is subject to term limits shall
9 make the election in writing and file the election with the board within
10 thirty days after the state elected official assumes office. The election is
11 effective on the first day of the state elected official's eligibility for
12 that term of office. The election not to participate is specific for that
13 term of office. If a state elected official who is subject to term limits
14 fails to make an election as provided in this subsection, the state elected
15 official is deemed to have elected to participate in the plan. The election
16 not to participate in the plan is irrevocable and constitutes a waiver of all
17 benefits provided by the plan for the state elected official's entire term,
18 except for any benefits accrued by the state elected official in the plan for
19 periods of participation prior to being elected to an office subject to term
20 limits or any benefits expressly provided by law. The state elected official
21 who elects not to participate in the plan shall participate in the Arizona
22 state retirement system unless the state elected official makes an
23 irrevocable election not to participate in the Arizona state retirement
24 system as provided in section 38-727.

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

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

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

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

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

42 (c) 7.0 to 7.9 years of credited service, fifty-five per cent of all
43 member contributions deducted from the member's salary pursuant to section
44 38-810, subsection A.

1 (d) 8.0 to 8.9 years of credited service, seventy per cent of all
2 member contributions deducted from the member's salary pursuant to section
3 38-810, subsection A.

4 (e) 9.0 to 9.9 years of credited service, eighty-five per cent of all
5 member contributions deducted from the member's salary pursuant to section
6 38-810, subsection A.

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

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

17 D. IF A MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1,
18 2012 CEASES TO HOLD OFFICE FOR ANY REASON OTHER THAN DEATH OR RETIREMENT,
19 WITHIN TWENTY DAYS AFTER FILING A COMPLETED APPLICATION WITH THE BOARD, THE
20 MEMBER MAY WITHDRAW THE MEMBER'S ACCUMULATED CONTRIBUTIONS FROM THE PLAN AND
21 SHALL BE PAID THE MEMBER'S ACCUMULATED CONTRIBUTIONS AS OF THE DATE OF
22 TERMINATION, LESS ANY BENEFIT PAYMENTS THE MEMBER HAS RECEIVED AND ANY AMOUNT
23 THE MEMBER MAY OWE TO THE PLAN.

24 ~~D.~~ E. If the amount prescribed in subsection B, ~~or~~ C OR D of this
25 section includes monies that are an eligible rollover distribution and the
26 member elects to have the distribution paid directly to an eligible
27 retirement plan or individual retirement account or annuity and specifies the
28 eligible retirement plan or individual retirement account or annuity to which
29 the distribution is to be paid, the distribution shall be made in the form of
30 a direct trustee-to-trustee transfer to the specified eligible retirement
31 plan. The distribution shall be made in the form and at the time prescribed
32 by the board. A member who receives the amount prescribed in subsection B,
33 ~~or~~ C OR D of this section from the plan or who elects a transfer pursuant to
34 this subsection forfeits the member's credited service, and all rights to
35 benefits under the plan and membership in the plan terminate.

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

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

43 ~~G.~~ H. Notwithstanding subsection ~~F.~~ G of this section, if an elected
44 official files a written election form with the board within ninety days
45 after the day of the member's reemployment as an elected official and repays

1 the amount previously withdrawn pursuant to subsection B or C of this section
2 within one year after the date of the member's reemployment as an elected
3 official, with interest on that amount at the rate of nine per cent for each
4 year, compounded each year from the date of withdrawal to the date of
5 repayment, credited service shall be restored. Credited service shall not be
6 restored until complete repayment is made to the fund.

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

11 ~~I.~~ J. In addition to subsection ~~H.~~ I of this section, if a retired
12 member subsequently becomes, by reason of election or reelection, an elected
13 official of the same office from which the member retired within a time
14 period following the member's retirement that is less than one full term for
15 that office, the member shall not receive a pension. If the elected official
16 ceases to hold the same office, the elected official is entitled to receive
17 the same pension the elected official was receiving when the elected
18 official's pension was discontinued pursuant to this subsection. Nothing in
19 this subsection prohibits a retired judge called by the supreme court to
20 active duties of a judge pursuant to section 38-813 from receiving retirement
21 benefits.

22 Sec. 10. Section 38-805, Arizona Revised Statutes, is amended to read:
23 38-805. Normal retirement and early retirement pensions

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

- 27 1. Has attained age sixty-five with five or more years of credited
28 service.
- 29 2. Has attained age sixty-two with ten or more years of credited
30 service.
- 31 3. Has twenty or more years of credited service.

32 B. A MEMBER WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1,
33 2012 AND WHO CEASES TO HOLD OFFICE IS ELIGIBLE FOR A NORMAL RETIREMENT
34 PENSION, IF THE MEMBER SATISFIES ONE OF THE FOLLOWING REQUIREMENTS:

- 35 1. HAS ATTAINED AGE SIXTY-FIVE WITH FIVE OR MORE YEARS OF CREDITED
36 SERVICE.
- 37 2. HAS ATTAINED AGE SIXTY-TWO WITH TEN OR MORE YEARS OF CREDITED
38 SERVICE.

39 ~~B. A member who has at least five years of credited service and ceases
40 to hold office as an elected official may take early retirement.~~

41 C. On normal or early retirement, a retired member shall receive a
42 pension computed pursuant to section 38-808, subsection B until the member's
43 death.

1 Sec. 11. Section 38-806, Arizona Revised Statutes, is amended to read:
2 38-806. Disability retirement pensions

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

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

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

12 3. A majority of the board of physicians certifies to the board of
13 trustees that:

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

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

18 (c) The member should be retired.

19 B. On retirement by reason of disability under this section, a retired
20 member shall receive a pension computed pursuant to section 38-808,
21 subsection B, ~~paragraph 2~~ until the member's death or until the member's
22 pension is suspended, revoked or discontinued pursuant to this section.

23 C. If the board of trustees has reason to believe that a member,
24 retired pursuant to this section but not yet eligible for normal retirement,
25 may no longer be mentally or physically incapacitated from performing the
26 duties of the public office from which the member retired, the board of
27 trustees may require such retired member to be medically examined. The
28 examination shall be conducted by a board of three physicians, one designated
29 by the administrator of the fund, one designated by the retired member or the
30 member's guardian and one designated by the governor.

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

35 E. If the retired member refuses to submit to the medical examination,
36 the administrator of the fund may suspend payment of the member's pension
37 until the member submits to the medical examination. If the retired member
38 refuses for one year or more to submit to medical examination, the board of
39 trustees shall revoke the pension of a member retired under this section.

40 Sec. 12. Section 38-808, Arizona Revised Statutes, is amended to read:
41 38-808. Pension payments; computation of amounts; termination

42 A. Plan retirement commences on the first day of the month following
43 the date of the member's retirement or death. Pension payments shall be
44 received on or about the first day of the month next following the member's
45 plan retirement. The last pension payment shall be made as of the last day

1 of the month in which the death of the retired member or the surviving spouse
2 or minor children occurs. Pension payments shall not be made in advance.

3 B. The monthly pension shall be equal to one-twelfth of the ~~following~~
4 ~~amount~~ RESULT OF PARAGRAPH 1 MULTIPLIED BY PARAGRAPH 2 WHEN THOSE PARAGRAPHS
5 ARE DEFINED AS FOLLOWS:

6 ~~1. Four per cent of the member's average yearly salary multiplied by~~
7 ~~the member's credited service, not to exceed eighty per cent of the member's~~
8 ~~average yearly salary. This amount shall be reduced if the member takes~~
9 ~~early retirement pursuant to section 38-805, subsection B. The amount of~~
10 ~~reduction is three-twelfths of one per cent for each month the retired~~
11 ~~member's early retirement age precedes the member's normal retirement age~~
12 ~~pursuant to section 38-805, subsection A, except that the reduction shall not~~
13 ~~be more than thirty per cent.~~

14 1. THE NUMBER OF WHOLE AND FRACTIONAL YEARS OF CREDITED SERVICE TIMES
15 THE FOLLOWING:

16 (a) 2.10 PER CENT IF THE MEMBER DOES NOT HAVE MORE THAN 19.99 YEARS OF
17 CREDITED SERVICE.

18 (b) 2.15 PER CENT IF THE MEMBER HAS AT LEAST 20.00 YEARS OF CREDITED
19 SERVICE BUT NOT MORE THAN 24.99 YEARS OF CREDITED SERVICE.

20 (c) 2.20 PER CENT IF THE MEMBER HAS AT LEAST 25.00 YEARS OF CREDITED
21 SERVICE BUT NOT MORE THAN 29.99 YEARS OF CREDITED SERVICE.

22 (d) 2.30 PER CENT IF THE MEMBER HAS AT LEAST 30.00 YEARS OF CREDITED
23 SERVICE.

24 2. THE MEMBER'S AVERAGE YEARLY SALARY.

25 ~~2-~~ C. A member who meets the requirements for a disability retirement
26 pension shall receive a MONTHLY disability pension equal to ONE-TWELFTH OF
27 four per cent of the member's average yearly salary multiplied by twenty
28 years of credited service if the member has ten or more years of credited
29 service, four per cent of the member's average yearly salary multiplied by
30 ten years of credited service if the member has five or more years of
31 credited service but fewer than ten years of credited service or four per
32 cent of the member's average yearly salary multiplied by five years of
33 credited service if the member has fewer than five years of credited service.

34 ~~E-~~ D. The plan shall make payments pursuant to section 401(a)(9) of
35 the internal revenue code and the regulations that are issued under that
36 section. Notwithstanding any other provision of this plan, beginning January
37 1, 1987 payment of benefits to a member shall commence no later than April 1
38 of the calendar year following the later of:

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

41 2. The date the member terminates employment.

42 ~~D-~~ E. If all pension payments terminate before an amount equal to the
43 member's accumulated contributions has been paid, the difference between the
44 member's accumulated contributions and the aggregate amount of pension
45 payments shall be paid to the person or persons and in such shares as

1 designated by the retired member in writing and filed with the board. If the
2 designated person or persons do not survive the retired member, the
3 difference shall be paid to the estate of the retired member.

4 Sec. 13. Section 38-810, Arizona Revised Statutes, is amended to read:

5 38-810. Contributions

6 A. Each member shall contribute to the fund an amount equal to ~~seven~~
7 ~~per cent of the member's gross salary~~ THE AMOUNT PRESCRIBED IN SUBSECTION F
8 OF THIS SECTION. Contributions of members shall be made by payroll
9 deductions. Every member is deemed to consent to these deductions. Payment
10 of a member's compensation, less these payroll deductions, constitutes a full
11 and complete discharge and satisfaction of all claims and demands by the
12 member relating to remuneration for the member's services rendered during the
13 period covered by the payment, except with respect to the benefits provided
14 under the plan.

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

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

1 cent funded, the board shall account for fifty per cent of the excess
 2 valuation assets in a stabilization reserve account. After the close of any
 3 fiscal year, if the plan's actuary determines that the actuarial valuation of
 4 the fund has a valuation asset deficiency and an unfunded actuarial accrued
 5 liability, the board shall use any valuation assets in the stabilization
 6 reserve account, to the extent available, to limit the decline in the fund's
 7 funding ratio to not more than two per cent.

8 D. The department of administration and the treasurer of each county
 9 and participating city and town shall transfer to the board the contributions
 10 provided for in subsections A and C of this section within ten working days
 11 after each payroll date. The state, county treasurers and clerks of the
 12 superior court shall transfer the monies credited under subsection B of this
 13 section to the board on or before the fifteenth day of each calendar month
 14 that follows the month in which the court fees were collected. Contributions
 15 and monies credited under subsection B of this section and transferred after
 16 these dates shall include a penalty equal to ten per cent a year, compounded
 17 annually, for each day that the contributions or monies credited under
 18 subsection B of this section are late. Delinquent payments due under this
 19 subsection, together with interest charges as provided in this subsection and
 20 court costs, may be recovered by action in a court of competent jurisdiction
 21 against the person or persons responsible for the payments or, at the request
 22 of the board, may be deducted from any other monies, including excise revenue
 23 taxes, payable to a political subdivision by any department or agency of this
 24 state. If requested by the board, the state, county treasurers or clerks of
 25 the superior court shall transfer the monies credited under subsection B of
 26 this section, in an amount determined by the board, directly to the qualified
 27 governmental excess benefit arrangement established pursuant to section
 28 38-803.01.

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

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

- 3 1. THROUGH JUNE 30, 2011, SEVEN PER CENT OF THE MEMBER'S GROSS SALARY.
- 4 2. FOR FISCAL YEAR 2011-2012, EIGHT PER CENT OF THE MEMBER'S GROSS
5 SALARY.
- 6 3. FOR FISCAL YEAR 2012-2013, NINE PER CENT OF THE MEMBER'S GROSS
7 SALARY.
- 8 4. FOR FISCAL YEAR 2013-2014, TEN PER CENT OF THE MEMBER'S GROSS
9 SALARY.
- 10 5. FOR FISCAL YEAR 2014-2015, ELEVEN PER CENT OF THE MEMBER'S GROSS
11 SALARY.
- 12 6. FOR FISCAL YEAR 2015-2016 AND EACH FISCAL YEAR THEREAFTER, FIFTY
13 PER CENT OF THE NORMAL COST PLUS THE ACTUARIALLY DETERMINED AMOUNT REQUIRED
14 TO AMORTIZE THE UNFUNDED ACCRUED LIABILITY FOR THE EMPLOYERS AS CALCULATED
15 PURSUANT TO SUBSECTION C OF THIS SECTION WITHOUT TAKING INTO ACCOUNT ANY
16 MEMBER CONTRIBUTIONS, EXCEPT THAT THE MEMBER CONTRIBUTION RATE SHALL NOT BE
17 LESS THAN SEVEN PER CENT OF THE MEMBER'S COMPENSATION AND THE EMPLOYER
18 CONTRIBUTION RATE SHALL NOT BE LESS THAN THE RATE PRESCRIBED IN SUBSECTION C
19 OF THIS SECTION.

20 Sec. 14. Repeal; retroactivity

21 A. Section 38-818, Arizona Revised Statutes, is repealed.

22 B. This section is effective retroactively to from and after June
23 29, 2011.

24 Sec. 15. Section 38-842, Arizona Revised Statutes, is amended to read:
25 38-842. Definitions

26 In this article, unless the context otherwise requires:

27 1. "Accidental disability" means a physical or mental condition that
28 the local board finds totally and permanently prevents an employee from
29 performing a reasonable range of duties within the employee's job
30 classification and that was incurred in the performance of the employee's
31 duty.

32 2. "Accumulated contributions" means, for each member, the sum of the
33 amount of the member's aggregate contributions made to the fund and the
34 amount, if any, attributable to the employee's contributions before the
35 member's effective date under another public retirement system, other than
36 the federal social security act, and transferred to the fund minus the
37 benefits paid to or on behalf of the member.

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

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

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

- 1 6. "Annuitant" means a person who is receiving a benefit pursuant to
2 section 38-846.01.
- 3 7. "Average monthly benefit compensation" means the result obtained by
4 dividing the total compensation paid to an employee during a considered
5 period by the number of months, including fractional months, in which such
6 compensation was received. ~~FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE~~
7 ~~SYSTEM BEFORE JANUARY 1, 2012,~~ the considered period shall be the three
8 consecutive years within the last twenty completed years of credited service
9 that yield the highest average. ~~FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE~~
10 ~~SYSTEM ON OR AFTER JANUARY 1, 2012, THE CONSIDERED PERIOD IS THE FIVE~~
11 ~~CONSECUTIVE YEARS WITHIN THE LAST TWENTY COMPLETED YEARS OF CREDITED SERVICE~~
12 ~~THAT YIELD THE HIGHEST AVERAGE.~~ In the computation under this paragraph, a
13 period of nonpaid or partially paid industrial leave shall be considered
14 based on the compensation the employee would have received in the employee's
15 job classification if the employee was not on industrial leave.
- 16 8. "Board" means the board of trustees of the system, who are the
17 persons appointed to invest and operate the fund.
- 18 9. "Catastrophic disability" means a physical and not a psychological
19 condition that the local board determines prevents the employee from totally
20 and permanently engaging in any gainful employment and that results from a
21 physical injury incurred in the performance of the employee's duty.
- 22 10. "Certified peace officer" means a peace officer certified by the
23 Arizona peace officers standards and training board.
- 24 11. "Claimant" means any member or beneficiary who files an application
25 for benefits pursuant to this article.
- 26 12. "Compensation" means, for the purpose of computing retirement
27 benefits, base salary, overtime pay, shift differential pay, military
28 differential wage pay and holiday pay paid to an employee by the employer on
29 a regular monthly, semimonthly or biweekly payroll basis and longevity pay
30 paid to an employee at least every six months for which contributions are
31 made to the system pursuant to section 38-843, subsection D. Compensation
32 does not include, for the purpose of computing retirement benefits, payment
33 for unused sick leave, payment in lieu of vacation, payment for compensatory
34 time or payment for any fringe benefits. In addition, compensation does not
35 include, for the purpose of computing retirement benefits, payments made
36 directly or indirectly by the employer to the employee for work performed for
37 a third party on a contracted basis or any other type of agreement under
38 which the third party pays or reimburses the employer for the work performed
39 by the employee for that third party, except for third party contracts
40 between public agencies for law enforcement, criminal, traffic and crime
41 suppression activities training ~~OR FIRE,~~ wildfire, emergency medical or
42 emergency management activities or where the employer supervises the
43 employee's performance of law enforcement, criminal, traffic and crime
44 suppression activities, ~~training, OR fire,~~ wildfire, emergency medical or
45 emergency management ~~services~~ **ACTIVITIES.** For the purposes of this

1 paragraph, "base salary" means the amount of compensation each employee is
2 regularly paid for personal services rendered to an employer before the
3 addition of any extra monies, including overtime pay, shift differential pay,
4 holiday pay, longevity pay, fringe benefit pay and similar extra payments.

5 13. "Credited service" means the member's total period of service
6 before the member's effective date of participation, plus those compensated
7 periods of the member's service thereafter for which the member made
8 contributions to the fund.

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

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

17 16. "Determination" means a written document that indicates to a
18 participant and alternate payee whether a domestic relations order qualifies
19 as a plan approved domestic relations order.

20 17. "Determination period" means the ninety-day period in which the
21 system must review a domestic relations order that is submitted by a
22 participant or alternate payee to determine whether the domestic relations
23 order qualifies as a plan approved domestic relations order, calculated from
24 the time the system mails a notice of receipt to the participant and
25 alternate payee.

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

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

31 20. "Domestic relations order" means an order of a court of this state
32 that is made pursuant to the domestic relations laws of this state and that
33 creates or recognizes the existence of an alternate payee's right to, or
34 assigns to an alternate payee the right to, receive a portion of the benefits
35 payable to a participant.

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

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

42 23. "Eligible child" means an unmarried child of a deceased member or
43 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 24. "Eligible groups" means only the following who are regularly
8 assigned to hazardous duty:

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

10 (b) Municipal fire fighters.

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

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

16 (e) State fire fighters.

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

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

19 (h) Police officers who are certified peace officers and fire fighters
20 of a nonprofit corporation operating a public airport pursuant to sections
21 28-8423 and 28-8424. A police officer shall be designated pursuant to
22 section 28-8426 to aid and supplement state and local law enforcement
23 agencies and a fire fighter's sole duty shall be to perform fire fighting
24 services, including services required by federal regulations.

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

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

29 (k) State attorney general investigators who are certified peace
30 officers.

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

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

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

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

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

40 (q) Arizona department of agriculture officers who are certified peace
41 officers.

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

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

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

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

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

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

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

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

13 (f) An eligible deferred compensation plan described in section 457(b)
14 of the internal revenue code that is maintained by a state, a political
15 subdivision of a state or any agency or instrumentality of a state or a
16 political subdivision of a state and that agrees to separately account for
17 amounts transferred into the eligible deferred compensation plan from this
18 plan.

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

21 (a) Any distribution that is one of a series of substantially equal
22 periodic payments made not less frequently than annually for the life or life
23 expectancy of the member or the joint lives or joint life expectancies of the
24 member and the member's beneficiary or for a specified period of ten years or
25 more.

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

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

30 27. "Employee" means any person who is employed by a participating
31 employer and who is a member of an eligible group but does not include any
32 persons compensated on a contractual or fee basis. If an eligible group
33 requires certified peace officer status and at the option of the local board,
34 employee may include a person who is training to become a certified peace
35 officer.

36 28. "Employers" means:

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

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

1 (c) The state highway patrol covered under the state highway patrol
2 retirement system.

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

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

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

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

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

18 (a) Who is either a paid municipal police officer, a paid fire
19 fighter, a law enforcement officer who is employed by this state including
20 the director thereof, a state fire fighter who is primarily assigned to fire
21 fighting duties, a fire fighter or police officer of a nonprofit corporation
22 operating a public airport pursuant to sections 28-8423 and 28-8424, all
23 ranks designated by the Arizona law enforcement merit system council, a state
24 attorney general investigator who is a certified peace officer, a county
25 attorney investigator who is a certified peace officer, a police officer who
26 is appointed by the department of administration and who is a certified peace
27 officer, a department of liquor licenses and control investigator who is a
28 certified peace officer, an Arizona department of agriculture officer who is
29 a certified peace officer, an Arizona state parks board ranger or manager who
30 is a certified peace officer, a county park ranger who is a certified peace
31 officer, a person who is a certified peace officer and who is employed by an
32 Indian reservation police agency, a fire fighter who is employed by an Indian
33 reservation fire fighting agency or an employee included in a group
34 designated as eligible employees under a joinder agreement entered into by
35 their employer after July 1, 1968 and who is or was regularly assigned to
36 hazardous duty.

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

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

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

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

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

10 32. "Normal retirement date" means:

11 (a) FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE SYSTEM BEFORE JANUARY
12 1, 2012, the first day of the calendar month immediately following ~~an~~ THE
13 employee's completion of twenty years of service or the employee's
14 sixty-second birthday and the employee's completion of fifteen years of
15 service.

16 (b) FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE SYSTEM ON OR AFTER
17 JANUARY 1, 2012, THE FIRST DAY OF THE CALENDAR MONTH IMMEDIATELY FOLLOWING
18 THE EMPLOYEE'S COMPLETION OF TWENTY-FIVE YEARS OF SERVICE OR THE EMPLOYEE'S
19 SIXTY-SECOND BIRTHDAY AND THE EMPLOYEE'S COMPLETION OF FIFTEEN YEARS OF
20 SERVICE.

21 33. "Notice of receipt" means a written document that is issued by the
22 system to a participant and alternate payee and that states that the system
23 has received a domestic relations order and a request for a determination
24 that the domestic relations order is a plan approved domestic relations
25 order.

26 34. "Ordinary disability" means a physical condition that the local
27 board determines will prevent an employee totally and permanently from
28 performing a reasonable range of duties within the employee's department or a
29 mental condition that the local board determines will prevent an employee
30 totally and permanently from engaging in any substantial gainful activity.

31 35. "Participant" means a member who is subject to a domestic relations
32 order.

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

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

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

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

43 40. "Regularly assigned to hazardous duty" means regularly assigned to
44 duties of the type normally expected of municipal police officers, municipal
45 or state fire fighters, eligible fire district fire fighters, state highway

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

23 41. "Retirement" or "retired" means termination of employment after a
 24 member has fulfilled all requirements for a pension. Retirement shall be
 25 considered as commencing on the first day of the month immediately following
 26 a member's last day of employment or authorized leave of absence, if later.

27 42. "Segregated funds" means the amount of benefits that would
 28 currently be payable to an alternate payee pursuant to a domestic relations
 29 order under review by the system, or a domestic relations order submitted to
 30 the system that failed to qualify as a plan approved domestic relations
 31 order, if the domestic relations order were determined to be a plan approved
 32 domestic relations order.

33 43. "Service" means the last period of continuous employment of an
 34 employee by the employers before the employee's retirement, except that if
 35 such period includes employment during which the employee would not have
 36 qualified as a member had the system then been effective, such as employment
 37 as a volunteer fire fighter, then only twenty-five per cent of such
 38 noncovered employment shall be considered as service. Any absence that is
 39 authorized by an employer shall not be considered as interrupting continuity
 40 of employment if the employee returns within the period of authorized
 41 absence. Transfers between employers also shall not be considered as
 42 interrupting continuity of employment. Any period during which a member is
 43 receiving sick leave payments or a temporary disability pension shall be
 44 considered as service. Notwithstanding any other provision of this
 45 paragraph, any period during which a person was employed as a full-time paid

1 fire fighter for a corporation that contracted with an employer to provide
2 firefighting services on behalf of the employer shall be considered as
3 service if the employer has elected at its option to treat part or all of the
4 period the firefighter worked for the company as service in its applicable
5 joinder agreement. Any reference in this system to the number of years of
6 service of an employee shall be deemed to include fractional portions of a
7 year.

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

10 45. "System" means the public safety personnel retirement system
11 established by this article.

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

16 Sec. 16. Section 38-843, Arizona Revised Statutes, is amended to read:

17 38-843. Contributions

18 A. Each employer who participates in the system on behalf of a group
19 of employees who were covered under a prior public retirement system, other
20 than the federal social security act, shall transfer all securities and
21 monies attributable to the taxes and contributions of the state other than
22 the state contribution to social security, the employer and the employees for
23 the covered group of employees under the other system, such transfer to be
24 made to the fund subject to all existing liabilities and on or within sixty
25 days following the employer's effective date. All monies and securities
26 transferred to the fund shall be credited to the employer's account in the
27 fund. A record of the market value and the cost value of such transferred
28 contributions shall be maintained for actuarial and investment purposes.

29 B. As determined by actuarial valuations reported to the employer and
30 the local board by the board of trustees, each employer shall make level per
31 cent of compensation contributions sufficient under such actuarial valuations
32 to meet both the normal cost plus the actuarially determined amount required
33 to amortize the unfunded accrued liability over, beginning July 1, 2005, a
34 rolling period of at least twenty and not more than thirty years that is
35 established by the board of trustees taking into account the recommendation
36 of the system's actuary, except that, beginning with fiscal year 2006-2007,
37 except as otherwise provided, the employer contribution rate shall not be
38 less than eight per cent of compensation. For any employer whose actual
39 contribution rate is less than eight per cent of compensation for fiscal year
40 2006-2007, that employer's contribution rate is not subject to the eight per
41 cent minimum but, for fiscal year 2006-2007 and each year thereafter, shall
42 be at least five per cent and not more than the employer's actual
43 contribution rate. An employer shall have the option of paying a higher
44 level per cent of compensation thereby reducing its unfunded past service
45 liability. An employer shall also have the option of increasing its

1 contributions in order to reduce the contributions required from its members
 2 under subsection C, except that if an employer elects this option the
 3 employer shall pay the same higher level percentage contribution for all
 4 members of the eligible group. During a period when an employee is on
 5 industrial leave and the employee elects to continue contributions during the
 6 period of industrial leave, the employer shall make the contributions based
 7 on the compensation the employee would have received in the employee's job
 8 classification if the employee was in normal employment status. All
 9 contributions made by the employers and all state taxes allocated to the fund
 10 shall be irrevocable and shall be used to pay benefits under the system or to
 11 pay expenses of the system and fund. The minimum employer contribution that
 12 is paid and that is in excess of the normal cost plus the actuarially
 13 determined amount required to amortize the unfunded accrued liability as
 14 calculated pursuant to this subsection shall be used to reduce future
 15 employer contribution increases and shall not be used to pay for an increase
 16 in benefits that are otherwise payable to members. The board shall
 17 separately account for these monies in the fund. Forfeitures arising because
 18 of severance of employment before a member becomes eligible for a pension or
 19 any other reason shall be applied to reduce the cost of the employer, not to
 20 increase the benefits otherwise payable to members. After the close of any
 21 fiscal year, if the system's actuary determines that the actuarial valuation
 22 of an employer's account contains excess valuation assets other than excess
 23 valuation assets that were in the employer's account as of fiscal year
 24 2004-2005 and is more than one hundred per cent funded, the board shall
 25 account for fifty per cent of the excess valuation assets in a stabilization
 26 reserve account. After the close of any fiscal year, if the system's actuary
 27 determines that the actuarial valuation of an employer's account has a
 28 valuation asset deficiency and an unfunded actuarial accrued liability, the
 29 board shall use any valuation assets in the stabilization reserve account for
 30 that employer, to the extent available, to limit the decline in that
 31 employer's funding ratio to not more than two per cent.

32 C. Each member, throughout the member's period of service from the
 33 member's effective date of participation, shall contribute to the fund an
 34 amount equal to ~~7.65 per cent of the member's compensation~~ THE AMOUNT
 35 PRESCRIBED IN SUBSECTION E, except as provided in subsection B. During a
 36 period when an employee is on industrial leave and the employee elects to
 37 continue contributions during the period of industrial leave, the employee
 38 shall make the employee's contribution based on the compensation the employee
 39 would have received in the employee's job classification if the employee was
 40 in normal employment status. Contributions of members shall be required as a
 41 condition of employment and membership in the system and shall be made by
 42 payroll deductions. Every employee shall be deemed to consent to such
 43 deductions. Payment of an employee's compensation, less such payroll
 44 deductions, shall constitute a full and complete discharge and satisfaction
 45 of all claims and demands by the employee relating to remuneration for the

1 employee's services rendered during the period covered by the payment, except
2 with respect to the benefits provided under the system.

3 D. Each employer shall transfer to the board the employer and employee
4 contributions provided for in subsections B and C within ten working days
5 after each payroll date. Contributions transferred after that date shall
6 include a penalty of ten per cent per annum, compounded annually, for each
7 day the contributions are late, such penalty to be paid by the employer.
8 Delinquent payments due under this subsection, together with interest charges
9 as provided in this subsection, may be recovered by action in a court of
10 competent jurisdiction against an employer liable for the payments or, at the
11 request of the board, may be deducted from any other monies, including excise
12 revenue taxes, payable to such employer by any department or agency of this
13 state.

14 E. THE AMOUNT CONTRIBUTED BY A MEMBER PURSUANT TO SUBSECTION C IS:

15 1. THROUGH JUNE 30, 2011, 7.65 PER CENT OF THE MEMBER'S COMPENSATION.

16 2. FOR FISCAL YEAR 2011-2012, 8.65 PER CENT OF THE MEMBER'S
17 COMPENSATION.

18 3. FOR FISCAL YEAR 2012-2013, 9.65 PER CENT OF THE MEMBER'S
19 COMPENSATION.

20 4. FOR FISCAL YEAR 2013-2014, 10.65 PER CENT OF THE MEMBER'S
21 COMPENSATION.

22 5. FOR FISCAL YEAR 2014-2015, 11.65 PER CENT OF THE MEMBER'S
23 COMPENSATION.

24 6. FOR FISCAL YEAR 2015-2016 AND EACH FISCAL YEAR THEREAFTER, FIFTY
25 PER CENT OF THE AGGREGATE COMPUTED EMPLOYER CONTRIBUTION RATE THAT IS
26 CALCULATED PURSUANT TO SUBSECTION B WITHOUT TAKING INTO ACCOUNT ANY MEMBER
27 CONTRIBUTIONS, EXCEPT THAT THE MEMBER CONTRIBUTION RATE SHALL NOT BE LESS
28 THAN 7.65 PER CENT OF THE MEMBER'S COMPENSATION AND THE EMPLOYER CONTRIBUTION
29 RATE SHALL NOT BE LESS THAN THE RATE PRESCRIBED IN SUBSECTION B.

30 Sec. 17. Section 38-844.03, Arizona Revised Statutes, is amended to
31 read:

32 38-844.03. Eligibility; participation

33 A. Any member who is eligible for a normal pension pursuant to section
34 38-844, subsection A and who has at least twenty years of credited service is
35 eligible to participate in the deferred retirement option plan **IF THE MEMBER
36 ELECTED TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION PLAN ON OR BEFORE
37 THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION.** In addition, any
38 member who is subject to section 38-858, subsection B is eligible to
39 participate in the deferred retirement option plan retroactive to the
40 member's twentieth year of credited service or on the day before the member
41 began military service, whichever is later, if the member makes the election
42 pursuant to this section on or before resuming employment with the member's
43 employer **AND THE MEMBER ELECTED TO PARTICIPATE IN THE DEFERRED RETIREMENT
44 OPTION PLAN ON OR BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS
45 SECTION.**

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

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

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

10 3. Have deferred retirement option plan benefits credited to a
11 deferred retirement option plan participation account pursuant to section
12 38-844.05.

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

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

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

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

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

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

29 4. The member does not acquire any further credited service in the
30 system.

31 Sec. 18. Section 38-844.05, Arizona Revised Statutes, is amended to
32 read:

33 38-844.05. Deferred retirement option benefits and
34 participation accounts

35 A. A deferred retirement option plan participation account is an
36 account established within the system on behalf of each deferred retirement
37 option plan participant. All benefits accrued pursuant to this article shall
38 be accounted for in the deferred retirement option plan participation
39 account. A deferred retirement option plan participant does not have a claim
40 on the assets of the system with respect to the member's deferred retirement
41 option plan participation account and assets shall not be set aside for any
42 deferred retirement option plan participant that are separate from all other
43 system assets.

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

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

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

7 2. An amount, credited monthly, that represents interest at a rate
8 equal to the assumed rate of return determined by the board.

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

12 Sec. 19. Section 38-845, Arizona Revised Statutes, is amended to read:
13 38-845. Amount of retirement benefit; purchase of firearm

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

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

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

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

38 C. A member who meets the requirements for an ordinary disability
39 pension shall receive a monthly amount that is equal to a fraction times the
40 member's normal pension that is computed according to subsection A OR G if
41 the member had twenty years of credited service. The fraction is the result
42 obtained by dividing the member's actual years of credited service, not to
43 exceed twenty years of credited service, by twenty.

44 D. A member who meets the requirements for a temporary disability
45 pension shall receive a monthly amount ~~which shall~~ THAT IS be equal to

1 one-twelfth of fifty per cent of the member's annual compensation received
2 immediately prior to the date on which the member's disability was incurred.

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

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

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

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

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

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

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

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

35 Sec. 20. Section 38-846.01, Arizona Revised Statutes, is amended to
36 read:

37 38-846.01. Deferred annuity

38 If any member who has at least ten years of credited service terminates
39 employment for reasons other than retirement or disability, the member may
40 elect to receive a deferred annuity, except that if the annuitant withdraws
41 all or part of the annuitant's accumulated contributions in the system all
42 rights in and to a deferred annuity shall be forfeited by the annuitant. A
43 deferred annuity is a lifetime monthly payment actuarially equivalent to the
44 annuitant's accumulated contributions in the system plus an equal amount paid
45 by the employer and shall commence on application on or after the

1 sixty-second birthday of the annuitant. The annuity is not a retirement
2 benefit and annuitants are not entitled to receive any amount prescribed by
3 section 38-845, subsection F, ~~or section 38-846, ~~38-856~~ or 38-857.~~

4 Sec. 21. Section 38-846.02, Arizona Revised Statutes, is amended to
5 read:

6 38-846.02. Termination of membership

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

12 1. If the member has less than five years of credited service with the
13 system, the member may withdraw the member's accumulated contributions from
14 the system.

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

18 (a) 5.0 to 5.9 years of credited service, twenty-five per cent of all
19 member contributions deducted from the member's salary pursuant to section
20 38-843, subsection C.

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

24 (c) 7.0 to 7.9 years of credited service, fifty-five per cent of all
25 member contributions deducted from the member's salary pursuant to section
26 38-843, subsection C.

27 (d) 8.0 to 8.9 years of credited service, seventy per cent of all
28 member contributions deducted from the member's salary pursuant to section
29 38-843, subsection C.

30 (e) 9.0 to 9.9 years of credited service, eighty-five per cent of all
31 member contributions deducted from the member's salary pursuant to section
32 38-843, subsection C.

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

36 B. If a member **WHO BECOMES A MEMBER OF THE SYSTEM BEFORE JANUARY 1,**
37 **2012** has more than ten years of credited service with the system, leaves the
38 monies prescribed in subsection A of this section on account with the system
39 for more than thirty days after termination of employment and after that time
40 period requests a refund of those monies, the member is entitled to receive
41 the amount prescribed in subsection A of this section plus interest at a rate
42 determined by the board for each year computed from and after the member's
43 termination of employment.

44 **C. ON TERMINATION OF EMPLOYMENT FOR ANY REASON OTHER THAN DEATH OR**
45 **RETIREMENT, WITHIN TWENTY DAYS AFTER FILING A COMPLETED APPLICATION WITH THE**

1 BOARD, A MEMBER WHO BECOMES A MEMBER OF THE SYSTEM ON OR AFTER JANUARY 1,
2 2012 IS ENTITLED TO RECEIVE A LUMP SUM PAYMENT EQUAL TO THE MEMBER'S
3 ACCUMULATED CONTRIBUTION AS OF THE DATE OF TERMINATION, LESS ANY BENEFIT
4 PAYMENTS THE MEMBER HAS RECEIVED AS OF THE DATE OF TERMINATION OR ANY AMOUNT
5 THE MEMBER MAY OWE TO THE SYSTEM.

6 ~~C.~~ D. If the amount prescribed in subsection A, ~~or~~ B OR C of this
7 section includes monies that are an eligible rollover distribution and the
8 member elects to have the distribution paid directly to an eligible
9 retirement plan or individual retirement account or annuity and specifies the
10 eligible retirement plan or individual retirement account or annuity to which
11 the distribution is to be paid, the distribution shall be made in the form of
12 a direct trustee-to-trustee transfer to the specified eligible retirement
13 plan. The distribution shall be made in the form and at the time prescribed
14 by the board. A member who withdraws the amount prescribed in subsection A,
15 ~~or~~ B OR C of this section from the system or who elects a transfer pursuant
16 to this section forfeits all rights to benefits under the system and rights
17 to rehearing and appeal, except as provided in section 38-849.

18 Sec. 22. Section 38-849, Arizona Revised Statutes, as amended by Laws
19 2010, chapter 118, section 10, is amended to read:

20 ~~38-849.~~ Limitations on receiving pension; violation;
21 classification; reemployment after severance;
22 reinstatement of service credits; reemployment of
23 retired or disabled member

24 A. If a member is convicted of, or discharged because of, theft,
25 embezzlement, fraud or misappropriation of an employer's property or property
26 under the control of the employer, the member shall be subject to restitution
27 and fines imposed by a court of competent jurisdiction. The court may order
28 the restitution or fines to be paid from any payments otherwise payable to
29 the member from the retirement system.

30 B. A person who knowingly makes any false statement or who falsifies
31 or permits to be falsified any record of the system with an intent to defraud
32 the system is guilty of a class 6 felony. If any change or error in the
33 records results in any member or beneficiary receiving from the system more
34 or less than the member or beneficiary would have been entitled to receive
35 had the records been correct, the local board shall correct such error, and
36 as far as practicable shall adjust the payments in such manner that the
37 actuarial equivalent of the benefit to which such member or beneficiary was
38 correctly entitled shall be paid. If a member is convicted of a crime
39 specified in this subsection the member shall be entitled to receive a lump
40 sum payment of the member's accumulated contributions but forfeits any future
41 compensation and benefits that would otherwise accrue to the member or the
42 member's estate under this article.

43 C. If a member who received a severance refund on termination of
44 employment, as provided in section 38-846.02, is subsequently reemployed by
45 an employer, the member's prior service credits shall be cancelled and

1 service shall be credited only from the date the member's most recent
2 reemployment period commenced. However, if the former member's reemployment
3 with the same employer occurred within two years after the former member's
4 termination date, and, within ninety days after reemployment the former
5 member signs a written election consenting to reimburse the fund within one
6 year, the former member shall be required to redeposit the amount withdrawn
7 at the time of the former member's separation from service, with interest
8 thereon at the rate of nine per cent for each year compounded each year from
9 the date of withdrawal to the date of repayment. On satisfaction of this
10 obligation the member's prior service credits shall be reinstated.

11 D. If a retired member becomes employed in any capacity by the
12 employer from which the member retired before sixty consecutive days after
13 the member's date of retirement, the system shall not make pension payments
14 to the retired member during the period of reemployment. If a retired member
15 is reemployed by an employer, no contributions shall be made on the retired
16 member's account, nor any service credited, during the period of the
17 reemployment. Notwithstanding this subsection, if a retired member
18 subsequently becomes employed in the same position by the employer from which
19 the member retired, the system shall not make pension payments to the retired
20 member during the period of reemployment. On subsequent termination of
21 employment by the retired member, the retired member is entitled to receive a
22 pension based on the member's service and compensation before the date of the
23 member's reemployment. If a member who retired under disability is
24 reemployed by an employer as an employee, that member shall be treated as if
25 the member had been on an uncompensated leave of absence during the period of
26 the member's disability retirement and shall be a contributing member of the
27 system. Within ten days after a retired member is reemployed by the employer
28 from which the member retired, the employer shall advise the ~~fund manager~~
29 ~~BOARD~~ in writing as to whether the retired member has been reemployed in the
30 same position from which the member retired. The ~~fund manager~~ ~~BOARD~~ shall
31 review all reemployment determinations. If the ~~fund manager~~ ~~BOARD~~ is not
32 provided the necessary information to make a reemployment determination, the
33 ~~fund manager~~ ~~BOARD~~ shall suspend pension payments until information is
34 received and a determination is made that the reemployment meets the
35 requirements of this subsection. For the purposes of this subsection, "same
36 position" means the member is in a position where the member performs
37 substantially similar duties that were performed and exercises substantially
38 similar authority that was exercised by the retired member before retirement.

39 E. A person who defrauds the system or who takes, converts, steals or
40 embezzles monies owned by or from the system and who fails or refuses to
41 return the monies to the system on the ~~fund manager's~~ ~~BOARD'S~~ written request
42 is subject to civil suit by the system in the superior court in Maricopa
43 county. On entry of an order finding the person has defrauded the system or
44 taken, converted, stolen or embezzled monies owned by or from the system, the
45 court shall enter an order against that person and for the system awarding

1 the system all of its costs and expenses of any kind, including attorney
2 fees, that were necessary to successfully prosecute the action. The court
3 shall also grant the system a judicial lien on all of the nonexempt property
4 of the person against whom judgment is entered pursuant to this subsection in
5 an amount equal to all amounts awarded to the system, plus interest at the
6 rate prescribed by section 44-1201, subsection A, until all amounts owed are
7 paid to the system.

8 F. Notwithstanding any other provision of this article, the ~~fund~~
9 ~~manager~~ BOARD may offset against any benefits otherwise payable by the system
10 to an active or retired member or survivor any court ordered amounts awarded
11 to the ~~fund-manager~~ BOARD and system and assessed against the member or
12 survivor.

13 Sec. 23. Repeal; retroactivity

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

16 B. Section 38-856, Arizona Revised Statutes, is repealed.

17 C. Subsection B of this section is effective retroactively to from and
18 after June 29, 2011.

19 Sec. 24. Section 38-881, Arizona Revised Statutes, as amended by Laws
20 2010, chapter 200, section 53, is amended to read:

21 38-881. Definitions

22 In this article, unless the context otherwise requires:

23 1. "Accidental disability" means a physical or mental condition that
24 the local board finds totally and permanently prevents an employee from
25 performing a reasonable range of duties within the employee's department, was
26 incurred in the performance of the employee's duties and was the result of
27 any of the following:

28 (a) Physical contact with inmates, prisoners, parolees or persons on
29 probation.

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

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

38 2. "Accumulated member contributions" means for each member the sum of
39 the amount of all the member's contributions deducted from the member's
40 salary and paid to the fund, plus member contributions transferred to the
41 fund by another retirement plan covering public employees of this state, plus
42 previously withdrawn accumulated member contributions that are repaid to the
43 fund in accordance with this article, minus any benefits paid to or on behalf
44 of a member.

- 1 3. "Actuarial equivalent" means equality in present value of the
2 aggregate amounts expected to be received under two different forms of
3 payment, based on mortality and interest assumptions adopted by the board.
4 4. "Alternate payee" means the spouse or former spouse of a
5 participant as designated in a domestic relations order.
6 5. "Alternate payee's portion" means benefits that are payable to an
7 alternate payee pursuant to a plan approved domestic relations order.
8 6. "Annuitant" means a person who is receiving a benefit pursuant to
9 section 38-911.
10 7. "Average monthly salary" means, **FOR AN EMPLOYEE WHO BECOMES A**
11 **MEMBER OF THE PLAN BEFORE JANUARY 1, 2012**, one-thirty-sixth of the aggregate
12 amount of salary that is paid a member by a participating employer during a
13 period of thirty-six consecutive months of service in which the member
14 received the highest salary within the last one hundred twenty months of
15 service **AND, FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER**
16 **JANUARY 1, 2012, ONE-SIXTIETH OF THE AGGREGATE AMOUNT OF SALARY THAT IS PAID**
17 **A MEMBER BY A PARTICIPATING EMPLOYER DURING A PERIOD OF SIXTY CONSECUTIVE**
18 **MONTHS OF SERVICE IN WHICH THE MEMBER RECEIVED THE HIGHEST SALARY WITHIN THE**
19 **LAST ONE HUNDRED TWENTY MONTHS OF SERVICE.** Average monthly salary means the
20 aggregate amount of salary that is paid a member divided by the member's
21 months of service if the member has less than thirty-six **OR SIXTY** months of
22 service. In the computation under this paragraph, a period of nonpaid or
23 partially paid industrial leave shall be considered based on the salary the
24 employee would have received in the employee's job classification if the
25 employee was not on industrial leave.
26 8. "Beneficiary" means an individual who is being paid or who has
27 entitlement to the future payment of a pension on account of a reason other
28 than the individual's membership in the retirement plan.
29 9. "Board" means the board of trustees of the public safety personnel
30 retirement system.
31 10. "Claimant" means a member, beneficiary or estate that files an
32 application for benefits with the retirement plan.
33 11. "Credited service" means credited service transferred to the
34 retirement plan from another retirement system or plan for public employees
35 of this state, plus those compensated periods of service as a member of the
36 retirement plan for which member contributions are on deposit in the fund.
37 12. "Cure period" means the ninety-day period in which a participant or
38 alternate payee may submit an amended domestic relations order and request a
39 determination, calculated from the time the plan issues a determination
40 finding that a previously submitted domestic relations order did not qualify
41 as a plan approved domestic relations order.
42 13. "Designated position" means:
43 (a) For a county:
44 (i) A county detention officer.

- 1 (ii) A nonuniformed employee of a sheriff's department whose primary
2 duties require direct contact with inmates.
- 3 (b) For the state department of corrections and the department of
4 juvenile corrections, only the following specifically designated positions:
5 (i) Food service.
6 (ii) Nursing personnel.
7 (iii) Corrections physician assistant.
8 (iv) Therapist.
9 (v) Corrections dental assistant.
10 (vi) Hygienist.
11 (vii) Corrections medical assistant.
12 (viii) Correctional service officer, including assistant deputy
13 warden, deputy warden, warden and superintendent.
14 (ix) State correctional program officer.
15 (x) Parole or community supervision officers.
16 (xi) Investigators.
17 (xii) Teachers.
18 (xiii) Institutional maintenance workers.
19 (xiv) Youth corrections officer.
20 (xv) Youth program officer.
21 (xvi) Behavioral health treatment unit managers.
22 (xvii) The director and assistant directors of the department of
23 juvenile corrections and the superintendent of the state educational system
24 for committed youth.
25 (xviii) The director, deputy directors and assistant directors of the
26 state department of corrections.
27 (xix) Other positions designated by the local board of the state
28 department of corrections or the local board of the department of juvenile
29 corrections pursuant to section 38-891.
30 (c) For a city or town, a city or town detention officer.
31 (d) For an employer of an eligible group as defined in section 38-842,
32 full-time dispatchers.
33 (e) For the judiciary, probation, surveillance and juvenile detention
34 officers and those positions designated by the local board of the judiciary
35 pursuant to section 38-891.
36 (f) For the department of public safety, state detention officers.
- 37 14. "Determination" means a written document that indicates to a
38 participant and alternate payee whether a domestic relations order qualifies
39 as a plan approved domestic relations order.
- 40 15. "Determination period" means the ninety-day period in which the
41 plan must review a domestic relations order that is submitted by a
42 participant or alternate payee to determine whether the domestic relations
43 order qualifies as a plan approved domestic relations order, calculated from
44 the time the plan mails a notice of receipt to the participant and alternate
45 payee.

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

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

6 18. "Domestic relations order" means an order of a court of this state
7 that is made pursuant to the domestic relations laws of this state and that
8 creates or recognizes the existence of an alternate payee's right to, or
9 assigns to an alternate payee the right to, receive a portion of the benefits
10 payable to a participant.

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

13 (a) Is under eighteen years of age.

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

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

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

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

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

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

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

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

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

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

39 (a) Any distribution that is one of a series of substantially equal
40 periodic payments made not less frequently than annually for the life or life
41 expectancy of the member or the joint lives or joint life expectancies of the
42 member and the member's beneficiary or for a specified period of ten years or
43 more.

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

- 1 (c) The portion of any distribution that is not includable in gross
2 income.
- 3 22. "Employee" means a person employed by a participating employer in a
4 designated position.
- 5 23. "Employer" means an agency or department of this state or a
6 political subdivision of this state that has one or more employees in a
7 designated position.
- 8 24. "Fund" means the corrections officer retirement plan fund.
- 9 25. "Juvenile detention officer" means a juvenile detention officer
10 responsible for the direct custodial supervision of juveniles who are
11 detained in a county juvenile detention center.
- 12 26. "Local board" means the retirement board of the employer that
13 consists of persons appointed or elected to administer the plan as it applies
14 to the employer's members in the plan.
- 15 27. "Member" means any employee who meets all of the following
16 qualifications:
- 17 (a) Who is a full-time paid person employed by a participating
18 employer in a designated position.
- 19 (b) Who is receiving salary for personal services rendered to a
20 participating employer or would be receiving salary except for an authorized
21 leave of absence.
- 22 (c) Whose customary employment is at least forty hours each week.
- 23 28. "Normal retirement date" means:
- 24 (a) FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1,
25 2012, the first day of the calendar month immediately following ~~an~~ THE
26 employee's completion of twenty years of service or, in the case of a
27 dispatcher, twenty-five years of service, the employee's sixty-second
28 birthday and completion of ten years of service or the month in which the sum
29 of the employee's age and years of credited service equals eighty.
- 30 (b) FOR AN EMPLOYEE WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER
31 JANUARY 1, 2012, THE FIRST DAY OF THE CALENDAR MONTH IMMEDIATELY FOLLOWING
32 THE EMPLOYEE'S COMPLETION OF TWENTY-FIVE YEARS OF SERVICE OR THE EMPLOYEE'S
33 SIXTY-SECOND BIRTHDAY AND COMPLETION OF TEN YEARS OF SERVICE.
- 34 29. "Notice of receipt" means a written document that is issued by the
35 plan to a participant and alternate payee and that states that the plan has
36 received a domestic relations order and a request for a determination that
37 the domestic relations order is a plan approved domestic relations order.
- 38 30. "Ordinary disability" means a physical condition that the local
39 board determines will totally and permanently prevent an employee from
40 performing a reasonable range of duties within the employee's department or a
41 mental condition that the local board determines will totally and permanently
42 prevent an employee from engaging in any substantial gainful activity.
- 43 31. "Participant" means a member who is subject to a domestic relations
44 order.

- 1 32. "Participant's portion" means benefits that are payable to a
2 participant pursuant to a plan approved domestic relations order.
- 3 33. "Participating employer" means an employer that the board has
4 determined to have one or more employees in a designated position or a
5 county, city, town or department of this state that has entered into a
6 joinder agreement pursuant to section 38-902.
- 7 34. "Pension" means a series of monthly payments by the retirement plan
8 but does not include an annuity that is payable pursuant to section 38-911.
- 9 35. "Personal representative" means the personal representative of a
10 deceased alternate payee.
- 11 36. "Plan approved domestic relations order" means a domestic relations
12 order that the plan approves as meeting all the requirements for a plan
13 approved domestic relations order as otherwise prescribed in this article.
- 14 37. "Probation or surveillance officer" means an officer appointed
15 pursuant to section 8-203, 12-251 or 12-259 but does not include other
16 personnel, office assistants or support staff.
- 17 38. "Retired member" means an individual who terminates employment and
18 who is receiving a pension pursuant to either section 38-885 or 38-886.
- 19 39. "Retirement" or "retired" means termination of employment after a
20 member has fulfilled all requirements for a pension.
- 21 40. "Retirement plan" or "plan" means the corrections officer
22 retirement plan established by this article.
- 23 41. "Salary" means the base salary, shift differential pay, military
24 differential wage pay and holiday pay paid a member for personal services
25 rendered in a designated position to a participating employer on a regular
26 monthly, semimonthly or biweekly payroll basis. Salary includes amounts that
27 are subject to deferred compensation or tax shelter agreements. Salary does
28 not include payment for any remuneration or reimbursement other than as
29 prescribed by this paragraph. For the purposes of this paragraph, "base
30 salary" means the amount of compensation each member is regularly paid for
31 personal services rendered to an employer before the addition of any extra
32 monies, including overtime pay, shift differential pay, holiday pay, fringe
33 benefit pay and similar extra payments.
- 34 42. "Segregated funds" means the amount of benefits that would
35 currently be payable to an alternate payee pursuant to a domestic relations
36 order under review by the plan, or a domestic relations order submitted to
37 the plan that failed to qualify as a plan approved domestic relations order,
38 if the domestic relations order were determined to be a plan approved
39 domestic relations order.
- 40 43. "Service" means employment rendered to a participating employer as
41 an employee in a designated position. Any absence that is authorized by an
42 employer, including any periods during which the employee is on an employer
43 sponsored long-term disability program, is considered as service if the
44 employee returns or is deemed by the employer to have returned to a
45 designated position within the period of the authorized absence.

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

6 Sec. 25. Repeal

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

9 Sec. 26. Section 38-884, Arizona Revised Statutes, is amended to read:

10 38-884. Membership of retirement plan; termination; credited
11 service; redemption

12 A. Each employee of a participating employer is a member of the plan
13 unless the employee is receiving a pension from the plan. A person employed
14 shall undergo a medical examination performed by a doctor or clinic appointed
15 by the local board or, in the case of a state correctional officer who is
16 employed by the state department of corrections, complete a physical
17 examination pursuant to section 41-1822, subsection B. For the purposes of
18 subsection B of this section, the doctor or clinic appointed by the local
19 board may be the employer's regular employee or contractor.

20 B. The purpose of the medical examination authorized by this section
21 is to identify a member's physical or mental condition or injury that existed
22 or occurred before the member's date of membership in the plan. Any employee
23 who fails or refuses to submit to the medical examination prescribed in this
24 section is deemed to waive all rights to disability benefits under this
25 article. Medical examinations conducted under this article shall not be
26 conducted or used for purposes of hiring, advancement, discharge, job
27 training or other terms, conditions and privileges of employment unrelated to
28 receipt or qualification for pension benefits or service credits from the
29 fund. This subsection does not affect or impair the right of an employer to
30 prescribe medical or physical standards for employees or prospective
31 employees.

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

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

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

1 (a) 5.0 to 5.9 years of credited service, twenty-five per cent of all
2 member contributions deducted from the member's salary pursuant to section
3 38-891, subsection B.

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

7 (c) 7.0 to 7.9 years of credited service, fifty-five per cent of all
8 member contributions deducted from the member's salary pursuant to section
9 38-891, subsection B.

10 (d) 8.0 to 8.9 years of credited service, seventy per cent of all
11 member contributions deducted from the member's salary pursuant to section
12 38-891, subsection B.

13 (e) 9.0 to 9.9 years of credited service, eighty-five per cent of all
14 member contributions deducted from the member's salary pursuant to section
15 38-891, subsection B.

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

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

27 E. THE ACCUMULATED MEMBER CONTRIBUTIONS OF A MEMBER WHO CEASES TO BE
28 AN EMPLOYEE FOR A REASON OTHER THAN DEATH OR RETIREMENT AND WHO BECOMES A
29 MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012 SHALL BE PAID TO THE MEMBER
30 WITHIN TWENTY DAYS AFTER FILING WITH THE PLAN A WRITTEN APPLICATION FOR
31 PAYMENT.

32 ~~F.~~ F. If the refund includes monies that are an eligible rollover
33 distribution and the member elects to have the distribution paid directly to
34 an eligible retirement plan or individual retirement account or annuity and
35 specifies the eligible retirement plan or individual retirement account or
36 annuity to which the distribution is to be paid, the distribution shall be
37 made in the form of a direct trustee-to-trustee transfer to the specified
38 eligible retirement plan. The distribution shall be made in the form and at
39 the time prescribed by the board.

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

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

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

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

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

18 3. The required payment is completed within one year after returning
19 to employee status.

20 ~~I~~ J. A present active member of the plan who received a refund of
21 accumulated contributions from the plan pursuant to subsection C, ~~or~~ D OR E
22 of this section and forfeited credited service pursuant to subsection ~~G~~ H of
23 this section may elect to redeem any part of that forfeited credited service
24 by paying into the plan any amounts required pursuant to this subsection. A
25 present active member who elects to redeem any part of forfeited credited
26 service for which the member is deemed eligible by the board shall pay into
27 the plan the amounts previously paid or transferred as a refund of the
28 member's accumulated contributions plus an amount, computed by the plan's
29 actuary that is necessary to equal the increase in the actuarial present
30 value of projected benefits resulting from the redemption calculated using
31 the actuarial methods and assumptions prescribed by the plan's actuary.

32 ~~J~~ K. A retired member may become employed by an employer in a
33 designated position and continue to receive a pension if the employment
34 occurs at least twelve months after retirement. The retired member shall not
35 contribute to the fund and shall not accrue credited service. If a retired
36 member becomes employed by an employer in a designated position before twelve
37 months after retirement:

38 1. Payment of the retired member's pension shall be suspended until
39 the retired member again ceases to be an employee. The amount of pension
40 shall not be changed on account of service as an employee subsequent to
41 retirement.

42 2. The retired member shall not contribute to the fund and shall not
43 accrue credited service.

1 Sec. 27. Section 38-885, Arizona Revised Statutes, is amended to read:
2 38-885. Normal retirement: conditions and pension
3 A. A member may retire if the member:
4 1. Files a written application for normal retirement with the plan in
5 the form prescribed by the plan.
6 2. Ceases to be an employee before the date of retirement.
7 3. Meets one of the age and service requirements for normal retirement
8 prescribed in subsection B **OR D**.
9 B. A member **WHO BECOMES A MEMBER OF THE PLAN BEFORE JANUARY 1, 2012** is
10 eligible for a normal retirement pension if the member satisfies one of the
11 following requirements:
12 1. Is **AT LEAST** sixty-two years ~~or older~~ **OF AGE** and has ten or more
13 years of service.
14 2. Has twenty or more years of service or, in the case of a
15 dispatcher, twenty-five **OR MORE** years **OF SERVICE**.
16 3. The sum of the member's age and years of credited service equals at
17 least eighty.
18 C. A member who meets the requirements for a normal retirement pension
19 **PURSUANT TO SUBSECTION B** and who has twenty years or twenty-five years, as
20 applicable, of credited service is entitled to receive a pension that equals
21 fifty per cent of the member's average monthly salary, except that:
22 1. If the member retires with more than twenty years of credited
23 service the foregoing amount shall be increased by a monthly amount equal to
24 two per cent of the member's average monthly salary multiplied by the number
25 of the member's years of credited service in excess of twenty years, with pro
26 rata increase for any fractional years, except that if a member retires with
27 twenty-five or more years of credited service the foregoing amount shall be
28 increased by a monthly amount equal to two and one-half per cent of the
29 member's average monthly salary 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.
32 2. If the member retires pursuant to subsection B but has less than
33 twenty years of credited service, the member is entitled to receive a pension
34 equal to the product of:
35 (a) Two and one-half per cent of the member's average monthly salary.
36 (b) The member's credited service.
37 D. **A PERSON WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1,**
38 **2012 IS ELIGIBLE FOR A NORMAL RETIREMENT PENSION IF THE PERSON SATISFIES ONE**
39 **OF THE FOLLOWING REQUIREMENTS:**
40 1. **IS AT LEAST SIXTY-TWO YEARS OF AGE AND HAS TEN OR MORE YEARS OF**
41 **SERVICE.**
42 2. **HAS TWENTY-FIVE OR MORE YEARS OF SERVICE.**

1 E. A PERSON WHO MEETS THE REQUIREMENTS FOR A NORMAL RETIREMENT PENSION
2 PURSUANT TO SUBSECTION D AND WHO HAS TWENTY-FIVE YEARS OF CREDITED SERVICE IS
3 ENTITLED TO RECEIVE A PENSION THAT EQUALS SIXTY-TWO AND ONE-HALF PER CENT OF
4 THE MEMBER'S AVERAGE MONTHLY SALARY, EXCEPT THAT:

5 1. IF THE PERSON RETIRES WITH MORE THAN TWENTY-FIVE YEARS OF CREDITED
6 SERVICE THE FOREGOING AMOUNT SHALL BE INCREASED BY A MONTHLY AMOUNT EQUAL TO
7 TWO AND ONE-HALF PER CENT OF THE MEMBER'S AVERAGE MONTHLY SALARY MULTIPLIED
8 BY THE NUMBER OF THE MEMBER'S YEARS OF CREDITED SERVICE IN EXCESS OF
9 TWENTY-FIVE YEARS, WITH PRO RATA INCREASE FOR ANY FRACTIONAL YEAR.

10 2. IF THE PERSON RETIRES PURSUANT TO SUBSECTION D BUT HAS LESS THAN
11 TWENTY-FIVE YEARS OF CREDITED SERVICE, THE PERSON IS ENTITLED TO RECEIVE A
12 PENSION EQUAL TO THE PRODUCT OF:

13 (a) TWO AND ONE-HALF PER CENT OF THE MEMBER'S AVERAGE MONTHLY SALARY.

14 (b) THE MEMBER'S CREDITED SERVICE.

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

18 Sec. 28. Section 38-885.01, Arizona Revised Statutes, is amended to
19 read:

20 38-885.01. Reverse deferred retirement option plan; purpose;
21 delayed repeal

22 A. A reverse deferred retirement option plan is established. The
23 purpose of the reverse deferred retirement option plan is to add flexibility
24 to the plan and to provide members who elect to participate in the reverse
25 deferred retirement option plan access to a lump sum benefit in addition to
26 their normal monthly retirement benefit on actual retirement.

27 B. Until June 30, 2016, the board shall offer the reverse deferred
28 retirement option plan to members on a voluntary basis as an alternative
29 method of benefit accrual under the plan.

30 C. Any member who is eligible for a normal pension pursuant to section
31 38-885, who is not awarded an accidental, ordinary or total and permanent
32 disability pension and who has at least twenty-four years of credited
33 service, or in the case of a dispatcher, who has at least twenty-five years
34 of credited service, is eligible to participate in the reverse deferred
35 retirement option plan.

36 D. A member who elects to participate in the reverse deferred
37 retirement option plan shall voluntarily and irrevocably:

38 1. Designate a reverse deferred retirement option plan date that is
39 the first day of the calendar month immediately following a member's
40 completion of twenty-four years of credited service or a date not more than
41 sixty consecutive months before the date the member elects to participate in
42 the reverse deferred retirement option plan, whichever is later.

43 2. Agree to terminate employment on the date the member elects to
44 participate in the reverse deferred retirement option plan.

1 3. Receive benefits from the plan on termination of employment at the
2 same time and in the same manner as otherwise prescribed in this article
3 using the factors of credited service and average monthly salary in effect on
4 the reverse deferred retirement option plan date.

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

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

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

18 1. An amount that is credited as though accrued monthly from the
19 reverse deferred retirement option plan date to the date the member elected
20 to participate in the reverse deferred retirement option plan and that is
21 computed in the same manner as a normal retirement benefit using the factors
22 of credited service and average monthly salary in effect on the reverse
23 deferred retirement option plan date.

24 2. An amount that is credited as though accrued monthly and that
25 represents interest at a rate equal to the yield on a five year treasury note
26 as of the first day of the month as published by the federal reserve board.

27 H. Employee and employer contributions pursuant to section 38-891 that
28 are deposited during the period of the reverse deferred retirement option
29 plan are not eligible to be refunded to the employer or member.

30 I. The participant is not entitled to receive any amount prescribed by
31 section ~~38-905-01~~ 38-906 during the reverse deferred retirement option plan
32 participation period.

33 J. The form of payment shall be a lump sum distribution. If allowed
34 by the internal revenue service, the participant may elect to transfer the
35 lump sum distribution to an eligible retirement plan or individual retirement
36 account.

37 K. The reverse deferred retirement option plan shall not jeopardize in
38 any way the tax qualified status of the plan under the rules of the internal
39 revenue service. The board may adopt additional provisions to the extent
40 necessary or appropriate for the reverse deferred retirement option plan to
41 comply with applicable federal laws or rules.

42 L. This section is repealed from and after June 30, 2016.

1 Sec. 29. Section 38-886.01, Arizona Revised Statutes, is amended to
2 read:

3 38-886.01. Ordinary disability retirement; qualifications;
4 amount of pension; conditions for continued
5 payment of pension; definition

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

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

13 2. The member undergoes all medical examinations and tests ordered by
14 the local board and releases to the local board all medical reports and
15 records requested by the local board.

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

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

20 B. The effective date of an ordinary disability retirement shall not
21 predate the date of disability or the date the member ceases to be an
22 employee.

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

37 D. During the period, if any, between the effective date of ordinary
38 disability retirement and the date the disabled retired member attains
39 sixty-two years of age the local board may require a disabled retired member
40 to undergo periodic reevaluation of the continuation of ordinary disability.
41 If the disabled retired member refuses to submit to reevaluation, the local
42 board may suspend payment of the pension. If the refusal continues for one
43 year, the local board may revoke the disabled retired member's rights to the
44 pension. An ordinary disability pension is terminated if the local board

1 finds the retired member no longer meets the requirements for ordinary
2 disability retirement.

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

6 1. An injury suffered while engaged in a felonious criminal act or
7 enterprise.

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

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

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

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

25 Sec. 30. Section 38-891, Arizona Revised Statutes, is amended to read:

26 38-891. Employer and member contributions

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

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

19 B. ~~Except as provided by subsection I,~~ Each member shall contribute
 20 ~~7.96 per cent of the member's salary~~ THE AMOUNT PRESCRIBED IN SUBSECTION H to
 21 the retirement plan. Member contributions shall be made by payroll
 22 deduction. Continuation of employment by the member constitutes consent and
 23 agreement to the deduction of the applicable member contribution. Payment of
 24 the member's salary less the deducted contributions constitutes full and
 25 complete discharge and satisfaction of all claims and demands of the member
 26 relating to salary for services rendered during the period covered by the
 27 payment.

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

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

37 E. The local board of the state department of corrections or the local
 38 board of the department of juvenile corrections may specify a position within
 39 that department as a designated position if the position is filled by an
 40 employee who has at least five years of credited service under the plan, who
 41 is transferred to temporarily fill the position and who makes a written
 42 request to the local board to specify the position as a designated position
 43 within ninety days of being transferred. On the employee leaving the
 44 position, the position is no longer a designated position. For the purposes

1 of this subsection, "temporarily filled" means an employee is transferred to
2 fill the position for a period of not more than one year.

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

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

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

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

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

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

43 2. FOR FISCAL YEAR 2011-2012, 9.41 PER CENT OF THE MEMBER'S SALARY,
44 EXCEPT FOR A FULL-TIME DISPATCHER. THE AMOUNT CONTRIBUTED BY A FULL-TIME
45 DISPATCHER FOR FISCAL YEAR 2011-2012 IS 8.96 PER CENT OF THE MEMBER'S SALARY.

1 3. FOR FISCAL YEAR 2012-2013, 10.41 PER CENT OF THE MEMBER'S SALARY,
2 EXCEPT FOR A FULL-TIME DISPATCHER. THE AMOUNT CONTRIBUTED BY A FULL-TIME
3 DISPATCHER FOR FISCAL YEAR 2012-2013 IS 9.96 PER CENT OF THE MEMBER'S SALARY.

4 4. FOR FISCAL YEAR 2013-2014, 11.41 PER CENT OF THE MEMBER'S SALARY,
5 EXCEPT FOR A FULL-TIME DISPATCHER. THE AMOUNT CONTRIBUTED BY A FULL-TIME
6 DISPATCHER FOR FISCAL YEAR 2013-2014 IS 10.96 PER CENT OF THE MEMBER'S
7 SALARY.

8 5. FOR FISCAL YEAR 2014-2015, 12.41 PER CENT OF THE MEMBER'S SALARY,
9 EXCEPT FOR A FULL-TIME DISPATCHER. THE AMOUNT CONTRIBUTED BY A FULL-TIME
10 DISPATCHER FOR FISCAL YEAR 2013-2014 IS 11.96 PER CENT OF THE MEMBER'S
11 SALARY.

12 6. FOR FISCAL YEAR 2015-2016 AND EACH FISCAL YEAR THEREAFTER, FIFTY
13 PER CENT OF THE AGGREGATE COMPUTED EMPLOYER CONTRIBUTION RATE THAT IS
14 CALCULATED PURSUANT TO SUBSECTION A WITHOUT TAKING INTO ACCOUNT ANY MEMBER
15 CONTRIBUTIONS, EXCEPT THAT THE MEMBER CONTRIBUTION RATE SHALL NOT BE LESS
16 THAN 7.65 PER CENT OF THE MEMBER'S COMPENSATION AND THE EMPLOYER CONTRIBUTION
17 RATE SHALL NOT BE LESS THAN THE RATE PRESCRIBED IN SUBSECTION A.

18 I. NOTWITHSTANDING SUBSECTION H, PARAGRAPH 6, THE CONTRIBUTION RATE
19 FOR A FULL-TIME DISPATCHER IS FORTY-FIVE BASIS POINTS LESS THAN THE MEMBER
20 CONTRIBUTION AMOUNT CALCULATED PURSUANT TO SUBSECTION H, PARAGRAPH 6, EXCEPT
21 THAT AFTER THE CLOSE OF ANY FISCAL YEAR, IF THE PLAN'S ACTUARY DETERMINES
22 THAT THE AGGREGATE RATIO OF THE FUNDING VALUE OF THE ACCRUED ASSETS TO THE
23 ACCRUED LIABILITIES OF THE FUND IS AT LEAST ONE HUNDRED PER CENT, FROM AND
24 AFTER JUNE 30 OF THE FOLLOWING YEAR THE MEMBER CONTRIBUTION RATE FOR A
25 FULL-TIME DISPATCHER IS EQUAL TO THE MEMBER CONTRIBUTION RATE FOR A MEMBER
26 WHO IS NOT A FULL-TIME DISPATCHER.

27 Sec. 31. Repeal; retroactivity

28 A. Section 38-905, Arizona Revised Statutes, is repealed.

29 B. This section is effective retroactively to from and after June
30 29, 2011.

31 Sec. 32. Section 38-911, Arizona Revised Statutes, is amended to read:

32 38-911. Deferred annuity; eligibility; amount

33 If any member who has at least ten years of credited service terminates
34 employment for reasons other than retirement or disability, the person may
35 elect to receive a deferred annuity, except that if the person withdraws the
36 person's accumulated contributions from the plan, all rights to a deferred
37 annuity are forfeited. A deferred annuity is a lifetime monthly payment that
38 is actuarially equivalent to the annuitant's accumulated contributions in the
39 plan plus an equal amount paid by the employer and commences on application
40 on or after the sixty-second birthday of the annuitant. The deferred annuity
41 is not a retirement benefit and annuitants are not entitled to receive any
42 amount prescribed by section 38-887, 38-888, 38-904, ~~38-905~~ or 38-906.

43 Sec. 33. Repeal

44 Laws 2005, chapter 324, section 2 is repealed.

1 Sec. 34. Defined contribution study committee; delayed repeal

2 A. The defined contribution study committee is established consisting
3 of the members of the state board of investment established by section
4 35-311, Arizona Revised Statutes.

5 B. The committee shall study and make recommendations as to the
6 feasibility and cost of transferring existing members of a public retirement
7 system or plan to a new defined contribution plan as well as providing for a
8 defined contribution plan for newly hired public employees.

9 C. On or before December 31, 2011, the committee shall submit a
10 written report of its findings and recommendations to the speaker of the
11 house of representatives, the president of the senate and the governor. The
12 committee shall provide a copy of the report to the secretary of state.

13 D. This section is repealed from and after September 30, 2012.

14 Sec. 35. Conforming legislation

15 The legislative council staff shall prepare proposed legislation
16 conforming the Arizona Revised Statutes to the provisions of this act for
17 consideration in the fiftieth legislature, second regular session.

18 Sec. 36. Severability

19 If a provision of this act or its application to any person or
20 circumstance is held invalid, the invalidity does not affect other provisions
21 or applications of the act that can be given effect without the invalid
22 provision or application, and to this end the provisions of this act are
23 severable.

24 Sec. 37. Retroactivity

25 Sections 38-711, 38-758, 38-810, 38-843 and 38-891, Arizona Revised
26 Statutes, as amended by this act, apply retroactively to from and after June
27 30, 2011.