

Senate Engrossed

PSPRS; deferred retirement option plan

State of Arizona  
Senate  
Fifty-fifth Legislature  
Second Regular Session  
2022

# **SENATE BILL 1268**

AN ACT

AMENDING SECTIONS 38-844.03 AND 38-844.05, ARIZONA REVISED STATUTES;  
RELATING TO THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2       Section 1. Section 38-844.03, Arizona Revised Statutes, is amended  
3 to read:

4           38-844.03. Eligibility; participation

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

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

17           1. Designate a period of participation that is not more than ~~sixty~~  
18 **EIGHTY-FOUR** consecutive months.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 2. FOR THE FIRST SIXTY MONTHS, an amount, credited monthly, that  
23 represents interest on the amount credited pursuant to paragraph 1 of this  
24 subsection at a rate equal to the assumed rate of return determined by the  
25 board. FOR THE REMAINING TWENTY-FOUR MONTHS, AN AMOUNT, CREDITED MONTHLY,  
26 THAT REPRESENTS INTEREST ON THE AMOUNT CREDITED PURSUANT TO PARAGRAPH 1 OF  
27 THIS SUBSECTION AT A RATE EQUAL TO THE ACTUAL RATE OF RETURN, SMOOTHED  
28 OVER A PERIOD OF SEVEN YEARS, TO BE NOT LESS THAN ZERO PERCENT OR NOT MORE  
29 THAN NINE PERCENT.

30 D. The participant is not entitled to receive any amount prescribed  
31 by section 38-856.05 or 38-857 during the deferred retirement option plan  
32 participation period.

33 **Sec. 3. Public safety personnel retirement system board of**  
34 **trustees; recommendations**

35 On or before December 31, 2022, the public safety personnel  
36 retirement system board of trustees shall report to the governor,  
37 president of the senate and the speaker of the house of representatives  
38 recommendations from stakeholders regarding measures that can improve  
39 retention for members of the public safety personnel retirement system who  
40 were hired on or after January 1, 2012 and before July 1, 2017 and  
41 measures that can improve retention and recruitment for members who were  
42 hired on or after July 1, 2017.