

Senate Engrossed House Bill

~~ASRS; contingent annuitants~~

(now: ASRS; contingent annuitants; account information)

State of Arizona
House of Representatives
Fifty-sixth Legislature
Second Regular Session
2024

HOUSE BILL 2206

AN ACT

AMENDING SECTIONS 38-755, 38-760 AND 38-783, ARIZONA REVISED STATUTES;
RELATING TO THE ARIZONA STATE 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 38-755, Arizona Revised Statutes, is amended to
3 read:

4 38-755. Member's account information; beneficiary
5 designation; spousal consent; confidentiality;
6 exception

7 A. ASRS shall make information concerning a member's account
8 accessible to the member in written or electronic form. This information
9 shall include the member's current account balance, contact information,
10 beneficiary election, estimated retirement date and estimated benefit
11 amount.

12 B. The member may change the member's beneficiary at any time in a
13 manner established by ASRS.

14 C. A member who is married shall name and maintain the member's
15 current spouse as a beneficiary to receive at least fifty percent of the
16 member's account, unless naming or maintaining the current spouse as a
17 beneficiary violates another law, an existing contract or a court order.
18 The member's current spouse may consent to a waiver of this requirement
19 pursuant to section 38-776.

20 D. EXCEPT AS PROVIDED IN SUBSECTION F OF THIS SECTION, in order to
21 protect a member's identity from fraud, abuse, theft or civil or criminal
22 activity, information about a member is not subject to inspection pursuant
23 to title 39, chapter 1, article 2, except that the following information
24 about a member is subject to inspection:

25 1. The member's name.

26 2. Whether the member is an active member as defined in section
27 38-711, an inactive member as defined in section 38-711 or a retired
28 member as defined in section 38-711.

29 3. The member's current or most recent employer.

30 4. For a retired member, the average monthly compensation, as
31 defined in section 38-711, used to calculate the member's retirement
32 benefit.

33 5. The credited service as defined in section 38-711 on account for
34 an active or inactive member or the credited service used to calculate the
35 retirement benefit for a retired member.

36 6. The gross pension amount actually paid to a retired member.

37 7. The most recent retirement date.

38 8. The current account balance for an active or inactive member.

39 9. The gross long-term disability program benefit actually paid to
40 a member with a disability pursuant to article 2.1 of this chapter.

41 10. The amount paid to purchase credited service pursuant to
42 section 38-743, 38-744 or 38-745.

43 11. The amount of credited service purchased pursuant to section
44 38-743, 38-744 or 38-745.

1 E. ASRS shall not permit any unredacted record to be inspected that
2 contains a member's social security number, bank account information,
3 address, telephone number, ~~e-mail~~ EMAIL address, medical records, health
4 insurance information, beneficiary or survivor information or disability
5 information or any information that is protected by any federal or state
6 law.

7 F. ASRS MAY PROVIDE THE VALUE OF THE MEMBER'S BENEFIT TO A MEMBER'S
8 CURRENT OR FORMER SPOUSE ON RECEIPT OF PROOF OF SERVICE OF A PETITION FOR
9 ANNULMENT, DISSOLUTION OF MARRIAGE OR LEGAL SEPARATION FOR THE PURPOSES OF
10 SECTION 38-773.

11 Sec. 2. Section 38-760, Arizona Revised Statutes, is amended to
12 read:

13 38-760. Optional forms of retirement benefits

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

16 B. The optional retirement benefits available under this section
17 include the following:

18 1. Joint and survivor life annuity in a reduced amount payable to
19 the retiring member during life, with the provisions that after the
20 member's death all, two-thirds or one-half of the retirement income, as
21 the member elects, shall be continued during the lifetime of the
22 contingent annuitant designated by the retiring member subject to the
23 restrictions prescribed in section 38-764. The amount of retirement
24 income shall be the actuarial equivalent of the retirement income to which
25 the member would be entitled under normal or early retirement. The
26 election in a manner prescribed by the board shall name the contingent
27 annuitant. The election may be revoked at any time before the member's
28 effective date of retirement. At any time after benefits have commenced,
29 the member may name a different contingent annuitant or rescind the
30 election by written notice to the board as follows:

31 (a) If a different contingent annuitant is named, the life annuity
32 of the member under the same joint and survivor life annuity option
33 previously elected shall be adjusted to the actuarial equivalent of the
34 original annuity, based on the age of the new contingent annuitant. The
35 adjustment shall include all postretirement increases in retirement income
36 that are authorized by law after the member's date of retirement. Payment
37 of this adjusted life annuity shall continue under the provisions of the
38 option previously elected by the member.

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

1 (c) If a member whose original date of retirement is before July 1,
2 2008 rescinds the joint and survivor life annuity option previously
3 elected and receives the straight life annuity pursuant to subdivision (b)
4 of this paragraph, the member may again elect the same joint and survivor
5 life annuity option previously elected subject to the same restrictions
6 prescribed in subdivision (a) of this paragraph.

7 (d) A member whose original date of retirement is on or after
8 July 1, 2008 may exercise a ~~one-time~~ ONETIME election to rescind the joint
9 and survivor life annuity option elected by the member if the contingent
10 annuitant dies or ceases to be a contingent annuitant pursuant to the
11 terms of a qualified domestic relations order.

12 (e) If the member's contingent annuitant is the member's current
13 spouse, the member shall obtain the consent of the contingent annuitant
14 pursuant to section 38-776 before the member names a new contingent
15 annuitant or before the member rescinds the election, except that consent
16 is not required if the rescission is pursuant to subdivision (d) of this
17 paragraph.

18 2. A period certain and life annuity actuarially reduced with
19 payments for five, ten or fifteen years that are not dependent on the
20 continued lifetime of the member but whose payments continue for the
21 member's lifetime beyond the five, ten or fifteen year period. At the
22 time of electing this option, the member shall name ~~a~~ ONE OR MORE period
23 certain ~~beneficiary or beneficiaries~~ CONTINGENT ANNUITANTS who are
24 entitled to receive the payments for any portion of the period certain
25 beyond the lifetime of the member. The member may name a different
26 ~~beneficiary~~ CONTINGENT ANNUITANT at any time. If no ~~beneficiary~~
27 CONTINGENT ANNUITANT survives the member, any remaining payments are the
28 property of the member's estate. A member who retires after August 9,
29 2001 and before July 1, 2008 may rescind the election of a period certain
30 and life annuity. If the member rescinds the election of a period certain
31 and life annuity, the member shall thereafter receive a straight life
32 annuity equal to what the member would otherwise be entitled to receive if
33 the member had not elected the period certain and life annuity option,
34 including all postretirement increases in retirement income that are
35 authorized by law after the date of retirement. The increased payment
36 shall continue during the remainder of the member's lifetime. If the
37 member reverts to a straight life annuity pursuant to this paragraph, the
38 member may again elect a period certain and life annuity subject to the
39 same provisions of the period certain and life annuity previously elected
40 by the member. If the member's contingent annuitant is the member's
41 current spouse, the member shall obtain the consent of the contingent
42 annuitant pursuant to section 38-776 before the member rescinds the
43 election of a period certain and life annuity or again elects a period
44 certain and life annuity. A member whose original date of retirement is
45 on or after July 1, 2008 may exercise a ~~one-time~~ ONETIME election to

1 rescind the period certain and life annuity option elected by the member
2 if the ~~beneficiary~~ CONTINGENT ANNUITANT dies or ceases to be a ~~beneficiary~~
3 CONTINGENT ANNUITANT pursuant to the terms of a qualified domestic
4 relations order or at the expiration of the member's period certain term.

5 3. Beginning on July 1, 2002, a lump sum payment equal to not more
6 than thirty-six months of the member's retirement benefits based on the
7 actuarial equivalent of the retirement income to which the member would be
8 entitled under normal or early retirement. The member's benefit shall be
9 actuarially reduced to provide for the lump sum payment. The lump sum
10 payment shall be made at the time of retirement. If a member has received
11 an overpayment pursuant to section 38-765 or 38-797.08, ASRS shall
12 withhold the overpayment amount plus any required income tax withholding
13 from the partial lump sum. Any benefit increase granted to a member who
14 elects a lump sum payment pursuant to this paragraph is subject to the
15 following conditions:

16 (a) If the benefit increase is a percentage increase of the
17 member's retirement benefit, the increase shall be based on the
18 actuarially reduced retirement benefit of the member.

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

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

24 C. A member who is married at the time of retirement shall elect a
25 joint and survivor life annuity pursuant to subsection B, paragraph 1 of
26 this section, and the member's current spouse shall be the contingent
27 annuitant unless the member's current spouse consents to a waiver of this
28 requirement pursuant to section 38-776 or the election would violate
29 another law, an existing contract or a court order. If the married member
30 does not elect a type of joint and survivor life annuity for the member's
31 current spouse and the member's current spouse has not waived the
32 requirements of this subsection, ASRS shall cancel the member's
33 retirement. The member may reapply for retirement at any time in a manner
34 established by ASRS.

35 Sec. 3. Section 38-783, Arizona Revised Statutes, is amended to
36 read:

37 38-783. Retired members; dependents; health insurance;
38 premium payment; separate account; definitions

39 A. Subject to subsections G, H and I of this section, the board
40 shall pay from ASRS assets part of the single coverage premium of any
41 health and accident insurance for each retired member, contingent
42 annuitant or member with a disability of ASRS if the member elects to
43 participate in the coverage provided by ASRS or section 38-651.01 or
44 elects to participate in a health and accident insurance program provided
45 or administered by an employer or paid for, in whole or in part, by an

1 employer to an insurer. A contingent annuitant must be receiving a
2 monthly retirement benefit from ASRS in order to obtain any premium
3 payment provided by this section. The board shall pay:

4 1. Up to \$150 per month for a member of ASRS who is not eligible
5 for medicare if the retired member or member with a disability has ten or
6 more years of credited service.

7 2. Up to \$100 per month for each member of ASRS who is eligible for
8 medicare if the retired member or member with a disability has ten or more
9 years of credited service.

10 B. Subject to subsections G, H and I of this section, the board
11 shall pay from ASRS assets part of the family coverage premium of any
12 health and accident insurance for a retired member, contingent annuitant
13 or member with a disability of ASRS who elects family coverage and who
14 otherwise qualifies for payment pursuant to subsection A of this section.
15 If a member of ASRS and the member's spouse are both either retired or
16 have disabilities under ASRS and apply for family coverage, the member who
17 elects family coverage is entitled to receive the payments under this
18 section as if they were both applying under a single coverage premium
19 unless the payment under this section for family coverage is greater.
20 Payment under this subsection is in the following amounts:

21 1. Up to \$260 per month if the member of ASRS and one or more
22 dependents are not eligible for medicare.

23 2. Up to \$170 per month if the member of ASRS and one or more
24 dependents are eligible for medicare.

25 3. Up to \$215 per month if either:

26 (a) The member of ASRS is not eligible for medicare and one or more
27 dependents are eligible for medicare.

28 (b) The member of ASRS is eligible for medicare and one or more
29 dependents are not eligible for medicare.

30 C. In addition each retired member, contingent annuitant or member
31 with a disability of ASRS with less than ten years of credited service and
32 a dependent of such a retired member, contingent annuitant or member with
33 a disability who elects to participate in the coverage provided by ASRS or
34 section 38-651.01 or who elects to participate in a health and accident
35 insurance program provided or administered by an employer or paid for, in
36 whole or in part, by an employer to an insurer is entitled to receive a
37 proportion of the full benefit prescribed by subsection A or B of this
38 section according to the following schedule:

39 1. 9.0 to 9.9 years of credited service, ninety percent.

40 2. 8.0 to 8.9 years of credited service, eighty percent.

41 3. 7.0 to 7.9 years of credited service, seventy percent.

42 4. 6.0 to 6.9 years of credited service, sixty percent.

43 5. 5.0 to 5.9 years of credited service, fifty percent.

44 6. Those with less than five years of credited service do not
45 qualify for the benefit.

1 D. The board shall not pay more than the amount prescribed in this
2 section for a member of ASRS.

3 E. Notwithstanding subsections A, B and C of this section, for a
4 member who retires on or after August 2, 2012, the board shall not make a
5 payment under this section to a retired member, contingent annuitant or
6 member with a disability who is enrolled in an employer's active employee
7 group health and accident insurance program either as the insured or as a
8 dependent, except that if the retired member, contingent annuitant or
9 member with a disability is enrolled as a dependent and the premium paid
10 to the employer's active employee group health and accident insurance
11 program is not subsidized by the employer, the retired member, contingent
12 annuitant or member with a disability is entitled to receive the amount
13 provided in subsection A of this section.

14 F. The board shall establish a separate account that consists of
15 the benefits provided by this section. The board shall not use or divert
16 any part of the corpus or income of the account for any purpose other than
17 the provision of and the cost of administering the benefits under this
18 section or the self-insurance program pursuant to section 38-782 unless
19 the liabilities of ASRS to provide the benefits are satisfied. If the
20 liabilities of ASRS to provide the benefits described in this section and
21 section 38-782 are satisfied, the board shall return any amount remaining
22 in the account to the employer.

23 G. Payment of the benefits provided by this section is subject to
24 the following conditions:

25 1. The payment of the benefits is subordinate to the payment of
26 retirement benefits payable by ASRS.

27 2. The total of contributions for the benefits and actual
28 contributions for life insurance protection, if any, shall not exceed
29 twenty-five percent of the total actual employer and employee
30 contributions to ASRS, less contributions to fund past service credits,
31 after the day the account is established.

32 3. The board shall deposit the benefits provided by this section in
33 the account.

34 4. The contributions by the employer to the account shall be
35 reasonable and ascertainable.

36 H. A member who elects to receive a retirement benefit pursuant to
37 section 38-760, subsection B, paragraph 1 may elect at the time of
38 retirement an optional form of health and accident insurance premium
39 benefit payment pursuant to this subsection as follows:

40 1. The optional premium benefit payment shall be an amount
41 prescribed by subsection A, B or C of this section that is actuarially
42 reduced to the retiring member for life. The amount of the optional
43 premium benefit payment shall be the actuarial equivalent of the premium
44 benefit payment to which the retired member would otherwise be entitled.
45 The election in a manner prescribed by the board shall name the contingent

1 annuitant and may be revoked at any time before the retiring member's
2 effective date of retirement. At any time after benefits have commenced,
3 the member may name a different contingent annuitant or rescind the
4 election by written notice to the board as follows:

5 (a) If the retired member names a different contingent annuitant,
6 the optional premium benefit payment shall be adjusted to the actuarial
7 equivalent of the original premium benefit payment based on the age of the
8 new contingent annuitant. The adjustment shall include all postretirement
9 increases or decreases in amounts prescribed by subsection A, B or C of
10 this section that are authorized by law after the retired member's date of
11 retirement. Payment of this adjusted premium benefit payment shall
12 continue under the provisions of the optional premium benefit payment
13 previously elected by the retired member. A retired member cannot name a
14 different contingent annuitant if the retired member has at any time
15 rescinded the optional form of health and accident insurance premium
16 benefit payment.

17 (b) If the retired member rescinds the election, the retired member
18 shall thereafter receive the premium benefit payment that the retired
19 member would otherwise be entitled to receive if the retired member had
20 not elected the optional premium benefit payment, including all
21 postretirement increases or decreases in amounts prescribed by subsection
22 A, B or C of this section that are authorized by law after the member's
23 date of retirement. The increased benefit payment shall continue during
24 the remainder of the retired member's lifetime. The decision to rescind
25 shall be irrevocable.

26 2. If, at the time of the retired member's death:

27 (a) The retired member was receiving a reduced premium benefit
28 payment based on an amount prescribed in subsection B or C of this section
29 and the contingent annuitant is eligible for family health and accident
30 insurance coverage, the contingent annuitant is entitled to receive a
31 premium benefit payment based on an amount prescribed in subsection B or C
32 of this section times the reduction factor applied to the retired member's
33 premium benefit payment times the joint and survivor option reduction
34 factor elected by the retired member at the time of retirement pursuant to
35 section 38-760, subsection B, paragraph 1.

36 (b) The retired member was receiving a reduced premium benefit
37 payment based on an amount prescribed in subsection A or C of this section
38 and the contingent annuitant is eligible for single health and accident
39 insurance coverage, the contingent annuitant is entitled to receive a
40 premium benefit payment based on an amount prescribed in subsection A or C
41 of this section times the reduction factor applied to the retired member's
42 premium benefit payment times the joint and survivor option reduction
43 factor elected by the retired member at the time of retirement pursuant to
44 section 38-760, subsection B, paragraph 1.

1 (c) The retired member was receiving a reduced premium benefit
2 payment based on an amount prescribed in subsection B or C of this section
3 and the contingent annuitant is not eligible for family health and
4 accident insurance coverage, the contingent annuitant is entitled to
5 receive a premium benefit payment based on an amount prescribed in
6 subsection A or C of this section times the reduction factor applied to
7 the retired member's premium benefit payment times the joint and survivor
8 option reduction factor elected by the retired member at the time of
9 retirement pursuant to section 38-760, subsection B, paragraph 1.

10 I. A member who elects to receive a retirement benefit pursuant to
11 section 38-760, subsection B, paragraph 2 may elect at the time of
12 retirement an optional form of health and accident insurance premium
13 benefit payment pursuant to this subsection as follows:

14 1. The optional premium benefit payment shall be an amount
15 prescribed by subsection A, B or C of this section that is actuarially
16 reduced with payments for five, ten or fifteen years that are not
17 dependent on the continued lifetime of the retired member but whose
18 payments continue for the retired member's lifetime beyond the five, ten
19 or fifteen year period. The election in a manner prescribed by the board
20 shall name ~~the~~ ONE contingent annuitant TO RECEIVE THE OPTIONAL PREMIUM
21 BENEFIT PAYMENT and may be revoked at any time before the retiring
22 member's effective date of retirement. At any time after benefits have
23 commenced, the member may name a different contingent annuitant or rescind
24 the election by written notice to the board. If the retired member
25 rescinds the election, the retired member shall thereafter receive the
26 premium benefit payment that the retired member would otherwise be
27 entitled to receive if the retired member had not elected the optional
28 premium benefit payment, including all postretirement increases or
29 decreases in amounts prescribed by subsection A, B or C of this section
30 that are authorized by law after the member's date of retirement. The
31 increased benefit payment shall continue during the remainder of the
32 retired member's lifetime. The decision to rescind shall be irrevocable.

33 2. If, at the time of the retired member's death:

34 (a) The retired member was receiving a reduced premium benefit
35 payment based on an amount prescribed in subsection B or C of this section
36 and the contingent annuitant is eligible for family health and accident
37 insurance coverage, the contingent annuitant is entitled to receive a
38 premium benefit payment based on an amount prescribed in subsection B or C
39 of this section times the period certain and life option reduction factor
40 elected by the retired member at the time of retirement pursuant to
41 section 38-760, subsection B, paragraph 2.

42 (b) The retired member was receiving a reduced premium benefit
43 payment based on an amount prescribed in subsection A or C of this section
44 and the contingent annuitant is eligible for single health and accident
45 insurance coverage, the contingent annuitant is entitled to receive a

1 premium benefit payment based on an amount prescribed in subsection A or C
2 of this section times the period certain and life option reduction factor
3 elected by the retired member at the time of retirement pursuant to
4 section 38-760, subsection B, paragraph 2.

5 (c) The retired member was receiving a reduced premium benefit
6 payment based on an amount prescribed in subsection B or C of this section
7 and the contingent annuitant is not eligible for family health and
8 accident insurance coverage, the contingent annuitant is entitled to
9 receive a premium benefit payment based on an amount prescribed in
10 subsection A or C of this section times the period certain and life option
11 reduction factor elected by the retired member at the time of retirement
12 pursuant to section 38-760, subsection B, paragraph 2.

13 J. If, at the time of retirement, a retiring member does not elect
14 to receive a reduced premium benefit payment pursuant to subsection H or I
15 of this section, the retired member's contingent annuitant is not eligible
16 at any time for the optional premium benefit payment.

17 K. If a member who is eligible for benefits pursuant to this
18 section forfeits the member's interest in the account before the
19 termination of ASRS, an amount equal to the amount of the forfeiture shall
20 be applied as soon as possible to reduce employer contributions to fund
21 the benefits provided by this section.

22 L. A contingent annuitant is not eligible for any premium benefit
23 payment if the contingent annuitant was not enrolled in an eligible health
24 and accident insurance plan at the time of the retired member's death or
25 if the contingent annuitant is not the dependent beneficiary or insured
26 surviving dependent as provided in section 38-782.

27 M. For the purposes of this section:

28 1. "Account" means the separate account established pursuant to
29 subsection F of this section.

30 2. "Credited service" includes prior service.

31 3. "Prior service" means service for this state or a political
32 subdivision of this state before membership in the defined contribution
33 program administered by ASRS.

34 4. "Subsidized" means a portion of the total premium is paid by the
35 employer, but does not necessarily mean a plan in which the employer uses
36 blended rates to determine the total premium.