

Senate Engrossed House Bill

State of Arizona  
House of Representatives  
Forty-sixth Legislature  
Second Regular Session  
2004

CHAPTER 87

# HOUSE BILL 2008

AN ACT

AMENDING SECTION 38-783, ARIZONA REVISED STATUTES; RELATING TO RETIREMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)



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

2 Section 1. Section 38-783, Arizona Revised Statutes, is amended to  
3 read:

4 38-783. Retired members; dependents; health insurance; premium  
5 payment; separate account; definitions

6 A. Subject to subsections J, K and L of this section, the board shall  
7 pay from ASRS assets part of the single coverage premium of any health and  
8 accident insurance for each retired, contingent annuitant or disabled member  
9 of ASRS if the member elects to participate in the coverage provided by ASRS  
10 or section 38-651.01 or elects to participate in a health and accident  
11 insurance program provided or administered by an employer or paid for, in  
12 whole or in part, by an employer to an insurer. A contingent annuitant must  
13 be receiving a monthly retirement benefit from ASRS in order to obtain any  
14 premium payment provided by this section. The board shall pay:

15 1. Up to one hundred fifty dollars per month for a member of ASRS who  
16 is not eligible for medicare if the retired or disabled member has ten or  
17 more years of credited service.

18 2. Up to one hundred dollars per month for each member of ASRS who is  
19 eligible for medicare if the retired or disabled member has ten or more years  
20 of credited service.

21 B. Subject to subsections J, K and L of this section, the board shall  
22 pay from ASRS assets part of the family coverage premium of any health and  
23 accident insurance for a retired, contingent annuitant or disabled member of  
24 ASRS who elects family coverage and who otherwise qualifies for payment  
25 pursuant to subsection A of this section. IF A MEMBER OF ASRS AND THE  
26 MEMBER'S SPOUSE ARE BOTH EITHER RETIRED OR DISABLED UNDER ASRS AND APPLY FOR  
27 FAMILY COVERAGE, THE MEMBER WHO ELECTS FAMILY COVERAGE IS ENTITLED TO RECEIVE  
28 THE PAYMENTS UNDER THIS SECTION AS IF THEY WERE BOTH APPLYING UNDER A SINGLE  
29 COVERAGE PREMIUM UNLESS THE PAYMENT UNDER THIS SECTION FOR FAMILY COVERAGE  
30 IS GREATER. Payment under this subsection is in the following amounts:

31 1. Up to two hundred sixty dollars per month if the member of ASRS and  
32 one or more dependents are not eligible for medicare.

33 2. Up to one hundred seventy dollars per month if the member of ASRS  
34 and one or more dependents are eligible for medicare.

35 3. Up to two hundred fifteen dollars per month if either:

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

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

40 C. In addition each retired, contingent annuitant or disabled member  
41 of ASRS with less than ten years of credited service and a dependent of such  
42 a retired, contingent annuitant or disabled member who elects to participate  
43 in the coverage provided by ASRS or section 38-651.01 or who elects to  
44 participate in a health and accident insurance program provided or  
45 administered by an employer or paid for, in whole or in part, by an employer

1 to an insurer is entitled to receive a proportion of the full benefit  
2 prescribed by subsection A, B, E or F of this section according to the  
3 following schedule:

- 4 1. 9.0 to 9.9 years of credited service, ninety per cent.
- 5 2. 8.0 to 8.9 years of credited service, eighty per cent.
- 6 3. 7.0 to 7.9 years of credited service, seventy per cent.
- 7 4. 6.0 to 6.9 years of credited service, sixty per cent.
- 8 5. 5.0 to 5.9 years of credited service, fifty per cent.
- 9 6. Those with less than five years of credited service do not qualify  
10 for the benefit.

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

13 E. In addition to the payments provided by subsection A of this  
14 section, through June 30, 2005, the board shall pay an insurance premium  
15 benefit for medical coverage, not including limited benefit coverage as  
16 defined in section 20-1137, for each retired, contingent annuitant or  
17 disabled member of ASRS who is eligible for a premium benefit payment  
18 pursuant to subsection A of this section and who lives in a nonservice area  
19 as follows:

20 1. Up to three hundred dollars per month for a member of ASRS who is  
21 not eligible for medicare if the retired or disabled member has ten or more  
22 years of credited service. From and after June 30, 2003, to qualify for this  
23 additional benefit, a retired or disabled member of ASRS shall pay  
24 out-of-pocket medical insurance premiums of at least one hundred twenty-five  
25 dollars per month.

26 2. Up to one hundred seventy dollars per month for a member of ASRS  
27 who is eligible for medicare if the retired or disabled member has ten or  
28 more years of credited service. From and after June 30, 2003, to qualify for  
29 this additional benefit, a retired or disabled member of ASRS shall pay  
30 out-of-pocket medical insurance premiums of at least one hundred dollars per  
31 month.

32 F. In addition to the payments provided by subsection B of this  
33 section, through June 30, 2005, the board shall pay from ASRS assets part of  
34 the family coverage premium for medical coverage, not including limited  
35 benefit coverage as defined in section 20-1137, for a retired, contingent  
36 annuitant or disabled member of ASRS who is eligible for a premium benefit  
37 payment pursuant to subsection B of this section, who is enrolled in a family  
38 medical plan and who lives in a nonservice area as follows:

39 1. Up to six hundred dollars per month if the member of ASRS and one  
40 or more dependents are not eligible for medicare and the retired or disabled  
41 member of ASRS has ten or more years of credited service. From and after  
42 June 30, 2003, to qualify for this additional benefit, a retired or disabled  
43 member shall pay out-of-pocket medical insurance premiums of at least four  
44 hundred twenty-five dollars per month.

1           2. Up to three hundred fifty dollars per month if the member of ASRS  
2 and one or more dependents are eligible for medicare and the retired or  
3 disabled member of ASRS has ten or more years of credited service. From and  
4 after June 30, 2003, to qualify for this additional benefit, a retired or  
5 disabled member shall pay out-of-pocket medical insurance premiums of at  
6 least two hundred dollars per month.

7           3. If the retired or disabled member of ASRS has ten or more years of  
8 credited service, up to four hundred seventy dollars per month if either:

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

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

13 From and after June 30, 2003, to qualify for this additional benefit, a  
14 retired or disabled member shall pay out-of-pocket medical insurance premiums  
15 of at least four hundred dollars per month.

16           G. A retired, contingent annuitant or disabled member of ASRS who is  
17 enrolled in a managed care program in a nonservice area is not eligible for  
18 the payment prescribed in subsection E or F of this section if the member  
19 terminates coverage under the managed care program.

20           H. A retired, contingent annuitant or disabled member of ASRS may  
21 elect to purchase individual health care coverage and receive a payment  
22 pursuant to this section through the retired or disabled member's employer  
23 if that employer assumes the administrative functions associated with the  
24 payment, including verification that the payment is used to pay for health  
25 insurance coverage if the payment is made to the retired or disabled member.

26           I. The board shall establish a separate account that consists of the  
27 benefits provided by this section. The board shall not use or divert any  
28 part of the corpus or income of the account for any purpose other than the  
29 provision of benefits under this section unless the liabilities of ASRS to  
30 provide the benefits are satisfied. If the liabilities of ASRS to provide  
31 the benefits described in this section are satisfied, the board shall return  
32 any amount remaining in the account to the employer.

33           J. Payment of the benefits provided by this section is subject to the  
34 following conditions:

35           1. The payment of the benefits is subordinate to the payment of  
36 retirement benefits payable by ASRS.

37           2. The total of contributions for the benefits and actual  
38 contributions for life insurance protection, if any, shall not exceed  
39 twenty-five per cent of the total actual employer and employee contributions  
40 to ASRS, less contributions to fund past service credits, after the day the  
41 account is established.

42           3. The board shall deposit the benefits provided by this section in  
43 the account.

1           4. The contributions by the employer to the account shall be  
2 reasonable and ascertainable.

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

7           1. The optional premium benefit payment shall be an amount prescribed  
8 by subsection A, B, C, E or F of this section that is actuarially reduced to  
9 the retiring member for life. The amount of the optional premium benefit  
10 payment shall be the actuarial equivalent of the premium benefit payment to  
11 which the retired member would otherwise be entitled. The election in a  
12 manner prescribed by the board shall name the contingent annuitant and may  
13 be revoked at any time before the retiring member's effective date of  
14 retirement. At any time after benefits have commenced, the member may name  
15 a different contingent annuitant or rescind the election by written notice  
16 to the board as follows:

17           (a) If the retired member names a different contingent annuitant, the  
18 optional premium benefit payment shall be adjusted to the actuarial  
19 equivalent of the original premium benefit payment based on the age of the  
20 new contingent annuitant. The adjustment shall include all postretirement  
21 increases or decreases in amounts prescribed by subsection A, B, C, E or F  
22 of this section that are authorized by law after the retired member's date  
23 of retirement. Payment of this adjusted premium benefit payment shall  
24 continue under the provisions of the optional premium benefit payment  
25 previously elected by the retired member. A retired member cannot name a  
26 different contingent annuitant if the retired member has at any time  
27 rescinded the optional form of health and accident insurance premium benefit  
28 payment.

29           (b) If the retired member rescinds the election, the retired member  
30 shall thereafter receive the premium benefit payment that the retired member  
31 would otherwise be entitled to receive if the retired member had not elected  
32 the optional premium benefit payment, including all postretirement increases  
33 or decreases in amounts prescribed by subsection A, B, C, E or F of this  
34 section that are authorized by law after the member's date of  
35 retirement. The increased benefit payment shall continue during the  
36 remainder of the retired member's lifetime. The decision to rescind shall  
37 be irrevocable.

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

39           (a) The retired member was receiving a reduced premium benefit payment  
40 based on an amount prescribed in subsection B, C or F of this section and the  
41 contingent annuitant is eligible for family health and accident insurance  
42 coverage, the contingent annuitant is entitled to receive a premium benefit  
43 payment based on an amount prescribed in subsection B, C or F of this section  
44 times the reduction factor applied to the retired member's premium benefit  
45 payment times the joint and survivor option reduction factor elected by the

1 retired member at the time of retirement pursuant to section 38-760,  
2 subsection B, paragraph 1.

3 (b) The retired member was receiving a reduced premium benefit payment  
4 based on an amount prescribed in subsection A, C or E of this section and the  
5 contingent annuitant is eligible for single health and accident insurance  
6 coverage, the contingent annuitant is entitled to receive a premium benefit  
7 payment based on an amount prescribed in subsection A, C or E of this section  
8 times the reduction factor applied to the retired member's premium benefit  
9 payment times the joint and survivor option reduction factor elected by the  
10 retired member at the time of retirement pursuant to section 38-760,  
11 subsection B, paragraph 1.

12 (c) The retired member was receiving a reduced premium benefit payment  
13 based on an amount prescribed in subsection B, C or F of this section and the  
14 contingent annuitant is not eligible for family health and accident insurance  
15 coverage, the contingent annuitant is entitled to receive a premium benefit  
16 payment based on an amount prescribed in subsection A, C or E of this section  
17 times the reduction factor applied to the retired member's premium benefit  
18 payment times the joint and survivor option reduction factor elected by the  
19 retired member at the time of retirement pursuant to section 38-760,  
20 subsection B, paragraph 1.

21 L. A member who elects to receive a retirement benefit pursuant to  
22 section 38-760, subsection B, paragraph 2 may elect at the time of retirement  
23 an optional form of health and accident insurance premium benefit payment  
24 pursuant to this subsection as follows:

25 1. The optional premium benefit payment shall be an amount prescribed  
26 by subsection A, B, C, E or F of this section that is actuarially reduced  
27 with payments for five, ten or fifteen years that are not dependent on the  
28 continued lifetime of the retired member but whose payments continue for the  
29 retired member's lifetime beyond the five, ten or fifteen year period. The  
30 election in a manner prescribed by the board shall name the contingent  
31 annuitant and may be revoked at any time before the retiring member's  
32 effective date of retirement. At any time after benefits have commenced, the  
33 member may name a different contingent annuitant or rescind the election by  
34 written notice to the board. If the retired member rescinds the election,  
35 the retired member shall thereafter receive the premium benefit payment that  
36 the retired member would otherwise be entitled to receive if the retired  
37 member had not elected the optional premium benefit payment, including all  
38 postretirement increases or decreases in amounts prescribed by subsection A,  
39 B, C, E or F of this section that are authorized by law after the member's  
40 date of retirement. The increased benefit payment shall continue during the  
41 remainder of the retired member's lifetime. The decision to rescind shall  
42 be irrevocable.

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

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

9 (b) The retired member was receiving a reduced premium benefit payment  
10 based on an amount prescribed in subsection A, C or E of this section and the  
11 contingent annuitant is eligible for single health and accident insurance  
12 coverage, the contingent annuitant is entitled to receive a premium benefit  
13 payment based on an amount prescribed in subsection A, C or E of this section  
14 times the period certain and life option reduction factor elected by the  
15 retired member at the time of retirement pursuant to section 38-760,  
16 subsection B, paragraph 2.

17 (c) The retired member was receiving a reduced premium benefit payment  
18 based on an amount prescribed in subsection B, C or F of this section and the  
19 contingent annuitant is not eligible for family health and accident insurance  
20 coverage, the contingent annuitant is entitled to receive a premium benefit  
21 payment based on an amount prescribed in subsection A, C or E of this section  
22 times the period certain and life option reduction factor elected by the  
23 retired member at the time of retirement pursuant to section 38-760,  
24 subsection B, paragraph 2.

25 M. If, at the time of retirement, a retiring member does not elect to  
26 receive a reduced premium benefit payment pursuant to subsection K or L of  
27 this section, the retired member's contingent annuitant is not eligible at  
28 any time for the optional premium benefit payment.

29 N. A contingent annuitant is not eligible for any premium benefit  
30 payment if the contingent annuitant was not enrolled in an eligible health  
31 and accident insurance plan at the time of the retired member's death or if  
32 the contingent annuitant is not the dependent beneficiary or insured  
33 surviving dependent as provided in section 38-782.

34 O. For the purposes of this section:

35 1. "Account" means the separate account established pursuant to  
36 subsection I of this section.

37 2. "Credited service" includes prior service.

38 3. "Nonservice area" means an area in this state in which ASRS  
39 pursuant to section 38-782, the department of administration pursuant to  
40 section 38-651.01 or any employer does not provide or administer a health  
41 care services organization program, excluding any preferred provider  
42 organization program or individual health indemnity policy, for which the  
43 retired, contingent annuitant or disabled member of ASRS is eligible.

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

4           Sec. 2. Retroactivity

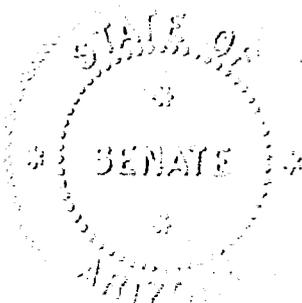
5           Section 38-783, Arizona Revised Statutes, as amended by this act  
6 applies retroactively to from and after March 31, 2004.

7           Sec. 3. Emergency

8           This act is an emergency measure that is necessary to preserve the  
9 public peace, health or safety and is operative immediately as provided by  
10 law.

APPROVED BY THE GOVERNOR APRIL 16, 2004.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 16, 2004.



Passed the House March 2, 2004

Passed the Senate April 6, 2004

by the following vote: 59 Ayes,

by the following vote: 29 Ayes,

0 Nays, 1 Not Voting  
*With Emergency*

Jake Flake  
Speaker of the House

Norman L. Moore  
Chief Clerk of the House

0 Nays, 1 Not Voting  
*With Emergency*

Ken Blunt  
President of the Senate

Charmine Bellenger  
Secretary of the Senate

**EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR**

This Bill was received by the Governor this  
\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary to the Governor

Approved this \_\_\_\_\_ day of

\_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of Arizona

**EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE**

This Bill was received by the Secretary of State  
this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of State

H.B. 2008

HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

April 12, 2004,

by the following vote: 57 Ayes,

0 Nays, 3 Not Voting  
*With Emergency*

Jake Flake  
Speaker of the House

Spencer L. Moore  
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this  
12<sup>th</sup> day of April, 2004,

at 2:40 o'clock P. M.

Wendee Ybarra  
Secretary to the Governor

Approved this 16 day of

April, 2004,

at 12<sup>00</sup> o'clock P. M.

Jr. Nagle  
Governor of Arizona

H.B. 2008

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State  
this 16 day of April, 2004,

at 4:33 o'clock P. M.

Janice K. Brewer  
Secretary of State