House Engrossed Senate Bill

FILED
KEN BENNETT
SECRETARY OF STATE

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Fiftieth Legislature
First Regular Session
2011

CHAPTER 357

SENATE BILL 1609

AN ACT

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

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

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

13-713. Forfeiture of public retirement system benefits; definition

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

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

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

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

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

3. THE COMMUNITY PROPERTY NATURE OF THE BENEFITS INVOLVED.

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

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

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

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

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

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

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

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

38-711. Definitions

In this article, unless the context otherwise requires:

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

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

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

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

5. "Average monthly compensation" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. "Employer" means:

(a) This state.

(b) Participating political subdivisions.

(c) Participating political subdivision entities.

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

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

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

(a) Has not retired.

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

(c) Is not currently making contributions to ASRS.

(d) Has not withdrawn contributions from ASRS.

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

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

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

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

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

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

23. "Member":

(a) Means any employee of an employer on the effective date.

(b) Means all employees of an employer who are eligible for membership pursuant to section 38-727 and who are engaged to work at least twenty weeks in each fiscal year and at least twenty hours each week.

(c) Means any person receiving a benefit under ASRS.

(d) Means any person who is a former active member of ASRS and who has not withdrawn contributions from ASRS pursuant to section 38-740.

(e) Does not include any employee of an employer who is otherwise eligible pursuant to this article and who begins service in a limited appointment for not more than eighteen months on or after July 1, 1979. If the employment exceeds eighteen months, the employee shall be covered by ASRS as of the beginning of the nineteenth month of employment. In order to be excluded under this subdivision, classifications of employees designated by employers as limited appointments must be approved by the director.

(f) Does not include any leased employee. For the purposes of section 414(n) of the internal revenue code, "leased employee" means an individual who:

(i) Is not otherwise an employee of an employer.

(ii) Pursuant to a leasing agreement between the employer and another person, performs services for the employer on a substantially full-time basis for at least one year.

(iii) Performs services under the primary direction or control of the employer.

24. "Member contributions" means all amounts paid to ASRS by a member.

25. "Normal costs" means the sum of the individual normal costs for all active members for each fiscal year. The normal cost for an individual active member is the cost that is assigned to the fiscal year using the projected unit credit method.

26. "Normal retirement age" means the age at which a member reaches the member's normal retirement date.

27. "Normal retirement date" means the earliest of the following:

(a) FOR A MEMBER WHOSE MEMBERSHIP COMMENCED BEFORE JULY 1, 2011:

~~(a)~~ (i) A member's sixty-fifth birthday.

~~(b)~~ (ii) A member's sixty-second birthday and completion of at least ten years of credited service.

~~(c)~~ (iii) ~~For a member whose membership commenced before July 1, 2011,~~ The first day that the sum of a member's age and years of total credited service equals eighty. ~~For a member whose membership commenced on or after July 1, 2011, the first day that the sum of a member's age and years of total credited service equals eighty-five.~~

(b) FOR A MEMBER WHOSE MEMBERSHIP COMMENCED ON OR AFTER JULY 1, 2011:

(i) A MEMBER'S SIXTY-FIFTH BIRTHDAY.

(ii) A MEMBER'S SIXTY-SECOND BIRTHDAY AND COMPLETION OF AT LEAST TEN YEARS OF CREDITED SERVICE.

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

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

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

29. "Political subdivision entity" means an entity:

(a) That is located in this state.

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

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

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

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

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

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

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

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

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

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

Sec. 3. Section 38-727, Arizona Revised Statutes, is amended to read:

38-727. Eligibility; options

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 4. Repeal

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

Sec. 5. Section 38-743, Arizona Revised Statutes, is amended to read:

38-743. Public service credit

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

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

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

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

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

Sec. 6. Section 38-744, Arizona Revised Statutes, is amended to read:

38-744. Leave of absence; credit for leave without pay

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

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

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

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

Sec. 7. Section 38-745, Arizona Revised Statutes, is amended to read:

38-745. Credit for military service

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

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

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

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

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

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

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

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

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

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

4. One of the following occurs:

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

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

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

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

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

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

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

3. One year after the date of disability.

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

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

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

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

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

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

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

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

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

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

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

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

38-758. Early retirement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Either:

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

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

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

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

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

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

1. THE DATE THE MEMBER TERMINATES EMPLOYMENT.

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

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

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

38-766.01. Retired members; return to work

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

F. FOR THE PURPOSES OF THIS SECTION:

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

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

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

38-801. Definitions

In this article, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. "Elected official" means:

(a) Every elected official of this state.

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

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

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

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

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

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

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

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

(a) Is under eighteen years of age.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38-804. Membership; termination

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 15. Section 38-805, Arizona Revised Statutes, is amended to read:

38-805. Normal retirement and early retirement pensions

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

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

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

3. Has twenty or more years of credited service.

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

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

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

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

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

Sec. 16. Section 38-806, Arizona Revised Statutes, is amended to read:

38-806. Disability retirement pensions

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

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

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

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

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

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

(c) The member should be retired.

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

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

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

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

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

38-807. Survivor pensions

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

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

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

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

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

Sec. 18. Section 38-808, Arizona Revised Statutes, is amended to read:

38-808. Pension payments; computation of amounts; termination

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

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

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

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

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

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

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

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

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

2. The date the member terminates employment.

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

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

38-810. Contributions

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

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

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

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

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

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

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

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

1. THROUGH JUNE 30, 2011, SEVEN PER CENT OF THE MEMBER'S GROSS SALARY.

2. FOR FISCAL YEAR 2011-2012, TEN PER CENT OF THE MEMBER'S GROSS SALARY.

3. FOR FISCAL YEAR 2012-2013, ELEVEN AND ONE-HALF PER CENT OF THE MEMBER'S GROSS SALARY.

4. FOR FISCAL YEAR 2013-2014 AND EACH FISCAL YEAR THEREAFTER, THIRTEEN PER CENT OF THE MEMBER'S GROSS SALARY OR 33.3 PER CENT OF THE SUM OF THE MEMBER'S CONTRIBUTION RATE FROM THE PRECEDING FISCAL YEAR AND THE NORMAL COST

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

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

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

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

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

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

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

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

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

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

38-816. Redemption of prior service

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

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

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

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

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

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

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

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

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

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

38-818.01. Future benefit increases for retirees and survivors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

F. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

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

Sec. 23. Section 38-820, Arizona Revised Statutes, is amended to read:

38-820. Credit for military service

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38-842. Definitions

In this article, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Is under eighteen years of age.

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

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

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

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

(b) Municipal fire fighters.

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

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

(e) State fire fighters.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28. "Employers" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

32. "Normal retirement date" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38-843. Contributions

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

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

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

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

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

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

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

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

3. FOR FISCAL YEAR 2012-2013, 9.55 PER CENT OF THE MEMBER'S COMPENSATION.

4. FOR FISCAL YEAR 2013-2014, 10.35 PER CENT OF THE MEMBER'S COMPENSATION.

5. FOR FISCAL YEAR 2014-2015, 11.05 PER CENT OF THE MEMBER'S COMPENSATION.

6. FOR FISCAL YEAR 2015-2016 AND EACH FISCAL YEAR THEREAFTER, 11.65 PER CENT OF THE MEMBER'S COMPENSATION OR 33.3 PER CENT OF THE SUM OF THE MEMBER'S CONTRIBUTION RATE FROM THE PRECEDING FISCAL YEAR AND THE AGGREGATE COMPUTED EMPLOYER CONTRIBUTION RATE THAT IS CALCULATED PURSUANT TO SUBSECTION B, WHICHEVER IS LOWER, EXCEPT THAT THE MEMBER CONTRIBUTION RATE SHALL NOT BE LESS THAN 7.65 PER CENT OF THE MEMBER'S COMPENSATION AND THE EMPLOYER CONTRIBUTION RATE SHALL NOT BE LESS THAN THE RATE PRESCRIBED IN SUBSECTION B.

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

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

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

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

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

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

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

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

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

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

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

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

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

38-844.03. Eligibility; participation

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 29. Section 38-844.05, Arizona Revised Statutes, is amended to read:

38-844.05. Deferred retirement option benefits and participation accounts

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

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

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

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

2. An amount, credited monthly, that represents interest at a rate equal to the assumed rate of return determined by the board, EXCEPT THAT FOR A MEMBER WHO HAS LESS THAN TWENTY YEARS OF CREDITED SERVICE ON JANUARY 1, 2012 AND WHO ELECTS TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION PLAN ON OR AFTER JANUARY 1, 2012, THE AMOUNT CREDITED MONTHLY IS THE AMOUNT THAT REPRESENTS INTEREST AT A RATE EQUAL TO THE AVERAGE ANNUAL RETURN OF THE SYSTEM OVER THE PERIOD OF YEARS ESTABLISHED BY THE BOARD FOR USE IN THE CALCULATION OF THE ACTUARIAL VALUE OF ASSETS FOR THE PREVIOUS YEAR, BUT NOT TO EXCEED THE SYSTEM'S ASSUMED INVESTMENT RATE OF RETURN BUT AT LEAST TWO PER CENT.

D. The participant is not entitled to receive any amount prescribed by section 38-856, 38-856.02 or 38-857 during the deferred retirement option plan participation period.

Sec. 30. Section 38-844.06, Arizona Revised Statutes, is amended to read:

38-844.06. Additional deferred retirement option plan provisions

A. EXCEPT AS PROVIDED BY SUBSECTION B OF THIS SECTION, beginning on the day after the date the member elects to participate in the deferred retirement option plan, employee and employer contributions pursuant to section 38-843 cease with respect to that member.

B. A MEMBER WHO HAS LESS THAN TWENTY YEARS OF CREDITED SERVICE ON JANUARY 1, 2012 AND WHO ELECTS TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION PLAN ON OR AFTER JANUARY 1, 2012, SHALL MAKE EMPLOYEE CONTRIBUTIONS TO

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

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

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

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

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

Sec. 31. Section 38-845, Arizona Revised Statutes, is amended to read:

38-845. Amount of retirement benefit; purchase of firearm

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38-846.01. Deferred annuity; exception

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

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

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

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

38-846.02. Termination of membership

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 36. Repeal

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

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

38-853.01. Redemption of prior service

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

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

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

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

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

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

38-856.02. Future benefit increases for retirees and survivors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

F. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

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

Sec. 39. Section 38-858, Arizona Revised Statutes, is amended to read:

38-858. Credit for military service

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38-881. Definitions

In this article, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. "Designated position" means:

(a) For a county:

(i) A county detention officer.

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

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

(i) Food service.

(ii) Nursing personnel.

(iii) Corrections physician assistant.

(iv) Therapist.

(v) Corrections dental assistant.

(vi) Hygienist.

(vii) Corrections medical assistant.

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

(ix) State correctional program officer.

(x) Parole or community supervision officers.

(xi) Investigators.

(xii) Teachers.

(xiii) Institutional maintenance workers.

(xiv) Youth corrections officer.

(xv) Youth program officer.

(xvi) Behavioral health treatment unit managers.

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Is under eighteen years of age.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28. "Normal retirement date" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 41. Repeal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38-885. Normal retirement; conditions and pension

A. A member may retire if the member:

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

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

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

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

1. Is AT LEAST sixty-two years ~~or older~~ OF AGE and has ten or more years of service.

2. Has twenty or more years of service or, in the case of a dispatcher, twenty-five OR MORE years OF SERVICE.

3. The sum of the member's age and years of credited service equals at least eighty.

C. A member who meets the requirements for a normal retirement pension PURSUANT TO SUBSECTION B and who has twenty years or twenty-five years, as applicable, of credited service is entitled to receive a pension that equals fifty per cent of the member's average monthly salary, except that:

1. If the member retires with more than twenty years of credited service the foregoing amount shall be increased by a monthly amount equal to two per cent of the member's average monthly salary multiplied by the number of the member's years of credited service in excess of twenty years, with pro rata increase for any fractional years, except that if a member retires with twenty-five or more years of credited service the foregoing amount shall be increased by a monthly amount equal to two and one-half per cent of the member's average monthly salary multiplied by the number of the member's years of credited service in excess of twenty years, with pro rata increase for any fractional year.

2. If the member retires pursuant to subsection B but has less than twenty years of credited service, the member is entitled to receive a pension equal to the product of:

(a) Two and one-half per cent of the member's average monthly salary.

(b) The member's credited service.

D. A PERSON WHO BECOMES A MEMBER OF THE PLAN ON OR AFTER JANUARY 1, 2012 IS ELIGIBLE FOR A NORMAL RETIREMENT PENSION IF THE PERSON SATISFIES ONE OF THE FOLLOWING REQUIREMENTS:

1. IS AT LEAST SIXTY-TWO YEARS OF AGE AND HAS TEN OR MORE YEARS OF SERVICE.

2. IS AT LEAST FIFTY-TWO AND ONE-HALF YEARS OF AGE AND HAS TWENTY-FIVE OR MORE YEARS OF SERVICE.

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

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

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

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

(b) THE MEMBER'S CREDITED SERVICE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38-891. Employer and member contributions

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

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

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

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

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

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

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

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

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

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

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

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

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

2. FOR FISCAL YEAR 2011-2012 AND EACH FISCAL YEAR THEREAFTER, 8.41 PER CENT OF THE MEMBER'S SALARY OR FIFTY PER CENT OF THE SUM OF THE MEMBER'S CONTRIBUTION RATE FROM THE PRECEDING FISCAL YEAR AND THE AGGREGATE COMPUTED EMPLOYER CONTRIBUTION RATE THAT IS CALCULATED PURSUANT TO SUBSECTION A, WHICHEVER IS LOWER, EXCEPT THAT THE MEMBER CONTRIBUTION RATE SHALL NOT BE LESS THAN 7.65 PER CENT OF THE MEMBER'S SALARY AND THE EMPLOYER CONTRIBUTION RATE SHALL NOT BE LESS THAN THE RATE PRESCRIBED IN SUBSECTION A.

I. NOTWITHSTANDING SUBSECTION H, PARAGRAPH 2, THE CONTRIBUTION RATE FOR A FULL-TIME DISPATCHER IS FORTY-FIVE BASIS POINTS LESS THAN THE MEMBER CONTRIBUTION AMOUNT CALCULATED PURSUANT TO SUBSECTION H, PARAGRAPH 2, EXCEPT THAT AFTER THE CLOSE OF ANY FISCAL YEAR, IF THE PLAN'S ACTUARY DETERMINES THAT THE AGGREGATE RATIO OF THE FUNDING VALUE OF THE ACCRUED ASSETS TO THE ACCRUED LIABILITIES OF THE FUND IS AT LEAST ONE HUNDRED PER CENT, FROM AND AFTER JUNE 30 OF THE FOLLOWING YEAR THE MEMBER CONTRIBUTION RATE FOR A FULL-TIME DISPATCHER IS EQUAL TO THE MEMBER CONTRIBUTION RATE FOR A MEMBER WHO IS NOT A FULL-TIME DISPATCHER.

J. FOR FISCAL YEAR 2011-2012 AND EACH FISCAL YEAR THEREAFTER, THE AMOUNT OF THE MEMBER'S CONTRIBUTION THAT EXCEEDS 8.41 PER CENT OF THE MEMBER'S SALARY FOR A MEMBER OTHER THAN A FULL-TIME DISPATCHER OR 7.96 PER CENT OF THE MEMBER'S SALARY FOR A FULL-TIME DISPATCHER SHALL NOT BE USED TO REDUCE THE EMPLOYER'S CONTRIBUTIONS THAT ARE CALCULATED PURSUANT TO SUBSECTION A.

Sec. 47. Title 38, chapter 5, article 6, Arizona Revised Statutes, is amended by adding section 38-891.01, to read:

38-891.01. Retired member; return to work; employer contributions

A. AN EMPLOYER SHALL PAY CONTRIBUTIONS AT AN ALTERNATE CONTRIBUTION RATE ON BEHALF OF A RETIRED MEMBER WHO RETURNS TO WORK IN ANY CAPACITY IN A POSITION ORDINARILY FILLED BY AN EMPLOYEE OF THE EMPLOYER IN A DESIGNATED POSITION. THIS SECTION APPLIES TO A RETIRED MEMBER WHO HAS BEEN RETIRED FOR MORE THAN TWELVE CONSECUTIVE MONTHS.

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

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

D. ALL CONTRIBUTIONS MADE BY THE EMPLOYER AND ALLOCATED TO THE FUND ESTABLISHED BY SECTION 38-882 ARE IRREVOCABLE AND SHALL BE USED AS BENEFITS UNDER THIS ARTICLE OR TO PAY THE EXPENSES OF THE PLAN. PAYMENTS MADE PURSUANT TO THIS SECTION BY EMPLOYERS BECOME DELINQUENT AFTER THE DUE DATE

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

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

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

38-905.02. Future benefit increases for retirees and survivors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

F. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

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

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

38-907. Credit for military service

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38-909. Redemption of prior service; calculation

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

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

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

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

Sec. 51. Section 38-911, Arizona Revised Statutes, is amended to read:

38-911. Deferred annuity; eligibility; amount; exception

A. If any member who has at least ten years of credited service terminates employment for reasons other than retirement or disability, the person may elect to receive a deferred annuity, except that if the person withdraws the person's accumulated contributions from the plan, all rights to a deferred annuity are forfeited. A deferred annuity is a lifetime monthly payment that is actuarially equivalent to the annuitant's accumulated contributions in the plan plus an equal amount paid by the employer and commences on application on or after the sixty-second birthday of the annuitant. The deferred annuity is not a retirement benefit and annuitants are not entitled to receive any amount prescribed by section 38-887, 38-888, 38-904, 38-905, 38-905.02 or 38-906.

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

Sec. 52. Section 38-912, Arizona Revised Statutes, is amended to read:

38-912. Civil liability; restitution or payment of fine; forfeiture of benefits; violation; classification; offset of benefits

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

B. If a member is convicted of, or discharged because of, theft, embezzlement, fraud or misappropriation of an employer's property or property under the control of the employer, the member is subject to restitution and fines imposed by a court of competent jurisdiction. The court may order the restitution or fines to be paid from any payments otherwise payable to the member from the plan.

C. A person who knowingly makes any false statement or who falsifies or permits to be falsified any record of the plan with an intent to defraud the plan is guilty of a class ~~6~~ 5 felony. If any change or error in the

records results in any member or beneficiary receiving from the plan more or less than the member or beneficiary would have been entitled to receive had the records been correct, the local board shall correct the error, and as far as practicable shall adjust the payments in a manner that the actuarial equivalent of the benefit to which the member or beneficiary was correctly entitled shall be paid. If a member is convicted of a crime pursuant to this subsection, SECTION 13-713 APPLIES. ~~the member is entitled to receive a lump sum payment of the member's accumulated contributions but forfeits any future compensation and benefits that would otherwise accrue to the member or the member's estate under this article.~~

D. Notwithstanding any other provision of this article, the board may offset against any benefits otherwise payable by the plan to a member or survivor any court ordered amounts awarded to the board and plan and assessed against the member or survivor.

Sec. 53. Repeal

Laws 2005, chapter 324, section 2 is repealed.

Sec. 54. Severability

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

Sec. 55. Legislative findings

A. The legislature recognizes that in order to have a sound public retirement system that benefits this state, taxpayers and members of the retirement systems, the public retirement systems must be funded with contributions and investment earnings based on actuarial methods and assumptions that meet generally accepted actuarial standards. Article XXIX, Constitution of Arizona. The legislature finds that the current structures of the elected officials' retirement plan, the public safety personnel retirement system and the corrections officer retirement plan do not achieve this goal. Since rights to benefits have not vested because application and eligibility for benefits have not occurred, the legislature intends to modify and amend these various retirement programs in order to protect the best interests of the members and beneficiaries.

B. The legislature further finds:

1. Members of the:

(a) Elected officials' retirement plan who entered the plan on or after July 18, 2000 agreed to the benefit and vesting terms prescribed in section 38-810.02, subsection B, Arizona Revised Statutes, as a material condition of their contract with this state.

(b) Public safety personnel retirement system who entered the system on or after July 27, 1983 agreed to the benefit and vesting terms prescribed in section 38-844.01, Arizona Revised Statutes, as a material condition of their contract with this state.

(c) Corrections officer retirement plan who entered the plan on or after July 1, 1986 agreed to the legislative reservation terms prescribed in section 38-903, Arizona Revised Statutes, and members who entered the plan on or after July 18, 2000 agreed to the benefit and vesting terms prescribed in section 38-900.01, subsection B, Arizona Revised Statutes, as a material condition of their contract with this state.

2. That the current structures of the elected officials' retirement plan, the public safety personnel retirement system and the corrections officer retirement plan do not lead to the goal of attaining one hundred per cent funded status and jeopardizes the future payment of benefits to current and future retirees of these three retirement programs.

3. That the current structure of the public safety personnel retirement system and the elected officials' retirement plan that requires a fixed employee contribution rate requires a contribution rate from employees that is insufficient in relation to the cost associated with the benefits required by the plan design and therefore places a greater financial burden on employers. By moving to an increased shared cost structure, public safety and corrections employees will bear increased responsibility for the fiscal health of the funds and, as the funds improve their funded status and approach fully funded or overfunded status, the employees will realize decreased contribution costs that would be lower than currently required.

4. That the current method of funding benefit increases to retirees of the elected officials retirement plan, the public safety personnel retirement system and the corrections officers retirement plan is flawed and makes it highly unlikely that these funds will achieve their actuarially assumed earning rates during positive and negative investment environments and invariably leads to greater investment risk on the part of the funds' trustees. It is fundamentally unsound to provide a benefit increase during periods when the funded status of the retirement programs is less than sixty per cent. Changing the manner of funding these benefit increases is intended to improve the funded status of the elected officials' retirement plan, the public safety personnel retirement system and the corrections officer retirement plan and is in the best interests of the members and beneficiaries of these retirement programs in that it will preserve future benefits for plan participants.

5. It is necessary to change the future plan and system structures for nonvested members to take into consideration the increased life expectancy of members and future employees and make the reforms necessary to preserve the funded status of the retirement programs in future years.

6. To protect the future benefits of retired, active and future employees it is necessary to make the changes outlined in this act to preserve the funded status of these three retirement programs and return the programs to fiscal solvency.

Sec. 56. Defined contribution and retirement study committee; delayed repeal

A. The defined contribution and retirement study committee is established consisting of:

1. The five members of the state board of investment established by section 35-311, Arizona Revised Statutes. The chairperson of the state board of investment is the chairperson of the study committee.

2. Three members of the senate who are appointed by the president of the senate, not more than two of whom are members of the same political party.

3. Three members of the house of representatives who are appointed by the speaker of the house of representatives, not more than two of whom are members of the same political party.

4. One member of the board of trustees of the public safety personnel retirement system who is appointed by the board of trustees of the public safety personnel retirement system.

5. One member of the Arizona state retirement system board who is appointed by the Arizona state retirement system board.

B. The committee shall study:

1. The feasibility and cost of transferring existing members of a public retirement system or plan to a new defined contribution plan as well as providing for a defined contribution plan for newly hired public employees. The committee shall examine public and private defined contribution plans in other states, including their plan designs, and the federal tax issues that affect a defined contribution retirement plan.

2. All the existing supplemental retirement plans in the public safety personnel retirement system and the Arizona state retirement system, the advantages and disadvantages of these supplemental retirement plans and the feasibility of merging these supplemental retirement plans to achieve maximum effectiveness and minimization of costs to members and employers.

3. The definitions of compensation, average yearly salary and salary as used by the Arizona state retirement system, the elected officials' retirement plan, the public safety personnel retirement system and the corrections officer retirement plan to ascertain the actuarial effect of these definitions on the respective retirement systems and plans, particularly the ability and actuality of "spiking" compensation.

4. In regards to the public safety personnel retirement system and the corrections officer retirement plan, the advantages and disadvantages of the local board system, the advantages and disadvantages of the agent multiple-employer public retirement system model and the feasibility of establishing a single employer public retirement system model.

5. In regards to the public safety personnel retirement system and the corrections officer retirement plan, the procedures, determinations and granting of accidental and ordinary disability retirements to members, the effect of the local boards in providing adequate cost controls for these

disability retirements, the establishment of another medical disability tier that provides for those members who cannot perform a reasonable range of duties within the member's job classification or department but who are not totally disabled and the elimination of the local boards in making such determinations and replacing the determinations of granting medical disabilities with a single determination board in the administrative offices of the public safety personnel retirement system.

C. The committee may use the services of consultants, actuaries and attorneys in performing the committee's duties. Contracts for services approved by the committee are exempt from title 41, chapter 23, Arizona Revised Statutes.

D. The committee shall meet at least twice on or before December 31, 2011 and shall provide an interim report to the speaker of the house of representatives, the president of the senate and the governor on or before December 31, 2011. On or before December 31, 2012, the committee shall submit a written report of its findings and recommendations to the speaker of the house of representatives, the president of the senate and the governor. The committee shall provide copies of these reports to the secretary of state.

E. This section is repealed from and after September 30, 2013.

Sec. 57. Rule making authority

Notwithstanding any other law, the Arizona state retirement system may conduct rule making for the purpose of implementing this act.

Sec. 58. Legislative intent; alternate contribution rate; ASRS employers; EORP, PSPRS and CORP employers

The legislature intends by this act:

1. To establish an alternate contribution rate in order to mitigate the potential actuarial impact that a retired member who returns to work for an employer may have on the Arizona state retirement system. Through the establishment of the alternate contribution rate the legislature intends to assure employers that the use of leased, contracted or retired employees and services will have a minimal, if any, actuarial impact on the Arizona state retirement system.

2. To establish an alternate contribution rate in order to mitigate the potential actuarial impact that is caused by distorting the actuarial assumption relating to age related rates of retirement that a retired member who returns to work for an employer may have on the elected officials' retirement plan, the public safety personnel retirement system and the corrections officer retirement plan.

Sec. 59. Appropriation; Arizona state retirement system; exemption

A. The sum of $250,000 is appropriated from the Arizona state retirement system administration account in fiscal year 2011-2012 to the Arizona state retirement system for the administrative implementation of this act.

B. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.

Sec. 60. Use of previously appropriated monies

The monies appropriated to the Arizona state retirement system pursuant to Laws 2010, chapter 50, section 8 that remain unexpended and unencumbered may be used for the administrative implementation of this act.

Sec. 61. Appropriation; state treasurer; defined contribution and retirement study committee; purpose; exemption; reversion

A. The sum of $50,000 is appropriated from the Arizona state retirement system administration account in fiscal year 2011-2012 to the state treasurer for the purpose of implementing the duties of the defined contribution and retirement study committee that is established by this act. The Arizona state retirement system board shall allocate the appropriation from the administration account as described in section 38-721, subsection C, Arizona Revised Statutes.

B. Notwithstanding any other law, the sum of $50,000 is appropriated from the public safety personnel retirement system in fiscal year 2011-2012 to the state treasurer for the purpose of implementing the duties of the defined contribution and retirement study committee that is established by this act. The administrator of the public safety personnel retirement system shall allocate the appropriation from the respective funds administered by the board of trustees of the public safety personnel retirement system.

C. The appropriations made in subsections A and B of this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.

D. All monies remaining unexpended and unencumbered on September 30, 2013 from the appropriations made by this section revert respectively to the Arizona state retirement system administrative account and the public safety personnel retirement system.

Sec. 62. EORP; PSPRS; CORP; transfers to the excess investment earning account prohibited; retroactivity

A. Notwithstanding section 38-818, Arizona Revised Statutes, from and after May 31, 2011 and each year thereafter, no excess investment earnings shall be transferred to the excess investment earnings on pensions in payment status account.

B. Notwithstanding section 38-856, Arizona Revised Statutes, from and after May 31, 2011, and each year thereafter, no excess investment earnings on the net assets of the fund shall be transferred to the excess investment earnings account.

C. Notwithstanding section 38-905, Arizona Revised Statutes, from and after May 31, 2011 and each year thereafter, no excess investment earning on the net assets of the fund shall be transferred to the excess investment earnings account.

D. This section is effective retroactively to from and after May 31, 2011.

Sec. 63. Board of trustees report on employer and employee costs

On or before December 31 of each year, the board of trustees shall provide to the legislature, and the joint legislative budget committee and post on its website the shared cost structure of employees and employers, the funding status and the rate of return. The report to the legislature shall include when the trigger to the reduction in the employee rates is being met.

Sec. 64. Retroactivity

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

Sec. 65. Emergency

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

Emergency NOT Enacted

APPROVED BY THE GOVERNOR APRIL 29, 2011.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 29, 2011.

Passed the House April 14, 2011,

by the following vote: 36 Ayes,

20 Nays, 4 Not Voting

without emergency

Speaker of the House

Cheryl Laube

Chief Clerk of the House

Passed the Senate March 3, 2011,

by the following vote: 21 Ayes,

5 Nays, 4 Not Voting

President of the Senate

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

S.B. 1609

SENATE CONCURS IN HOUSE AMENDMENTS AND FINAL PASSAGE

Passed the Senate April 18, 20 11

by the following vote: 21 Ayes,

9 Nays, 0 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

18 day of April, 20 11

at 2:45 o'clock P. M.

Secretary to the Governor

Approved this 29th day of

April

at 10:55 o'clock A. M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 29th day of April, 20 11

S.B. 1609

at 7:30 o'clock P M.

Secretary of State