

House Engrossed Senate Bill

FILED
MICHELE REAGAN
SECRETARY OF STATE

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CHAPTER 62

SENATE BILL 1054

AN ACT

AMENDING SECTIONS 38-881, 38-884, 38-885.01, 38-905.01, 38-906 AND 38-907,
ARIZONA REVISED STATUTES; RELATING TO THE CORRECTIONS OFFICER RETIREMENT
PLAN.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 38-881, Arizona Revised Statutes, is amended to
3 read:

4 38-881. Definitions

5 In this article, unless the context otherwise requires:

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

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

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

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

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25 previously withdrawn accumulated member contributions that are repaid to the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

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

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

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

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

37 7. "Average monthly salary" means, for an employee who becomes a
38 member of the plan before January 1, 2012, one-thirty-sixth of the aggregate
39 amount of salary that is paid a member by a participating employer during a
40 period of thirty-six consecutive months of service in which the member
41 received the highest salary within the last one hundred twenty months of
42 service and, for an employee who becomes a member of the plan on or after
43 January 1, 2012, one-sixtieth of the aggregate amount of salary that is paid
44 a member by a participating employer during a period of sixty consecutive
45 months of service in which the member received the highest salary within the

1 last one hundred twenty months of service. Average monthly salary means the
2 aggregate amount of salary that is paid a member divided by the member's
3 months of service if the member has less than thirty-six or sixty months of
4 service. In the computation under this paragraph, a period of nonpaid or
5 partially paid industrial leave shall be considered based on the salary the
6 employee would have received in the employee's job classification if the
7 employee was not on industrial leave.

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

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

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

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

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

24 13. "Designated position" means:

25 (a) For a county:

26 (i) A county detention officer.

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

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

31 (i) Food service.

32 (ii) Nursing personnel.

33 (iii) Corrections physician assistant.

34 (iv) Therapist.

35 (v) Corrections dental assistant.

36 (vi) Hygienist.

37 (vii) Corrections medical assistant.

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

40 (ix) State correctional program officer.

41 (x) Parole or community supervision officers.

42 (xi) Investigators.

43 (xii) Teachers.

44 (xiii) Institutional maintenance workers.

45 (xiv) Youth corrections officer.

- 1 (xv) Youth program officer.
- 2 (xvi) Behavioral health treatment unit managers.
- 3 (xvii) The director and assistant directors of the department of
4 juvenile corrections and the superintendent of the state educational system
5 for committed youth.
- 6 (xviii) The director, deputy directors and assistant directors of the
7 state department of corrections.
- 8 (xix) Other positions designated by the local board of the state
9 department of corrections or the local board of the department of juvenile
10 corrections pursuant to section 38-891.
- 11 (c) For a city or town, a city or town detention officer.
- 12 (d) For an employer of an eligible group as defined in section 38-842,
13 full-time dispatchers.
- 14 (e) For the judiciary, probation, surveillance and juvenile detention
15 officers and those positions designated by the local board of the judiciary
16 pursuant to section 38-891.
- 17 (f) For the department of public safety, state detention officers.
- 18 14. "Determination" means a written document that indicates to a
19 participant and alternate payee whether a domestic relations order qualifies
20 as a plan approved domestic relations order.
- 21 15. "Determination period" means the ninety-day period in which the
22 plan must review a domestic relations order that is submitted by a
23 participant or alternate payee to determine whether the domestic relations
24 order qualifies as a plan approved domestic relations order, calculated from
25 the time the plan mails a notice of receipt to the participant and alternate
26 payee.
- 27 16. "Direct rollover" means a payment by the plan to an eligible
28 retirement plan that is specified by the distributee.
- 29 17. "Distributee" means a member, a member's surviving spouse or a
30 member's spouse or former spouse who is the alternate payee under a plan
31 approved domestic relations order.
- 32 18. "Domestic relations order" means an order of a court of this state
33 that is made pursuant to the domestic relations laws of this state and that
34 creates or recognizes the existence of an alternate payee's right to, or
35 assigns to an alternate payee the right to, receive a portion of the benefits
36 payable to a participant.
- 37 19. "Eligible child" means an unmarried child of a deceased active or
38 retired member who meets one of the following qualifications:
- 39 (a) Is under eighteen years of age.
- 40 (b) Is at least eighteen years of age and under twenty-three years of
41 age only during any period that the child is a full-time student.
- 42 (c) Is under a disability that began before the child attained
43 twenty-three years of age and remains a dependent of the surviving spouse or
44 guardian.

1 20. "Eligible retirement plan" means any of the following that accepts
2 a distributee's eligible rollover distribution:
3 (a) An individual retirement account described in section 408(a) of
4 the internal revenue code.
5 (b) An individual retirement annuity described in section 408(b) of
6 the internal revenue code.
7 (c) An annuity plan described in section 403(a) of the internal
8 revenue code.
9 (d) A qualified trust described in section 401(a) of the internal
10 revenue code.
11 (e) An annuity contract described in section 403(b) of the internal
12 revenue code.
13 (f) An eligible deferred compensation plan described in section 457(b)
14 of the internal revenue code that is maintained by a state, a political
15 subdivision of a state or any agency or instrumentality of a state or a
16 political subdivision of a state and that agrees to separately account for
17 amounts transferred into the eligible deferred compensation plan from this
18 plan.
19 21. "Eligible rollover distribution" means a payment to a distributee,
20 but does not include any of the following:
21 (a) Any distribution that is one of a series of substantially equal
22 periodic payments made not less frequently than annually for the life or life
23 expectancy of the member or the joint lives or joint life expectancies of the
24 member and the member's beneficiary or for a specified period of ten years or
25 more.
26 (b) Any distribution to the extent the distribution is required under
27 section 401(a)(9) of the internal revenue code.
28 (c) The portion of any distribution that is not includable in gross
29 income.
30 (d) ANY DISTRIBUTION MADE TO SATISFY THE REQUIREMENTS OF SECTION 415
31 OF THE INTERNAL REVENUE CODE.
32 (e) HARDSHIP DISTRIBUTIONS.
33 (f) SIMILAR ITEMS DESIGNATED BY THE COMMISSIONER OF THE UNITED STATES
34 INTERNAL REVENUE SERVICE IN REVENUE RULINGS, NOTICES AND OTHER GUIDANCE
35 PUBLISHED IN THE INTERNAL REVENUE BULLETIN.
36 22. "Employee" means a person employed by a participating employer in
37 a designated position.
38 23. "Employer" means an agency or department of this state or a
39 political subdivision of this state that has one or more employees in a
40 designated position.
41 24. "Fund" means the corrections officer retirement plan fund.
42 25. "Juvenile detention officer" means a juvenile detention officer
43 responsible for the direct custodial supervision of juveniles who are
44 detained in a county juvenile detention center.

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

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

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

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

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

12 28. "Normal retirement date" means:

13 (a) For an employee who becomes a member of the plan before January 1,
14 2012, the first day of the calendar month immediately following the
15 employee's completion of twenty years of service or, in the case of a
16 dispatcher, twenty-five years of service, the employee's sixty-second
17 birthday and completion of ten years of service or the month in which the sum
18 of the employee's age and years of credited service equals eighty.

19 (b) For an employee who becomes a member of the plan on or after
20 January 1, 2012, the first day of the calendar month immediately following
21 the employee's completion of twenty-five years of service if the employee is
22 at least fifty-two and one-half years of age or the employee's sixty-second
23 birthday and completion of ten years of service.

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

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

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

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

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

41 34. "Pension" means a series of monthly payments by the retirement
42 plan but does not include an annuity that is payable pursuant to section
43 38-911.

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

1 36. "Physician" means a physician who is licensed pursuant to title
2 32, chapter 13 or 17.

3 37. "Plan approved domestic relations order" means a domestic
4 relations order that the plan approves as meeting all the requirements for a
5 plan approved domestic relations order as otherwise prescribed in this
6 article.

7 38. "PLAN YEAR" OR "FISCAL YEAR" MEANS THE PERIOD BEGINNING ON JULY 1
8 OF ANY YEAR AND ENDING ON JUNE 30 OF THE NEXT SUCCEEDING YEAR.

9 ~~38.~~ 39. "Probation or surveillance officer" means an officer
10 appointed pursuant to section 8-203, 12-251 or 12-259 but does not include
11 other personnel, office assistants or support staff.

12 ~~39.~~ 40. "Retired member" means an individual who terminates
13 employment and who is receiving a pension pursuant to either section 38-885
14 or 38-886.

15 ~~40.~~ 41. "Retirement" or "retired" means termination of employment
16 after a member has fulfilled all requirements for a pension or, for an
17 employee who becomes a member of the plan on or after January 1, 2012,
18 attains the age and service requirements for a normal retirement date.

19 ~~41.~~ 42. "Retirement plan" or "plan" means the corrections officer
20 retirement plan established by this article.

21 ~~42.~~ 43. "Salary" means the base salary, shift differential pay,
22 military differential wage pay and holiday pay paid a member for personal
23 services rendered in a designated position to a participating employer on a
24 regular monthly, semimonthly or biweekly payroll basis. Salary includes
25 amounts that are subject to deferred compensation or tax shelter agreements.
26 Salary does not include payment for any remuneration or reimbursement other
27 than as prescribed by this paragraph. For the purposes of this paragraph,
28 "base salary" means the amount of compensation each member is regularly paid
29 for personal services rendered to an employer before the addition of any
30 extra monies, including overtime pay, shift differential pay, holiday pay,
31 fringe benefit pay and similar extra payments.

32 ~~43.~~ 44. "Segregated funds" means the amount of benefits that would
33 currently be payable to an alternate payee pursuant to a domestic relations
34 order under review by the plan, or a domestic relations order submitted to
35 the plan that failed to qualify as a plan approved domestic relations order,
36 if the domestic relations order were determined to be a plan approved
37 domestic relations order.

38 ~~44.~~ 45. "Service" means employment rendered to a participating
39 employer as an employee in a designated position. Any absence that is
40 authorized by an employer, including any periods during which the employee is
41 on an employer sponsored long-term disability program, is considered as
42 service if the employee returns or is deemed by the employer to have returned
43 to a designated position within the period of the authorized absence.

44 ~~45.~~ 46. "Total and permanent disability" means a physical or mental
45 condition that is not an accidental disability, that the local board finds

1 totally and permanently prevents a member from engaging in any gainful
2 employment and that is the direct and proximate result of the member's
3 performance of the member's duty as an employee of a participating employer.

4 Sec. 2. Section 38-884, Arizona Revised Statutes, is amended to read:
5 38-884. Membership of retirement plan; termination; credited
6 service; redemption; reemployment; definition

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

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

28 C. If a member who becomes a member of the plan before January 1, 2012
29 ceases to be an employee for any reason other than death or retirement,
30 within twenty days after filing a completed application with the board, the
31 member is entitled to receive the following amounts, less any benefit
32 payments the member has received and any amount the member may owe to the
33 plan:

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

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

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

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

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

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

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

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

13 D. If a member who becomes a member of the plan before January 1, 2012
14 has more than ten years of credited service with the plan, leaves the monies
15 prescribed in subsection C of this section on account with the plan for more
16 than thirty days after termination of employment and after that time period
17 requests a refund of those monies, the member is entitled to receive the
18 amount prescribed in subsection C of this section plus interest at a rate
19 determined by the board for each year computed from and after the member's
20 termination of employment.

21 E. The accumulated member contributions of a member who ceases to be
22 an employee for a reason other than death or retirement and who becomes a
23 member of the plan on or after January 1, 2012 shall be paid to the member
24 plus interest at a rate determined by the board as of the date of termination
25 within twenty days after filing with the plan a written application for
26 payment.

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

35 G. FOR DISTRIBUTIONS OCCURRING FROM AND AFTER DECEMBER 31, 2007, A
36 MEMBER OR A MEMBER'S BENEFICIARY, INCLUDING A NONSPOUSE DESIGNATED
37 BENEFICIARY TO THE EXTENT PERMITTED UNDER SUBSECTION H OF THIS SECTION, MAY
38 ROLLOVER AN ELIGIBLE ROLLOVER DISTRIBUTION AS DEFINED IN SECTION 402(c)(4) OF
39 THE INTERNAL REVENUE CODE TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT, IF, FOR
40 DISTRIBUTIONS OCCURRING BEFORE JANUARY 1, 2010, THE MEMBER OR THE MEMBER'S
41 BENEFICIARY SATISFIES THE REQUIREMENTS FOR MAKING A ROTH INDIVIDUAL
42 RETIREMENT ACCOUNT CONTRIBUTION UNDER SECTION 408A(c)(3)(B) OF THE INTERNAL
43 REVENUE CODE, AS IN EFFECT ON THE DATE OF THE ROLLOVER. ANY AMOUNT ROLLED
44 OVER TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT IS INCLUDED IN THE GROSS INCOME
45 OF THE MEMBER OR THE MEMBER'S BENEFICIARY TO THE EXTENT THE AMOUNTS WOULD

1 HAVE BEEN INCLUDED IN GROSS INCOME IF NOT ROLLED OVER AS REQUIRED UNDER
2 SECTION 408A(d)(3)(A) OF THE INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS
3 SUBSECTION, THE ADMINISTRATOR IS NOT RESPONSIBLE FOR ENSURING THE MEMBER OR
4 THE MEMBER'S BENEFICIARY IS ELIGIBLE TO MAKE A ROLLOVER TO A ROTH INDIVIDUAL
5 RETIREMENT ACCOUNT.

6 H. FOR DISTRIBUTIONS MADE FROM AND AFTER DECEMBER 31, 2009, A
7 NONSPOUSE DESIGNATED BENEFICIARY AS DEFINED IN SECTION 401(a)(9)(E) OF THE
8 INTERNAL REVENUE CODE MAY ELECT TO DIRECTLY ROLLOVER AN ELIGIBLE ROLLOVER
9 DISTRIBUTION TO AN INDIVIDUAL RETIREMENT ACCOUNT UNDER SECTION 408(a) OF THE
10 INTERNAL REVENUE CODE OR AN INDIVIDUAL RETIREMENT ANNUITY UNDER SECTION
11 408(b) OF THE INTERNAL REVENUE CODE THAT IS ESTABLISHED ON BEHALF OF THE
12 DESIGNATED BENEFICIARY AND THAT WILL BE TREATED AS AN INHERITED INDIVIDUAL
13 RETIREMENT PLAN PURSUANT TO SECTION 402(c)(11) OF THE INTERNAL REVENUE CODE.
14 IN ORDER TO BE ABLE TO ROLLOVER THE DISTRIBUTION, THE DISTRIBUTION OTHERWISE
15 MUST SATISFY THE DEFINITION OF AN ELIGIBLE ROLLOVER DISTRIBUTION AS DEFINED
16 IN SECTION 402(c)(4) OF THE INTERNAL REVENUE CODE. IN APPLYING THIS
17 SUBSECTION, A NONSPOUSE ROLLOVER IS NOT SUBJECT TO THE DIRECT ROLLOVER
18 REQUIREMENTS UNDER SECTION 401(a)(31) OF THE INTERNAL REVENUE CODE, THE
19 ROLLOVER NOTICE REQUIREMENTS UNDER SECTION 402(f) OF THE INTERNAL REVENUE
20 CODE OR THE MANDATORY WITHHOLDING REQUIREMENTS UNDER SECTION 3405(c) OF THE
21 INTERNAL REVENUE CODE.

22 I. FOR PLAN YEARS OCCURRING BEFORE JANUARY 1, 2007, THE PERIOD FOR
23 PROVIDING THE ROLLOVER NOTICE AS REQUIRED UNDER SECTION 402(f) OF THE
24 INTERNAL REVENUE CODE IS NO LESS THAN THIRTY DAYS AND NO MORE THAN NINETY
25 DAYS BEFORE THE DATE OF DISTRIBUTION AND, FOR PLAN YEARS BEGINNING FROM AND
26 AFTER DECEMBER 31, 2006, THE PERIOD FOR PROVIDING THE ROLLOVER NOTICE AS
27 REQUIRED UNDER SECTION 402(f) OF THE INTERNAL REVENUE CODE IS NO LESS THAN
28 THIRTY DAYS AND NO MORE THAN ONE HUNDRED EIGHTY DAYS BEFORE THE DATE OF
29 DISTRIBUTION.

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

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

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

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

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

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

12 ~~J.~~ M. If a member who receives a severance refund on termination of
13 employment pursuant to subsection C, D or E of this section is subsequently
14 reemployed by an employer, the member's prior service credits are cancelled,
15 and the board shall credit service only from the date the member's most
16 recent reemployment period commenced. However, a present active member of
17 the plan who received a refund of accumulated contributions from the plan
18 pursuant to subsection C, D or E of this section, forfeited credited service
19 pursuant to subsection ~~H~~ K of this section and becomes reemployed with the
20 same employer two years or more after the member's termination date or
21 becomes reemployed with another employer may elect to redeem any part of that
22 forfeited credited service by paying into the plan any amounts required
23 pursuant to this subsection. A present active member who elects to redeem
24 any part of forfeited credited service for which the member is deemed
25 eligible by the board shall pay into the plan the amounts previously paid or
26 transferred as a refund of the member's accumulated contributions plus an
27 amount, computed by the plan's actuary that is necessary to equal the
28 increase in the actuarial present value of projected benefits resulting from
29 the redemption calculated using the actuarial methods and assumptions
30 prescribed by the plan's actuary. On satisfaction of this obligation, the
31 board shall reinstate the member's prior service credits.

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

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

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

1 Sec. 3. Section 38-885.01, Arizona Revised Statutes, is amended to
2 read:

3 38-885.01. Reverse deferred retirement option plan; purpose;
4 delayed repeal

5 A. A reverse deferred retirement option plan is established. The
6 purpose of the reverse deferred retirement option plan is to add flexibility
7 to the plan and to provide members who elect to participate in the reverse
8 deferred retirement option plan access to a lump sum benefit in addition to
9 their normal monthly retirement benefit on actual retirement.

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

13 C. Any member who is eligible for a normal pension pursuant to section
14 38-885, who is not awarded an accidental, ordinary or total and permanent
15 disability pension and who has at least twenty-four years of credited
16 service, or in the case of a dispatcher, who has at least twenty-five years
17 of credited service, is eligible to participate in the reverse deferred
18 retirement option plan.

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

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

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

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

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

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

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

1 1. An amount that is credited as though accrued monthly from the
2 reverse deferred retirement option plan date to the date the member elected
3 to participate in the reverse deferred retirement option plan and that is
4 computed in the same manner as a normal retirement benefit using the factors
5 of credited service and average monthly salary in effect on the reverse
6 deferred retirement option plan date.

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

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

13 I. The participant is not entitled to receive any amount prescribed by
14 section 38-905 or 38-906 during the reverse deferred retirement option plan
15 participation period.

16 J. The form of payment shall be a lump sum distribution. ~~If allowed~~
17 ~~by the internal revenue service, the participant may elect to transfer the~~
18 ~~lump sum distribution to an eligible retirement plan or individual retirement~~
19 ~~account.~~ THE MEMBER OR THE MEMBER'S BENEFICIARY MAY MAKE A DIRECT ROLLOVER
20 OF THE LUMP SUM DISTRIBUTION TO AN ELIGIBLE RETIREMENT PLAN UNDER THE SAME
21 RULES SPECIFIED IN SECTION 38-884, SUBSECTIONS G, H AND I.

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

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

28 Sec. 4. Section 38-905.01, Arizona Revised Statutes, is amended to
29 read:

30 38-905.01. Lump sum payment of benefit increases

31 Notwithstanding any provision of this article, the board, at the
32 request of a retired member, a survivor or the retired member's or survivor's
33 guardian or conservator, may pay any increase in retirement benefits pursuant
34 to this article in a lump sum payment based on the actuarial present value of
35 the increase in the retirement benefits if the payment of the increase in
36 retirement benefits would result in ineligibility for, reduction of or
37 elimination of social service programs provided to the retired member or
38 survivor by this state, a political subdivision of this state or the federal
39 government. ~~Lump sum payments made pursuant to this section are eligible for~~
40 ~~a direct rollover distribution.~~

41 Sec. 5. Section 38-906, Arizona Revised Statutes, is amended to read:

42 38-906. Group health and accident coverage for retired members;
43 payment; forfeiture of interest

44 A. ~~Upon~~ ON notification, the board shall pay from the assets of the
45 separate account established pursuant to subsection G of this section part of

1 the single coverage premium of any group health and accident insurance for
2 each retired member or survivor of the plan who receives a pension and who
3 has elected to participate in coverage provided by section 38-651.01 or
4 38-782 or any other retiree health and accident insurance coverage provided
5 or administered by a participating employer in the plan. The board shall pay
6 up to:

7 1. One hundred fifty dollars per month for each retired member or
8 survivor of the plan who is not eligible for medicare.

9 2. One hundred dollars per month for each retired member or survivor
10 of the plan who is eligible for medicare.

11 B. ~~Upon~~ ON notification, the board shall pay from the assets of the
12 separate account established pursuant to subsection G of this section part of
13 the family coverage premium of any group health and accident insurance for
14 each retired member or survivor of the plan who elects family coverage and
15 who otherwise qualifies for payment pursuant to subsection A of this section.
16 Payment under this subsection is in the following amounts:

17 1. Up to two hundred sixty dollars per month if the retired member or
18 survivor of the plan and one or more dependents are not eligible for
19 medicare.

20 2. Up to one hundred seventy dollars per month if the retired member
21 or survivor of the plan and one or more dependents are eligible for medicare.

22 3. Up to two hundred fifteen dollars if either:

23 (a) The retired member or survivor of the plan is not eligible for
24 medicare and one or more dependents are eligible for medicare.

25 (b) The retired member or survivor of the plan is eligible for
26 medicare and one or more dependents are not eligible for medicare.

27 C. The board shall not pay more than the amount prescribed in this
28 section for a benefit recipient as a member or survivor of the plan.

29 D. A retired member or survivor of the plan may elect to purchase
30 individual health care coverage and receive a payment pursuant to this
31 section through the retired member's former employer if that former employer
32 assumes the administrative functions associated with the payment, including
33 verification that the payment is used to pay for health insurance coverage if
34 the payment is made to the retired member or survivor of the plan.

35 E. This section does not apply to a retired member of the plan who
36 becomes a member on or after ~~the effective date of this amendment to this~~
37 ~~section~~ SEPTEMBER 13, 2013 and who is reemployed and participates in health
38 care coverage provided by the member's new employer.

39 F. This section does not apply to a survivor of the plan whose
40 deceased spouse becomes a member on or after ~~the effective date of this~~
41 ~~amendment to this section~~ SEPTEMBER 13, 2013 and who is reemployed and
42 participates in health care coverage provided by the survivor's new employer.

43 G. The board shall establish a separate account that consists of the
44 benefits provided pursuant to this section. The board shall deposit the
45 benefits provided by this section in the account. The board shall not use or

1 divert any part of the corpus or income of the account for any purpose other
2 than the provision of benefits pursuant to this section unless the
3 liabilities to provide the benefits pursuant to this section are satisfied.
4 If the liabilities to provide the benefits described in this section are
5 satisfied, the board shall return any amount remaining in the account to the
6 employer.

7 H. Payment of the benefits provided by this section is subject to the
8 following conditions:

9 1. The payment of the benefits is subordinate to the payment of
10 retirement benefits payable by the plan.

11 2. The total of contributions for the benefits and actual
12 contributions for life insurance protection, if any, shall not exceed
13 twenty-five ~~per cent~~ PERCENT of the total actual employer and employee
14 contributions to the plan, minus the contributions to fund past service
15 credits, after the day the account is established.

16 3. The contributions by the employer to the account shall be
17 reasonable and ascertainable.

18 I. IF A MEMBER WHO IS ELIGIBLE FOR BENEFITS UNDER THIS SECTION
19 FORFEITS THE MEMBER'S INTEREST IN THE ACCOUNT BEFORE THE TERMINATION OF THE
20 PLAN, AN AMOUNT EQUAL TO THE AMOUNT OF THE FORFEITURE SHALL BE APPLIED AS
21 SOON AS POSSIBLE TO REDUCE EMPLOYER CONTRIBUTIONS TO FUND THE BENEFITS
22 PROVIDED BY THIS SECTION.

23 Sec. 6. Section 38-907, Arizona Revised Statutes, is amended to read:

24 38-907. Credit for military service

25 A. A member of the plan who has at least ten years of credited service
26 with the plan may receive credited service for periods of active military
27 service performed before employment with the member's current employer if:

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

29 2. The period of military service for which the member receives
30 credited service does not exceed sixty months.

31 3. The period of military service for which the member receives
32 credited service is not on account with any other retirement system, except
33 as provided by 10 United States Code section 12736 or except if the member is
34 not yet eligible for a military retirement benefit.

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

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

41 B. An active member of the plan who volunteers or is ordered to
42 perform military service may receive credited service for not more than sixty
43 months of military service as provided by the uniformed services employment
44 and reemployment rights act (38 United States Code part III, chapter 43).
45 The member's employer shall make employer contributions and the member shall

1 make the member contributions pursuant to subsection C of this section if the
2 member meets the following requirements:

- 3 1. Was an active member of the plan on the day before the member began
4 military service.
- 5 2. Entered into and served in the armed forces of the United States or
6 is a member of the national guard.
- 7 3. Complies with the notice and return to work provisions of 38 United
8 States Code section 4312.

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

- 12 1. The date the member is separated from military service.
- 13 2. The date the member is released from service related
14 hospitalization or two years after initiation of service related
15 hospitalization, whichever date is earlier.
- 16 3. The date the member dies as a result of or during military service.

17 D. Notwithstanding any other law, on payment of the contributions made
18 pursuant to subsection B of this section, the member shall be credited with
19 service for retirement purposes for the period of military service of not
20 more than sixty months. The member shall submit a copy of the military
21 discharge certificate (DD-256A) and a copy of the military service record
22 (DD-214) or its equivalent with the member's application when applying for
23 credited service corresponding to the period of military service.

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

- 26 1. Contributions shall be based on the compensation that the member
27 would have received but for the period that the member was ordered into
28 active military service.
- 29 2. If the employer cannot reasonably determine the member's rate of
30 compensation for the period that the member was ordered into military
31 service, contributions shall be based on the member's average rate of
32 compensation during the twelve-month period immediately preceding the period
33 of military service.
- 34 3. If a member has been employed less than twelve months before being
35 ordered into military service, contributions shall be based on the member's
36 compensation being earned immediately preceding the period of military
37 service.
- 38 4. The member has up to three times the length of military service,
39 not to exceed sixty months, to make the member contributions. Once the
40 member has made the member contributions or on receipt of the member's death
41 certificate, the employer shall make the employer contributions in a lump
42 sum. Death benefits shall be calculated as prescribed by law.
- 43 5. If the member's employer pays military differential wage pay to
44 members serving in the military, contributions shall be paid to the plan

1 pursuant to section 38-891 for any military differential wage pay paid to the
2 member while performing military service.

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

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

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

17 I. FOR PLAN YEARS BEGINNING AFTER DECEMBER 31, 2008, A MEMBER WHO DOES
18 NOT CURRENTLY PERFORM SERVICES FOR AN EMPLOYER BY REASON OF QUALIFIED
19 MILITARY SERVICE AS DEFINED IN SECTION 414(u)(5) OF THE INTERNAL REVENUE CODE
20 IS NOT CONSIDERED HAVING A SEVERANCE FROM EMPLOYMENT DURING THAT QUALIFIED
21 MILITARY SERVICE. ANY PAYMENTS BY THE EMPLOYER TO THE MEMBER DURING THE
22 QUALIFIED MILITARY SERVICE SHALL BE CONSIDERED COMPENSATION TO THE EXTENT
23 THOSE PAYMENTS DO NOT EXCEED THE AMOUNTS THE MEMBER WOULD HAVE RECEIVED IF
24 THE MEMBER HAD CONTINUED TO PERFORM SERVICES FOR THE EMPLOYER RATHER THAN
25 ENTERING QUALIFIED MILITARY SERVICE.

26 J. FOR DEATHS OCCURRING FROM AND AFTER DECEMBER 31, 2006 IN THE CASE
27 OF A MEMBER WHO DIES WHILE PERFORMING QUALIFIED MILITARY SERVICE AS DEFINED
28 IN SECTION 414(u)(5) OF THE INTERNAL REVENUE CODE, THE SURVIVORS OF THE
29 MEMBER ARE ENTITLED TO ANY BENEFITS, OTHER THAN BENEFIT ACCRUALS RELATING TO
30 THE PERIOD OF QUALIFIED MILITARY SERVICE, PROVIDED UNDER THE PLAN AS THOUGH
31 THE MEMBER RESUMED AND THEN TERMINATED EMPLOYMENT ON ACCOUNT OF DEATH.

32 Sec. 7. Retroactivity

33 Section 38-906, Arizona Revised Statutes, as amended by this act,
34 applies retroactively to from and after September 26, 1990.

APPROVED BY THE GOVERNOR MARCH 26, 2015.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 27, 2015.

Passed the House March 17, 2015,

by the following vote: 59 Ayes,

0 Nays, 1 Not Voting

[Signature]
Speaker of the House

Arma Chastain
Assistant Chief Clerk of the House

Passed the Senate January 29, 2015,

by the following vote: AP Ayes,

0 Nays, 2 Not Voting

[Signature]
President of the Senate

Chaimin Bellington
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~~

S.B. 1054

~~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~~

SENATE CONCURS IN HOUSE
AMENDMENTS AND FINAL PASSAGE

Passed the Senate March 24, 2015

by the following vote: 28 Ayes,

0 Nays, 2 Not Voting

[Signature]
President of the Senate

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

24th day of March, 20 15

at 4:27 o'clock P. M.

[Signature]
Secretary to the Governor

Approved this 26th day of

March

at 11:40 o'clock A. M.

[Signature]
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 27th day of March, 20 15

at 9:00 o'clock A. M.

[Signature]
Secretary of State

S.B. 1054