

NOTICES OF FINAL RULEMAKING

The Administrative Procedure Act requires the publication of the final rules of the state's agencies. Final rules are those which have appeared in the *Register* first as proposed rules and have been through the formal rulemaking process including approval by the Governor's Regulatory Review Council or the Attorney General. The Secretary of State shall publish the notice along with the Preamble and the full text in the next available issue of the *Register* after the final rules have been submitted for filing and publication.

NOTICE OF FINAL RULEMAKING

TITLE 2. ADMINISTRATION

CHAPTER 8. STATE RETIREMENT SYSTEM BOARD

[R05-249]

PREAMBLE

1. Sections Affected

R2-8-117
Article 5
R2-8-501
R2-8-502
R2-8-503
R2-8-504
R2-8-505
R2-8-506
R2-8-507
R2-8-508
R2-8-509
R2-8-510
R2-8-511
R2-8-512
R2-8-513
R2-8-514
R2-8-515
R2-8-516
R2-8-517
R2-8-518
R2-8-519
R2-8-520
R2-8-521

Rulemaking Action

Repeal
New Article
New Section
New Section

2. The statutory authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):

Authorizing statutes: A.R.S. §§ 38-714(F)(5) and 38-715(C)(3)

Implementing statutes: A.R.S. §§ 38-711, 38-730, 38-742, 38-743, 38-744, 38-745, 38-747, 38-769, 38-921, and 38-922

3. The effective date of the rules:

June 30, 2005

The Arizona State Retirement System (ASRS) requests that this rule become effective upon filing with the Secretary of State. This immediate effective date is allowed under A.R.S. § 41-1032(A)(4), which allows a rule to become effective immediately when the rule provides a benefit to the public and a penalty is not associated with a violation of the rule. It benefits the public, and in particular ASRS member employees and employers, to have these new rules in place so the public knows the processes and procedures required when purchasing service credit. There is no penalty associated with the violation of these rules.

4. A list of all previous notices appearing in the Register addressing the final rule:

Notice of Rulemaking Docket Opening: 10 A.A.R. 3189, August 13, 2004

Notice of Proposed Rulemaking: 11 A.A.R. 334, January 14, 2005

Notices of Final Rulemaking

5. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:

Name: Nancy O. Johnson, Rules Coordinator
Arizona State Retirement System

Address: 3300 N. Central Ave., 14th Floor
Phoenix, AZ 85012

Telephone: (602) 308-5172

Fax: (602) 240-5303

E-mail: nancyj@asrs.state.az.us

or

Name: Susanne Dobel, Manager, External Affairs
Arizona State Retirement System

Address: 3300 N. Central Ave., 14th Floor
Phoenix, AZ 85012

Telephone: (602) 240-2039

Fax: (602) 240-5303

E-mail: susanned@asrs.state.az.us

6. An explanation of the rule, including the agency's reason for initiating the rule:

A.R.S. §§ 38-743, 38-744, 38-745, and 38-747 allow a current, contributing member of ASRS to purchase credited service, upon which ASRS benefits are based. There are different categories of eligible service that a member may purchase, and several methods by which the member may pay for that credited service.

The rulemaking addresses:

1. The categories of eligible service and required documentation,
2. The procedure for requesting purchase of service,
3. Restrictions on purchases,
4. Methods of purchasing credited service,
5. Interest charges for payroll deduction agreements when purchasing service credits,
6. How the cost of purchasing service credits is calculated, and
7. The effect of termination or death on service purchases.

R2-8-117, Prior Service Pensions, addresses teachers who worked prior to the creation of ASRS in 1953. R2-8-117 is repealed because the average annual wage has already been determined for those few members to whom R2-8-117 applies and therefore, the rule is irrelevant and unnecessary.

7. A reference to any study relevant to the rule that the agency reviewed and either relied on in its evaluation of or justification for the rule or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

The agency did not review any study relevant to the rule.

8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

9. The summary of the economic, small business, and consumer impact:

Repeal of R2-8-117

Repealing R2-8-117 will cause no economic impact. The average annual wage has already been determined for those few members to whom R2-8-117 applies. The rule is irrelevant and unnecessary.

R2-8-501 through R2-8-505; R2-8-507 through R2-8-512; R2-8-514 through R2-8-521

These rules specify required documentation, identify the current procedure for purchasing various types of service credit, and identify the current procedure for electing various payment options. These rules have no economic impact.

R2-8-506

This rule implements legislation, changing the cost of service credit purchases from normal cost to actuarial present value. It is the legislation, as opposed to the rule, that impacts ASRS members who choose to purchase service credit. Generally, the change in calculation will cause those members who are further from retirement to pay less for service credit they purchase, while those members closer to retirement will pay more for service credit they purchase. Because calculating service credit at normal cost was creating a liability to the ASRS, the change to actuarial present

value will mean a savings of approximately 17 basis points on the contribution rates for employee members and 17 basis points on the contribution rates for employer members.

R2-8-513

Payroll deduction agreements (PDA) are authorized by A.R.S. § 38-747, and began on July 1, 1998. Payments made through a salary reduction agreement with an employer are pre-tax. PDA contracts are irrevocable and terminate only at completion of the contract, at retirement, or at separation from the member's current employer. In previous years, ASRS did not exercise statutory provisions to assess interest on PDAs. However, the number of members requesting to purchase service credit using a PDA has increased from 3,645 in fiscal year 1999 to 5,250 in fiscal year 2004, and continues to grow with almost 3,000 new PDAs in the first five months of fiscal year 2005. Because of this increase, ASRS has identified a significant amount of forgone income by the plan as a result of not charging interest.

Charging interest affects active members, employers, and members who choose to pay for service credit through a PDA. A member who chooses to pay for service credit through a PDA incurs minimal to substantial costs depending on the cost of the service credit the member chooses to purchase, and the length of time over which the member wishes to extend the agreement. For example, if a member purchases five years of service credit, if the member's cost is calculated to be \$40,000, and if the member chooses to pay for that service credit over a period of ten years, under the interest-free method, the member would pay \$4,000 per year in 26 equal payments a year through payroll deduction, or \$153.85 per paycheck. Pursuant to the new rule, charging interest at the assumed actuarial investment earnings rate approved by the Board, which is currently 8%, the cost per paycheck increases to \$223.04, an increase of \$69.19 per paycheck.

Without charging interest on PDAs, active members' and employers' contribution rates would increase by at least 11 basis points each, based on an estimate that an average of \$17,000,000 per year of forgone income will be saved in the next five years by charging interest.

10. A description of the changes between the proposed rules, including supplemental notices, and final rules (if applicable):

Minor technical and grammatical changes were made at the suggestion of the Governor's Regulatory Review Council staff.

11. A summary of the comments made regarding the rule and the agency response to them:

No comments were received on the proposed rules.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

Not applicable

13. Incorporations by reference and their location in the rules:

Not applicable

14. Was this rule previously made as an emergency rule?

An emergency rulemaking was approved by the Arizona Attorney General's Office, and filed with the Secretary of State on January 4, 2005. The emergency rules, new sections R2-8-113 and R2-8-114, became effective upon filing with the Secretary of State and are published at 11 A.A.R. 579, January 28, 2005. The emergency rulemaking deals only with calculating the purchase of service credit at the actuarial present value, and the requirement that only one active request is allowed to be open at a time. This subject matter has been incorporated into the final rulemaking. Emergency rule R2-8-113, *Definitions; Calculating a Service Purchase Request*, is incorporated into R2-8-501, *Definitions*, R2-8-506, *Cost Calculation for Purchasing Service Credit*, and R2-8-510, *Required Documentation and Calculations for Military Call-Up Service*, subsection (B). Emergency rule R2-8-114, *Number of Active Requests Allowed to Purchase Service Credit*, is incorporated into R2-8-503, *Requirements Applicable to All Service Credit Purchases*, subsections (C) and (D).

15. The full text of the rules follows:

TITLE 2. ADMINISTRATION

CHAPTER 8. STATE RETIREMENT SYSTEM BOARD

ARTICLE 1. RETIREMENT SYSTEM; DEFINED BENEFIT PLAN

Section

R2-8-117. ~~Prior service pensions~~ Repealed

Notices of Final Rulemaking

ARTICLE 5. PURCHASING SERVICE CREDIT

Section

<u>R2-8-501.</u>	<u>Definitions</u>
<u>R2-8-502.</u>	<u>Request to Purchase Service Credit and Notification of Cost</u>
<u>R2-8-503.</u>	<u>Requirements Applicable to All Service Credit Purchases</u>
<u>R2-8-504.</u>	<u>Service Credit Calculation for Purchasing Service Credit</u>
<u>R2-8-505.</u>	<u>Restrictions on Purchasing Overlapping Service Credit; Transfers</u>
<u>R2-8-506.</u>	<u>Cost Calculation for Purchasing Service Credit</u>
<u>R2-8-507.</u>	<u>Required Documentation and Calculations for Forfeited Service Credit</u>
<u>R2-8-508.</u>	<u>Required Documentation and Calculations for Leave of Absence Service Credit</u>
<u>R2-8-509.</u>	<u>Required Documentation and Calculations for Military Service Credit</u>
<u>R2-8-510.</u>	<u>Required Documentation and Calculations for Military Call-up Service Credit</u>
<u>R2-8-511.</u>	<u>Required Documentation and Calculations for Other Public Service Credit</u>
<u>R2-8-512.</u>	<u>Purchasing Service Credit by Check, Cashier's Check, or Money Order</u>
<u>R2-8-513.</u>	<u>Purchasing Service Credit by Irrevocable Payroll Deduction Authorization</u>
<u>R2-8-514.</u>	<u>Purchasing Service Credit by Direct Rollover</u>
<u>R2-8-515.</u>	<u>Purchasing Service Credit by Trustee-to-Trustee Transfer</u>
<u>R2-8-516.</u>	<u>Purchasing Service Credit by Indirect IRA Rollover</u>
<u>R2-8-517.</u>	<u>Purchasing Service Credit by Distributed Rollover Contribution</u>
<u>R2-8-518.</u>	<u>Purchasing Service Credit by Partial Lump Sum Retirement Distribution</u>
<u>R2-8-519.</u>	<u>Purchasing Service Credit by Termination Pay Distribution</u>
<u>R2-8-520.</u>	<u>Separation from Employment or Death of Member While Purchasing Service Credit by an Irrevocable Payroll Deduction Authorization</u>
<u>R2-8-521.</u>	<u>Adjustment of Errors</u>

ARTICLE 1. RETIREMENT SYSTEM; DEFINED BENEFIT PLAN

R2-8-117. Prior service pensions Repealed

- A.** Average annual wages: Average annual wages used as a basis for determining prior service credit shall be determined by the wages paid during the five fiscal years commencing July 1, 1948, and concluding June 30, 1953, for state employees. For employees of political subdivisions, the average annual wage shall be determined by the wages paid to the employee during the five fiscal years immediately preceding the establishment of the retirement system by the political subdivision. In no case, shall any earnings over \$3,600 in any fiscal year be taken into consideration in determining the average annual wage. If employment by the member was less than the five fiscal years preceding establishment of the retirement system, the average annual wage for the actual period of employment shall be used.
- B.** Irregular and part-time employment: Employment during the period for which prior service credit is allowed which was at irregular intervals or on a daily basis shall reflect the number of days of actual employment during a fiscal year for the purpose of determining prior service credit. Employment which was regular but constituted less than a full day and resulted in salaries proportionate to such part-time service shall be treated as full-time service at the rate of compensation actually paid for the purpose of determining the period and the amount of prior service credit.
- C.** Teachers at the University of Arizona who were not members of the Arizona Teachers' Retirement System shall have their prior service credit calculated for the years preceding July 1, 1953.

ARTICLE 5. PURCHASING SERVICE CREDIT

R2-8-501. Definitions

The following definitions apply to this Article unless otherwise specified:

1. "Active duty" has the same meaning as in 32 U.S.C. 101.
2. "Active member" means the same as in A.R.S. § 38-711.
3. "Active reserve duty" means participating in required meetings and annual training in a Reserve or National Guard branch of the United States uniformed service, for which the member receives pay.
4. "Actuarial present value" means an amount in today's dollars of a member's future retirement benefit calculated using the actuarial assumptions in R2-8-123 and the:
 - a. Member's current years of credited service to the nearest month;
 - b. Member's age to the nearest day;
 - c. Amount of service credit the member wishes to purchase to the nearest month, except for the calculation in R2-8-506(A)(2); and
 - d. Member's current annual compensation.
5. "ASRS" means the same as in A.R.S. § 38-711.

Notices of Final Rulemaking

6. “ASRS employer” means the same as “employer” in A.R.S. § 38-711.
7. “Authorized representative” means an individual who has been delegated the authority to act on behalf of a custodian, trustee, plan administrator, or, if applicable, a member.
8. “Compensation” means the same as in A.R.S. § 38-769.
9. “Credited service” means the same as in A.R.S. § 38-711.
10. “Current annual compensation” means the greater of:
 - a. Annualized compensation of the full pay period immediately before the date of a request to ASRS to purchase credited service pursuant to section 38-743 or 38-745.
 - b. Annualized compensation of the partial year 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 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 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 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. A.R.S. § 38-711(10)
11. “Current years of credited service” means the amount of credited service a member has earned or purchased, and the amount of service credit for which an irrevocable payroll deduction authorization is in effect for which the member has not yet completed payment, but does not include any current requests to purchase service credit for which the member has not yet paid.
12. “Custodian” means a financial institution that holds financial assets for guaranteed safekeeping.
13. “Day” means a calendar day, and excludes the:
 - a. Day of the act or event from which a designated period of time begins to run; and
 - b. Last day of the period if a Saturday, Sunday, or official state holiday.
14. “Direct rollover” means distribution of eligible funds made payable to the ASRS as a contribution for the benefit of an eligible member from a retirement plan listed in A.R.S. § 38-747(H)(2) or (H)(3).
15. “Eligible funds” means payments listed in A.R.S. § 38-747(H)(2) and (3).
16. “Eligible member” means an active member of the Plan or a Plan member who is receiving benefits under the Long Term Disability Program established by A.R.S. Title 38, Chapter 5, Article 2.1.
17. “Error” means a typographical mistake, incorrect information, or other inaccuracy, whether intentional or unintentional.
18. “Forms of payment” means check, cashier’s check, money order, irrevocable payroll deduction authorization, direct rollover, trustee-to-trustee transfer, IRA rollover, partial lump sum distribution, and termination pay distribution.
19. “Forfeited service” means credited service for which the ASRS has returned contributions to the member under A.R.S. § 38-740.
20. “Immediate family member” means:
 - a. A member’s spouse or life partner;
 - b. A member’s natural, step, or adopted sibling;
 - c. A member’s natural, step, or adopted child;
 - d. A member’s natural, step, or adoptive parent; or
 - e. An individual for whom the member has legal guardianship.
21. “Indirect IRA rollover” means funds already distributed to the eligible member from a retirement plan listed in A.R.S. § 38-747(H)(3) that are then paid by the eligible member to the ASRS as a contribution for the benefit of the eligible member.
22. “IRA” means an Individual Retirement Account or Annuity under IRC § 408.
23. “IRC” means the Internal Revenue Code.
24. “Irrevocable payroll deduction authorization” means a contract between an eligible member, an ASRS employer, and the ASRS that requires the ASRS employer to withhold payments from a member’s pay for a specified amount and for a specified number of payments, as provided in A.R.S. § 38-747, and that is irrevocable.
25. “Leave of absence” means the same as in A.R.S. § 38-711.
26. “Life partner” means an individual who lives with a member as a spouse, but without being legally married.
27. “Member” means the same as in A.R.S. § 38-711.
28. “Military service” means active duty or active reserve duty with any branch of the United States uniformed services.
29. “Military call-up” means a directive from the President of the United States initiating active duty for personnel of active or inactive National Guard and Reserve branches of the United States uniformed services.
30. “Military service record” means the military form DD-214 or other military form that provides the following information:
 - a. The member’s full name;
 - b. The member’s Social Security number;

Notices of Final Rulemaking

- c. The member's date of birth;
- d. Type of discharge the member received;
- e. Active duty dates, if applicable;
- f. Active reserve duty dates, if applicable; and
- g. Points received for active duty or active reserve duty.
- 31. "Other public service" means previous employment listed in A.R.S. § 38-743(A).
- 32. "PDA pay-off letter" means written correspondence from ASRS to a member that specifies the amount necessary to be paid by the member to complete an irrevocable payroll deduction authorization and receive the credited service specified in the irrevocable payroll deduction authorization.
- 33. "Person" means the same as in A.R.S. § 1-215.
- 34. "Plan" means the same as "defined benefit plan" in A.R.S. § 38-769, and administered by the ASRS.
- 35. "Plan Administrator" means the person authorized to represent a specific eligible plan as addressed in IRC § 414(g).
- 36. "Political subdivision" means the same as in A.R.S. § 38-711.
- 37. "Political subdivision entity" means the same as in A.R.S. § 38-711.
- 38. "Public employer" means the United States government, a state of the United States, a political subdivision of a state of the United States, or a political subdivision entity.
- 39. "Rollover" means a contribution to the ASRS by an eligible member of an eligible rollover distribution from one or more of the retirement plans listed in A.R.S. § 38-747(H)(2) and (3).
- 40. "Service credit" means forfeited service under A.R.S. § 38-742, leave of absence under A.R.S. § 38-744, military service and military call-up service under A.R.S. § 38-745, and other public service under A.R.S. § 38-743 that an eligible member may purchase.
- 41. "SP invoice" means a written correspondence from the ASRS informing an eligible member of the amount of money required to purchase a specified amount of service credit.
- 42. "Termination pay distribution" means an ASRS employer's payment to the ASRS of an eligible member's termination pay to purchase service credit as specified in § 38-747(B)(2).
- 43. "Three full calendar months" means the first day of the first full month through the last day of the third full month.
- 44. "Trustee-to-trustee transfer" means a transfer of assets to the ASRS as authorized in A.R.S. § 38-747(I), from a retirement program listed in R2-8-515(A) from which, at the time of the transfer, a member is not eligible to receive a distribution.
- 45. "Uniformed services" means the United States Army, Army Reserve, Army National Guard, Navy, Navy Reserve, Air Force, Air Force Reserve, Air Force National Guard, Marine Corps, Marine Corps Reserve, Coast Guard, Coast Guard Reserves, the National Oceanic and Atmospheric Administration, and the Public Health Service.
- 46. "United States" means the same as in A.R.S. § 1-215.
- 47. "Window credit" means overpayments made on previously purchased service credit by eligible members of the ASRS as provided by Laws 1997, Ch. 280, § 21, and Laws 2003, Ch. 164, § 3.

R2-8-502. Request to Purchase Service Credit and Notification of Cost

- A.** An eligible member may request to purchase service credit verbally, in writing, or electronically. The eligible member shall provide the eligible member's mailing address and designate which category of service credit the eligible member is requesting to purchase.
- B.** The ASRS shall send a letter acknowledging the request to purchase service credit to the mailing address provided by the eligible member. The ASRS shall provide, with the acknowledgment letter, any form specified in this Article that corresponds to the category of service credit the eligible member requests to purchase and indicate in the acknowledgment letter the deadline for providing supporting documentation of service credit to the ASRS.
- C.** Except as provided in R2-8-519(A), the eligible member shall provide documentation of service credit as required by this Article within 90 days of the eligible member's request to purchase service credit. If the ASRS has not received complete and correct documents within 90 days of the request to purchase service credit, the ASRS shall cancel the eligible member's request to purchase service credit. The eligible member may make a new request to purchase service credit.
- D.** Upon receipt of the documentation required by this Article from the eligible member and if the eligible member's request to purchase service credit meets the requirements of this Article, the ASRS shall provide the following to the eligible member:
 - 1. A SP invoice stating the cost to purchase the amount of service credit the member is eligible to purchase and the date payment is due; and
 - 2. A Service Purchase Payment Request form requesting the following information:
 - a. The member's name;
 - b. The member's Social Security number;
 - c. The member's mailing address;
 - d. The member's daytime telephone number;
 - e. ID number listed on the SP invoice;
 - f. The number of years of service credit the member wishes to purchase;

Notices of Final Rulemaking

- g. If the member elects to pay for the service credit by trustee-to-trustee transfer, IRA rollover, distributed rollover contribution, or direct rollover, the anticipated number of rollovers or transfers;
 - h. If the member elects to pay by irrevocable payroll deduction authorization, the amount of money the member wishes to pay per pay period;
 - i. If the member elects to pay for the service credit by check, the check number and amount of the check;
 - j. If the member elects to pay any cost remaining at retirement or termination of employment with a termination pay distribution, the retirement date or last date of work;
 - k. If the member is retiring and wishes to pay by a partial lump sum retirement distribution or termination pay distribution, the member's requested retirement date; and
 - l. The member's signature and date of the signature; and
3. Other forms the member may need to complete the request for service credit purchase.

R2-8-503. Requirements Applicable to All Service Credit Purchases

- A.** To purchase service credit at the amount provided in an SP invoice, an eligible member shall purchase the service credit by check or money order, or request an irrevocable payroll deduction authorization, rollover, transfer, termination pay distribution, or partial lump sum retirement distribution as specified in this Article, within 30 days after the date on the SP invoice.
- B.** An eligible member may purchase all of the service credit or a portion of the service credit. If the eligible member wishes to purchase only a portion of the service credit, the eligible member shall make a new request for purchase and ASRS shall recalculate the cost. A new request to purchase a portion of the service credit initially requested automatically terminates the initial request.
- C.** ASRS shall not consider more than one active request at a time from a member to purchase service credit in a single category. The categories are:
1. Leave of absence,
 2. Military service,
 3. Military call-up service,
 4. Forfeited service, and
 5. Other public service.
- D.** An eligible member may cancel an active request to purchase a specific category of service credit verbally or in writing, and submit a new request in the same category of service credit for a different amount of service credit.
- E.** If an eligible member is entitled to a window credit, the eligible member may apply the window credit to purchase service credit. To apply a window credit to a purchase of service credit, the eligible member shall make a request to the ASRS in writing within 30 days after the date on the SP invoice and include the following information:
1. The amount the member wants to apply,
 2. The member's signature, and
 3. The date of the member's signature.
- F.** The amount of service credit an eligible member may purchase and the benefits an eligible member may receive are subject to the limitations prescribed in A.R.S. § 38-747(E).
- G.** ASRS shall extend the time for an eligible member to respond to an SP invoice as follows:
1. If the member notifies the ASRS of an ASRS error within 30 days after the date on the SP invoice, the time is extended 30 days after the date the ASRS sends notification to the eligible member that the ASRS has corrected the error;
 2. If an ASRS internal legal review is made of the member's service credit purchase request, the time is extended 30 days after the date ASRS sends notification to the member that the review is completed;
 3. If the member appeals an issue regarding the SP invoice, the time is extended 30 days after the date ASRS sends notification to the member that a decision on the appeal has been made; or
 4. If an unforeseeable event occurs that is outside of the member's control, such as an incapacitating illness of the member or death of an immediate family member, and the member notifies the ASRS of the event, the ASRS shall extend the time by up to six months, after a review of the unforeseeable event to determine the length of the extension.

R2-8-504. Service Credit Calculation for Purchasing Service Credit

An eligible member who purchases service credit shall receive one month of credited service for one or more days of service in a calendar month.

R2-8-505. Restrictions on Purchasing Overlapping Service Credit; Transfers

- A.** The ASRS shall not permit an eligible member to purchase service credit that, when added to credited service earned in any plan year, results in more than:
1. One year of credited service in any plan year, or
 2. One month of credited service in any one calendar month.
- B.** The restrictions in subsection (A) do not apply to service credit that an eligible member transfers from another retirement system to the ASRS as authorized in A.R.S. § 38-730 or A.R.S. Title 38, Chapter 5, Article 7, whether the eligible mem-

Notices of Final Rulemaking

ber requests the transfer before or after purchasing other service credit.

R2-8-506. Cost Calculation for Purchasing Service Credit

- A.** For leave of absence service credit, military service credit, and other public service credit, the ASRS shall calculate, as of the date of the request to purchase service credit:
1. The actuarial present value of the future retirement benefit for the member including the service credit that the eligible member requests to purchase, and
 2. The actuarial present value of the future retirement benefit for the member without the service credit that the eligible member requests to purchase.
- B.** The cost for purchasing the service credit that the member requests to purchase is the difference between the actuarial present value in subsection (A)(1) and the actuarial present value in subsection (A)(2).

R2-8-507. Required Documentation and Calculations for Forfeited Service Credit

- A.** An eligible member who requests to purchase service credit for forfeited service under A.R.S. § 38-742 shall provide to the ASRS:
1. The eligible member's:
 - a. Full name and, if applicable, nicknames or other names used while working for an ASRS employer for which the eligible member is requesting to purchase service credit;
 - b. Mailing address;
 - c. Telephone number, if applicable;
 - d. Social Security number;
 2. The name of each ASRS employer, if known, for which the eligible member is requesting to purchase service credit for forfeited service;
 3. The year the eligible member began working for each ASRS employer and the year the eligible member left each employment, if known; and
 4. The year the eligible member believes the ASRS returned contributions to the member.
- B.** The amount the eligible member shall pay to purchase service credit for previously forfeited service is the amount of contributions that the ASRS returned to the eligible member, plus interest on that amount from the date of the return of contributions to the date of redeposit at the interest rate determined by the Board as specified in A.R.S. § 38-742.

R2-8-508. Required Documentation and Calculations for Leave of Absence Service Credit

- A.** An eligible member may request to purchase service credit for an approved leave of absence from an ASRS employer under A.R.S. § 38-744. To request to purchase service credit for an approved leave of absence the eligible member shall provide to the ASRS:
1. The items listed in R2-8-507(A)(1);
 2. The name of the ASRS employer;
 3. A written statement from the ASRS employer specifying the beginning and ending dates of the leave of absence and the eligible member's salary on the day before the leave of absence; and
 4. A copy of the guidelines referenced in A.R.S. § 38-744, if applicable.
- B.** The amount the member shall pay to purchase service credit for leave of absence is determined as provided in R2-8-506.

R2-8-509. Required Documentation and Calculations for Military Service Credit

- A.** An eligible member may request to purchase military service credit under A.R.S. § 38-745(A) and (B). To request to purchase military service credit, the eligible member shall provide to the ASRS:
1. The items listed in R2-8-507(A)(1), and
 2. A copy of the eligible member's military service record.
- B.** The amount the eligible member pays to purchase military service credit is determined as provided in R2-8-506.
- C.** ASRS determines the amount of service credit an eligible member receives for active reserve duty time by the points the eligible member received from the military while on active reserve duty. Unless the eligible member produces documentation that shows otherwise, four points equals one weekend of active reserve duty.

R2-8-510. Required Documentation and Calculations for Military Call-up Service Credit

- A.** An eligible member or the eligible member's beneficiary may request to purchase up to 60 months of military call-up service under A.R.S. § 38-745(C) through (I). To request to purchase service credit for military call-up service, the eligible member's ASRS employer shall provide to the ASRS:
1. The items listed in R2-8-507(A)(1);
 2. A copy of the eligible member's military service record; and
 3. A completed Military Call-up form that includes the following:
 - a. The salary received by the eligible member on the day before the eligible member's active military service pursuant to the military call-up;
 - b. Statement that the eligible member returned to employment within 90 days after the active duty termination date, if applicable; and

Notices of Final Rulemaking

ASRS sends written confirmation that the ASRS received the final rollover, trustee-to-trustee transfer, or termination pay payment.

R2-8-513. Purchasing Service Credit by Irrevocable Payroll Deduction Authorization

- A.** An eligible member may purchase service credit by irrevocable payroll deduction authorization.
- B.** Within 30 days of the date on the SP invoice, the member shall return to the ASRS the completed Service Purchase Payment Request form with the information specified in R2-8-502(D)(2).
- C.** If the eligible member elects to pay for service credit by irrevocable payroll deduction authorization, ASRS shall prepare an Irrevocable Payroll Deduction Authorization and send it to the eligible member for signature. The eligible member shall return the signed Irrevocable Payroll Deduction Authorization to the ASRS within 14 days after the date on the Irrevocable Payroll Deduction Authorization. The signed Irrevocable Payroll Deduction Authorization becomes irrevocable upon receipt by the ASRS.
- D.** At the time the eligible member signs the Irrevocable Payroll Deduction Authorization, the eligible member may elect to use termination pay towards the balance of the irrevocable payroll deduction authorization if the eligible member terminates employment. If the eligible member chooses this option, the eligible member shall complete a Termination Pay Addendum to the Irrevocable Payroll Deduction Authorization, attach it to the signed Irrevocable Payroll Deduction Authorization, and return it to the ASRS within 30 days after the date on the Irrevocable Payroll Deduction Authorization. The Termination Pay Addendum to the Irrevocable Payroll Deduction Authorization includes the following:
 - 1.** The member's Social Security number;
 - 2.** The agreement number;
 - 3.** A statement that the member:
 - a.** Understands and agrees that the member must continue working at least three full calendar months after the date of submission of the form before termination pay may be used on a pre-tax basis.
 - b.** Understands that if the termination payment exceeds the balance owed on the Irrevocable Payroll Deduction Authorization, the overage will be returned to the ASRS employer to be distributed to the member; and
 - c.** Elects to irrevocably agree to have termination pay that may be payable to the member upon termination of employment sent to the ASRS on a pre-tax basis and used toward any remaining balance of the irrevocable payroll deduction authorization if all scheduled payroll deductions have not been completed upon termination of service; and
 - 4.** A statement that either all termination pay or a specified amount of termination pay is to be applied to the balance of the Irrevocable Payroll Deduction Authorization.
- E.** The ASRS shall:
 - 1.** Charge interest on the unpaid balance at the assumed actuarial investment earnings rate approved by the Board in effect at the time the authorization was entered into;
 - 2.** Limit the payroll deduction time period to a maximum of 20 years; and
 - 3.** Require a minimum payment of \$10.00 per payroll period, or payment in an amount to purchase at least .001 year of service credit per payroll period, whichever is greater.
- F.** The ASRS employer shall begin payroll deductions no later than six months from the date on the signed Irrevocable Payroll Deduction Authorization.
- G.** A member with an irrevocable payroll deduction authorization who takes a leave of absence shall not cancel the irrevocable payroll deduction authorization. The ASRS employer shall resume deductions immediately upon the member's return to employment with the ASRS employer that granted the leave. The period during which the member is on leave of absence is not included in the 20-year payment time limitation under subsection (E)(2).
- H.** Deductions made pursuant to an irrevocable payroll deduction authorization continue until the:
 - 1.** Irrevocable payroll deduction authorization is completed;
 - 2.** Member retires, whether or not the member continues employment as allowed in A.R.S. § 38-766.01; or
 - 3.** Member separates from the member's ASRS employer as specified in A.R.S. § 38-747(B).
- I.** If a member retires or separates from employment before all deductions are made as authorized by the irrevocable payroll deduction authorization, the member's purchase of service credit is canceled unless the member notifies the ASRS in writing during the period 14 days before to 14 days after retirement or separation from employment of the intent to purchase the remaining amount due in a lump sum.
- J.** When the member notifies ASRS of retirement or separation from employment, the ASRS shall send the member a PDA pay-off letter to the mailing address given by the member. The ASRS shall calculate the amount owed by the member and reduce the amount owed by any excess interest that the member has paid.
- K.** Within 30 days of the date of the PDA pay-off letter, the member may purchase the remaining service credit by one or more of the following methods:
 - 1.** By check, cashier's check, or money order made out to the ASRS under R2-8-512;
 - 2.** By making a request to the ASRS for a rollover or transfer under R2-8-514 and completing the rollover or transfer within 90 days of the date of the PDA pay-off letter;
 - 3.** By requesting a partial lump sum retirement benefit distribution from the ASRS under R2-8-518; or

Notices of Final Rulemaking

4. By termination pay distribution under R2-8-519, if the member authorized this option at the time the member signed the Irrevocable Payroll Deduction Authorization.

R2-8-514. Purchasing Service Credit by Direct Rollover

- A.** An eligible member may purchase service credit or pay off an irrevocable payroll deduction authorization at retirement or separation from employment by direct rollover.
- B.** Within 30 days of the date on the SP invoice, the member shall return to the ASRS the completed Service Purchase Payment Request form with the information specified in R2-8-502(D)(2).
- C.** Upon receipt of the completed Service Purchase Payment Request form, the ASRS shall provide a Direct Rollover/Transfer Certification to Purchase Service Credit form, if the ASRS has not already provided the member with the form.
- D.** The member shall ensure that the member and the plan that is making the distribution complete the Direct Rollover/Transfer Certification to Purchase Service Credit form and return it to the ASRS.
- E.** The information requested on the Direct Rollover/Transfer Certification to Purchase Service Credit form includes:
 1. Member's full name;
 2. Member's Social Security number;
 3. Member's mailing address;
 4. Daytime telephone number;
 5. Member's date of birth;
 6. The amount of each rollover or transfer, if known;
 7. The account number of each plan, if applicable;
 8. The member's signature certifying that the member understands the requirements, limitations, and entitlements for the rollover/transfer that is being used to purchase service credit, and has read and understands the Direct Rollover/Transfer Certification to Purchase Service Credit form and any accompanying instructions and information sheets;
 9. The date the member signs the form;
 10. The authorized representative's name and title;
 11. The authorized representative's address;
 12. The authorized representative's telephone number;
 13. Certification by the authorized representative that:
 - a. The plan is either:
 - i. A qualified pension, profit sharing, or 401(k) plan described in IRC § 401(a), or a qualified annuity plan described in IRC § 403(a);
 - ii. A deferred compensation plan described in IRC § 457(b) maintained by a state of the United States, a political subdivision of a state of the United States, or an agency or instrumentality of a state of the United States;
 - iii. An annuity contract described in IRC § 403(b); or
 - iv. An IRA described in A.R.S. § 38-747(H)(3);
 - b. The rollover/transfer specified on the form from which the pre-tax funds are being rolled over or transferred is intended to satisfy the requirements of the applicable section of the Internal Revenue Code;
 - c. The authorized representative is not aware of any plan provision or any other reason that would cause the plan/IRA not to satisfy the applicable section of the Code; and
 - d. The funds will be sent to the ASRS as a direct plan rollover, IRA rollover, or a trustee-to-trustee transfer; and
 14. The date and signature of the authorized representative.
- F.** The ASRS shall provide the member with written notification regarding the eligibility of the rollover.
- G.** The member shall contact the plan administrator to have the funds distributed and transferred to the ASRS. Except as provided in subsection (H), unless the ASRS receives a check for the correct amount from the plan within 90 days of the date on the SP invoice, the ASRS shall cancel the request to purchase service credit as specified in R2-8-502(C).
- H.** The ASRS shall provide an extension of 60 days in which the check may be received by the ASRS from the plan at the written request of the member, if:
 1. The member has followed the procedure in this Article for requesting to purchase service credit.
 2. The member has responded to the ASRS correspondence within the time-frame set forth in this Article.
 3. The eligible plan has not provided to the ASRS the check to pay for the requested service credit purchase within 90 days of the date of the SP invoice, and
 4. The member makes the written request for extension before expiration of the 90 days.
- I.** The member shall ensure that the ASRS receives a check from the plan, made payable to the ASRS, for an amount that does not exceed the amount specified on the SP Invoice.
- J.** If the payment from the eligible plan exceeds the amount specified on the SP Invoice, the ASRS shall return the entire payment to the eligible plan and notify the member that the ASRS has returned the payment.

Notices of Final Rulemaking

R2-8-515. Purchasing Service Credit by Trustee-to-Trustee Transfer

- A.** An eligible member may purchase service credit or pay off an irrevocable payroll deduction authorization at retirement or termination by a trustee-to-trustee transfer if the member participates in:
1. A deferred compensation plan described in IRC § 457 that is maintained by:
 - a. The state of Arizona;
 - b. A political subdivision, agency, or instrumentality of the state of Arizona; or
 - c. A political subdivision entity of the state of Arizona;
 2. An annuity contract described in IRC § 403(b); or
 3. A retirement program qualified under IRC § 401(a) or 403(a).
- B.** Within 30 days of the date on the SP invoice, the member shall return to the ASRS the completed Service Purchase Payment Request form described in R2-8-502(D)(2).
- C.** Upon receipt of the completed Service Purchase Payment Request form, the ASRS shall provide a Direct Rollover/Transfer Certification to Purchase Service Credit form.
- D.** The member shall ensure that the member and the plan administrator complete the Direct Rollover/Transfer Certification to Purchase Service Credit form, containing all of the applicable information identified in R2-8-514(E), and return the form to the ASRS.
- E.** The ASRS shall provide the member with written notification regarding the eligibility of the transfer.
- F.** The member shall contact the plan administrator to have the funds transferred to the ASRS. Except as provided in subsection (G), unless the ASRS receives the check for the correct amount from the plan within 90 days of the date on the SP invoice, the ASRS shall cancel the request to purchase service credit as specified in R2-8-502(C).
- G.** The ASRS shall provide an extension of 60 days in which the check may be received by the ASRS from the plan at the written request of the member, if:
1. The member has followed the procedure under this Article for requesting to purchase service credit,
 2. The member has responded to the ASRS correspondence within the time-frame set forth in this Article,
 3. The eligible plan has not provided to the ASRS the check to pay for the requested service credit purchase within 90 days of the date of the SP invoice, and
 4. The member makes the written request for extension before expiration of the 90 days.
- H.** The member shall ensure that the ASRS receives a check from the plan, made payable to the ASRS, for an amount that does not exceed the amount specified on the SP Invoice.
- I.** If the payment from the eligible plan exceeds the amount specified on the SP Invoice, the ASRS shall return the entire payment to the eligible plan and notify the member that the payment has been returned.

R2-8-516. Purchasing Service Credit by Indirect IRA Rollover

- A.** An eligible member may purchase service credit, or pay off an irrevocable payroll deduction authorization at retirement or termination, by an indirect IRA rollover if the rollover purchase is completed within 60 days of the date of distribution of funds from the IRA account, as required by IRC § 408(d)(3)(A). The 60-day time limitation is exclusive of any other time limitations prescribed in this Article and the ASRS shall not extend the 60-day period.
- B.** Within 30 days of the date on the SP invoice, the member shall return to the ASRS the completed Service Purchase Payment Request form described in R2-8-502(D)(2).
- C.** Upon the receipt of the completed Service Purchase Payment Request form and upon the member's request, the ASRS shall provide an Indirect IRA Rollover Contribution form. The member shall complete the Indirect IRA Rollover Contribution form and return it to the ASRS, along with:
1. A copy of the distribution statement or check stub identifying it as an IRA distribution, showing the date of distribution and amount distributed; or
 2. The distribution check endorsed by the member made payable to the ASRS with documentation that it is an IRA distribution.
- D.** The information requested on the Indirect IRA Rollover Contribution form includes:
1. The member's full name,
 2. The member's Social Security number,
 3. The member's mailing address,
 4. The member's daytime telephone number,
 5. The member's date of birth,
 6. The member's signature certifying that the member understands the statements on the form regarding the distribution the member has received from the IRA and the requirements for an IRA rollover to the ASRS and agrees to the statements, and
 7. The date the member signs the form.
- E.** The ASRS shall provide the member with written notification regarding the eligibility of the rollover contribution.

Notices of Final Rulemaking

- F.** After receiving notice from the ASRS that the rollover is an eligible rollover contribution, if the member has not sent payment for the purchase of service credit, the member shall submit payment for the service credit purchase. The member shall make payment by:
 - 1. The distribution check from the IRA made payable to the member and endorsed by the member to make it payable to the ASRS; or
 - 2. Direct payment by the member by check or money order to the ASRS, after the IRA distribution is deposited to the member's account.
- G.** Except as provided in subsection (H), unless the ASRS receives payment from the member within 90 days of the date on the SP invoice, the ASRS shall cancel the request to purchase service credit as specified in R2-8-502(C).
- H.** The ASRS shall provide an extension of 60 days in which the check may be received by the ASRS under subsection (G) at the written request of the member, if:
 - 1. The member has followed the procedure under this Article for requesting to purchase service credit.
 - 2. The member has responded to the ASRS correspondence within the time-frame set forth in this Article.
 - 3. The eligible plan has not provided the ASRS the check to pay for the requested service credit purchase within 90 days of the date of the SP invoice, and
 - 4. The member makes the written request for extension before expiration of the 90 days.
- I.** The member shall ensure that the ASRS receives a check made payable to the ASRS for an amount that does not exceed the amount specified on the SP Invoice.
- J.** If the payment exceeds the amount specified on the SP Invoice, the ASRS shall return the entire payment to the member.

R2-8-517. Purchasing Service Credit by Distributed Rollover Contribution

- A.** An eligible member may purchase service credit with a distribution from a prior employer's eligible plan that has already been distributed to the member if the rollover purchase is completed within 60 days of the date of distribution to the member, as required by IRC §§ 402(c)(3)(A), 403(b)(8)(B), and 457(e)(16)(B). The 60-day time limitation is exclusive of any other time limitations prescribed in this Article, and the ASRS shall not extend the 60-day period. Eligible plans are:
 - 1. A pension, profit sharing, or other qualified plan described in IRC § 401(a) and (k);
 - 2. A qualified annuity plan described in IRC § 403(a);
 - 3. A deferred compensation plan described in IRC § 457 maintained by a state of the United States, or a political subdivision, agency, or instrumentality of a state of the United States; and
 - 4. A tax deferred annuity described in IRC § 403(b).
- B.** Within 30 days of the date on the SP invoice, the member shall return to the ASRS the completed Service Purchase Payment Request form described in R2-8-502(D)(2).
- C.** When the ASRS receives the completed Service Purchase Payment Request form and upon the member's request, the ASRS shall provide a Certification by Eligible Plan Rollover Contribution form and Rollover Contribution form.
- D.** The information requested on the Certification by Eligible Plan Rollover Contribution form includes:
 - 1. Name of the plan;
 - 2. Member's full name;
 - 3. Member's Social Security number;
 - 4. Member's mailing address;
 - 5. Certification by the plan administrator that the plan is one of the plans described in subsection (A);
 - 6. Certification by the plan administrator that:
 - a. If the plan is described in either IRC § 401(a) or 403(a), the plan has received a determination letter from the Internal Revenue Service indicating that the plan is qualified under either IRC § 401(a) or 403(a);
 - b. If the plan is described in either IRC § 401(a) or 403(a), but has not received a determination letter from the Internal Revenue Service, the plan satisfies the requirements of IRC § 401(a) or 403(a) or is intended to satisfy the requirements of IRC § 401(a) or 403(a) and the plan administrator is not aware of any plan provision or any other reason that would disqualify the plan; or
 - c. If the plan is a deferred compensation plan described in IRC § 457 or an annuity contract described in IRC § 403(b), the plan or annuity satisfies the applicable requirements of IRC § 457 or 403(b) and the plan administrator is not aware of any plan provision or any other reason that would cause the plan or annuity to not satisfy the applicable provisions of IRC § 457 or 403(b);
 - 7. Certification by the plan administrator that the plan permits a direct rollover of an eligible rollover distribution to a defined benefit plan;
 - 8. The full name, title, and signature of the plan administrator;
 - 9. The plan administrator's business address and telephone number; and
 - 10. Date of the signature of the plan administrator.
- E.** The information requested on the Rollover Contribution form includes:
 - 1. The member's Social Security number;
 - 2. The member's full name;
 - 3. The member's mailing address;

Notices of Final Rulemaking

4. The member's daytime telephone number;
5. The member's date of birth;
6. The member's signature certifying that:
 - a. The member has read the statements on the Rollover Contribution form regarding requirements for a rollover contribution, understands all the statements, and believes the statements, certifications, and any documents attached to the form to be true and correct to the best of the member's knowledge and belief; and
 - b. The member understands that:
 - i. The ASRS assumes no responsibility for ensuring that the member makes a timely rollover contribution to the ASRS or that the amount rolled over constitutes a valid rollover contribution;
 - ii. The member accepts full responsibility for ensuring that the rollover contribution is an eligible rollover contribution before making the contribution to the ASRS;
 - iii. If the ASRS accepts the rollover contribution and it is later determined that the contribution was an invalid rollover contribution, the ASRS will distribute the invalid contribution, plus any earnings, directly to the member; and
 - iv. Any invalid rollover contributions returned to the member may decrease the member's benefits and the Internal Revenue Service and state taxing authorities may require the member to pay taxes, penalties, and interest on the returned contributions; and
7. The date the member signed the form.
- F.** The member shall return to the ASRS the Certification by Eligible Plan Rollover Contribution form signed and dated by the plan administrator, the Rollover Contribution form signed and dated by the member, and a copy of the distribution statement showing the:
 1. Date of the distribution;
 2. Amount of the distribution; and
 3. Amount of taxes withheld, if any.
- G.** The ASRS shall provide the member with written notification regarding the eligibility of the rollover.
- H.** After receiving notice from the ASRS that the rollover is eligible, the member shall submit payment for the service credit purchase. The member shall make payment by:
 1. The distribution check from the eligible plan made payable to the member and endorsed by the member to make it payable to the ASRS; or
 2. Direct payment by the member by check or money order to the ASRS, after the eligible plan distribution is deposited to the member's personal financial account.
- I.** Except as provided in subsection (J), unless the ASRS receives the check from the plan within 90 days of the date on the SP invoice, the ASRS shall cancel the request to purchase service credit as specified in R2-8-502(C).
- J.** The ASRS shall provide an extension of 60 days in which the check may be received by the ASRS from the plan under subsection (I) at the written request of the member, if:
 1. The member has followed the procedure under this Article for requesting to purchase service credit.
 2. The member has responded to the ASRS correspondence within the time-frame set forth in this Article.
 3. The eligible plan has not provided to the ASRS the check to pay for the requested service credit purchase within 90 days of the date of the SP invoice, and
 4. The member makes the written request for extension before expiration of the 90 days.
- K.** The member shall ensure that the ASRS receives a check, made payable to the ASRS, for an amount that does not exceed the amount specified in the written notification identified in subsection (G).
- L.** If the payment from the eligible plan exceeds the amount specified in the written notification identified in subsection (G), the ASRS shall return the entire payment to the member.

R2-8-518. Purchasing Service Credit by Partial Lump Sum Retirement Distribution

- A.** An eligible member who retires may purchase service credit or pay off an irrevocable payroll deduction authorization by partial lump sum retirement distribution.
- B.** An eligible member who requests to purchase service at retirement by partial lump sum retirement distribution shall make the request to the ASRS before the eligible member's retirement date.
- C.** Within 30 days of the date on the SP invoice or PDA pay-off letter, the member shall return to the ASRS the completed Service Purchase Payment Request form described in R2-8-502(D)(2).
- D.** The member shall ensure that the Partial Lump Sum Retirement Distribution form is completed and returned to the ASRS.
- E.** For the purpose of purchasing service credit or paying off an irrevocable payroll deduction authorization, the information requested on the Partial Lump Sum Retirement Distribution form includes:
 1. Member's full name;
 2. Member's Social Security number;
 3. Member's daytime telephone number;
 4. Member's date of birth;
 5. The number of partial lump sum months the member elects to purchase;

Notices of Final Rulemaking

6. A statement the member initials that indicates that the member has read the Special Tax Notice provided by the ASRS regarding the plan payment;
 7. Election of a rollover to purchase the service credit;
 8. Whether the member authorizes the ASRS to increase the number of elected partial lump sum months to an amount necessary to purchase all remaining service, up to a maximum of 36 months;
 9. Whether the member intends to transfer funds from the member's partial lump sum distribution option to purchase the service credit;
 10. Whether the member intends to purchase a portion of the member's service credit by rollover from another eligible plan or termination pay;
 11. Identification number of the irrevocable payroll deduction authorization, if applicable;
 12. Amount of partial lump sum to be applied to each irrevocable payroll deduction authorization, if applicable;
 13. The years of service to be purchased for each irrevocable payroll deduction authorization, if applicable;
 14. Request ID number listed on the SP invoice, if applicable;
 15. Amount of partial lump sum to apply to each SP invoice, if applicable;
 16. Years of service credit to be purchased for each SP invoice, or all service credit; and
 17. Acknowledgement that the member knows the member may not choose to roll over to an eligible plan if the member chooses to roll over to purchase ASRS service credit.
- F.** The member shall return the completed Partial Lump Sum Retirement Distribution form to the ASRS.
- G.** The ASRS shall provide the member with written notification regarding the eligibility of the rollover.

R2-8-519. Purchasing Service Credit by Termination Pay Distribution

- A.** To purchase service credit using termination pay distribution, an eligible member shall, no later than six months before the date the eligible member plans to retire or separate from service, request to purchase service credit as specified in R2-8-502 and specify that the member wants to use termination pay distribution to pay for the service credit. Upon receipt of the acknowledgement letter identified in R2-8-502, the eligible member shall provide documentation for service credit as required by this Article, within 30 days of the eligible member's request to purchase service credit.
- B.** Upon receipt of the documentation required by this Article from the eligible member and if the eligible member's request to purchase service credit meets the requirements of this Article, the ASRS shall provide a:
1. SP invoice stating the calculated cost to purchase the requested amount of service credit and the date the payment is due.
 2. Service Purchase Payment Request form as described in R2-8-502(D)(2), and
 3. Termination Pay Authorization for the Purchase of Service Credit form.
- C.** The information requested on the Termination Pay Authorization for the Purchase of Service Credit form includes:
1. Member's full name,
 2. Member's Social Security number,
 3. Member's daytime telephone number,
 4. Member's date of birth,
 5. The Request ID number listed on the SP invoice,
 6. Name of ASRS employer,
 7. Whether the member elects to use all termination pay or a specific amount of termination pay to purchase service credit,
 8. Signature of the member, certifying that the member understands that:
 - a. The member is required to continue working at least three full calendar months after the date the member submits the Termination Pay Authorization for the Purchase of Service Credit form before termination pay may be used on a pre-tax basis;
 - b. If the member terminates employment more than six months from the date on the SP invoice, the ASRS shall recalculate the cost for purchasing the service credit and the member is obligated to purchase the service credit at the newly calculated rate and at a possible higher cost;
 - c. The Termination Pay Authorization for the Purchase of Service Credit form is binding and irrevocable;
 - d. The member's employer is required to make payment directly to the ASRS after mandatory deductions are made, and the member does not have the option of receiving the funds directly from the employer;
 - e. The ASRS shall apply service credit to the member's account upon the receipt of payments authorized by the member by the Termination Pay Authorization for the Purchase of Service Credit form;
 - f. If the member elects to purchase with termination pay only a portion of the service credit that the member is entitled to purchase, the member may be eligible to use other forms of payment to purchase additional service credit. However, using other forms of payment to purchase additional service credit does not alter, amend, or revoke the terms of the Termination Pay Authorization for the Purchase of Service Credit form;
 - g. It is the member's responsibility to ensure that the member's employer properly deducts termination pay, as provided the Termination Pay Authorization for the Purchase of Service Credit form; and

Notices of Final Rulemaking

- h. The amount of termination pay the member is allowed to apply to purchase service credit is subject to federal laws.
- D. Within 30 days of the date on the SP invoice, the member shall return to the ASRS the completed Service Purchase Payment Request form and the completed Termination Pay Authorization for the Purchase of Service Credit form.
- E. In addition to the other time limitations in this Section, to apply termination pay to a service purchase the eligible member shall complete, sign, and return the Termination Pay Authorization for the Purchase of Service Credit form to the ASRS at least three full calendar months before the member retires or separates from service.
- F. The ASRS shall not apply a termination pay distribution to a service credit purchase covered by an irrevocable payroll deduction authorization in effect at the time of termination unless the eligible member signed a Termination Pay Addendum to the Irrevocable Payroll Deduction Authorization specified in R2-8-513(D) at the time the member signed the Irrevocable Payroll Deduction Authorization.
- G. If a member elects to use all of the member's available termination pay to purchase service credit, ASRS shall not apply any other form of payment to the service credit purchase until the ASRS receives the termination pay.

R2-8-520. Separation from Employment or Death of Member While Purchasing Service Credit by an Irrevocable Payroll Deduction Authorization

- A. If a member separates from employment while purchasing service credit by an irrevocable payroll deduction authorization and requests return of contributions, the ASRS shall return any payments made for the purchase of service credit including interest earned on those payments as determined by the Board.
- B. If a member dies while purchasing service credit, the ASRS shall credit the member's account with:
 - 1. The service credit for which the ASRS received payment before the member's death.
 - 2. Interest earned on payment at the valuation rate established by the Board through the date of distribution, and
 - 3. All service purchase payments.
- C. The ASRS shall not refund interest charged as part of an irrevocable payroll deduction authorization.

R2-8-521. Adjustment of Errors

- A. If the ASRS determines an error has been made in the information provided by the member or in the calculations made by the ASRS, the ASRS shall make an adjustment, including, but limited to, increasing or decreasing a member's total credited service with the ASRS and increasing or decreasing the payment amount.
- B. If the ASRS determines that a member is receiving or is eligible to receive retirement benefits from another public employee retirement system that makes the member ineligible to purchase service credit for the same period, the ASRS shall revoke that purchase of service credit, and return any payments made, less any interest payments made, if applicable.
- C. The ASRS shall notify the member in writing of any adjustments.