

State of Arizona  
House of Representatives  
Fifty-first Legislature  
First Regular Session  
2013

# HOUSE BILL 2608

AN ACT

AMENDING SECTIONS 38-651.01, 38-727, 38-782, 38-801, 38-804, 38-810 AND 38-810.04, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARIZONA REVISED STATUTES, BY ADDING ARTICLES 3.1 AND 3.2; AMENDING SECTION 38-848, ARIZONA REVISED STATUTES; MAKING APPROPRIATIONS; RELATING TO PUBLIC PENSIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 38-651.01, Arizona Revised Statutes, is amended to  
3 read:

4 38-651.01. Group health and accident coverage for retired  
5 public employees and elected officials and their  
6 dependents

7 A. The department of administration, by rule, shall adopt standards to  
8 establish group health and accident coverage for former employees who worked  
9 for the state of Arizona and who opt on retirement to enroll or continue  
10 enrollment in the group health and accident coverage for active employees  
11 working for the state of Arizona, or disabled, and receiving either income  
12 from a retirement program of this state or long-term disability income  
13 benefits pursuant to section 38-651.03 or chapter 5, article 2.1 of this  
14 title and their dependents and to establish eligibility for retired or  
15 disabled state employees to participate in the coverage. The department of  
16 administration may adopt rules that provide that if a retired or disabled  
17 insured dies before an insured surviving dependent, the insured surviving  
18 dependent is entitled to extended coverage at group rates if the insured  
19 surviving dependent elects to continue in the coverage within six months of  
20 the retired or disabled insured's death and the insured surviving dependent  
21 agrees to pay the cost of the premium for group health and accident  
22 insurance. On notification of the retired or disabled insured's death, the  
23 department of administration shall immediately notify an insured surviving  
24 dependent of the provisions of this section. The department of  
25 administration may enter into agreements with disabled former state employees  
26 and their dependents who elect to obtain the coverage provided by this  
27 section. The agreements may include provisions for the payment of amounts  
28 sufficient to pay for the premium and administrative expense of providing the  
29 coverage. The department of administration may adopt rules that provide that  
30 on the death of a state employee who at the time of death was eligible for  
31 normal retirement pursuant to section 38-757 under the Arizona state  
32 retirement system, the insured surviving spouse and eligible dependent  
33 children are entitled to continue coverage under group rates provided that  
34 the deceased insured state employee, spouse and dependent children were  
35 insured at the time of the employee's death. The insured surviving spouse  
36 shall be charged an amount sufficient to pay the full premium for the  
37 coverage.

38 B. The department of administration, by rule, may adopt standards to  
39 establish group health and accident coverage for former elected officials of  
40 this state or its political subdivisions and their dependents and to  
41 establish eligibility for former elected officials to participate in the  
42 coverage. Qualifications for eligibility shall include that the former  
43 elected official has at least five years of credited service in the elected  
44 officials' retirement plan pursuant to chapter 5 of this title, had been  
45 covered under a group health or group health and accident plan while serving

1 as an elected official and had been serving as an elected official on or  
2 after January 1, 1983. The department of administration may adopt rules that  
3 provide that on the death of an elected official or insured former elected  
4 official, the insured surviving spouse is entitled to coverage at group rates  
5 provided that the deceased insured former elected official met or would have  
6 met the qualifications for eligibility pursuant to this subsection or that  
7 the deceased elected official would have met the qualifications for  
8 eligibility had the deceased not been in office at the time of death. Except  
9 as provided in subsection J of this section, the insured former elected  
10 official or the insured surviving spouse shall be charged amounts that are  
11 sufficient to pay for the premium and state administrative expense of  
12 providing coverage. Notwithstanding subsection J of this section, the  
13 standards shall provide that all or any portion of the former state employees  
14 or former elected officials or their dependents shall be grouped with  
15 officers and employees of the state and its departments and agencies or their  
16 dependents as necessary to obtain health and accident coverage at favorable  
17 rates.

18 C. The Arizona state retirement system board may enter into agreements  
19 with retired and disabled state employee members of the system and plan **AND**  
20 **RETIRED MEMBERS OF THE ELECTED OFFICIALS' DEFINED CONTRIBUTION RETIREMENT**  
21 **SYSTEM ESTABLISHED PURSUANT TO CHAPTER 5, ARTICLE 3.1 OF THIS TITLE** who elect  
22 to obtain the coverage provided pursuant to subsection A of this section.  
23 The agreements may include provision for the deduction from the retirement  
24 benefits of participants of a retirement program of this state who elect to  
25 obtain coverage of amounts sufficient to pay for the premium not covered  
26 under retirement benefits and state administrative expense of providing  
27 coverage.

28 D. Retired state employee or disabled state employee members of the  
29 public safety personnel retirement system, the elected officials' retirement  
30 plan, **THE ELECTED OFFICIALS' DEFINED CONTRIBUTION RETIREMENT SYSTEM**  
31 **ESTABLISHED PURSUANT TO CHAPTER 5, ARTICLE 3.1 OF THIS TITLE**, the corrections  
32 officer retirement plan or the optional retirement programs authorized  
33 pursuant to section 15-1628 who opt on retirement to enroll or continue  
34 enrollment in the group health and accident coverage for active employees  
35 working for the state of Arizona and their dependents and who are receiving  
36 benefits from the public safety personnel retirement system, the elected  
37 officials' retirement plan, **THE ELECTED OFFICIALS' DEFINED CONTRIBUTION**  
38 **RETIREMENT SYSTEM ESTABLISHED PURSUANT TO CHAPTER 5, ARTICLE 3.1 OF THIS**  
39 **TITLE**, the corrections officer retirement plan or the optional retirement  
40 programs authorized pursuant to section 15-1628 may participate in group  
41 health and accident coverage provided pursuant to this section. The  
42 department of administration shall adopt rules that are necessary for the  
43 implementation of this subsection.

44 E. The board of trustees of the public safety personnel retirement  
45 system may enter into agreements with retired state employee members and

1 their dependents who elect to obtain the coverage provided pursuant to this  
2 section. The agreements may include provision for the deduction from the  
3 retirement benefits of participants of a retirement program of this state who  
4 elect to obtain coverage of amounts sufficient to pay for the premium not  
5 covered under retirement benefits and state administrative expense of  
6 providing coverage.

7 F. The board of trustees of the public safety personnel retirement  
8 system may enter into agreements with retired judges and retired elected  
9 officials and their dependents who elect to obtain the coverage provided  
10 pursuant to this section. The agreements may include provision for the  
11 deduction from the retirement benefits of participants of a retirement  
12 program of this state who elect to obtain coverage of amounts sufficient to  
13 pay for the premium not covered under retirement benefits and state  
14 administrative expense of providing coverage.

15 G. The board of trustees of the public safety personnel retirement  
16 system may contract with an insurance carrier and adopt standards to  
17 establish a group health and accident insurance coverage program for retired  
18 members of the public safety personnel retirement system, their dependents  
19 and their spouses. Any members or spouses who elect to obtain the group  
20 health and accident coverage provided under this subsection shall agree to a  
21 deduction from their monthly retirement benefits of an amount sufficient to  
22 pay for the premium not covered under retirement benefits and the  
23 administrative expense of providing coverage.

24 H. A county board of supervisors may enter into agreements to  
25 establish group health and accident coverage for retired or disabled county  
26 employees and their dependents who elect to obtain the coverage provided  
27 pursuant to section 11-263, subsection B. The agreements may include  
28 provision for the deduction from the retirement benefits of participants of a  
29 retirement program of this state who elect to obtain the coverage of amounts  
30 sufficient to pay for the premium not covered under retirement benefits and  
31 the administrative expense of providing for the coverage.

32 I. Nonmedicare eligible retirees who live in this state, who enroll in  
33 a qualifying plan under this section and who reside outside the area of a  
34 qualifying health maintenance organization shall be offered the option to  
35 enroll with a qualified health maintenance organization offered through their  
36 provider under the same premiums as if they lived within the area boundaries  
37 of the qualified health maintenance organization provided that:

38 1. All medical services are rendered and received at an office  
39 designated by the qualifying health maintenance organization or at a facility  
40 referred by the health maintenance organization.

41 2. All nonemergency or nonurgent travel, ambulatory and other expenses  
42 from the residence area of the retiree to the designated office of the  
43 qualifying health maintenance organization or the facility referred by the  
44 health maintenance organization are the responsibility of and at the expense  
45 of the retiree.

1           3. All emergency or urgent travel, ambulatory and other expenses from  
2 the residence area of the retiree to the designated office of the qualifying  
3 health maintenance organization or the facility referred by the health  
4 maintenance organization shall be paid pursuant to any agreement between the  
5 health maintenance organization and the retiree living outside the area of  
6 the qualifying health maintenance organization.

7           J. Public funds shall not be expended to pay all or any part of the  
8 premium of insurance pursuant to this section except for monies authorized to  
9 be paid for any insured from the retirement plan from which the insured is  
10 receiving benefits.

11           K. A RETIRED MEMBER OF THE ELECTED OFFICIALS' DEFINED CONTRIBUTION  
12 RETIREMENT SYSTEM ESTABLISHED PURSUANT TO CHAPTER 5, ARTICLE 3.1 OF THIS  
13 TITLE MAY ELECT TO OBTAIN THE COVERAGE PROVIDED PURSUANT TO SUBSECTION A OF  
14 THIS SECTION, BUT SHALL PAY THE PREMIUM FOR THE COVERAGE SELECTED AND IS NOT  
15 ELIGIBLE FOR BENEFITS PURSUANT TO SECTION 38-783 OR 38-817.

16           Sec. 2. Section 38-727, Arizona Revised Statutes, is amended to read:  
17 38-727. Eligibility; options

18           A. The following provisions apply to all employees hired on or after  
19 the effective date:

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

27           (a) On the part of any employee who is eligible and who elects to  
28 participate in the optional retirement programs established by the Arizona  
29 board of regents pursuant to the authority conferred by section 15-1628 or by  
30 a community college district board pursuant to authority conferred by section  
31 15-1451.

32           (b) For a state elected official who is subject to term limits, WHO IS  
33 ELECTED OR APPOINTED BEFORE JANUARY 1, 2014, who is eligible for  
34 participation in ASRS because the state elected official elected not to  
35 participate in the elected officials' retirement plan as provided in section  
36 38-804, subsection A and who elects not to participate in ASRS as provided in  
37 paragraph 7 of this section.

38           (c) On the part of any employee or officer who is eligible to  
39 participate and who participates in the elected officials' retirement plan  
40 pursuant to article 3 of this chapter, THE ELECTED OFFICIALS' DEFINED  
41 CONTRIBUTION RETIREMENT SYSTEM PURSUANT TO ARTICLE 3.1 OF THIS CHAPTER, the  
42 public safety personnel retirement system pursuant to article 4 of this  
43 chapter or the corrections officer retirement plan pursuant to article 6 of  
44 this chapter.

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

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

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

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

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

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

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

33           7. A state elected official who is subject to term limits, WHO IS  
34 ELECTED OR APPOINTED BEFORE JANUARY 1, 2014 and who is eligible for  
35 participation in ASRS because the state elected official elected not to  
36 participate in the elected officials' retirement plan as provided in section  
37 38-804, subsection A may elect not to participate in ASRS. The election not  
38 to participate is specific for that term of office. The state elected  
39 official who is subject to term limits shall make the election in writing and  
40 file the election with ASRS within thirty days after the elected official's  
41 retirement plan mails the notice to the state elected official of the state  
42 elected official's eligibility to participate in ASRS. The election is  
43 effective on the first day of the state elected official's eligibility. If a  
44 state elected official who is subject to term limits fails to make an  
45 election as provided in this paragraph, the state elected official is deemed

1 to have elected to participate in ASRS. The election not to participate in  
2 ASRS is irrevocable and constitutes a waiver of all benefits provided by ASRS  
3 for the state elected official's entire term, except for any benefits accrued  
4 by the state elected official in ASRS for periods of participation before  
5 being elected to an office subject to term limits or any benefits expressly  
6 provided by law.

7 ~~8. Every full-time superior court commissioner who is appointed on or~~  
8 ~~after July 1 of the first fiscal year after the social security~~  
9 ~~administration approves the inclusion of superior court commissioners on this~~  
10 ~~state's section 218 agreement is a member of ASRS and is subject to this~~  
11 ~~article.~~

12 ~~9.~~ 8. Before July 1, 2015, a person may elect not to participate in  
13 ASRS if the person becomes employed by an employer after the person has  
14 attained at least sixty-five years of age, is not an active member, inactive  
15 member, retired member or receiving benefits pursuant to article 2.1 of this  
16 chapter and does not have any credited service or prior service in ASRS. The  
17 employee shall make the election not to participate in writing and file the  
18 election with ASRS within thirty days of employment. The election not to  
19 participate is irrevocable for the remainder of the person's employment for  
20 which the person made the election and constitutes a waiver of all benefits  
21 provided by the Arizona state retirement system. The period the person works  
22 is not eligible for purchase under section 38-743 or 38-744.

23 B. THE FOLLOWING ELECTED OFFICIALS ARE SUBJECT TO THIS ARTICLE IF THE  
24 MEMBER'S EMPLOYER IS AN EMPLOYER UNDER ARTICLE 3 OF THIS CHAPTER AND THE  
25 MEMBER ELECTS TO PARTICIPATE IN ASRS PURSUANT TO SUBSECTION C OF THIS  
26 SECTION:

27 1. A STATE ELECTED OFFICIAL WHO IS SUBJECT TO TERM LIMITS, WHO IS  
28 ELECTED OR APPOINTED ON OR BEFORE DECEMBER 31, 2013 AND WHO IS AN ACTIVE OR  
29 INACTIVE MEMBER OF ASRS BECAUSE THE STATE ELECTED OFFICIAL HAD PREVIOUSLY  
30 ELECTED NOT TO PARTICIPATE IN THE ELECTED OFFICIALS' RETIREMENT PLAN AS  
31 PROVIDED IN SECTION 38-804, SUBSECTION A.

32 2. NOTWITHSTANDING ANY EXCLUSION FROM AN AGREEMENT PROVIDING FOR  
33 COVERAGE UNDER THE FEDERAL OLD AGE AND SURVIVORS INSURANCE SYSTEM, AN ELECTED  
34 OFFICIAL, AS DEFINED IN SECTION 38-831, WHO IS AN ACTIVE OR INACTIVE MEMBER  
35 OF ASRS, IF THE ELECTED OFFICIAL'S EMPLOYER IS A PARTICIPATING EMPLOYER UNDER  
36 THIS ARTICLE.

37 C. IF AN ELECTED OFFICIAL AS DESCRIBED IN SUBSECTION B OF THIS SECTION  
38 ELECTS TO CONTINUE OR RESUME THE MEMBER'S PARTICIPATION IN ASRS, THE ELECTION  
39 SHALL BE MADE IN WRITING AND FILED WITH ASRS WITHIN THIRTY DAYS AFTER THE  
40 ELECTED OFFICIAL'S TERM BEGINS. THE ELECTION IS IRREVOCABLE FOR THE  
41 REMAINDER OF THE ELECTED OFFICIAL'S TERM FOR WHICH THE ELECTION WAS MADE. IF  
42 THE ELECTED OFFICIAL DOES NOT MAKE AN ELECTION UNDER THIS SUBSECTION, THE  
43 ELECTED OFFICIAL SHALL BE ENROLLED IN THE ELECTED OFFICIALS' DEFINED  
44 CONTRIBUTION RETIREMENT SYSTEM PURSUANT TO ARTICLE 3.1 OF THIS CHAPTER.

1           Sec. 3. Section 38-782, Arizona Revised Statutes, is amended to read:

2           38-782. Group health and accident coverage for retired public  
3           employees and elected officials and their dependents

4           A. The board shall establish group health and accident coverage for  
5 eligible retired and disabled members and their dependents. Eligible retired  
6 and disabled members are those members who are receiving retirement benefits  
7 from ASRS or long-term disability benefits pursuant to section 38-651.03 or  
8 article 2.1 of this chapter and who elect not to obtain health and accident  
9 insurance through their former employer. If an insured retired or disabled  
10 member dies before the insured member's dependent beneficiary or an insured  
11 surviving dependent, the dependent beneficiary or insured surviving dependent  
12 is entitled to coverage at group rates if the dependent beneficiary or  
13 surviving dependent elects to continue in the coverage within six months of  
14 the insured member's death and the dependent beneficiary or surviving  
15 dependent agrees to pay the cost of the premium for group health and accident  
16 insurance. On notification of the insured member's death, the board shall  
17 immediately notify a dependent beneficiary or an insured surviving dependent  
18 of the provisions of this section.

19           B. Retired members of the public safety personnel retirement system,  
20 the elected officials' retirement plan, THE ELECTED OFFICIALS' DEFINED  
21 CONTRIBUTION RETIREMENT SYSTEM ESTABLISHED PURSUANT TO ARTICLE 3.1 OF THIS  
22 CHAPTER, the corrections officer retirement plan or the optional retirement  
23 programs authorized pursuant to sections 15-1451 and 15-1628 and their  
24 dependents who are receiving benefits from the public safety personnel  
25 retirement system, the elected officials' retirement plan, THE ELECTED  
26 OFFICIALS' DEFINED CONTRIBUTION RETIREMENT SYSTEM ESTABLISHED PURSUANT TO  
27 ARTICLE 3.1 OF THIS CHAPTER, the corrections officer retirement plan or the  
28 optional retirement programs authorized pursuant to sections 15-1451 and  
29 15-1628 and who are not covered by section 38-651.01 may participate in group  
30 health and accident coverage provided pursuant to this section. On the death  
31 of an insured member of the public safety personnel retirement system, the  
32 elected officials' retirement plan, THE ELECTED OFFICIALS' DEFINED  
33 CONTRIBUTION RETIREMENT SYSTEM ESTABLISHED PURSUANT TO ARTICLE 3.1 OF THIS  
34 CHAPTER, the corrections officer retirement plan or the optional retirement  
35 programs authorized pursuant to sections 15-1451 and 15-1628, the insured  
36 surviving dependent is entitled to coverage at group rates. Except as  
37 provided in subsection H of this section, the surviving dependent shall be  
38 charged amounts that are sufficient to pay for the premium and administrative  
39 expense of providing the coverage.

40           C. The board may enter into agreements with retired and disabled  
41 members of ASRS AND RETIRED MEMBERS OF THE ELECTED OFFICIALS' DEFINED  
42 CONTRIBUTION RETIREMENT SYSTEM ESTABLISHED PURSUANT TO ARTICLE 3.1 OF THIS  
43 CHAPTER who elect to obtain the coverage provided pursuant to subsection A of  
44 this section. Those agreements may include provisions for the deduction from  
45 the retirement benefits of the members who elect to obtain the coverage of



1 amounts sufficient to pay for the premium not covered under retirement  
2 benefits and the administrative expense of providing the coverage.

3 D. The board of trustees of the public safety personnel retirement  
4 system may enter into agreements with retired members of the public safety  
5 personnel retirement system, the elected officials' retirement plan, the  
6 corrections officer retirement plan and their dependents who elect to obtain  
7 the coverage provided pursuant to this section. Those agreements may include  
8 provisions for the deduction from the retirement benefits of the members who  
9 elect to obtain the coverage of amounts sufficient to pay for the premium not  
10 covered under their retirement benefits and the administrative expense of  
11 providing the coverage.

12 E. The board may enter into agreements with retired members of the  
13 optional retirement programs authorized pursuant to sections 15-1451 and  
14 15-1628 and their dependents who elect to obtain the coverage provided  
15 pursuant to this section. Those agreements may include provisions for the  
16 payment of amounts sufficient to pay for the premium and administrative  
17 expense of providing the coverage.

18 F. If an insured member receiving long-term disability benefits  
19 pursuant to article 2.1 of this chapter becomes ineligible for the long-term  
20 disability benefits, the member and the covered dependents of the member may  
21 continue to participate in the group health and accident coverage provided  
22 pursuant to this section subject to the following conditions:

23 1. Participation in the coverage is limited to twelve months from the  
24 date the member ceases eligibility for benefits under article 2.1 of this  
25 chapter or the member commences employment, whichever occurs first.

26 2. The member shall pay the full premium cost of the coverage  
27 selected, and the member is not eligible for benefits pursuant to section  
28 38-783.

29 3. If a member who participates in the coverage dies during the twelve  
30 month period provided by this subsection, covered dependents of the member  
31 may continue coverage after the death of the member through the end of the  
32 twelve month period. Covered dependents of the member who continue coverage  
33 pursuant to this paragraph shall pay the full premium cost of the coverage  
34 selected and are not eligible for benefits pursuant to section 38-783.

35 G. Retired or disabled members who are not eligible for medicare, who  
36 live in this state, who enroll in a qualifying health maintenance  
37 organization under this section and who reside outside the area of a  
38 qualifying health maintenance organization shall be offered the option of  
39 enrolling with a qualified health maintenance organization offered through  
40 their provider under the same premiums as if they lived within the area  
41 boundaries of the qualified health maintenance organization provided that:

42 1. All medical services are rendered and received at an office  
43 designated by the qualifying health maintenance organization or at a facility  
44 referred by the health maintenance organization.

1           2. All nonemergency or nonurgent travel, ambulatory and other expenses  
2 from the residence area of the member to the designated office of the  
3 qualifying health maintenance organization or the facility referred by the  
4 health maintenance organization are the responsibility of and at the expense  
5 of the member.

6           3. All emergency or urgent travel, ambulatory and other expenses from  
7 the residence area of the member to the designated office of the qualifying  
8 health maintenance organization or the facility referred by the health  
9 maintenance organization shall be paid pursuant to any agreement between the  
10 health maintenance organization and the member living outside the area of the  
11 qualifying health maintenance organization.

12           H. Public monies shall not be spent to pay all or any part of the  
13 insurance premium pursuant to this section except for monies authorized to be  
14 paid for any insured from the retirement plan from which the insured is  
15 receiving benefits.

16           I. A RETIRED MEMBER OF THE ELECTED OFFICIALS' DEFINED CONTRIBUTION  
17 RETIREMENT SYSTEM ESTABLISHED PURSUANT TO ARTICLE 3.1 OF THIS CHAPTER MAY  
18 ELECT TO OBTAIN THE COVERAGE PROVIDED PURSUANT TO SUBSECTION A OF THIS  
19 SECTION, BUT SHALL PAY THE PREMIUM FOR THE COVERAGE SELECTED AND IS NOT  
20 ELIGIBLE FOR BENEFITS PURSUANT TO SECTION 38-783 OR 38-817.

21           Sec. 4. Section 38-801, Arizona Revised Statutes, is amended to read:

22           38-801. Definitions

23           In this article, unless the context otherwise requires:

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

28           2. "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           3. "Alternate payee" means the spouse or former spouse of a  
32 participant as designated in a domestic relations order.

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

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

39           (a) For an elected official who becomes a member of the plan before  
40 January 1, 2012, the three consecutive years within the last ten completed  
41 years of credited service as an elected official that yield the highest  
42 average. If a member does not have three consecutive years of credited  
43 service as an elected official, the considered period is the member's last  
44 consecutive period of employment with a plan employer immediately before  
45 retirement.

1 (b) For an elected official who becomes a member of the plan on or  
2 after January 1, 2012, the five consecutive years within the last ten  
3 completed years of credited service as an elected official that yield the  
4 highest average. If a member does not have five consecutive years of  
5 credited service as an elected official, the considered period is the  
6 member's last consecutive period of employment with a plan employer  
7 immediately before retirement.

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

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

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

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

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

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

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

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

44 14. "Effective date of participation" means August 7, 1985, except with  
45 respect to employers and their elected officials whose contributions to the

1 plan commence after that date, in which case the effective date of their  
2 participation in the plan is specified in the applicable joinder agreement.

3 15. "Elected official" means:

4 (a) Every elected official of this state WHO WAS A MEMBER OF THE PLAN  
5 ON DECEMBER 31, 2013.

6 (b) Every elected official of each county of this state WHO WAS A  
7 MEMBER OF THE PLAN ON DECEMBER 31, 2013.

8 (c) Every justice of the supreme court, ~~—~~

9 ~~(d)~~ every judge of the court of appeals, ~~—~~

10 ~~(e)~~ every judge of the superior court. ~~—~~

11 ~~(f)~~ AND every full-time superior court commissioner ~~who is a member of~~  
12 ~~the plan before July 1 of the first fiscal year after the social security~~  
13 ~~administration approves the inclusion of superior court commissioners on this~~  
14 ~~state's section 218 agreement~~, except full-time superior court commissioners  
15 who failed to make a timely election of membership under the judges'  
16 retirement plan, repealed on August 7, 1985, WHO WAS A MEMBER OF THE PLAN ON  
17 DECEMBER 31, 2013.

18 ~~(g)~~ (d) The administrator of the board if the administrator is a  
19 natural person but only if the administrator is employed by the board before  
20 January 1, 2012.

21 ~~(h)~~ (e) Each elected official of an incorporated city or town whose  
22 employer has executed a proper joinder agreement for coverage of its elected  
23 officials AND WHO WAS A MEMBER OF THE PLAN ON DECEMBER 31, 2013.

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

26 (a) Is under eighteen years of age.

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

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

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

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

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

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

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

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

44 (f) An eligible deferred compensation plan described in section 457(b)  
45 of the internal revenue code that is maintained by a state, a political

1 subdivision of a state or any agency or instrumentality of a state or a  
2 political subdivision of a state and that agrees to separately account for  
3 amounts transferred into the eligible deferred compensation plan from this  
4 plan.

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

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

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

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

16 19. "Employer" means a department, agency or political subdivision of  
17 this state that makes employer contributions to the plan pursuant to section  
18 38-810 on behalf of an elected official who participates in the plan.

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

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

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

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

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

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

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

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

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

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

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

1           Sec. 5. Section 38-804, Arizona Revised Statutes, is amended to read:

2           38-804. ~~Membership; termination; definition~~

3           A. ~~EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,~~ all elected officials  
4 are members of the plan, except that a state elected official who is subject  
5 to term limits may elect not to participate in the plan. The state elected  
6 official who is subject to term limits shall make the election in writing and  
7 file the election with the board within thirty days after the state elected  
8 official assumes office. The election is effective on the first day of the  
9 state elected official's eligibility for that term of office. The election  
10 not to participate is specific for that term of office. If a state elected  
11 official who is subject to term limits fails to make an election as provided  
12 in this subsection, the state elected official is deemed to have elected to  
13 participate in the plan. The election not to participate in the plan is  
14 irrevocable and constitutes a waiver of all benefits provided by the plan for  
15 the state elected official's entire term, except for any benefits accrued by  
16 the state elected official in the plan for periods of participation before  
17 being elected to an office subject to term limits or any benefits expressly  
18 provided by law. The state elected official who elects not to participate in  
19 the plan shall participate in the Arizona state retirement system unless the  
20 state elected official makes an irrevocable election not to participate in  
21 the Arizona state retirement system as provided in section 38-727.

22           B. ~~ALL ELECTED OFFICIALS WHO ARE MEMBERS OF THE PLAN ON DECEMBER 31,~~  
23 ~~2013 MAY REMAIN MEMBERS OF THE PLAN UNDER THE TERMS AND LIMITATIONS OF THIS~~  
24 ~~ARTICLE.~~

25           ~~B-~~ C. If a member who becomes a member of the plan before January 1,  
26 2012 ceases to hold office for any reason other than death or retirement,  
27 within twenty days after filing a completed application with the board, the  
28 member is entitled to receive the following amounts, less any benefit  
29 payments the member has received and any amount the member may owe to the  
30 plan:

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

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

37           (a) 5.0 to 5.9 years of credited service, twenty-five per cent of all  
38 member contributions deducted from the member's salary pursuant to section  
39 38-810, subsection A.

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

43           (c) 7.0 to 7.9 years of credited service, fifty-five per cent of all  
44 member contributions deducted from the member's salary pursuant to section  
45 38-810, subsection A.

1 (d) 8.0 to 8.9 years of credited service, seventy per cent of all  
2 member contributions deducted from the member's salary pursuant to section  
3 38-810, subsection A.

4 (e) 9.0 to 9.9 years of credited service, eighty-five per cent of all  
5 member contributions deducted from the member's salary pursuant to section  
6 38-810, subsection A.

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

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

17 ~~D.~~ E. If an elected official who becomes a member of the plan on or  
18 after January 1, 2012 ceases to hold office for any reason other than death  
19 or retirement, within twenty days after filing a completed application with  
20 the board, the member may withdraw the member's accumulated contributions  
21 from the plan and shall be paid the member's accumulated contributions plus  
22 interest at a rate determined by the board as of the date of termination,  
23 less any benefit payments the member has received and any amount the member  
24 may owe to the plan.

25 ~~E.~~ F. If the amount prescribed in subsection ~~B~~, C, ~~or~~ D OR E of this  
26 section includes monies that are an eligible rollover distribution and the  
27 member elects to have the distribution paid directly to an eligible  
28 retirement plan or individual retirement account or annuity and specifies the  
29 eligible retirement plan or individual retirement account or annuity to which  
30 the distribution is to be paid, the distribution shall be made in the form of  
31 a direct trustee-to-trustee transfer to the specified eligible retirement  
32 plan. The distribution shall be made in the form and at the time prescribed  
33 by the board. A member who receives the amount prescribed in subsection ~~B~~,  
34 C, ~~or~~ D OR E of this section from the plan or who elects a transfer pursuant  
35 to this subsection forfeits the member's credited service, and all rights to  
36 benefits under the plan and membership in the plan terminate.

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

39 ~~G.~~ H. If an elected official who has terminated the member's  
40 membership in the plan pursuant to subsection ~~B~~ C of this section is  
41 subsequently elected ~~or otherwise becomes eligible for membership in the plan~~  
42 ~~pursuant to subsection A of this section, credited service only accrues from~~  
43 ~~the date of the member's most recent eligibility as an elected official,~~  
44 APPOINTED OR HIRED ON OR AFTER JANUARY 1, 2014, THE ELECTED OFFICIAL IS NOT

1 ELIGIBLE TO BECOME A MEMBER OF THE PLAN BUT IS SUBJECT TO ARTICLE 3.1 OF THIS  
2 CHAPTER.

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

12 J. AN ELECTED OFFICIAL WHO IS ELECTED, APPOINTED OR HIRED ON OR AFTER  
13 JANUARY 1, 2014 AND WHO WAS NOT A MEMBER OF THE PLAN ON DECEMBER 31, 2013 IS  
14 NOT ELIGIBLE TO BECOME A MEMBER OF THE PLAN BUT IS SUBJECT TO ARTICLE 3.1 OF  
15 THIS CHAPTER.

16 ~~I.~~ K. If a retired member subsequently becomes an elected official,  
17 contributions shall not be made by the retired member and credited service  
18 shall not accrue while the retired member is holding office.

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

30 Sec. 6. Section 38-810, Arizona Revised Statutes, is amended to read:

31 ~~38-810.~~ Contributions: appropriations

32 A. Each member shall contribute to the fund an amount equal to the  
33 amount prescribed in subsection ~~F~~ G of this section. Contributions of  
34 members shall be made by payroll deductions. Every member is deemed to  
35 consent to these deductions. Payment of a member's compensation, less these  
36 payroll deductions, constitutes a full and complete discharge and  
37 satisfaction of all claims and demands by the member relating to remuneration  
38 for the member's services rendered during the period covered by the payment,  
39 except with respect to the benefits provided under the plan.

40 B. The board's office shall be credited monthly with monies collected  
41 pursuant to section 12-119.01, subsection B, paragraph 2, section 12-120.31,  
42 subsection D, paragraph 2, section 12-284.03, subsection A, paragraph 6,  
43 section 22-281, subsection C, paragraph 3 and section 41-178. The monies  
44 credited to the fund pursuant to this subsection shall be deposited in the



1 fund on a monthly basis, and there shall be a complete accounting of the  
2 determination of these monies deposited in the fund.

3 C. BEGINNING ON JANUARY 1, 2014 THROUGH JUNE 30, 2044, EACH EMPLOYER  
4 SHALL MAKE LEVEL PER CENT COMPENSATION CONTRIBUTIONS OF TWENTY-THREE AND  
5 ONE-HALF PER CENT OF THE COMPENSATION OF ALL EMPLOYEES OF THE EMPLOYER WHO  
6 ARE EITHER MEMBERS UNDER THIS ARTICLE, ARTICLE 3.1 OF THIS CHAPTER OR ARTICLE  
7 2 OF THIS CHAPTER PURSUANT TO SECTION 38-727, SUBSECTION B TO MEET THE NORMAL  
8 COST PLUS AN AMOUNT TO AMORTIZE THE UNFUNDED ACCRUED LIABILITY AND THE  
9 EMPLOYER'S CONTRIBUTION UNDER THE ELECTED OFFICIALS' DEFINED CONTRIBUTION  
10 RETIREMENT SYSTEM ESTABLISHED PURSUANT TO ARTICLE 3.1 OF THIS CHAPTER AND THE  
11 EMPLOYER'S CONTRIBUTION UNDER ARTICLE 2 OF THIS CHAPTER FOR MEMBERS ELIGIBLE  
12 PURSUANT TO SECTION 38-727, SUBSECTION B. THE EMPLOYER ALSO SHALL PAY THE  
13 AMOUNT REQUIRED BY SECTION 38-797.05 FOR MEMBERS UNDER ARTICLE 2 OF THIS  
14 CHAPTER WHO ARE ELIGIBLE PURSUANT TO SECTION 38-727, SUBSECTION B AND THE  
15 AMOUNT REQUIRED BY ARTICLE 3.2 OF THIS CHAPTER FOR MEMBERS UNDER ARTICLE 3.1  
16 OF THIS CHAPTER. THE MONIES DEPOSITED IN THE FUND PURSUANT TO SUBSECTION B  
17 OF THIS SECTION SHALL BE USED TO SUPPLEMENT THE CONTRIBUTIONS REQUIRED OF ALL  
18 EMPLOYERS UNDER THE PLAN. THE EMPLOYER LEVEL PER CENT COMPENSATION  
19 CONTRIBUTION THAT IS PAID PURSUANT TO THIS SUBSECTION, LESS THE AMOUNT  
20 CONTRIBUTED BY THE EMPLOYER PURSUANT TO SECTION 38-833 AND SECTION 38-737 FOR  
21 MEMBERS ELIGIBLE PURSUANT TO SECTION 38-727, SUBSECTION B, SHALL NOT BE USED  
22 TO PAY FOR AN INCREASE IN BENEFITS THAT IS OTHERWISE PAYABLE TO MEMBERS BUT  
23 SHALL BE USED TO MEET THE NORMAL COST PLUS AN AMOUNT TO AMORTIZE THE UNFUNDED  
24 ACCRUED LIABILITY.

25 ~~C.~~ D. BEGINNING JULY 1, 2044, as determined by actuarial valuations  
26 performed by the plan's actuary, each employer shall make level per cent  
27 compensation contributions sufficient under the actuarial valuation to meet  
28 both the normal cost plus the actuarially determined amount required to  
29 amortize the unfunded accrued liability over, ~~beginning July 1, 2005,~~ a  
30 rolling period of at least twenty and not more than thirty years that is  
31 established by the board taking into account the recommendation of the plan's  
32 actuary, except that, ~~beginning with fiscal year 2006-2007,~~ the employer  
33 contribution rate shall not be less than ten per cent of salary. The monies  
34 deposited in the fund pursuant to subsection B of this section shall be used  
35 to ~~reduce~~ SUPPLEMENT the contributions required of ~~state and county~~ ALL  
36 employers ~~only~~ UNDER THE PLAN. ~~Employers that entered the plan under a~~  
37 ~~joinder agreement shall also contribute an amount equal to the unfunded~~  
38 ~~accrued liability for that employer. The unfunded liability for each new~~  
39 ~~employer shall be actuarially determined by the plan's actuary as of the~~  
40 ~~effective date of participation of each employer and shall be payable on the~~  
41 ~~effective date of participation.~~ The minimum employer contribution that is  
42 paid and that is in excess of the normal cost plus the actuarially determined  
43 amount required to amortize the unfunded accrued liability as calculated  
44 pursuant to this subsection shall be used to reduce future employer  
45 contribution increases and shall not be used to pay for an increase in

benefits that are otherwise payable to members. The board shall separately account for these monies in the fund. After the close of any fiscal year, if the plan's actuary determines that the actuarial valuation of the fund contains excess valuation assets and is more than one hundred per cent funded, the board shall account for fifty per cent of the excess valuation assets in a stabilization reserve account. After the close of any fiscal year, if the plan's actuary determines that the actuarial valuation of the fund has a valuation asset deficiency and an unfunded actuarial accrued liability, the board shall use any valuation assets in the stabilization reserve account, to the extent available, to limit the decline in the fund's funding ratio to not more than two per cent.

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

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

1 member contributions and paid to the retirement plan. Member contributions  
2 paid pursuant to this subsection shall be treated for all other purposes, in  
3 the same manner and to the same extent, as member contributions made before  
4 August 7, 1985.

5 ~~F.~~ G. The amount contributed by a member pursuant to subsection A of  
6 this section is:

7 1. Through June 30, 2011, seven per cent of the member's gross salary.

8 2. For fiscal year 2011-2012, ten per cent of the member's gross  
9 salary.

10 3. For fiscal year 2012-2013, eleven and one-half per cent of the  
11 member's gross salary.

12 4. For fiscal year 2013-2014 and each fiscal year thereafter, thirteen  
13 per cent of the member's gross salary. ~~or 33.3 per cent of the sum of the~~  
14 ~~member's contribution rate from the preceding fiscal year and the normal cost~~  
15 ~~plus the actuarially determined amount required to amortize the unfunded~~  
16 ~~accrued liability for the employer as calculated pursuant to subsection C of~~  
17 ~~this section, whichever is lower, except that the member contribution rate~~  
18 ~~shall not be less than seven per cent of the member's compensation and the~~  
19 ~~employer contribution rate shall not be less than the rate prescribed in~~  
20 ~~subsection C of this section.~~

21 ~~G.~~ H. For fiscal year 2011-2012 and each fiscal year thereafter, the  
22 amount of the member's contribution that exceeds seven per cent of the  
23 member's compensation shall not be used to reduce the employer's  
24 contributions that are calculated pursuant to subsection C of this section.

25 I. IN FISCAL YEARS 2013-2014 THROUGH 2042-2043, THE SUM OF \$5,000,000  
26 IS APPROPRIATED IN EACH FISCAL YEAR FROM THE STATE GENERAL FUND TO THE  
27 ELECTED OFFICIALS' RETIREMENT PLAN FUND TO SUPPLEMENT THE NORMAL COST PLUS AN  
28 AMOUNT TO AMORTIZE THE UNFUNDED ACCRUED LIABILITY PURSUANT TO SUBSECTION C OF  
29 THIS SECTION. MONIES APPROPRIATED PURSUANT TO THIS SUBSECTION SHALL NOT BE  
30 USED TO PAY FOR AN INCREASE IN BENEFITS THAT IS OTHERWISE PAYABLE TO MEMBERS  
31 AND SHALL ONLY BE USED AS SPECIFIED IN THIS SUBSECTION. MONIES APPROPRIATED  
32 PURSUANT TO THIS SUBSECTION ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190  
33 RELATING TO LAPSING OF APPROPRIATIONS.

34 Sec. 7. Section 38-810.04, Arizona Revised Statutes, is amended to  
35 read:

36 38-810.04. Retired member; return to work; employer  
37 contributions

38 A. An employer shall pay contributions at an alternate contribution  
39 rate on behalf of a retired member who returns to work in any capacity in a  
40 position ordinarily filled by an elected official of the employer. This  
41 section applies to a retired member who has been retired for more than one  
42 full term for that office.

43 B. The alternate contribution rate shall be equal to that portion of  
44 the total required contribution that is applied to the amortization of the  
45 unfunded actuarial accrued liability for the fiscal year beginning July 1,

1 based on the plan's actuary's calculation of the total required contribution  
2 for the preceding fiscal year ended on June 30. The alternate contribution  
3 rate shall be applied to the compensation, gross salary or contract fee of a  
4 retired member who meets the requirements of this section.

5 C. The alternate contribution rate shall not be less than ten per cent  
6 in any fiscal year.

7 D. All contributions made by the employer and allocated to the fund  
8 established by section 38-802 are irrevocable and shall be used as benefits  
9 under this article or to pay the expenses of the plan. Payments made  
10 pursuant to this section by employers become delinquent after the due date  
11 prescribed in SECTION 38-810, subsection ~~D~~ E, and thereafter shall be  
12 increased by interest from and after that date until payment is received by  
13 the plan.

14 E. An employer of a retired member shall submit any reports, data,  
15 paperwork or materials that are requested by the board and that are necessary  
16 to determine the compensation, gross salary or contract fee associated with a  
17 retired member who returns to work or to determine the function, use,  
18 efficacy or operation of the return to work program.

19 Sec. 8. Title 38, chapter 5, Arizona Revised Statutes, is amended by  
20 adding articles 3.1 and 3.2, to read:

21 ARTICLE 3.1. ELECTED OFFICIALS' DEFINED  
22 CONTRIBUTION RETIREMENT SYSTEM

23 38-831. Definitions

24 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

25 1. "ANNUITY ACCOUNT" MEANS AN ACCOUNT THAT IS ESTABLISHED FOR EACH  
26 MEMBER TO RECORD THE DEPOSIT OF MEMBER CONTRIBUTIONS, EMPLOYER CONTRIBUTIONS  
27 AND INTEREST, DIVIDENDS OR OTHER ACCUMULATIONS CREDITED ON BEHALF OF THE  
28 MEMBER.

29 2. "BOARD" MEANS THE BOARD OF TRUSTEES OF THE PUBLIC SAFETY PERSONNEL  
30 RETIREMENT SYSTEM ESTABLISHED BY SECTION 38-848.

31 3. "DEFINED CONTRIBUTION SYSTEM" MEANS THE ELECTED OFFICIALS' DEFINED  
32 CONTRIBUTION RETIREMENT SYSTEM ESTABLISHED PURSUANT TO THIS ARTICLE.

33 4. "ELECTED OFFICIAL" MEANS:

34 (a) EVERY ELECTED OFFICIAL OF THIS STATE WHO WAS ELECTED OR APPOINTED  
35 ON OR AFTER JANUARY 1, 2014 AND WHO WAS NOT A MEMBER OF THE PLAN ON DECEMBER  
36 31, 2013.

37 (b) EVERY ELECTED OFFICIAL OF EACH COUNTY OF THIS STATE WHO WAS  
38 ELECTED OR APPOINTED ON OR AFTER JANUARY 1, 2014 AND WHO WAS NOT A MEMBER OF  
39 THE PLAN ON DECEMBER 31, 2013.

40 (c) EVERY JUSTICE OF THE SUPREME COURT WHO WAS APPOINTED ON OR AFTER  
41 JANUARY 1, 2014 AND WHO WAS NOT A MEMBER OF THE PLAN ON DECEMBER 31, 2013.

42 (d) EVERY JUDGE OF THE COURT OF APPEALS WHO WAS APPOINTED ON OR AFTER  
43 JANUARY 1, 2014 AND WHO WAS NOT A MEMBER OF THE PLAN ON DECEMBER 31, 2013.

1 (e) EVERY JUDGE OF THE SUPERIOR COURT WHO WAS ELECTED OR APPOINTED ON  
2 OR AFTER JANUARY 1, 2014 AND WHO WAS NOT A MEMBER OF THE PLAN ON DECEMBER  
3 31, 2013.

4 (f) EVERY FULL-TIME SUPERIOR COURT COMMISSIONER, EXCEPT FULL-TIME  
5 SUPERIOR COURT COMMISSIONERS WHO FAILED TO MAKE A TIMELY ELECTION OF  
6 MEMBERSHIP UNDER THE JUDGES' RETIREMENT PLAN, REPEALED ON AUGUST 7, 1985, WHO  
7 WAS HIRED ON OR AFTER JANUARY 1, 2014 AND WHO WAS NOT A MEMBER OF THE PLAN ON  
8 DECEMBER 31, 2013.

9 (g) EACH ELECTED OFFICIAL OF AN INCORPORATED CITY OR TOWN WHOSE  
10 EMPLOYER HAS EXECUTED A PROPER JOINDER AGREEMENT FOR COVERAGE OF ITS ELECTED  
11 OFFICIALS, WHO WAS ELECTED OR APPOINTED ON OR AFTER JANUARY 1, 2014 AND WHO  
12 WAS NOT A MEMBER OF THE PLAN ON DECEMBER 31, 2013.

13 5. "EMPLOYER" MEANS A DEPARTMENT OR POLITICAL SUBDIVISION OF THIS  
14 STATE THAT MAKES EMPLOYER CONTRIBUTIONS TO THE DEFINED CONTRIBUTION SYSTEM ON  
15 BEHALF OF A MEMBER.

16 6. "EMPLOYER CONTRIBUTION" MEANS AN AMOUNT DEPOSITED BY AN EMPLOYER,  
17 FROM THE EMPLOYER'S OWN MONIES, IN THE MEMBER'S ANNUITY ACCOUNT ON A PERIODIC  
18 BASIS COINCIDING WITH THE MEMBER'S REGULAR PAY PERIOD.

19 7. "MEMBER" MEANS AN ELECTED OFFICIAL UNDER THE DEFINED CONTRIBUTION  
20 SYSTEM.

21 8. "PLAN" MEANS THE ELECTED OFFICIALS' RETIREMENT PLAN ESTABLISHED IN  
22 ARTICLE 3 OF THIS CHAPTER.

23 38-832. Defined contribution system; annual report; quarterly  
24 statements

25 A. THE BOARD SHALL ESTABLISH, DESIGN AND ADMINISTER A DEFINED  
26 CONTRIBUTION SYSTEM TO PROVIDE FOR THE RETIREMENT OF ELECTED OFFICIALS.

27 B. THE PURPOSE OF THIS ARTICLE IS TO PROVIDE A DEFINED CONTRIBUTION  
28 SYSTEM THAT IS FULLY FUNDED ON A CURRENT BASIS FROM EMPLOYER AND MEMBER  
29 CONTRIBUTIONS.

30 C. THE LEGISLATURE INTENDS THAT THE DEFINED CONTRIBUTION SYSTEM FOR  
31 MEMBERS UNDER THIS ARTICLE BE DESIGNED TO BE A QUALIFIED GOVERNMENT PLAN  
32 UNDER SECTION 401(a) OF THE INTERNAL REVENUE CODE, AS AMENDED, OR SUCCESSOR  
33 PROVISIONS OF LAW, AND BE EXEMPT FROM TAXATION UNDER SECTION 501 OF THE  
34 INTERNAL REVENUE CODE. THE BOARD MAY ADOPT ANY ADDITIONAL PROVISIONS TO THE  
35 DEFINED CONTRIBUTION SYSTEM THAT ARE NECESSARY TO FULFILL THIS INTENT. ON OR  
36 BEFORE DECEMBER 31, 2013, THE BOARD SHALL SUBMIT TO THE INTERNAL REVENUE  
37 SERVICE A REQUEST FOR A DETERMINATION LETTER THAT THE DEFINED CONTRIBUTION  
38 SYSTEM IS A PLAN QUALIFIED UNDER SECTION 401(a) OF THE INTERNAL REVENUE CODE  
39 AND A PRIVATE LETTER RULING THAT ALL MEMBER CONTRIBUTIONS THAT ARE PICKED UP  
40 BY THE EMPLOYER AS PROVIDED IN SECTION 38-833 SHALL BE TREATED AS EMPLOYER  
41 CONTRIBUTIONS PURSUANT TO SECTION 414(h) OF THE INTERNAL REVENUE CODE.

42 D. THE BOARD MAY:

43 1. EMPLOY THE SERVICES OF THE THIRD-PARTY ADMINISTRATOR THAT IS  
44 CONTRACTED ON THE EFFECTIVE DATE OF THIS SECTION TO ADMINISTER THE

1 SUPPLEMENTAL DEFINED CONTRIBUTION PLAN PURSUANT TO ARTICLE 8 OF THIS CHAPTER  
2 TO ALSO ADMINISTER THE DEFINED CONTRIBUTION SYSTEM.

3 2. EMPLOY OTHER SERVICES IT DEEMS NECESSARY, INCLUDING LEGAL SERVICES,  
4 FOR THE OPERATION AND ADMINISTRATION OF THE DEFINED CONTRIBUTION SYSTEM.

5 3. PERFORM ALL ACTS, WHETHER OR NOT EXPRESSLY AUTHORIZED, THAT IT  
6 DEEMS NECESSARY AND PROPER FOR THE OPERATION AND PROTECTION OF THE SYSTEM.

7 E. THE BOARD SHALL ADOPT POLICIES REGARDING THE DEFINED CONTRIBUTION  
8 SYSTEM, INCLUDING THE ADMINISTRATION OF THE MEMBER AND EMPLOYER  
9 CONTRIBUTIONS, INVESTMENT OPTIONS, TERMINATION IN THE DEFINED CONTRIBUTION  
10 SYSTEM, THE ADMINISTRATION OF THE PAYOUT OPTIONS UNDER THE DEFINED  
11 CONTRIBUTION SYSTEM AND THE ADMINISTRATION OF THE MEMBER DISTRIBUTIONS.

12 F. ON RECEIPT OF THE DETERMINATION LETTER AND PRIVATE LETTER RULING  
13 FROM THE INTERNAL REVENUE SERVICE, THE BOARD SHALL PARTICIPATE IN A  
14 COMPETITIVE BID PROCESS AT LEAST ONCE EVERY FIVE YEARS TO CONTRACT WITH A  
15 PRIVATE PERSON OR ANY QUALIFIED COMPANY OR COMPANIES TO ADMINISTER THE  
16 DEFINED CONTRIBUTION SYSTEM ESTABLISHED UNDER THIS SECTION.

17 G. ANY CONTRACT FOR A THIRD-PARTY ADMINISTRATOR OF THE DEFINED  
18 CONTRIBUTION SYSTEM SHALL INCLUDE COMPETITIVE FEES, QUARTERLY MEETINGS WITH  
19 THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM, ANNUAL UPDATES TO THE BOARD ON  
20 THE STATUS OF THE DEFINED CONTRIBUTION SYSTEM AND QUARTERLY STATEMENTS TO  
21 EACH MEMBER. ON OR BEFORE DECEMBER 31 OF EACH YEAR, THE BOARD SHALL REPORT  
22 THE STATUS OF THE DEFINED CONTRIBUTION SYSTEM TO THE GOVERNOR, THE PRESIDENT  
23 OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE JOINT  
24 LEGISLATIVE BUDGET COMMITTEE.

25 38-833. Member and employer contributions: disability

26 A. BEGINNING JANUARY 1, 2014, THE DEFINED CONTRIBUTION SYSTEM IS THE  
27 RETIREMENT PROGRAM FOR ELECTED OFFICIALS, UNLESS THE ELECTED OFFICIAL  
28 CONTINUES OR RESUMES PARTICIPATION IN ASRS PURSUANT TO SECTION 38-727,  
29 SUBSECTION C. ELECTED OFFICIALS SHALL BE ENROLLED IN THE DEFINED  
30 CONTRIBUTION PLAN ESTABLISHED BY THE BOARD PURSUANT TO THIS ARTICLE.

31 B. EACH ELECTED OFFICIAL WHO IS A MEMBER OF THE DEFINED CONTRIBUTION  
32 SYSTEM SHALL CONTRIBUTE EIGHT PER CENT OF THE MEMBER'S GROSS COMPENSATION BY  
33 SALARY REDUCTION THAT SHALL BE DEPOSITED IN THE MEMBER'S ANNUITY ACCOUNT.  
34 EACH MEMBER SHALL ALSO CONTRIBUTE TO THE ELECTED OFFICIALS' DEFINED  
35 CONTRIBUTION RETIREMENT SYSTEM DISABILITY PROGRAM PURSUANT TO ARTICLE 3.2 OF  
36 THIS CHAPTER.

37 C. ALTHOUGH DESIGNATED AS EMPLOYEE CONTRIBUTIONS, ALL MEMBER  
38 CONTRIBUTIONS MADE TO THE DEFINED CONTRIBUTION SYSTEM SHALL BE PICKED UP AND  
39 PAID BY THE EMPLOYER IN LIEU OF CONTRIBUTIONS BY THE EMPLOYEE. THE  
40 CONTRIBUTIONS PICKED UP BY AN EMPLOYER MAY BE MADE THROUGH A REDUCTION IN THE  
41 MEMBER'S COMPENSATION. A MEMBER PARTICIPATING IN THE DEFINED CONTRIBUTION  
42 SYSTEM DOES NOT HAVE THE OPTION OF CHOOSING TO RECEIVE THE CONTRIBUTED  
43 AMOUNTS DIRECTLY INSTEAD OF THE EMPLOYER PAYING THE AMOUNTS TO THE DEFINED  
44 CONTRIBUTION SYSTEM. ALL MEMBER CONTRIBUTIONS THAT ARE PICKED UP BY THE  
45 EMPLOYER AS PROVIDED IN THIS SUBSECTION SHALL BE TREATED AS EMPLOYER

1 CONTRIBUTIONS UNDER SECTION 414(h) OF THE INTERNAL REVENUE CODE, SHALL BE  
2 EXCLUDED FROM MEMBERS' GROSS INCOME FOR FEDERAL AND STATE INCOME TAX PURPOSES  
3 AND ARE INCLUDABLE IN THE GROSS INCOME OF THE MEMBERS OR THE MEMBERS'  
4 BENEFICIARIES ONLY IN THE TAXABLE YEAR IN WHICH THEY ARE DISTRIBUTED.

5 D. EACH EMPLOYER SHALL ANNUALLY MAKE A CONTRIBUTION EQUAL TO SIX PER  
6 CENT OF EACH MEMBER'S GROSS COMPENSATION. THE PRO RATA SHARE OF THIS AMOUNT  
7 SHALL BE PAID ON EACH DATE THAT A MEMBER CONTRIBUTION IS MADE AND SHALL BE  
8 CREDITED TO THE MEMBER'S ANNUITY ACCOUNT. EACH EMPLOYER SHALL ALSO  
9 CONTRIBUTE TO THE ELECTED OFFICIALS' DEFINED CONTRIBUTION RETIREMENT SYSTEM  
10 DISABILITY PROGRAM PURSUANT TO ARTICLE 3.2 OF THIS CHAPTER.

11 E. MEMBER AND EMPLOYER CONTRIBUTIONS AND EARNINGS ON THOSE  
12 CONTRIBUTIONS ARE IMMEDIATELY VESTED. A MEMBER MAY RECEIVE BENEFITS PURSUANT  
13 TO ARTICLE 3.2 OF THIS CHAPTER IF THE MEMBER BECOMES TOTALLY DISABLED.

14 ARTICLE 3.2. ELECTED OFFICIALS' DEFINED CONTRIBUTION  
15 RETIREMENT SYSTEM DISABILITY PROGRAM

16 38-840. Definitions

17 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

18 1. "ASSETS" MEANS THE ACCUMULATED RESOURCES OF THE EODC DISABILITY  
19 PROGRAM.

20 2. "BOARD" MEANS THE BOARD OF TRUSTEES ESTABLISHED PURSUANT TO SECTION  
21 38-848.

22 3. "DEPOSITORY" MEANS A BANK IN WHICH THE MONIES OF THE EODC  
23 DISABILITY PROGRAM ARE DEPOSITED AND COLLATERALIZED AS PROVIDED BY LAW.

24 4. "EMPLOYER" HAS THE SAME MEANING PRESCRIBED IN SECTION 38-831.

25 5. "EMPLOYER CONTRIBUTIONS" MEANS ALL AMOUNTS PAID INTO THE EODC  
26 DISABILITY PROGRAM BY AN EMPLOYER.

27 6. "EODC DISABILITY PROGRAM" OR "PROGRAM" MEANS THE ELECTED OFFICIALS'  
28 DEFINED CONTRIBUTION RETIREMENT SYSTEM DISABILITY PROGRAM ESTABLISHED BY THIS  
29 ARTICLE.

30 7. "MEMBER" HAS THE SAME MEANING PRESCRIBED IN SECTION 38-831.

31 8. "STATE" HAS THE SAME MEANING PRESCRIBED IN SECTION 38-842.

32 9. "SYSTEM" MEANS THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
33 ESTABLISHED BY ARTICLE 4 OF THIS CHAPTER.

34 38-840.01. EODC disability program; administration; power and  
35 duties of the board; hearing

36 A. THE ELECTED OFFICIALS' DEFINED CONTRIBUTION RETIREMENT SYSTEM  
37 DISABILITY PROGRAM IS ESTABLISHED FOR MEMBERS OF THE ELECTED OFFICIALS'  
38 DEFINED CONTRIBUTION RETIREMENT SYSTEM. THE BOARD SHALL ADMINISTER THE EODC  
39 DISABILITY PROGRAM.

40 B. THE BOARD MAY DELEGATE AUTHORITY TO ADMINISTER THE PROGRAM AS IT  
41 DEEMS NECESSARY AND PRUDENT TO THE ADMINISTRATOR EMPLOYED PURSUANT TO SECTION  
42 38-848.

43 C. THE BOARD, IN THE ADMINISTRATION, MANAGEMENT AND OPERATION OF THE  
44 PROGRAM, SHALL:

1           1. ACCOUNT FOR THE OPERATION, ADMINISTRATION AND INVESTMENT EXPENSES  
2           AND ALLOCATE THEM AGAINST INVESTMENT INCOME.

3           2. CONTRACT ON A FEE BASIS WITH AN ACTUARY TO MAKE AN ACTUARIAL  
4           VALUATION OF THE PROGRAM BASED ON THE VALUATION METHOD AND VALUATION  
5           ASSUMPTIONS RECOMMENDED BY THE ACTUARY AND APPROVED BY THE BOARD. THE  
6           ACTUARY SHALL BE A MEMBER OF THE AMERICAN ACADEMY OF ACTUARIES.

7           3. CONTRACT ON A FEE BASIS WITH AN INDEPENDENT AUDITING FIRM TO MAKE  
8           AN ANNUAL AUDIT OF THE ACCOUNTING RECORDS OF THE FUND AND FILE A COPY OF THE  
9           AUDIT WITH THE AUDITOR GENERAL.

10          4. INVEST THE MONIES IN THE FUND AS PROVIDED IN ARTICLE 4 OF THIS  
11          CHAPTER.

12          5. ON OR BEFORE DECEMBER 31 OF EACH YEAR, SUBMIT TO THE GOVERNOR, THE  
13          SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE SENATE A  
14          DETAILED REPORT OF THE OPERATION AND THE INVESTMENT PERFORMANCE OF THE  
15          PROGRAM THAT INCLUDES THE CONTRIBUTION RATE FOR THE ENSUING FISCAL YEAR.

16          D. THE BOARD, IN THE ADMINISTRATION, MANAGEMENT AND OPERATION OF THE  
17          PROGRAM, MAY:

18           1. EMPLOY SERVICES AS IT DEEMS NECESSARY.

19           2. EITHER KEEP INVESTED MONIES SEPARATE OR COMMINGLE INVESTED MONIES  
20           AS IT DEEMS APPROPRIATE.

21           3. DO ALL ACTS, WHETHER EXPRESSLY AUTHORIZED, THAT MAY BE DEEMED  
22           NECESSARY OR PROPER FOR THE PROTECTION OF THE FUND.

23           4. DETERMINE THE RIGHTS, BENEFITS OR OBLIGATIONS OF ANY PERSON UNDER  
24           THIS ARTICLE AND AFFORD ANY PERSON DISSATISFIED WITH A DETERMINATION OF THE  
25           PERSON'S RIGHTS, BENEFITS OR OBLIGATIONS UNDER THIS ARTICLE WITH A HEARING ON  
26           THE DETERMINATION.

27           38-840.02. EODC disability program trust fund

28          A. THE EODC DISABILITY PROGRAM TRUST FUND IS ESTABLISHED FOR THE  
29          PURPOSE OF PAYING BENEFITS UNDER AND COSTS OF ADMINISTERING THE EODC  
30          DISABILITY PROGRAM. THE TRUST FUND SHALL BE ADMINISTERED BY THE BOARD.

31          B. THE EODC DISABILITY PROGRAM TRUST FUND CONSISTS OF ALL MONIES PAID  
32          INTO THE TRUST FUND PURSUANT TO THIS ARTICLE, WHETHER IN THE FORM OF CASH,  
33          SECURITIES OR OTHER ASSETS, AND ALL MONIES RECEIVED FROM ANY OTHER SOURCE.  
34          EXCEPT AS PROVIDED IN SUBSECTION C, PARAGRAPH 1 OF THIS SECTION, THE EODC  
35          DISABILITY PROGRAM TRUST FUND IS EXEMPT FROM TITLE 44, CHAPTER 3.

36          C. ABANDONED MONIES SHALL REVERT TO THE EODC DISABILITY PROGRAM TRUST  
37          FUND UNDER THE FOLLOWING CONDITIONS:

38           1. MONIES IN THE TRUST FUND ARE PRESUMED ABANDONED IF THE SYSTEM HAS  
39           TAKEN THE REQUIRED ACTION DESCRIBED IN THIS SUBSECTION TO IDENTIFY AND LOCATE  
40           THE APPARENT OWNER AND THE APPARENT OWNER AS DEFINED IN SECTION 44-301 HAS  
41           NOT COMMUNICATED IN WRITING WITH THE SYSTEM AND HAS NOT OTHERWISE INDICATED  
42           AN INTEREST IN THE MONIES FOR THE THREE-YEAR PERIOD FOLLOWING THE REQUIRED  
43           BEGINNING DATE OF DISTRIBUTIONS.

44           2. BEFORE MONIES ARE PRESUMED ABANDONED, THE SYSTEM SHALL ATTEMPT TO  
45           CONTACT THE APPARENT OWNER IN WRITING. IF THIS NOTICE IS RETURNED BY THE



1 POSTAL AUTHORITY AS UNDELIVERABLE, THEN EACH YEAR FOR THREE YEARS FROM THE  
2 DATE THAT DISTRIBUTIONS SHOULD HAVE BEGUN, THE SYSTEM SHALL MAKE A GOOD FAITH  
3 ATTEMPT TO LOCATE THE APPARENT OWNER, INCLUDING CONTACTING ANY KNOWN  
4 BENEFICIARY ON RECORD WITH THE SYSTEM, SEARCHING PUBLIC DATABASES TO IDENTIFY  
5 THE ADDRESS OF THE APPARENT OWNER OR USING THE SERVICES OF A THIRD-PARTY  
6 ADDRESS VERIFICATION SERVICE. IF THE GOOD FAITH ATTEMPT TO LOCATE THE  
7 APPARENT OWNER FAILS, MONIES ARE PRESUMED ABANDONED PURSUANT TO THIS  
8 SUBSECTION.

9 3. AT THE TIME MONIES ARE PRESUMED ABANDONED PURSUANT TO THIS  
10 SUBSECTION, ANY OTHER PROPERTY RIGHT ACCRUED OR ACCRUING TO THE OWNER AS A  
11 RESULT OF THE INTEREST IN THOSE MONIES, AND NOT PREVIOUSLY PRESUMED  
12 ABANDONED, IS ALSO PRESUMED ABANDONED.

13 4. INTEREST CEASES TO ACCRUE ON THE MONIES ON THE DATE THE MONIES ARE  
14 PRESUMED ABANDONED.

15 D. THE CUSTODY, MANAGEMENT AND INVESTMENT OF THE EODC DISABILITY  
16 PROGRAM TRUST FUND ARE AS PRESCRIBED BY THIS ARTICLE AND ARTICLE 4 OF THIS  
17 CHAPTER.

18 38-840.03. Eligibility

19 ALL MEMBERS ARE SUBJECT TO THIS ARTICLE AND SHALL PARTICIPATE IN THE  
20 EODC DISABILITY PROGRAM.

21 38-840.04. Employer and member contributions

22 A. BEGINNING JANUARY 1, 2014, EMPLOYERS SHALL CONTRIBUTE THE  
23 PERCENTAGE OF THE GROSS COMPENSATION OF ALL OF THE MEMBERS UNDER THEIR  
24 EMPLOYMENT SO THAT THE TOTAL EMPLOYER CONTRIBUTIONS EQUALS THE AMOUNT THAT  
25 THE BOARD DETERMINES IS NECESSARY TO PAY ONE-HALF OF ALL BENEFITS UNDER AND  
26 COSTS OF ADMINISTERING THE EODC DISABILITY PROGRAM.

27 B. BEGINNING JANUARY 1, 2014, A MEMBER SHALL CONTRIBUTE A PERCENTAGE  
28 OF THE MEMBER'S GROSS COMPENSATION EQUAL TO THE EMPLOYER CONTRIBUTION FOR THE  
29 MEMBER REQUIRED PURSUANT TO SUBSECTION A OF THIS SECTION.

30 C. THE EMPLOYER SHALL PAY THE MEMBER CONTRIBUTIONS REQUIRED OF MEMBERS  
31 ON ACCOUNT OF GROSS COMPENSATION EARNED. ALL EMPLOYER AND MEMBER  
32 CONTRIBUTIONS SHALL BE PAID TO THE BOARD. THE BOARD SHALL ALLOCATE THE  
33 CONTRIBUTIONS TO THE EODC DISABILITY PROGRAM TRUST FUND AND SHALL PLACE THE  
34 CONTRIBUTIONS IN THE EODC DISABILITY PROGRAM'S DEPOSITORY.

35 D. EACH EMPLOYER SHALL CERTIFY ON EACH PAYROLL THE AMOUNT TO BE  
36 CONTRIBUTED TO THE EODC DISABILITY PROGRAM AND SHALL REMIT THAT AMOUNT TO THE  
37 BOARD.

38 E. THE DEPARTMENT OF ADMINISTRATION AND THE TREASURER OF EACH COUNTY  
39 AND PARTICIPATING CITY AND TOWN SHALL TRANSFER TO THE BOARD THE CONTRIBUTIONS  
40 PROVIDED FOR IN SUBSECTIONS A AND B OF THIS SECTION WITHIN TEN WORKING DAYS  
41 AFTER EACH PAYROLL DATE. CONTRIBUTIONS TRANSFERRED AFTER THESE DATES SHALL  
42 INCLUDE A PENALTY EQUAL TO TEN PER CENT PER ANNUM, COMPOUNDED DAILY, FOR EACH  
43 DAY THAT THE CONTRIBUTIONS ARE LATE. DELINQUENT PAYMENTS DUE UNDER THIS  
44 SUBSECTION, TOGETHER WITH INTEREST CHARGES AS PROVIDED IN THIS SUBSECTION AND  
45 COURT COSTS, MAY BE RECOVERED BY ACTION IN A COURT OF COMPETENT JURISDICTION

1 AGAINST THE PERSON OR PERSONS RESPONSIBLE FOR THE PAYMENTS OR, AT THE REQUEST  
2 OF THE BOARD, MAY BE DEDUCTED FROM ANY OTHER MONIES, INCLUDING EXCISE REVENUE  
3 TAXES, PAYABLE TO A POLITICAL SUBDIVISION BY ANY DEPARTMENT OR AGENCY OF THIS  
4 STATE.

5 F. IF MORE THAN THE CORRECT AMOUNT OF CONTRIBUTIONS REQUIRED IS PAID  
6 BY AN EMPLOYER, PROPER ADJUSTMENT SHALL BE MADE IN CONNECTION WITH SUBSEQUENT  
7 PAYMENTS. THE BOARD SHALL RETURN EXCESS CONTRIBUTIONS TO THE EMPLOYER IF THE  
8 EMPLOYER REQUESTS RETURN OF THE CONTRIBUTIONS WITHIN ONE YEAR AFTER THE DATE  
9 OF OVERPAYMENT.

10 G. MEMBER CONTRIBUTIONS ARE NOT REFUNDABLE.

11 38-840.05. Contribution rate

12 A. EMPLOYER CONTRIBUTIONS SHALL BE A PERCENTAGE OF GROSS COMPENSATION  
13 FOR EACH MEMBER, AS THE SYSTEM ACTUARY DETERMINES PURSUANT TO THIS SECTION.  
14 THE ACTUARY SHALL MAKE THIS DETERMINATION IN AN ANNUAL VALUATION PERFORMED AS  
15 OF JUNE 30. THE VALUATION AS OF JUNE 30 OF A CALENDAR YEAR SHALL DETERMINE  
16 THE PERCENTAGE TO BE APPLIED TO COMPENSATION FOR THE FISCAL YEAR BEGINNING  
17 JULY 1 OF THE FOLLOWING CALENDAR YEAR. THE ACTUARY SHALL DETERMINE THE TOTAL  
18 EMPLOYER CONTRIBUTION USING AN ACTUARIAL COST METHOD CONSISTENT WITH  
19 GENERALLY ACCEPTED ACTUARIAL STANDARDS. THE TOTAL EMPLOYER CONTRIBUTIONS  
20 SHALL BE EQUAL TO THE EMPLOYER NORMAL COST PLUS THE AMOUNT REQUIRED TO  
21 AMORTIZE THE PAST SERVICE FUNDING REQUIREMENT OVER A PERIOD CONSISTENT WITH  
22 GENERALLY ACCEPTED ACTUARIAL STANDARDS.

23 B. ALL CONTRIBUTIONS MADE BY THE EMPLOYER AND ALLOCATED TO THE EODC  
24 DISABILITY PROGRAM TRUST FUND ESTABLISHED BY SECTION 38-840.02 ARE  
25 IRREVOCABLE AND SHALL BE USED AS BENEFITS UNDER THIS ARTICLE OR TO PAY  
26 EXPENSES OF THE EODC DISABILITY PROGRAM.

27 38-840.06. EODC disability program benefits

28 IN DETERMINING ELIGIBILITY FOR AND CONTINUATION OF A DISABILITY BENEFIT  
29 AND COMPUTING THE AMOUNT AVAILABLE TO A MEMBER, THE BOARD SHALL FOLLOW THE  
30 SAME PROCEDURES AND METHODS AS PRESCRIBED IN SECTION 38-806, EXCEPT THAT THE  
31 CREDITED SERVICE USED TO COMPUTE THE BENEFIT SHALL BE ONLY THE TIME EARNED  
32 WHILE A MEMBER OF THE ELECTED OFFICIALS' DEFINED CONTRIBUTION RETIREMENT  
33 SYSTEM ESTABLISHED PURSUANT TO ARTICLE 3.1 OF THIS CHAPTER.

34 38-840.07. Errors; benefit recomputation

35 IF ANY CHANGE OR ERROR IN THE RECORDS RESULTS IN ANY MEMBER RECEIVING  
36 FROM THE EODC DISABILITY PROGRAM MORE OR LESS THAN THE MEMBER WOULD HAVE BEEN  
37 ENTITLED TO RECEIVE IF THE RECORDS HAD BEEN CORRECT, THE BOARD SHALL CORRECT  
38 THE ERROR AND SHALL ADJUST THE PAYMENTS IN A MANNER SO THAT THE EQUIVALENT OF  
39 THE BENEFIT TO WHICH THE MEMBER WAS CORRECTLY ENTITLED IS PAID. THE BOARD  
40 SHALL CORRECT ANY CHANGE OR ERROR AND SHALL PAY THE APPROPRIATE MONIES TO A  
41 MEMBER OR SHALL RECOVER MONIES FROM THE MEMBER IF THE MEMBER WAS OVERPAID.  
42 THE BOARD SHALL RECOVER MONIES BY REDUCING ANY BENEFIT THAT IS OTHERWISE  
43 PAYABLE BY THE EODC DISABILITY PROGRAM TO A DISABLED MEMBER.

1           38-840.08. Facility of payment

2           IN THE CASE OF INCAPACITY OF A MEMBER RECEIVING EODC DISABILITY PROGRAM  
3 BENEFITS, OR IN THE CASE OF ANY OTHER EMERGENCY AS DETERMINED BY THE BOARD,  
4 THE BOARD MAY MAKE EODC DISABILITY PROGRAM BENEFIT PAYMENTS ON BEHALF OF THE  
5 MEMBER TO ANOTHER PERSON OR PERSONS THE BOARD DETERMINES TO BE LAWFULLY  
6 ENTITLED TO RECEIVE PAYMENT. THE PAYMENT IS PAYMENT FOR THE ACCOUNT OF THE  
7 MEMBER AND ALL PERSONS ENTITLED TO PAYMENT AND, TO THE EXTENT OF THE PAYMENT,  
8 IS A FULL AND COMPLETE DISCHARGE OF ALL LIABILITY OF THE BOARD OR THE EODC  
9 DISABILITY PROGRAM, OR BOTH, UNDER OR IN CONNECTION WITH THE EODC DISABILITY  
10 PROGRAM.

11           38-840.09. Assurances and liabilities

12           A. THIS ARTICLE DOES NOT ESTABLISH:

- 13           1. A CONTRACT OF EMPLOYMENT BETWEEN AN EMPLOYER AND ANY EMPLOYEE.  
14           2. A RIGHT OF ANY MEMBER TO CONTINUE IN THE EMPLOYMENT OF AN EMPLOYER.  
15           3. A LIMITATION OF THE RIGHTS OF AN EMPLOYER TO DISCHARGE ANY OF ITS  
16 EMPLOYEES, WITH OR WITHOUT CAUSE.

17           B. A MEMBER DOES NOT HAVE ANY RIGHT TO, OR INTEREST IN, ANY EODC  
18 DISABILITY PROGRAM ASSETS ON TERMINATION OF THE MEMBER'S EMPLOYMENT OR  
19 OTHERWISE, EXCEPT AS PROVIDED IN THIS ARTICLE, AND THEN ONLY TO THE EXTENT OF  
20 THE BENEFITS PAYABLE TO THE MEMBER OUT OF EODC DISABILITY PROGRAM ASSETS.  
21 ALL PAYMENTS OF BENEFITS SHALL BE MADE SOLELY OUT OF EODC DISABILITY PROGRAM  
22 ASSETS, AND THE EMPLOYERS, THE BOARD AND MEMBERS OF THE BOARD ARE NOT LIABLE  
23 FOR PAYMENT OF BENEFITS IN ANY MANNER.

24           C. BENEFITS, EMPLOYER AND MEMBER CONTRIBUTIONS, EARNINGS AND ALL OTHER  
25 CREDITS PAYABLE UNDER THIS ARTICLE ARE NOT SUBJECT IN ANY MANNER TO  
26 ANTICIPATION, ALIENATION, SALE, TRANSFER, ASSIGNMENT, PLEDGE, ENCUMBRANCE,  
27 CHARGE, GARNISHMENT, EXECUTION OR LEVY OF ANY KIND, EITHER VOLUNTARY OR  
28 INVOLUNTARY, BEFORE ACTUALLY BEING RECEIVED BY A PERSON ENTITLED TO THE  
29 BENEFIT, EARNING OR CREDIT, AND ANY ATTEMPT TO ANTICIPATE, ALIENATE, SELL,  
30 TRANSFER, ASSIGN, PLEDGE, ENCUMBER, CHARGE, GARNISH, EXECUTE OR LEVY OR  
31 OTHERWISE DISPOSE OF ANY BENEFIT, EARNING OR CREDIT UNDER THIS ARTICLE IS  
32 VOID. THE EODC DISABILITY PROGRAM TRUST FUND IS NOT IN ANY MANNER LIABLE  
33 FOR, OR SUBJECT TO, THE DEBTS, CONTRACTS, LIABILITIES, ENGAGEMENTS OR TORTS  
34 OF ANY PERSON ENTITLED TO ANY BENEFIT, EARNING OR CREDIT UNDER THIS ARTICLE.

35           D. THE EMPLOYERS, THE BOARD AND MEMBERS OF THE BOARD DO NOT GUARANTEE  
36 THE EODC DISABILITY PROGRAM TRUST FUND ESTABLISHED BY SECTION 38-840.02 IN  
37 ANY MANNER AGAINST LOSS OR DEPRECIATION AND ARE NOT LIABLE FOR ANY ACT OR  
38 FAILURE TO ACT THAT IS MADE IN GOOD FAITH PURSUANT TO THIS ARTICLE. THE  
39 EMPLOYERS ARE NOT RESPONSIBLE FOR ANY ACT OR FAILURE TO ACT OF THE BOARD OR  
40 ANY MEMBER OF THE BOARD. THE BOARD AND MEMBERS OF THE BOARD ARE NOT  
41 RESPONSIBLE FOR ANY ACT OR FAILURE TO ACT OF ANY EMPLOYER.

42           E. THIS SECTION DOES NOT EXEMPT BENEFITS UNDER THE PROGRAM FROM A WRIT  
43 OF ATTACHMENT, A WRIT OF EXECUTION, A WRIT OF GARNISHMENT AND ORDERS OF  
44 ASSIGNMENT ISSUED BY A COURT OF RECORD AS THE RESULT OF A JUDGMENT FOR  
45 ARREARAGES OF CHILD SUPPORT OR FOR CHILD SUPPORT DEBT.

1           38-840.10. Exemption from execution and attachment: taxation

2           A. THE EMPLOYER AND MEMBER CONTRIBUTIONS AND THE SECURITIES IN THE  
3 EODC DISABILITY PROGRAM TRUST FUND ESTABLISHED BY SECTION 38-840.02 ARE NOT  
4 SUBJECT TO EXECUTION OR ATTACHMENT AND ARE NONASSIGNABLE. THE EMPLOYER AND  
5 MEMBER CONTRIBUTIONS AND THE SECURITIES IN THE EODC DISABILITY PROGRAM TRUST  
6 FUND ESTABLISHED BY SECTION 38-840.02 ARE EXEMPT FROM STATE, COUNTY AND  
7 MUNICIPAL INCOME TAXES. BENEFITS RECEIVED BY A MEMBER FROM THE EODC  
8 DISABILITY PROGRAM ARE SUBJECT TO TAX PURSUANT TO TITLE 43.

9           B. INTEREST, EARNINGS AND ALL OTHER CREDITS ON MONIES IN THE EODC  
10 DISABILITY PROGRAM TRUST FUND ARE NOT SUBJECT TO EXECUTION OR ATTACHMENT AND  
11 ARE NONASSIGNABLE.

12           38-840.11. Violation; classification

13           A PERSON WHO KNOWINGLY MAKES ANY FALSE STATEMENT OR WHO FALSIFIES OR  
14 PERMITS TO BE FALSIFIED ANY RECORD OF THE EODC DISABILITY PROGRAM WITH AN  
15 INTENT TO DEFRAUD THE EODC DISABILITY PROGRAM IS GUILTY OF A CLASS 6 FELONY.

16           38-840.12. Reservation to legislature

17           THE RIGHT TO MODIFY, AMEND OR REPEAL THIS ARTICLE, OR ANY PROVISIONS OF  
18 THIS ARTICLE, IS RESERVED TO THE LEGISLATURE.

19           38-840.13. Liquidation of the EODC disability program

20           IF THE LEGISLATURE DETERMINES THAT THE EODC DISABILITY PROGRAM IS NO  
21 LONGER TO BE OPERATED FOR THE PURPOSES SET FORTH IN THIS ARTICLE, ANY MONIES  
22 REMAINING IN THE EODC DISABILITY PROGRAM TRUST FUND AFTER PAYING ALL  
23 LIABILITIES OF THE PROGRAM OR AFTER MAKING ADEQUATE PROVISION FOR PAYING  
24 THOSE LIABILITIES REVERT TO THE GENERAL FUNDS OF THE EMPLOYERS THAT WERE  
25 MAKING CONTRIBUTIONS TO THE EODC DISABILITY PROGRAM AT THE TIME THE  
26 LEGISLATURE TERMINATES THE EODC DISABILITY PROGRAM. THE REVERTED MONIES  
27 SHALL BE PRORATED ACCORDING TO THE GROSS AMOUNT OF CONTRIBUTIONS MADE BY THE  
28 EMPLOYERS TO THE EODC DISABILITY PROGRAM.

29           Sec. 9. Section 38-848, Arizona Revised Statutes, is amended to read:

30           38-848. Board of trustees; powers and duties; independent trust  
31                               fund; administrator; agents and employees

32           A. The board of trustees shall consist of seven members and shall have  
33 the rights, powers and duties that are set forth in this section. The term  
34 of office of members shall be five years to expire on the third Monday in  
35 January of the appropriate year. Members are eligible to receive  
36 compensation in an amount of fifty dollars a day, but not to exceed one  
37 thousand dollars in any one fiscal year, and are eligible for reimbursement  
38 of expenses pursuant to chapter 4, article 2 of this title. The board  
39 consists of the following members appointed by the governor pursuant to  
40 section 38-211:

41           1. Two elected members from a local board to represent the employees.

42           2. One member to represent this state as an employer of public safety  
43 personnel. This member shall have the qualifications prescribed in  
44 subsection T of this section.

1           3. One member to represent the cities as employers of public safety  
2 personnel.

3           4. An elected county or state official or a judge of the superior  
4 court, court of appeals or supreme court.

5           5. Two public members. These members shall have the qualifications  
6 prescribed in subsection T of this section.

7           B. All monies in the fund shall be deposited and held in a public  
8 safety personnel retirement system depository. Monies in the fund shall be  
9 disbursed from the depository separate and apart from all monies or funds of  
10 this state and the agencies, instrumentalities and subdivisions of this  
11 state, except that the board may commingle the assets of the fund and the  
12 assets of all other plans entrusted to its management in one or more group  
13 trusts, subject to the crediting of receipts and earnings and charging of  
14 payments to the appropriate employer, system or plan. The monies shall be  
15 secured by the depository in which they are deposited and held to the same  
16 extent and in the same manner as required by the general depository law of  
17 this state. For purposes of making the decision to invest in securities  
18 owned by the fund or any plan administered by the board, the fund and assets  
19 of the plans are subject to the sole management of the board for the purpose  
20 of this article except that, on the board's election to invest in a  
21 particular security or make a particular investment, the assets comprising  
22 the security or investment may be chosen and managed by third parties  
23 approved by the board. The board may invest in portfolios of securities  
24 chosen and managed by a third party. The board's decision to invest in  
25 securities such as mutual funds, commingled investment funds, exchange traded  
26 funds, private equity or venture capital limited partnerships, real estate  
27 limited partnerships or limited liability companies and real estate  
28 investment trusts whose assets are chosen and managed by third parties does  
29 not constitute an improper delegation of the board's investment authority.

30           C. All contributions under this system and other retirement plans that  
31 the board administers shall be forwarded to the board and shall be held,  
32 invested and reinvested by the board as provided in this article. All  
33 property and monies of the fund and other retirement plans that the board  
34 administers, including income from investments and from all other sources,  
35 shall be retained for the exclusive benefit of members, as provided in the  
36 system and other retirement plans that the board administers, and shall be  
37 used to pay benefits to members or their beneficiaries or to pay expenses of  
38 operation and administration of the system and fund and other retirement  
39 plans that the board administers.

40           D. The board shall have the full power in its sole discretion to  
41 invest and reinvest, alter and change the monies accumulated under the system  
42 and other retirement plans that the board administers as provided in this  
43 article. In addition to its power to make investments managed by others, the  
44 board may delegate the authority the board deems necessary and prudent to  
45 investment management pursuant to section 38-848.03, as well as to the

1 administrator, employed by the board pursuant to subsection K, paragraph 6 of  
2 this section, and any assistant administrators to invest the monies of the  
3 system and other retirement plans that the board administers if the  
4 administrator, investment management and any assistant administrators follow  
5 the investment policies that are adopted by the board. The board may  
6 commingle securities and monies of the fund, the elected officials'  
7 retirement plan, the corrections officer retirement plan and other plans or  
8 monies entrusted to its care, subject to the crediting of receipts and  
9 earnings and charging of payments to the account of the appropriate employer,  
10 system or plan. In making every investment, the board shall exercise the  
11 judgment and care under the circumstances then prevailing that persons of  
12 ordinary prudence, discretion and intelligence exercise in the management of  
13 their own affairs, not in regard to speculation but in regard to the  
14 permanent disposition of their funds, considering the probable income from  
15 their funds as well as the probable safety of their capital, provided:

16 1. That not more than eighty per cent of the combined assets of the  
17 system or other plans that the board manages shall be invested at any given  
18 time in corporate stocks, based on cost value of such stocks irrespective of  
19 capital appreciation.

20 2. That no more than five per cent of the combined assets of the  
21 system or other plans that the board manages shall be invested in corporate  
22 stock issued by any one corporation, other than corporate stock issued by  
23 corporations chartered by the United States government or corporate stock  
24 issued by a bank or insurance company.

25 3. That not more than five per cent of the voting stock of any one  
26 corporation shall be owned by the system and other plans that the board  
27 administers, except that this limitation does not apply to membership  
28 interests in limited liability companies.

29 4. That corporate stocks and exchange traded funds eligible for  
30 purchase shall be restricted to stocks and exchange traded funds that, except  
31 for bank stocks, insurance stocks and membership interests in limited  
32 liability companies, are either:

33 (a) Listed or approved on issuance for listing on an exchange  
34 registered under the securities exchange act of 1934, as amended (15 United  
35 States Code sections 78a through 78l).

36 (b) Designated or approved on notice of issuance for designation on  
37 the national market system of a national securities association registered  
38 under the securities exchange act of 1934, as amended (15 United States Code  
39 sections 78a through 78l).

40 (c) Listed or approved on issuance for listing on an exchange  
41 registered under the laws of this state or any other state.

42 (d) Listed or approved on issuance for listing on an exchange of a  
43 foreign country with which the United States is maintaining diplomatic  
44 relations at the time of purchase, except that no more than twenty per cent  
45 of the combined assets of the system and other plans that the board manages

1 shall be invested in foreign securities, based on the cost value of the  
2 stocks irrespective of capital appreciation.

3 (e) An exchange traded fund that is recommended by the chief  
4 investment officer of the system, that is registered under the investment  
5 company act of 1940 (15 United States Code sections 80a-1 through 80a-64) and  
6 that is both traded on a public exchange and based on a publicly recognized  
7 index.

8 E. Notwithstanding any other law, the board shall not be required to  
9 invest in any type of investment that is dictated or required by any entity  
10 of the federal government and that is intended to fund economic development  
11 projects, public works or social programs, but may consider such economically  
12 targeted investments pursuant to its fiduciary responsibility. The board, on  
13 behalf of the system and all other plans or trusts the board administers, may  
14 invest in, lend monies to or guarantee the repayment of monies by a limited  
15 liability company, limited partnership, joint venture, partnership, limited  
16 liability partnership or trust in which the system and plans or trusts have a  
17 financial interest, whether the entity is closely held or publicly traded and  
18 that, in turn, may be engaged in any lawful activity, including venture  
19 capital, private equity, the ownership, development, management, improvement  
20 or operation of real property and any improvements or businesses on real  
21 property or the lending of monies.

22 F. Conference call meetings of the board that are held for investment  
23 purposes only are not subject to chapter 3, article 3.1 of this title, except  
24 that the board shall maintain minutes of these conference call meetings and  
25 make them available for public inspection within twenty-four hours after the  
26 meeting. The board shall review the minutes of each conference call meeting  
27 and shall ratify all legal actions taken during each conference call meeting  
28 at the next scheduled meeting of the board.

29 G. The board shall not be held liable for the exercise of more than  
30 ordinary care and prudence in the selection of investments and performance of  
31 its duties under the system and shall not be limited to so-called "legal  
32 investments for trustees", but all monies of the system and other plans that  
33 the board administers shall be invested subject to all of the conditions,  
34 limitations and restrictions imposed by law.

35 H. Except as provided in subsection D of this section, the board may:

36 1. Invest and reinvest the principal and income of all assets that the  
37 board manages without distinction between principal and income.

38 2. Sell, exchange, convey, transfer or otherwise dispose of any  
39 investments made on behalf of the system or other plans the board administers  
40 in the name of the system or plans by private contract or at public auction.

41 3. Also:

42 (a) Vote on any stocks, bonds or other securities.

43 (b) Give general or special proxies or powers of attorney with or  
44 without power of substitution.

1 (c) Exercise any conversion privileges, subscription rights or other  
2 options and make any payments incidental to the exercise of the conversion  
3 privileges, subscription rights or other options.

4 (d) Consent to or otherwise participate in corporate reorganizations  
5 or other changes affecting corporate securities, delegate discretionary  
6 powers and pay any assessments or charges in connection therewith.

7 (e) Generally exercise any of the powers of an owner with respect to  
8 stocks, bonds, securities or other investments held in or owned by the system  
9 or other plans whose assets the board administers.

10 4. Make, execute, acknowledge and deliver any other instruments that  
11 may be necessary or appropriate to carry out the powers granted in this  
12 section.

13 5. Register any investment held by the system or other plans whose  
14 assets the board administers in the name of the system or plan or in the name  
15 of a nominee or trust.

16 6. At the expense of the system or other plans that the board  
17 administers, enter into an agreement with any bank or banks for the  
18 safekeeping and handling of securities and other investments coming into the  
19 possession of the board. The agreement shall be entered into under terms and  
20 conditions that secure the proper safeguarding, inventory, withdrawal and  
21 handling of the securities and other investments. No access to and no  
22 deposit or withdrawal of the securities from any place of deposit selected by  
23 the board shall be permitted or made except as the terms of the agreement may  
24 provide.

25 7. Appear before local boards and the courts of this state and  
26 political subdivisions of this state through counsel or appointed  
27 representative to protect the fund or the assets of other plans that the  
28 board administers. The board is not responsible for the actions or omissions  
29 of the local boards under this system but may seek review or rehearing of  
30 actions or omissions of local boards. The board does not have a duty to  
31 review actions of the local boards but may do so in its discretion in order  
32 to protect the fund. No limitations period precludes the board or  
33 administrator from contesting, or requires the board or administrator to  
34 implement or comply with, a local board decision that violates the internal  
35 revenue code or that threatens to impair the tax qualified status of the  
36 system or any plan administered by the board or administrator.

37 8. Empower the fund administrator to take actions on behalf of the  
38 board that are necessary for the protection and administration of the fund or  
39 the assets of other plans that the board administers pursuant to the  
40 guidelines of the board.

41 9. Do all acts, whether or not expressly authorized, that may be  
42 deemed necessary or proper for the protection of the investments held in the  
43 fund or owned by other plans or trusts that the board administers.

44 10. Settle threatened or actual litigation against any system or plan  
45 that the board administers.



1 I. Investment expenses and operation and administrative expenses of  
2 the board shall be accounted for separately and allocated against investment  
3 income.

4 J. The board, as soon as possible within a period of six months  
5 following the close of any fiscal year, shall transmit to the governor and  
6 the legislature a comprehensive annual financial report on the operation of  
7 the system and other plans that the board administers containing, among other  
8 things:

- 9 1. A balance sheet.
- 10 2. A statement of income and expenditures for the year.
- 11 3. A report on an actuarial valuation of its assets and liabilities.
- 12 4. A list of investments owned.
- 13 5. The total rate of return, yield on cost, and per cent of cost to  
14 market value of the fund and the assets of other plans that the board  
15 administers.

16 6. Any other statistical and financial data that may be necessary for  
17 the proper understanding of the financial condition of the system and other  
18 plans that the board administers and the results of their operations. A  
19 synopsis of the annual report shall be published for the information of  
20 members of the system, the elected officials' retirement plan or the  
21 corrections officer retirement plan.

22 7. AN ANALYSIS OF THE LONG-TERM LEVEL PER CENT OF EMPLOYER  
23 CONTRIBUTIONS AND COMPENSATION STRUCTURE AND WHETHER THE FUNDING METHODOLOGY  
24 IS SUFFICIENT TO PAY ONE HUNDRED PER CENT OF THE UNFUNDED ACCRUED LIABILITY  
25 UNDER THE ELECTED OFFICIALS' RETIREMENT PLAN.

26 K. The board shall:

27 1. Maintain the accounts of the system and other plans that the board  
28 administers and issue statements to each employer annually and to each member  
29 who may request it.

30 2. Report the results of the actuarial valuations to the local boards  
31 and employers.

32 3. Contract on a fee basis with an independent investment counsel to  
33 advise the board in the investment management of the fund and assets of other  
34 plans that the board administers and with an independent auditing firm to  
35 audit the board's accounting.

36 4. Permit the auditor general to make an annual audit and the results  
37 shall be transmitted to the governor and the legislature.

38 5. Contract on a fee basis with an actuary who shall make actuarial  
39 valuations of the system and other plans that the board administers, be the  
40 technical adviser of the board on matters regarding the operation of the  
41 funds created by the provisions of the system, the elected officials'  
42 retirement plan, the corrections officer retirement plan and the fire fighter  
43 and peace officer cancer insurance policy program and perform other duties  
44 required in connection therewith. The actuary must be a member of a  
45 nationally recognized association or society of actuaries.

1           6. Employ, as administrator, a person, state department or other body  
2 to serve at the pleasure of the board.

3           7. Establish procedures and guidelines for contracts with actuaries,  
4 auditors, investment counsel and legal counsel and for safeguarding of  
5 securities.

6           L. The administrator, under the direction of the board, shall:

7           1. Administer this article.

8           2. Be responsible for the recruitment, hiring and day-to-day  
9 management of employees.

10          3. Invest the funds of the system and other plans that the board  
11 administers as the board deems necessary and prudent as provided in  
12 subsections D and H of this section and subject to the investment policies  
13 and fund objectives adopted by the board.

14          4. Establish and maintain an adequate system of accounts and records  
15 for the system and other plans that the board administers, which shall be  
16 integrated with the accounts, records and procedures of the employers so that  
17 the system and other plans that the board administers operates most  
18 effectively and at minimum expense and that duplication of records and  
19 accounts is avoided.

20          5. In accordance with the board's governance policy and procedures and  
21 the budget adopted by the board, hire such employees and services the  
22 administrator deems necessary and prescribe their duties, including the  
23 hiring of one or more assistant administrators to manage the system's  
24 operations, investments and legal affairs.

25          6. Be responsible for income, the collection of the income and the  
26 accuracy of all expenditures.

27          7. Recommend to the board annual contracts for the system's actuary,  
28 auditor, investment counsel, legal counsel and safeguarding of securities.

29          8. Perform additional duties and powers prescribed by the board and  
30 delegated to the administrator.

31          M. The system is an independent trust fund and the board is not  
32 subject to title 41, chapter 6. Contracts for goods and services approved by  
33 the board are not subject to title 41, chapter 23. As an independent trust  
34 fund whose assets are separate and apart from all other funds of this state,  
35 the system and the board are not subject to the restrictions prescribed in  
36 section 35-154 or article IX, sections 5 and 8, Constitution of Arizona.  
37 Loans, guarantees, investment management agreements and investment contracts  
38 that are entered into by the board are contracts memorializing obligations or  
39 interests in securities that the board has concluded, after thorough due  
40 diligence, do not involve investments in Sudan or Iran or otherwise provide  
41 support to terrorists or in any way facilitate illegal immigration into the  
42 United States. These contracts do not involve the procurement, supply or  
43 provision of goods, equipment, labor, materials or services that would  
44 require the certifications or warranties required by sections 35-391.06,  
45 35-393.06 and 41-4401.

1           N. The board, the administrator, the assistant administrators and all  
2 persons employed by them are subject to title 41, chapter 4, article 4. The  
3 administrator, assistant administrators and other employees of the board are  
4 entitled to receive compensation pursuant to section 38-611.

5           O. In consultation with the director of the department of  
6 administration, the board may enter into employment agreements and establish  
7 the terms of those agreements with persons holding any of the following  
8 system positions:

9           1. Administrator.

10          2. Deputy or assistant administrator.

11          3. Chief investment officer.

12          4. Deputy chief investment officer.

13          5. Fiduciary or investment counsel.

14          P. The attorney general or an attorney approved by the attorney  
15 general and paid by the fund shall be the attorney for the board and shall  
16 represent the board in any legal proceeding or forum that the board deems  
17 appropriate. The board, administrator, assistant administrators and  
18 employees of the board are not personally liable for any acts done in their  
19 official capacity in good faith reliance on the written opinions of the  
20 board's attorney.

21          Q. At least once in each five-year period after the effective date,  
22 the actuary shall make an actuarial investigation into the mortality, service  
23 and compensation experience of the members and beneficiaries of the system  
24 and other plans that the board administers and shall make a special valuation  
25 of the assets and liabilities of the monies of the system and plans. Taking  
26 into account the results of the investigation and special valuation, the  
27 board shall adopt for the system and other plans that the board administers  
28 those mortality, service and other tables deemed necessary.

29          R. On the basis of the tables the board adopts, the actuary shall make  
30 a valuation of the assets and liabilities of the funds of the system and  
31 other plans that the board administers not less frequently than every year.  
32 By November 1 of each year the board shall provide a preliminary report and  
33 by December 15 of each year provide a final report to the governor, the  
34 speaker of the house of representatives and the president of the senate on  
35 the contribution rate for the ensuing fiscal year.

36          S. Neither the board nor any member or employee of the board shall  
37 directly or indirectly, for himself or as an agent, in any manner use the  
38 monies or deposits of the fund except to make current and necessary payments,  
39 nor shall the board or any member or employee become an endorser or surety or  
40 in any manner an obligor for monies loaned by or borrowed from the fund or  
41 the assets of any other plans that the board administers.

42          T. The members of the board who are appointed pursuant to subsection  
43 A, paragraphs 2 and 5 of this section shall have at least ten years'  
44 substantial experience as any one or a combination of the following:

- 1           1. A portfolio manager acting in a fiduciary capacity.
- 2           2. A securities analyst.
- 3           3. An employee or principal of a trust institution, investment
- 4 organization or endowment fund acting either in a management or an investment
- 5 related capacity.
- 6           4. A chartered financial analyst in good standing as determined by the
- 7 association for investment management and research.
- 8           5. A professor at the university level teaching economics or
- 9 investment related subjects.
- 10          6. An economist.
- 11          7. Any other professional engaged in the field of public or private
- 12 finances.
- 13          U. Financial or commercial information that is provided to the board,
- 14 employees of the board and attorneys of the board in connection with
- 15 investments in which the board has invested or investments the board has
- 16 considered for investment is confidential, proprietary and not a public
- 17 record if the information is information that would customarily not be
- 18 released to the public by the person or entity from whom the information was
- 19 obtained.