

State of Arizona
Senate
Fifty-third Legislature
Second Regular Session
2018

SENATE BILL 1478

AN ACT

AMENDING SECTION 38-810, ARIZONA REVISED STATUTES; RELATING TO PUBLIC RETIREMENT SYSTEMS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 38-810, Arizona Revised Statutes, is amended to
3 read:

4 38-810. Contributions; appropriations

5 A. Each member shall contribute to the fund an amount equal to the
6 amount prescribed in subsection G of this section. Contributions of
7 members shall be made by payroll deductions. Every member is deemed to
8 consent to these deductions. Payment of a member's compensation, less
9 these payroll deductions, constitutes a full and complete discharge and
10 satisfaction of all claims and demands by the member relating to
11 remuneration for the member's services rendered during the period covered
12 by the payment, except with respect to the benefits provided under the
13 plan. A member may not, under any circumstance, borrow from, take a loan
14 against or remove contributions from the member's account before the
15 termination of membership in the plan or the receipt of a pension.

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

24 C. Beginning on ~~January 1, 2014 through June 30, 2044~~ JULY 1, 2018,
25 AS DETERMINED BY ACTUARIAL VALUATIONS PERFORMED BY THE PLAN'S ACTUARY each
26 employer shall make CONTRIBUTIONS ON A level ~~per cent~~ PERCENT OF
27 compensation ~~contributions of twenty-three and one-half per cent of the~~
28 ~~compensation of~~ BASIS FOR all employees of the employer who are either
29 members under this article, article 3.1 of this chapter or article 2 of
30 this chapter pursuant to section 38-727, subsection B SUFFICIENT UNDER THE
31 ACTUARIAL VALUATION to meet BOTH the normal cost plus ~~an~~ THE ACTUARIALLY
32 DETERMINED amount REQUIRED to amortize the unfunded accrued liability OVER
33 A CLOSED PERIOD OF AT LEAST TWENTY AND NOT MORE THAN THIRTY YEARS THAT IS
34 ESTABLISHED BY THE BOARD TAKING INTO ACCOUNT THE RECOMMENDATION OF THE
35 PLAN'S ACTUARY and the employer's contribution under the elected
36 officials' defined contribution retirement system established pursuant to
37 article 3.1 of this chapter and the employer's contribution under article
38 2 of this chapter for members WHO ARE eligible pursuant to section 38-727,
39 subsection B. The employer also shall pay the amount required by section
40 38-797.05 for members under article 2 of this chapter who are eligible
41 pursuant to section 38-727, subsection B and the amount required by
42 article 3.2 of this chapter for members under article 3.1 of this chapter.
43 The monies deposited in the fund pursuant to subsection B of this section
44 shall be used to supplement the contributions required of all employers
45 under the plan. The employer level ~~per cent~~ PERCENT compensation

1 contribution that is paid pursuant to this subsection, less the amount
2 contributed by the employer pursuant to section 38-833 and section 38-737
3 for members eligible pursuant to section 38-727, subsection B, shall not
4 be used to pay for an increase in benefits that is otherwise payable to
5 members but shall be used to meet the normal cost plus an amount to
6 amortize the unfunded accrued liability.

7 ~~D. Beginning July 1, 2044, as determined by actuarial valuations~~
8 ~~performed by the plan's actuary, each employer shall make level per cent~~
9 ~~compensation contributions sufficient under the actuarial valuation to~~
10 ~~meet both the normal cost plus the actuarially determined amount required~~
11 ~~to amortize the unfunded accrued liability over a rolling period of at~~
12 ~~least twenty and not more than thirty years that is established by the~~
13 ~~board taking into account the recommendation of the plan's actuary, except~~
14 ~~that the employer contribution rate shall not be less than ten per cent of~~
15 ~~salary. The monies deposited in the fund pursuant to subsection B of this~~
16 ~~section shall be used to supplement the contributions required of all~~
17 ~~employers under the plan. The minimum employer contribution that is paid~~
18 ~~and that is in excess of the normal cost plus the actuarially determined~~
19 ~~amount required to amortize the unfunded accrued liability as calculated~~
20 ~~pursuant to this subsection shall be used to reduce future employer~~
21 ~~contribution increases and shall not be used to pay for an increase in~~
22 ~~benefits that are otherwise payable to members. The board shall~~
23 ~~separately account for these monies in the fund.~~ IN ANY FISCAL YEAR, AN
24 EMPLOYER'S CONTRIBUTION TO THE PLAN IN COMBINATION WITH MEMBER
25 CONTRIBUTIONS MAY NOT BE LESS THAN THE ACTUARIALY DETERMINED NORMAL COST
26 FOR THAT FISCAL YEAR. After the close of any fiscal year, if the plan's
27 actuary determines that the actuarial valuation of the fund contains
28 excess valuation assets and is more than one hundred ~~per cent~~ PERCENT
29 funded, the board shall account for fifty ~~per cent~~ PERCENT of the excess
30 valuation assets in a stabilization reserve account. After the close of
31 any fiscal year, if the plan's actuary determines that the actuarial
32 valuation of the fund has a valuation asset deficiency and an unfunded
33 actuarial accrued liability, the board shall use any valuation assets in
34 the stabilization reserve account, to the extent available, to limit the
35 decline in the fund's funding ratio to not more than two ~~per cent~~ PERCENT.

36 E. The department of administration and the treasurer of each
37 county and participating city and town shall transfer to the board the
38 contributions provided for in subsections A, ~~AND C and D~~ AND C of this section
39 within ten working days after each payroll date. The state, county
40 treasurers and clerks of the superior court shall transfer the monies
41 credited under subsection B of this section to the board on or before the
42 fifteenth day of each calendar month that follows the month in which the
43 court fees were collected. Contributions and monies credited under
44 subsection B of this section and transferred after these dates shall
45 include a penalty equal to ten ~~per cent~~ PERCENT a year, compounded

1 annually, for each day that the contributions or monies credited under
2 subsection B of this section are late. Delinquent payments due under this
3 subsection, together with interest charges as provided in this subsection
4 and court costs, may be recovered by action in a court of competent
5 jurisdiction against the person or persons responsible for the payments
6 or, at the request of the board, may be deducted from any other monies,
7 including excise revenue taxes, payable to a political subdivision by any
8 department or agency of this state. If requested by the board, the state,
9 county treasurers or clerks of the superior court shall transfer the
10 monies credited under subsection B of this section, in an amount
11 determined by the board, directly to the qualified governmental excess
12 benefit arrangement established pursuant to section 38-803.01.

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

29 G. The amount contributed by a member pursuant to subsection A of
30 this section is:

31 1. Through June 30, 2011, seven ~~per cent~~ PERCENT of the member's
32 gross salary.

33 2. For fiscal year 2011-2012, ten ~~per cent~~ PERCENT of the member's
34 gross salary.

35 3. For fiscal year 2012-2013, eleven and one-half ~~per cent~~ PERCENT
36 of the member's gross salary.

37 4. For fiscal year 2013-2014 and each fiscal year thereafter,
38 thirteen ~~per cent~~ PERCENT of the member's gross salary.

39 H. For fiscal year 2011-2012 and each fiscal year thereafter, the
40 amount of the member's contribution that exceeds seven ~~per cent~~ PERCENT of
41 the member's compensation shall not be used to reduce the employer's
42 contributions that are calculated pursuant to subsection C of this
43 section.

1 I. In fiscal years 2013-2014 through 2042-2043, the sum of
2 \$5,000,000 is appropriated in each fiscal year from the state general fund
3 to the elected officials' retirement plan fund to supplement the normal
4 cost plus an amount to amortize the unfunded accrued liability pursuant to
5 subsection C of this section. Monies appropriated pursuant to this
6 subsection shall not be used to pay for an increase in benefits that is
7 otherwise payable to members and shall only be used as specified in this
8 subsection. Monies appropriated pursuant to this subsection are exempt
9 from the provisions of section 35-190 relating to lapsing of
10 appropriations.

11 Sec. 2. Emergency

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