

Summary of 2004 Retirement Legislation

Four bills passed through the Arizona Legislature last session and have been signed into law by Governor Janet Napolitano. Below is a summary of the new provisions that have an impact on the ASRS.

House Bill 2029 - Service Purchase

- Changes the ASRS calculation method used to determine military, other public service or leave of absence service credit from “normal cost” to “actuarial present value.”
- Prohibits the purchase of credited service for time employed in a prison while the member was incarcerated.
- Increases the amount of credited service an active member may receive for active military duty from 48 to 60 months (conforms to Uniformed Services Employment and Reemployment Act).
- Allows a member to use accrued vacation and sick leave compensation paid at termination to purchase service credit on a pre-tax basis.
- Stipulates that the cost of service purchases under the deferred benefit program are based on the greater of the contribution rate or the normal cost in effect at the time of the purchase.
- Excludes service purchase monies from member contributions that are doubled to pay survivor benefits.
- Stipulates that, at the time of employment termination, an employee's accrued vacation, sick leave or overtime pay used to purchase additional service time is nontaxable.
- Permits the purchase of credited service using 401(a) or 403(a) plans through a trustee-to-trustee transfer.
- Makes technical and conforming changes.
- Effective August 25, 2004.

HB 2052 - Retirement Incentive Costs

- Requires an ASRS member employer to pay the amount of the unfunded liability to the ASRS if the employer implements a retirement incentive program that creates an unfunded liability to the ASRS.
- Requires the ASRS to determine the amount of unfunded liability through consultation with its actuary.
- Requires an employer to notify the ASRS if the employer intends to implement a retirement incentive program that may affect ASRS funding.

- Establishes guidelines for the ASRS to collect monies resulting from any unfunded liability.
- Defines “retirement incentive program.”
- Effective July 1, 2005.

HB 2077 – Long Term Disability

- Requires existing employees of new employers to meet the 12-month pre-existing condition limitations that new employees of existing employers are required to meet.
- States that a member will no longer receive benefits if the member refuses to participate in a work rehabilitation program for which the member is reasonably qualified by education, training or experience and that is requested by the insurance company or claims administrator.
- Clarifies that LTD benefits shall be reduced by both primary and dependent Social Security benefits received by the member.
- Requires members eligible for LTD benefits to pursue obtaining Social Security benefits through the appeals process or until the insurance company or claims administrator determines that the member would not be eligible for Social Security disability benefits.
- Modifies the criteria for a member to be considered totally disabled to mean the member has received monthly benefits for 24 months within a five-year period.
- Allows a member on the LTD program to elect to rely on treatment by prayer through spiritual means in accordance with the tenets and practice of a recognized church or religious denomination or Native American traditional medicine without suffering a reduction or suspension of LTD benefits.
- Prohibits an ASRS member convicted of a criminal offense and sentenced to more than six months in any penal institution from receiving LTD benefits for the period of confinement beginning the first day of the month following the first 30 days continuous of the member’s confinement.
- Makes technical and conforming changes.
- Effective August 25, 2004.

HB 2078 - Asset Management

- Modifies the requirements for qualifications of investment managers to include those with no less than three years experience handling institutional investments of at least \$250 million and no less than \$250 million currently under management.
- Effective August 25, 2004.