

## Summary of 2012 Retirement Legislation

The 50th Legislature-Second Regular Session adjourned May 3, 2012.

Below is a brief summary of 2012 legislation that has significant impacts to ASRS members.

To view legislation in its entirety, visit the Arizona Legislature's website at [www.azleg.gov](http://www.azleg.gov).

The General Effective Date for legislation is August 2, 2012, although other dates pertaining to particular bills are noted.

### **House Bill 2264 – Contribution Rate Split Reversion (Laws 2012, Chapter 304)**

ASRS member contributions are reduced to 50 percent of the total contributions, from 53 percent. ASRS employer contributions are increased to 50 percent, from 47 percent. Employers must return employee contributions made in excess of 50 percent during FY2011-2012 to employees by Sept. 30, 2012.

Signed by the governor with an emergency clause; effective May 7, 2012, with some provisions retroactive to July 1, 2011.

### **House Bill 2745 – ASRS Amendments (Laws 2012, Chapter 362)**

#### *Distributions*

- Elimination of the Level Income Alternative as a retirement option for new retirements after July 1, 2013. The Level Income Alternative was an option that allowed retirees to take a larger initial retirement distribution prior to becoming eligible for Social Security, and then a reduced benefit once the retiree qualified for Social Security.
- Modification of the method for calculation of a Partial Lump Sum distribution at retirement. Such distributions will now be based upon straight life annuity calculation rather than the actual annuity option selected by the member.
- Contributions Not Withheld (CNW) payments. The ASRS will not pay the Employer portion of a Contributions Not Withheld payment as a refund or non-retired survivor benefit if the member has not paid their portion of the CNW.

#### *Service Purchase*

- Reduces the credited service requirement that a member must have before initiating a service purchase from 10 years to 5 years for Other Public Service, Leave of Absence (LOA), and Military Service.
  - Revises LOA service purchases to require the member to be an active, disabled, or inactive member who was unable to resume employment because a position was not available at the time of the purchase.
- Revises the Military Service Purchase Statute to conform to Federal law with respect to reserve service time.

#### *Investments*

- Provides for miscellaneous updates to investment statutes to allow the ASRS greater flexibility in asset management.
- Clarifies that various limits placed on investing are measured at market value, and provides that if a limit is reached, an investment manager is not required to sell assets, but shall not make any further investments of that type until the limit is no longer exceeded.

#### *Health Benefit Supplement*

- For new retirees on or after August 2, 2012, ceases payment of the Health Benefit Supplement (HBS) to retirees and disabled members who are covered under an ASRS Employer's "active employee" insurance plan, either as the insured or as a dependent, if the premium paid by the retiree or disabled member is subsidized by the ASRS Employer.

- Defines “subsidized” as a portion of the total premium is paid by the employer, but does not necessarily mean a plan in which the employer uses blended rates to determine the total premium.”

#### *Long-Term Disability Plan*

- Caps disability earnings from the LTD benefit and other statutory sources at 100 percent of the member’s pre-disability salary (the salary ASRS used in determining benefits) for new disabilities on or after August 2, 2012. ASRS shall offset the member’s LTD benefit to meet the cap.
- Requires claims to be supported by “Objective Medical Evidence,” and defines “Objective Medical Evidence” as evidence that establishes facts and conditions, as perceived without distortion by personal feelings, prejudices or interpretations, and shall include x-rays, quantitative tests, laboratory findings, data, records, reports from the attending physician, and reports from a consulting physician, when appropriate.

Signed by the Governor on May 15, 2012; effective on the General Effective date, although some provisions may have a different date as noted.

#### **Senate Bill 1119 – Spousal Consent (Laws 2012, Chapter 88)**

A member of the Arizona State Retirement System who is married must name their current spouse as a beneficiary to receive at least 50 percent of the member's account, and at retirement the member is required to elect a joint and survivor annuity with the spouse as the contingent annuitant. The spouse may consent to a waiver of these requirements by signing and submitting an acknowledgement to ASRS. Applies to ASRS members who retire, or name or change their beneficiary or contingent annuitant on or after July 1, 2013.

Signed by the Governor on March 27, 2012; effective on the General Effective date; to be implemented July 1, 2013.

#### **Senate Bill 1117 – Administration and Accounts Receivables (Laws 2012, Chapter 87)**

Authorizes the ASRS to collect debts by levy on cash at financial institutions and the accrued salary or wages of the debtor and amends administration for accounts receivables for such debt collections. In addition, SB 1117 authorizes the ASRS Director to determine the method of making disbursements and collecting receipts, and removes the requirement that the ASRS send an annual member statement, and instead requires the ASRS to provide an account to each member, which may be electronic.

Signed by the Governor on March 27, 2012; effective on the General Effective date.

#### **House Bill 2662 – New Member Age 65 Opt-out (Laws 2012, Chapter 273)**

Allows a person who is not an active, inactive, disabled, or retired member of the ASRS who is employed by an employer on or after age 65 to opt-out of ASRS membership. Opt-out is permitted until July 1, 2015. The ASRS must report the impact of the opt-outs to the Legislature by December 31, 2014.

Signed by the Governor on April 17, 2012; effective on the General Effective date.

#### **Senate Bill 1194 – Non-participatory Employer Liabilities (Laws 2012, Chapter 79)**

Requires ASRS to allocate a liability to an employer that is no longer participating in the ASRS in order to hold remaining employees and employers harmless.

Signed by the Governor on March 26, 2012; effective January 2, 2013.