

## Summary of 2013 Retirement Legislation

The 51<sup>st</sup> Legislature, First Regular Session adjourned June 14, 2013.

Below is a brief summary of new and revised laws that impact ASRS members, both current and future. 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 September 13, 2013, unless otherwise noted.

### **Senate Bill 1170 – Retirement; ASRS; Amendments. (Laws 2013, Chapter 110)**

This bill was signed by the Governor on April 16, 2013. Provisions are effective on the general effective date, unless otherwise noted.

#### **Provisions**

##### ***Amortization Period***

Requires the past service funding requirement to be amortized over a period that is determined by the Board and consistent with generally accepted actuarial standards, rather than the current rolling 30-year period.

Instructs the Board, when determining the amortization period, to seek to improve the funded status whenever the ASRS Trust Fund is less than 100 percent funded.

##### ***Federal Conforming Changes***

Requires the ASRS to correct annual addition limit excesses using the Employee Plans Compliance Resolution System or future guidance prescribed by the Internal Revenue Service (IRS).

States that once a member has reached a normal retirement date, the member's right to a normal retirement benefit cannot be forfeited by the ASRS or an employer, except as provided by the Felony Forfeiture statute.

Rewrites provisions relating to Internal Revenue Code § 415 limits.

Provides that in addition to a complete termination, upon a *partial* termination of ASRS, the accrued benefit of each member is fully vested and non-forfeitable to the extent then funded.

Defines "applicable mortality table" as the table described in IRS Revenue Ruling 2001-62.

##### ***Spousal Consent Clarification***

Clarifies that a member is not required to name or maintain a current spouse as their beneficiary or elect a joint and survivor annuity if such an action would violate another law, an existing contract or a court order, retroactively to from and after June 30, 2013.

##### ***Member Identity Security***

States that in order to protect a member's identity from fraud, abuse, theft or civil or criminal activity, information about a member is not subject to inspection, except for:

- The member's name
- Membership status (active, inactive, retired)
- Current or most recent employer
- Average monthly compensation used to calculate a retirement benefit
- Credited service on account for an active or inactive member or the credited service used to calculate a retired member's benefit
- Gross pension amount actually paid to a retired member
- Most recent retirement date
- Current account balance for an active or inactive member
- Gross LTD program benefit actually paid to a disabled member
- Amount paid to purchase service
- Amount of service purchased

Prohibits any unredacted record to be inspected that contains a member's SSN, bank account information, address, telephone number, e-mail address, medical records, health insurance information, beneficiary or survivor information, disability information or any information that is protected by any federal or state law. Provisions are effective retroactively to June 30, 2013.

### ***Survivor Benefits***

Removes the requirement that a survivor's benefit must exceed \$5,000 in order to elect an annuity option.

Limits the annuity option a survivor may take to the straight-life option only, if the monthly amount is greater than an amount determined by the ASRS Board (currently \$100 per month).

Eliminates the present value calculation, which is currently only available if the member had reached an early retirement date or had 15 years of service and the designated beneficiary is a spouse, natural or adopted child under 21, or disabled child of any age.

Permits a survivor who elects to take the annuity option to participate in the ASRS's Group Health Insurance program. Note: survivors are not eligible for the Health Benefit Supplement.

Delays the application of survivor benefit changes to new survivors on or after January 1, 2014.

### ***Permanent Benefit Increases***

Eliminates the Permanent Benefit Increase program for members whose membership commences after the general effective date.

### ***Health Insurance Program Self-insurance***

Permits the ASRS Board to establish a self-insured health insurance program if the Board determines that self-insuring would be less expensive and at least as effective as a fully insured plan, while considering the risks and costs.

Permits the ASRS to establish a separate account to administer the self-insured program, and prohibits the ASRS from diverting any part of the account for any other purpose.

Provides that if a self-insurance program is offered, it must offer all health benefits required by Title 20 (state insurance laws).

Provides that if a self-insurance program was no longer offered, the monies in the separate account shall be transferred to another account of ASRS.

### ***Miscellaneous***

Appropriates \$200,000 from the ASRS administration account to the ASRS. The appropriation is non-lapsing.

Makes technical and conforming changes.