

ECONOMIC, SMALL BUSINESS, AND CONSUMER IMPACT STATEMENT¹

TITLE 2. ADMINISTRATION

CHAPTER 8. STATE RETIREMENT SYSTEM BOARD

1. Identification of the rulemaking:

The ASRS needs to clarify approximately four (4) rules within Article 1. R2-8-115 needs to reflect that Ending Payroll Verification may be completed electronically by the employer. The rule also needs to state that the ASRS may require a copy of a government issued ID to verify the identity of a withdrawing member who has been inactive for five or more years and has \$1,000 or more on their account balance. R2-8-118 needs to be amended to clarify that “voluntary additional contributions” refers to contributions that are made pursuant to a service purchase, reinstatement, etc. R2-8-122 needs to be amended to be more concise by referring to the ASRS by the agency acronym and by removing unnecessary language such as “without limitation.” The ASRS needs to amend R2-8-126 subsections (B), (C), and (D) to better clarify for which annuity options each age group is eligible.

With the exception of the ID addition to R2-8-115, the amendments outlined above will clarify the rule language without substantively changing the rules’ requirements, thereby reducing the regulatory burden imposed on the public. Amending R2-8-115 to require ID verification as indicated will prevent potential fraud against the agency by ensuring that the correct person is requesting withdrawal of an inactive member’s account. This rulemaking will help the ASRS control and mitigate possible delays associated with a withdrawal of an inactive member’s account, resulting in the more efficient operation and administration of the ASRS.

a. The conduct and its frequency of occurrence that the rule is designed to change:

Currently, R2-8-115 states that the ASRS provides the Ending Payroll Verification-Withdrawal of Contribution and Termination of Membership form to the member. However, the form is completed by the employer electronically, not the member. This rulemaking will update the rule to reflect current agency practice, which is to provide the form to the employer electronically.

¹ If adequate data are not reasonably available, the agency shall explain the limitations of the data, the methods used in an attempt to obtain the data, and characterize the probable impacts in qualitative terms. (A.R.S. § 41-1055(C)).

In the past fiscal year, approximately ten members who are ten years, or more, older than an ex-spouse have listed that ex-spouse as the contingent annuitant pursuant to a DRO. The ASRS expects more members to list such ex-spouses as contingent annuitants in the future, as more members may become divorced.

Currently, the ASRS does not require any proof of identification for a member who has been inactive for five years or more to withdraw an account balance of \$1000 or more. In CY 2012, 95 members who had been inactive for five or more years requested to refund an account of \$1000 or more. In CY 2013, 77 members met that criteria and 90 members met that criteria in CY 2014.

b. The harm resulting from the conduct the rule is designed to change and the likelihood it will continue to occur if the rule is not changed:

The ASRS spends limited resources determining whether an ex-spouse meets the age limitations for a particular joint-and-survivor annuity option. Moreover, the ASRS expends resources to rectify any issues resulting from distributing funds pursuant to an invalid contingent annuitant. Without this rulemaking, a member who is ten years, or more, older than the ex-spouse, cannot list the ex-spouse as the contingent annuitant regardless of whether it is required by a DRO.

The ASRS spends limited resources to complete a withdrawal on behalf of a member and must expend additional resources to rectify any issues resulting from an improper withdrawal. Without this rulemaking, a person, acting as the member by providing certain information, could request to withdraw an account balance of \$1000, or more, that has been inactive for five years or more, without providing any proof of the person's identity. Improper withdrawals of accounts with \$1000, or more, would impact the fund significantly.

c. The estimated change in frequency of the targeted conduct expected from the rule change:

With this rulemaking, the Ending Payroll Verification-Withdrawal of Contribution and Termination of Membership form will be provided to ASRS employers electronically.

With these amendments, all members who are ten years, or more, older than an ex-spouse will be able to list that ex-spouse as a contingent annuitant, if the ex-spouse was listed as the contingent annuitant prior to divorce and the member submits a DRO that requires the ex-spouse to be listed as the contingent annuitant.

With this rulemaking, all members who are requesting to withdraw an account balance of \$1000, or more, on an account that has been inactive for five, or more, years, must submit a copy of a government issued ID. This ID requirement will help the ASRS ensure that the person requesting the withdrawal is the member entitled to make the request; also, it will prevent these types of improper withdrawals from occurring in the future and adversely affecting the fund.

2. A brief summary of the information included in the economic, small business, and consumer impact statement:

Other than the minimal cost to the ASRS to prepare the rule package, there is little to no economic, small business, or consumer impact. The rules will have minimal economic impact, if any, because the rulemaking simply clarifies requirements that the ASRS enforces in rule already. There may be some additional cost to some members who must provide documentation to verify their identity when specific criteria are present as mentioned above. However, those costs should be minimal because the ASRS will accept a copy of any government issued ID for such verification purposes.

3. The person to contact to submit or request additional data on the information included in the economic, small business, and consumer impact statement:

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4. Persons who will be directly affected by, bear the costs of, or directly benefit from the rulemaking:

In general, all members of the ASRS will be directly affected by, bear the costs of, and directly benefit from this rulemaking. The ASRS incurred the cost of the rulemaking. The ASRS currently has a total membership of approximately 548,987.

Specifically, members requesting to withdraw an account balance of \$1000 or more, which have been inactive for 5 or more years will be directly affected by this rulemaking because they will be required to provide a copy of a government issued ID prior to withdrawing. However, costs will be minimal, as discussed above, because the ASRS will accept a copy of any government issued ID.

Employers will be required to submit the Ending Payroll Verification-Withdrawal of Contribution and Termination of Membership form electronically if a payroll transaction for the member occurred with the ASRS employer within six months before the ASRS provides the withdrawal documents.

All divorcing members and ex-spouses will directly benefit from this rulemaking in that they will be able to divide their marital assets with more flexibility and certainty, as discussed with regard to listing contingent annuitants above.

5. Cost-benefit analysis:

- a. Costs and benefits to state agencies directly affected by the rulemaking including the number of new full-time employees at the implementing agency required to implement and enforce the proposed rule:

ASRS is the only state agency directly affected by the rulemaking. The ASRS has determined that no new full-time employees will be required to implement and enforce the rule.

- b. Costs and benefits to political subdivisions directly affected by the rulemaking:

No political subdivisions are directly affected by the rulemaking.

- c. Costs and benefits to businesses directly affected by the rulemaking:

No businesses are directly affected by the rulemaking.

6. Impact on private and public employment:

The rulemaking will have no impact on private or public employment.

7. Impact on small businesses²:
 - a. Identification of the small business subject to the rulemaking:
No businesses, regardless of size, are subject to the rulemaking.
 - b. Administrative and other costs required for compliance with the rulemaking:
Not applicable
 - c. Description of methods that may be used to reduce the impact on small businesses:
Not applicable
8. Cost and benefit to private persons and consumers who are directly affected by the rulemaking:
All ASRS members are directly affected by the rulemaking. The effect has been previously described above.
9. Probable effects on state revenues:
There will be no effect on state revenues.
10. Less intrusive or less costly alternative methods considered:
The ASRS believes this is the least costly and least intrusive method because it allows for more flexibility and certainty in listing a contingent annuitant for a particular subset of members (i.e. those divorced members who are ten years, or more, older than an ex-spouse and who have a DRO requiring that ex-spouse to be listed as a contingent annuitant). Similarly, the ID requirement discussed above provides more security to ASRS members by ensuring that those types of improper withdrawals are not made. As discussed above, the cost is minimal because the ASRS will accept a copy of any government issued ID.

² Small business has the meaning specified in A.R.S. § 41-1001(20).