



Arizona State Retirement System

EXTERNAL AFFAIRS COMMITTEE

February 19, 2015



Arizona State Retirement
SYSTEM

A COMPONENT UNIT OF THE STATE OF ARIZONA ■ DELIVERING SERVICE WITH PRIDE

HOW...

ASRS Employees Deliver Service With PRIDE!

PROFESSIONALISM

We promote, strive for and expect individuals, teams, and divisions to possess professional qualities and skills to lead the organization.

- Displays a friendly, respectful and courteous demeanor even when confronted by adversity
- Has proactive and responsive approach to internal and external customer needs
- Possesses good communication and active listening skills
- Is a trusted contributor (manager, leader, SME, analyst, teammate)
- Takes personal accountability • Has subject matter expertise
- Has critical thinking skills • Has an honest, fair, non-judgmental mind-set
- Is adaptable to beneficial change • Adheres to the ASRS Code of Conduct

RESULTS

We treasure the achievements of individuals, teams, divisions and the agency that energize the organization.

- Meets goals and objectives
- Completes projects
- Produces quality work products
- Satisfies customers
- Attains individual accomplishments
- Manages risks successfully

IMPROVEMENT

We appreciate individuals, teams or divisions who drive the agency forward with new, innovative ideas and solutions.

- Promotes new ideas
- Enhances outcomes and performance
- Solves problems
- Enhances morale
- Improves relationships
- Increases efficiency, effectiveness or reduces costs

DIVERSITY

We recognize that utilizing different talents, strengths and points of view, strengthens the agency and helps propel outcomes greater than the sum of individual contributors.

- Encourages an attitude of openness and a free flow of ideas and opinions
- Treats others with dignity and respect
- Works effectively to accomplish goals with teams comprised of dissimilar individuals
- Recognizes and promotes skills in others attained on and off the job

EXCELLENCE

We celebrate individuals, teams and divisions who exceed expectations and deliver service with a PRIDE that permeates the organization.

- Surpasses member, stakeholder and associate expectations
- Demonstrates a willingness to go the extra mile to engender a positive public image
- Embraces change in a manner that inspires others
- Accepts responsibility and challenges with enthusiasm
- Takes a personal interest in promoting teamwork through effective use of communication (verbal, non-verbal, written and technological techniques)
- Creates a motivated, healthy and productive work environment that celebrates and rewards the accomplishments of others



**ARIZONA STATE
RETIREMENT SYSTEM**



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

AGENDA NOTICE OF PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM EXTERNAL AFFAIRS COMMITTEE

3300 North Central Avenue, 14th Floor Conference Room
Phoenix, AZ 85012

February 19, 2015
9:00 A.M. Arizona Time

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the Trustees of the Arizona State Retirement System (ASRS) External Affairs Committee (EAC) and to the general public that the ASRS External Affairs Committee will meet on February 19, beginning at 9:00 A.M. in the 14th Floor Conference Room of the ASRS office, 3300 North Central Avenue, Phoenix, AZ, 85012. Trustees of the Board Committee may attend either in person or by telephone conference call.

This is a scheduled meeting of the EAC; however, due to possible attendance by other ASRS Board Trustees, this meeting may technically become a meeting of the ASRS Board or one of its committees. Actions taken will be consistent with EAC governance procedures, and no business of the Board will be transacted. Actions requiring Board authority will be presented to the full Board for final decision.

The Chair may take public comment during any agenda item. If a member of the public wishes to speak to a particular agenda item, he or she should complete a Request to Speak form indicating the item and provide it to the Committee administrator.

This meeting will be teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710. The conference call to Tucson will be disconnected after 15 minutes if there are no attendees in the Tucson audience.

The Agenda for the meeting is as follows:

1. Call to Order; Roll Call; Opening Remarks..... Dr. Richard Jacob
Acting Chair, External Affairs Committee

Regarding the following agenda item, pursuant to A.R.S. § 38-431.03(A)(2), notice is hereby given to Trustees of the ASRS External Affairs Committee and the general public that the ASRS External Affairs Committee may vote to go into executive session, which will not be open to the public, for the purpose of discussion or consideration of records exempt by law from public inspection.

2. Approval of the Public Meeting Minutes and Executive Session Meeting Minutes of the January 27, 2015 EAC Meeting..... Dr. Richard Jacob



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Paul Matson
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SUMMARY OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM EXTERNAL AFFAIRS COMMITTEE

HELD ON
January 27, 2015
4:00 p.m., Arizona Time

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Brian McNeil, Chair, called the meeting to order at 4:00 p.m., Arizona Time.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Brian McNeil, Chair – Via Teleconference
Mr. Tom Manos – Via Teleconference
Mr. Kevin McCarthy – Via Teleconference
Dr. Richard Jacob, Vice Chair – Via Teleconference

A quorum was present for the purpose of conducting business.

2. Approval of Minutes of the December 17, 2014 EAC Meeting

Motion: Mr. Kevin McCarthy moved to approve the minutes of the December 17, 2014 EAC meeting. Mr. Tom Manos seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstained, and 0 excused, the minutes were approved.

3. Presentation, Discussion and Appropriate Action Regarding Legislative initiatives and Legislative Update

Mr. Patrick Klein, Assistant Director, External Affairs Division, introduced Mr. Nicholas Ponder, Government Relations Officer, who discussed the bills presented at the January 30, 2015 ASRS Board Meeting, and stated the intent of the January 27, 2015 EAC meeting was to discuss one bill and two additional legislative issues. Mr. Ponder directed the committee's attention to the Bill Tracker and HB 2137, sponsored by Representative

McCune Davis. Mr. Ponder explained that the purpose of HB 2137 is to reduce the percentage which would trigger payment of an unfunded liability to the ASRS if there is an increase in compensation of greater than 30% and that increase is the result of an employer's termination program. In addition to reducing the percentage threshold from 30% to 15%, the word "promotion" would be redefined within the statute as a true change in position, job duties, and job title from the position occupied by the member before the ASRS retirement.

Dr. Richard Jacob raised a question pertaining to the impact HB 2137 would potentially have on teachers who extend their contracts five years from retirement. He requested an update at a future date.

Mr. Ponder discussed two additional legislative initiatives: the first specifically addressed ASRS membership and charging employers an ACR should employers attempt to extract themselves from or circumvent ASRS membership. The Arizona Board of Regents and Arizona State University have set a 2017 deadline for offering an alternate retirement plan that would limit or reduce membership in the ASRS. As a result, the staff would like to suggest that the EAC recommend to the full Board that the ASRS address this issue in the 2015 Legislative Session by requesting to charge an ACR to employers who are moving employees away from the ASRS and who would otherwise have been contributing members. Mr. Ponder explained the ASRS having the ability to charge an ACR would protect the plan from the potential mass departures.

Mr. Kevin McCarthy and Mr. Tom Manos suggested that Mr. Paul Matson, ASRS Director, appropriate members of the Board, and the Board of Regents schedule a meeting to discuss what ASU's intended plan is, who would be eligible and how it would impact the ASRS. Mr. Brian McNeil requested that ASRS staff continue to work on a draft and schedule these meetings as quickly as possible.

Ms. Jothi Beljan, Assistant Attorney General, recommended the Committee move to Executive Session for the purposes of obtaining legal advice regarding service purchase statute amendments and proposed legislation addressing interest.

Motion: Mr. Kevin McCarthy moved that the External Affairs Committee go into Executive Session for the purpose of obtaining legal advice regarding issues pertaining to Service Purchase and issues relating to interest paid on overpayments or charged on underpayments. Mr. Tom Manos seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstained, and 0 excused, the motion was approved.

The External Affairs Committee recessed from the Public meeting at 4:23 p.m.

The External Affairs Committee reconvened to Public Session at 4:47 p.m.

Motion: Mr. Tom Manos moved that the External Affairs Committee approve the two additional legislative initiatives (see attached) and recommend that the full Board approve the additional legislative items including Service Purchase and interest language to Arizona Revised Statute § 38-765 and Staff to make all language changes and negotiate as necessary

NEW PROPOSED ASRS LEGISLATIVE INITIATIVES

1. Addressing membership and charging employers an ACR should employers attempt to extract themselves from or circumvent ASRS membership.

In recent weeks the ASRS has become aware of an effort by some parties within the Arizona Board of Regents and Arizona State University to allow each university to create its own retirement plan. Each of the universities currently participates in their own respective Optional Retirement Plan and, presumably, the university plan could be the ORP or new plan. This retirement/savings plan would be open to all eligible university employees. The motivation by the Board of Regents appears to be the contribution rate paid to the ASRS.

OPTION: Draft a statute that would require that an ACR be paid for each employee who is no longer filling an ASRS contributing position.

2. Addressing issues that arose from SB1609 in 2011 that limited Service Purchase to a total of 60 months of service. The ASRS recently was denied its request for review from the Arizona Supreme Court regarding whether Service Purchase is a benefit protected by Article XXIX of the Arizona Constitution.

As a result of the High Court's decision not to review this case, it is now law that anyone with an ASRS membership date prior to July 20, 2011 is eligible to purchase unlimited service. The court's decision did not address those who become ASRS members on or after July 20, 2011. Those employees may only purchase a total of 60 months of service.

NOTE: Another service purchase issue that originated in 2009 with HB2118 was a change to §38-743 stating that, as of July 1, 2010, a member of ASRS must have 5 years of credited service in order to request a service purchase. In 2011, SB1609 changed that requirement to ten years but, then in 2012, HB2745 reduced the requirement back to five years.

OPTION: Request legislation this year that would address the legal issues surrounding these two statutory issues. The statute would read something like this:

38-743(A): If an active member of ASRS or a member who is receiving benefits pursuant to section 38-797.07 was previously employed by the United States government, a state, territory, commonwealth, overseas possession or insular area of the United States or a political subdivision of a state, territory, commonwealth, overseas possession or insular area of the United States, excluding any time worked for a prison while the member was incarcerated, the member may receive ~~up to sixty months of~~ credited service for this prior employment if the member pays into ASRS the amount prescribed in subsection B of this section, **IF THE MEMBER'S MOST RECENT MEMBERSHIP DATE IS ON OR**

AFTER JULY 20, 2011 THE MEMBER MAY RECEIVE UP TO SIXTY MONTHS OF CREDITED SERVICE. *[This language would be replicated in 38-744(A)(4), & 38-745(E)]*

38-743(D): IF A MEMBER'S MOST RECENT MEMBERSHIP DATE IS ON OR AFTER JULY 1, 2010, a member must have at least five years of credited service in ASRS before electing to receive credit for service pursuant to this section. *[This language would be replicated in 38-744(D), & 38-745(A)(3)]*

3. Address issues relating to interest paid on overpayments or charged on underpayments. A.R.S. § 38-765.



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Paul Matson
Director

TO: The Arizona State Retirement System (ASRS) External Affairs Committee

FROM: Mr. Patrick M. Klein, Assistant Director, External Affairs Division
Mr. Nick Ponder, Government Relations Officer

DATE: February 19, 2015

RE: **AGENDA ITEM NO. 3:** Presentation, Discussion and Appropriate Action with Respect to Legislative Initiatives and Legislative Update

Purpose:

To discuss the ASRS 2015 legislative initiatives and other legislation that may affect the ASRS.

Recommendation:

Informational only; no action required.

Background:

The 2015 Legislative Session began on January 12, 2015. The link to the most up-to-date bill tracker can be found at any time at: <https://www.azasrs.gov/web/Legislation.do>. Staff will provide a hard copy to Trustees and the public on the day of the Committee meeting.

Attachment



ASRS Bill Tracker 2015 Legislative Session

52nd Legislature - 1st Regular Session, 2015

Tuesday, Feb 17 2015 2:05 PM

Bill summaries and histories copyright 2015 Arizona Capitol Reports, L.L.C.

ASRS Bill Tracker

Posted Calendars and Committee Hearings

H2338: ASRS; DISABILITY PROGRAM

Calendar: 2/17 House Caucus

Calendar: 2/19 House Consent

H2339: ASRS; RULES

Calendar: 2/17 House Caucus

Calendar: 2/19 House Consent

H2351: PSPRS; FIRE CHIEFS; ELIGIBILITY

Hearing: House Military Affairs & Public Safety (Thursday 02/19/15 at 9:00 AM, House Rm. 5)

S1119: TECH CORRECTION; DISTRIBUTION OF REVENUES

Calendar: 2/17 Senate Caucus

ASRS Sponsored Bills

Bill Summaries

H2338: ASRS; DISABILITY PROGRAM

[Questions/Comments](#)

For the purpose of participation in the Arizona State Retirement System Long-Term Disability Program, a member must develop a disability, instead of a "total" disability.

First sponsor: Rep. Fann

Categories: ASRS Sponsored Bills

General Comments (all lists):

HB2338 is part of the ASRS's 2015 Legislative Initiatives.

ASRS Staff Summary:

Provisions

- The ASRS would like to remove the word "total" when it precedes the word "disability" within A.R.S. § 38-797.07.
- The definition of disability for ASRS purposes is that one cannot be able to do the job they had at the time they became disabled, otherwise known as "own occupation". If they meet that qualification they are eligible for disability for up to 30 months, the 30 months includes a 6 month waiting period and 24 months of LTD benefits. After 30 months the individual is

reassessed to determine if they are able to do any job after 30 months. If it is determined they cannot the member will then continue on disability.

- The ASRS believes that by removing the word "total" we are clarifying the statute for our members so that one doesn't believe they need to be totally disabled or incapacitated in order to qualify for disability benefits.

H2338 Daily History	Date	Action
ASRS; DISABILITY PROGRAM	2/16	from House rules okay. To House consent calendar.
ASRS; DISABILITY PROGRAM	2/12	from House gov-higher ed do pass.
ASRS; DISABILITY PROGRAM	1/27	referred to House gov-higher ed.

H2339: ASRS; RULES

[Questions/Comments](#)

The Arizona State Retirement System is required to make specified information concerning a member's account accessible to the member in written or electronic form, instead of being required to furnish an account to each member subject to rules prescribed by the ASRS Board.

First sponsor: Rep. Fann

Categories: ASRS Sponsored Bills

General Comments (all lists):

HB2339 is part of the ASRS's 2015 Legislative Initiatives.

ASRS Staff Summary:

Provisions

- In a recent sunset audit performed by the Office of the Auditor General it was discovered that there are two ASRS statutes that require rules, A.R.S. § 38-703 & § 38-755, however we do not have rules on these items.
- From A.R.S. § 38-703 remove the words "provided in rules". This statute addresses requires adopting rules on what constitutes an acceptable Social Security Section 218 Agreement to extend voluntary Social Security coverage to a state or a political subdivision of a state. The authority to determine what is an acceptable Social Security Section 218 Agreement is the sole authority of the federal Social Security Administration. As a result it would be improper for the ASRS to create rules on an item for which they do not have authority.
- From A.R.S. § 38-755 remove the words, "Subject to rules prescribed by the board". This statute addresses the form in which member statements should be provided to our members. The ASRS does not believe this item requires rules and as a result we have requested for the language to be removed.

H2339 Daily History	Date	Action
ASRS; RULES	2/16	from House rules okay. To House consent calendar.
ASRS; RULES	2/12	from House gov-higher ed do pass.
ASRS; RULES	1/27	referred to House gov-higher ed.

H2340: ASRS; LTD PROGRAM; LIABILITY

[Questions/Comments](#)

Statutes governing the Arizona State Retirement System Long-Term Disability Program do not provide any private right or cause of action to or on behalf of any ASRS member or employer. ASRS, the ASRS Board, and ASRS employees are indemnified against liability for any action taken in the performance of their powers and duties.

First sponsor: Rep. Fann

Categories: ASRS Sponsored Bills

General Comments (all lists):

HB2340 is part of the ASRS's 2015 Legislative Initiatives.

ASRS Staff Summary:

Provisions

- The ASRS is asking the legislature to provide the ASRS with protection from legal claims against the agency or our Long Term Disability (LTD) program relating to the denial of benefits.
- All Employee Retirement Income Security Act (ERISA) of 1974 private retirement plans are provided this protection through their LTD programs and the ASRS would like the same protection.
 - ERISA "shall supersede any and all State laws insofar as they may now or hereafter relate to any employee benefit plan" ERISA § 514(a), 29 U.S.C. § 1144(a). A saving clause then provides that some state laws are not preempted: "nothing in this subchapter shall be construed to exempt or relieve any person from any law of any State which regulates insurance, banking, or securities." ERISA § 514(b)(2)(A), 29 U.S.C. § 1144(b)(2)(A).
- The ASRS does not believe that a governmental retirement plan should be held to a higher standard of liability than a private plan protected by ERISA therefore we have asked the legislature to provide us with similar protections.
- In a United States Supreme Court case *Pilot Life Insurance Co. v. Dedeaux (1987)* the court ruled that the ERISA language protected the plan from bad faith claims because there was a remediation process within the plan in the event the member is denied an LTD claim. Ther ASRS also has a remediation process outlined in A.R.S. § 38-714(E)(1) as well as in A.A.C. R2-8-401 through 405.

H2340 Daily History	Date	Action
No actions posted for this bill.		

S1095: COMMUNITY COLLEGES; OPTIONAL RETIREMENT PLANS [Questions/Comments](#)

Employees of a community college district who are members of the Arizona State Retirement System and who elect to participate in an optional retirement plan established by the community college district board may only have existing contributions transferred to the optional retirement plan if they are a nonretired ASRS member. AS PASSED SENATE.

First sponsor: Sen. Lesko

Categories: ASRS Sponsored Bills

General Comments (all lists):

SB1095 is part of the ASRS's 2015 Legislative Initiatives.

ASRS Staff Summary:

Provisions

- A.R.S. § 15-1451 allows Community College Districts to establish an Optional Retirement Plan and offer said plan to employees of the district.
- The law states that the ASRS must transfer the account of an ASRS member to the Optional Retirement Plan in the event that individual joins the plan.
- In the event the individual is retired, the ASRS has no ability to stop an individuals pension, other than under A.R.S. § 38-766 for return to work, and we do not have a method for transferring the account of a retired member.
- We have asked that the words "nonretired" be included in the statute where the law will now read "D. If an employee who is a **NON-RETIRED** member of the Arizona state retirement system ... the Arizona state retirement system shall transfer the employee's contributions ... to the optional retirement program."

S1095 Daily History	Date	Action
COMMUNITY COLLEGES; OPTIONAL RETIREMENT PLANS	2/9	passed Senate <u>29-0</u> ; ready for House.

COMMUNITY COLLEGES; OPTIONAL RETIREMENT PLANS	2/5	Senate COW approved with floor amend #4078 .
COMMUNITY COLLEGES; OPTIONAL RETIREMENT PLANS	2/3	from Senate rules okay.
COMMUNITY COLLEGES; OPTIONAL RETIREMENT PLANS	1/28	from Senate fin do pass.
COMMUNITY COLLEGES; OPTIONAL RETIREMENT PLANS	1/21	referred to Senate fin.

S1096: ASRS; ACTUARIAL VALUATION METHOD

[Questions/Comments](#)

Beginning June 30, 2016, the Arizona State Retirement System Board is required to determine which of the generally accepted actuarial cost methods will be used in the annual actuarial valuation of the ASRS plan, which is used to determine contribution rates. The projected unit credit method must continue to be used through June 29, 2016.

First sponsor: Sen. Lesko

Categories: ASRS Sponsored Bills

General Comments (all lists):

SB1096 is part of the ASRS's 2015 Legislative Initiatives.

ASRS Staff Summary:

Provisions

- Currently the ASRS is, and has been since 1989, using the Projected Unit Credit (PUC) Actuarial Valuation Method for determining annual contribution rates for employees and employers.
- With the implementation of the Governmental Accounting Standards Board (GASB) 67 regulations, for accounting purposes only, all pension plans are required to calculate funded status using the Entry Age Normal (EAN) Actuarial Valuation Method.
- As a result, the ASRS is now carrying two sets of books, one for the actuarial valuation required by statute and one for account purposes required by GASB.
- We are asking the legislature to allow the ASRS Board to switch the actuarial valuation method on or after June 30, 2016.
- A switch from PUC to EAN would result in a reduction in contribution rates of approximately 50 basis points.

S1096 Daily History	Date	Action
ASRS; ACTUARIAL VALUATION METHOD	2/9	passed Senate 29-0 ; ready for House.
ASRS; ACTUARIAL VALUATION METHOD	2/3	from Senate rules okay. To Senate consent calendar.
ASRS; ACTUARIAL VALUATION METHOD	1/28	from Senate fin do pass.
ASRS; ACTUARIAL VALUATION METHOD	1/21	referred to Senate fin.

S1097: ASRS; HEALTH INSURANCE BENEFITS

[Questions/Comments](#)

If a member of the Arizona State Retirement System who is eligible for health insurance premium assistance forfeits the member's interest in the account before the termination of ASRS, an amount equal to the forfeiture must be applied as soon as possible to reduce employer contributions to fund premium assistance benefits. Retroactive to July 1, 2013.

First sponsor: Sen. Lesko

Categories: ASRS Sponsored Bills

General Comments (all lists):

SB1097 is part of the ASRS's 2015 Legislative Initiatives.

ASRS Staff Summary:

Provisions

- This item was proposed by outside tax counsel and is a requirement in order to obtain a favorable determination letter from the Internal Revenue Service.

- Requires, retroactive to July 1, 2013, application of an amount equal to the amount of forfeiture of interest to be applied as soon as possible to reduce employer contributions to fund benefits, if a member who is eligible for benefits forfeits the member's interest in the account before the termination of the plan.

S1097 Daily History	Date	Action
ASRS; HEALTH INSURANCE BENEFITS	2/9	passed Senate <u>29-0</u> ; ready for House.
ASRS; HEALTH INSURANCE BENEFITS	2/3	from Senate rules okay. To Senate consent calendar.
ASRS; HEALTH INSURANCE BENEFITS	1/28	from Senate fin do pass.
ASRS; HEALTH INSURANCE BENEFITS	1/21	referred to Senate fin.

S1119: TECH CORRECTION; DISTRIBUTION OF REVENUES

[Questions/Comments](#)

Minor change in Title 42 (Taxation) related to distribution of revenues. Apparent striker bus.

First sponsor: Sen. Lesko

Categories: ASRS Sponsored Bills

General Comments (all lists):

SB1119 is part of the ASRS's 2015 Legislative Initiatives, which approved this additional item at the January 30, 2015 Board of Trustees Meeting.

ASRS Staff Summary:

Provisions

- Modify A.R.S. § 38-743, § 38-744, and § 38-745 to reflect the Superior Court decision that Service Purchase is a contractual right protected by Article XXIX of the Arizona Constitution and thus cannot be restricted after one begins participating in ASRS. The proposal will create two tiers, one for those with a membership date before 07/20/2011 and one for those with a membership date on or after 07/20/2011. For those appointed on or after 07/20/2011 they will be limited to purchasing a total of 60 months of credited service.
- In addition to the limitation above, the ASRS would like to also make a modification to the service purchase statutes originally changed in 2010. Prior to July 1, 2010 a member could purchase eligible service regardless of the amount of credited service that member had accrued. However, on 07/01/2010 the law changed requiring a member to have a prerequisite of 5 years of credited service before they could initiate a service purchase request. The proposal would also create two tiers regarding the prerequisite by stating that individuals with a membership date on or after 07/01/2010 must have 5 years of credited service in order to initiate a service purchase request.

S1119 Daily History	Date	Action
TECH CORRECTION; DISTRIBUTION OF REVENUES	2/12	from Senate fin with amend <u>#4125</u> .
TECH CORRECTION; DISTRIBUTION OF REVENUES	2/11	Senate fin amended; report awaited.
TECH CORRECTION; DISTRIBUTION OF REVENUES	2/5	further referred to Senate fin.
TECH CORRECTION; DISTRIBUTION OF REVENUES	1/22	referred to Senate rules only.

Non-ASRS Sponsored Bills

Bill Summaries

H2137: ASRS; EMPLOYER TERMINATION INCENTIVE PROGRAM

[Questions/Comments](#)

For the purpose of statute requiring an ASRS employer to pay the amount of unfunded liability to ASRS resulting from a termination incentive program offered by that employer, the definition of "termination incentive program" means a total increase in compensation of 15 percent or more, decreased from 30 percent or more, given to a member in any year or years before termination that are ultimately used to calculate the member's retirement benefits, and the definition of "promotion" means a true change in position, job duties and job title from the position occupied by the member before ASRS retirement.

First sponsor: Rep. McCune Davis

Categories: Non-ASRS Sponsored Bills

General Comments (all lists):

HB2137

Provisions

- Reduces the threshold, from thirty percent to fifteen percent, for salary increases wherein an employer is required to pay the unfunded liability to the ASRS, excluding promotions.
- Defines promotions as a true change in job duties, job title, and position held.
- This is an effort to stem potential salary spiking.

<u>H2137</u> Daily History	Date	Action
ASRS; EMPLOYER TERMINATION INCENTIVE PROGRAM	1/29	referred to House gov-higher ed.

H2351: PSPRS; FIRE CHIEFS; ELIGIBILITY

[Questions/Comments](#)

Beginning retroactively to January 1, 2009, a fire chief is included in the definition of "member" of the Public Safety Personnel Retirement System only if the fire chief is "regularly assigned to hazardous duty" (defined) as determined by the local board, unless the fire chief is already a member of the system. Emergency clause.

First sponsor: Rep. Fann

Categories: Non-ASRS Sponsored Bills

General Comments (all lists):

HB2351

Provisions

- In 2012 the legislature passed SB1423 which in A.R.S. § 38-842 defined a member of PSPRS as "beginning retroactively to January 1, 2009, who is a police chief or fire chief."
- This legislative item would propose to change that statute for fire chiefs only by saying that they would be a member of PSPRS if they perform hazardous duty, as determined by that individuals local board.
- In other words, the board would determine if the individuals job is hazardous and if it is that individual would become a member of PSPRS, however if the job was non-hazardous that individual would become a member of ASRS.

<u>H2351</u> Daily History	Date	Action
PSPRS; FIRE CHIEFS; ELIGIBILITY	2/12	from House gov-higher ed do pass.
PSPRS; FIRE CHIEFS; ELIGIBILITY	1/29	referred to House gov-higher ed, mil-pub.

S1121: ASRS; PARTICIPATION OPT OUT; CONTINUATION

[Questions/Comments](#)

Persons meeting specified requirements are authorized to elect not to participate in the Arizona State Retirement System at any time, instead of only until July 1, 2015. Emergency clause.

First sponsor: Sen. Lesko

Categories: Non-ASRS Sponsored Bills

General Comments (all lists):

SB1121

Provisions

- In 2012 the legislature passed HB2662 which allowed individuals who were 65 years of age or older to opt-out of ASRS membership so long as they had not previously held ASRS membership.
- The original bill said members must make this election before July 1, 2015, thereby effectively ending this option at that time.
- Part of the session law required the ASRS to provide a report to the legislature by December 31, 2014 indicating 1) the number of employees who elected not to participate, 2) the actuarial impact, 3) the administrative impact, and 4) recommendations from the ASRS and participating employers about the feasibility of continuing the opportunity for this election by employees.
- Based upon the report provided to the legislature as well as the ASRS indication that there was a de minimis effect on the plan the legislature elected to remove the words "before July 1, 2015" from the statute thereby allowing anyone 65 and older to opt-out as long as they have not had prior ASRS membership.

S1121 Daily History	Date	Action
ASRS; PARTICIPATION OPT OUT; CONTINUATION	2/9	passed Senate <u>29-0</u> ; ready for House.
ASRS; PARTICIPATION OPT OUT; CONTINUATION	2/3	from Senate rules okay. To Senate consent calendar.
ASRS; PARTICIPATION OPT OUT; CONTINUATION	1/28	from Senate fin do pass.
ASRS; PARTICIPATION OPT OUT; CONTINUATION	1/22	referred to Senate fin.

S1379: ASU; PUBLIC ENTERPRISE UNIVERSITY

[Questions/Comments](#)

Arizona State University is designated "the Arizona Public Enterprise University" (defined) and the Arizona Board of Regents is authorized to modify the governing structure of ASU to reestablish it as an autonomous, quasi-public, nonprofit corporate entity. ASU is authorized to establish its own personnel system and its own health insurance plan for employees.

First sponsor: Sen. Dial

Categories: Non-ASRS Sponsored Bills

S1379 Daily History	Date	Action
ASU; PUBLIC ENTERPRISE UNIVERSITY	2/3	referred to Senate educ, fin.

PSPRS/CORP/EORP Bills

Bill Summaries

S1054: CORP; HELATH BENEFITS; RETIREMENT BENEFITS

[Questions/Comments](#)

If a member of the Corrections Officer Retirement Plan who is eligible for group health and accident coverage benefits forfeits his/her interest in the account before the termination of the plan, an amount equal to the amount of the forfeiture must be applied as soon as possible to reduce employer contributions to fund the benefits. Retroactive to September 27, 1990. Also, lump sum payments made for an increase in retirement benefits under specified conditions are no longer eligible for a direct rollover distribution.

First sponsor: Sen. Lesko

Categories: PSPRS/CORP/EORP Bills

S1054 Daily History	Date	Action
CORP; HELATH BENEFITS; RETIREMENT BENEFITS	1/29	passed Senate <u>28-0</u> ; ready for House.
CORP; HELATH BENEFITS; RETIREMENT BENEFITS	1/27	from Senate rules okay.
CORP; HELATH BENEFITS; RETIREMENT BENEFITS	1/26	to Senate consent calendar.
CORP; HELATH BENEFITS; RETIREMENT BENEFITS	1/21	from Senate fin do pass.
CORP; HELATH BENEFITS; RETIREMENT BENEFITS	1/14	referred to Senate fin.

S1055: EORP; HEALTH BENEFITS; RETIREMENT BENEFITS

[Questions/Comments](#)

If a member of the Elected Officials' Retirement Plan who is eligible for group health and accident coverage benefits forfeits his/her interest in the account before the termination of the

plan, an amount equal to the amount of the forfeiture must be applied as soon as possible to reduce employer contributions to fund the benefits. Retroactive to May 16, 1990. Also, lump sum payments made for an increase in retirement benefits under specified conditions are no longer eligible for a direct rollover distribution.

First sponsor: Sen. Lesko

Categories: PSPRS/CORP/EORP Bills

S1055 Daily History	Date	Action
EORP; HEALTH BENEFITS; RETIREMENT BENEFITS	1/29	passed Senate <u>28-0</u> ; ready for House.
EORP; HEALTH BENEFITS; RETIREMENT BENEFITS	1/27	from Senate rules okay.
EORP; HEALTH BENEFITS; RETIREMENT BENEFITS	1/26	to Senate consent calendar.
EORP; HEALTH BENEFITS; RETIREMENT BENEFITS	1/21	from Senate fin do pass.
EORP; HEALTH BENEFITS; RETIREMENT BENEFITS	1/14	referred to Senate fin.

S1057: PSPRS; HEALTH BENEFITS; RETIRMENT BENEFITS

[Questions/Comments](#)

If a member of the Public Safety Personnel Retirement System who is eligible for group health and accident coverage benefits forfeits his/her interest in the account before the termination of the plan, an amount equal to the amount of the forfeiture must be applied as soon as possible to reduce employer contributions to fund the benefits. Retroactive to September 30, 1988. Also, lump sum payments made for an increase in retirement benefits under specified conditions are no longer eligible for a direct rollover distribution.

First sponsor: Sen. Lesko

Categories: PSPRS/CORP/EORP Bills

S1057 Daily History	Date	Action
PSPRS; HEALTH BENEFITS; RETIRMENT BENEFITS	1/29	passed Senate <u>28-0</u> ; ready for House.
PSPRS; HEALTH BENEFITS; RETIRMENT BENEFITS	1/27	from Senate rules okay.
PSPRS; HEALTH BENEFITS; RETIRMENT BENEFITS	1/26	to Senate consent calendar.
PSPRS; HEALTH BENEFITS; RETIRMENT BENEFITS	1/21	from Senate fin do pass.
PSPRS; HEALTH BENEFITS; RETIRMENT BENEFITS	1/14	referred to Senate fin.

S1058: CORP; NONDESIGNATED POSITIONS

[Questions/Comments](#)

The Corrections Officer Retirement Plan local board of the judiciary is authorized to specify a designated position within the department as a nondesignated position if the position is filled by an employee with at least 5 years of credited service under the Arizona State Retirement System and who makes a written request to the local board to do so within 90 days of accepting the position. Session law specifies that existing employees who meet these qualifications may submit a written request within 90 days after the effective date of this legislation.

First sponsor: Sen. Griffin

Categories: PSPRS/CORP/EORP Bills

S1058 Daily History	Date	Action
CORP; NONDESIGNATED POSITIONS	1/29	passed Senate <u>28-0</u> ; ready for House.
CORP; NONDESIGNATED POSITIONS	1/27	from Senate rules okay.
CORP; NONDESIGNATED POSITIONS	1/26	to Senate consent calendar.
CORP; NONDESIGNATED POSITIONS	1/21	from Senate fin do pass.
CORP; NONDESIGNATED POSITIONS	1/14	referred to Senate fin.

(No Category Assigned)

Bill Summaries

H2297: STATE AGENCY RULEMAKING; RESTRICTIONS

[Questions/Comments](#)

State agencies are prohibited from adopting any new rule that would increase existing regulatory restraints or burdens on the free exercise of property rights or the freedom to

engage in an otherwise lawful business or occupation, unless the rule is a component of a comprehensive effort to reduce regulatory restraints or burdens or is strictly ministerial in implementing legislation standards. Some exceptions. Any person subject to a civil or criminal proceeding arising from the enforcement of a rule in violation has a defense to the enforcement action.

First sponsor: Rep. E. Farnsworth

Categories:

<u>H2297</u> Daily History	Date	Action
STATE AGENCY RULEMAKING; RESTRICTIONS	2/16	from House gov-higher ed do pass.
STATE AGENCY RULEMAKING; RESTRICTIONS	2/12	House gov-higher ed do pass; report awaited.
STATE AGENCY RULEMAKING; RESTRICTIONS	1/27	referred to House gov-higher ed.



ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson
Director*

TO: The Arizona State Retirement System (ASRS) External Affairs Committee

FROM: Mr. Patrick M. Klein, Assistant Director, External Affairs Division
Ms. Jessica Ross, ASRS Rule Writer

DATE: February 19, 2015

RE: **AGENDA ITEM NO. 4:** Presentation, Discussion and Appropriate Action with Respect to an update on the Governor's Rulemaking Moratorium.

Purpose:

To provide an update on the Governor's Rulemaking Moratorium.

Recommendation:

No action required, information only.

Background:

Governor Ducey issued an Executive Order that, in effect, continued Governor Brewer's rulemaking moratorium. Governor Ducey's order included some of the same exceptions that would allow agency rulemakings to continue as well as some additional requirements for reporting and requesting authority to pursue rulemakings.

Attachment

**ARIZONA STATE RETIREMENT SYSTEM (ASRS)
REGULATORY AGENDA FOR 2015**

Pursuant to A.R.S. § 41-1021.02, the ASRS prepared a regulatory agenda for the 2015 calendar year. Pursuant to A.R.S. § 41-1021.02(D), the ASRS may undertake a rulemaking even if the rulemaking is not included in the annual regulatory agenda.

Rulemakings Expected During 2015

Identification of Rulemaking	Notice of Docket Opening (Expected)	Notice of Proposed Rulemaking (Expected)	Notice of Final Rulemaking (Expected)
<u>2 A.A.C. 8, Art. 1</u> R2-8-104. Definitions	1/6/2015	1/9/2015	5/5/2015
<u>2 A.A.C. 8, Art. 1</u> R2-8-115. Return of Contributions Upon Termination of Membership by Separation from All ASRS Employment by Other Than Retirement or Death; Payment of Survivor Benefits Upon the Death of a Member	3/3/2015	3/6/2015	7/7/2015
<u>2 A.A.C. 8, Art. 1</u> R2-8-116. Reemployment After Retirement	4/1/2015	4/3/2015	9/1/2015
<u>2 A.A.C. 8, Art. 1,</u> <u>Retirement System;</u> <u>Defined Benefit Plan</u>	5/27/2015	5/29/2015	9/1/2015
<u>2 A.A.C. 8, Art. 2, State Retirement Defined Contribution Program</u>	2/4/2015	2/6/2015	6/2/2015
<u>2 A.A.C. 8, Art. 4,</u> <u>Practice and Procedure Before the Board</u>	7/9/2015	7/10/2015	11/3/2015
<u>2 A.A.C. 8, Art. 5,</u> <u>Purchasing Service Credit</u>	8/5/2015	8/7/2015	12/1/2015

Existing Rules Scheduled for Review During 2015

Rules Being Reviewed	Due Date
2 A.A.C. 8, Articles 1, 2, 4, and 5	May 2015