

ECONOMIC, SMALL BUSINESS, AND CONSUMER IMPACT STATEMENT¹

TITLE 2. ADMINISTRATION

CHAPTER 8. STATE RETIREMENT SYSTEM BOARD

1. Identification of the rulemaking:

A.R.S. § 38-711(23) defines member as an employee of the Employer who is “engaged to work” at least 20 hours per week for at least 20 weeks per fiscal year. These rules will clarify which employees meet ASRS membership requirements. These rules will increase understandability of how an employee may become an ASRS member, but the rules do not impose any additional requirements or burdens on members. Additionally, these rules will clarify the steps a potential Employer must take in order to join the ASRS.

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

Currently, the ASRS has approximately 574 employers. In each fiscal year, the ASRS processes approximately 17,000 adjustments, many of which are the result of an employer’s misunderstanding of member eligibility requirements. With the changes completed in this rulemaking, the requirements for membership will be clearer and more effective. Ultimately, the rules will provide clear notice to members and employers regarding how to join and participate in the ASRS.

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:

With this rulemaking members and employers will have a better understanding of when an employee becomes a member and the employer must make contributions on behalf of the member. These rules will also provide notice to potential new employers regarding how a particular type of employer may join the ASRS. Implementing clear and concise language will ensure members and Employers understand how the ASRS applies the membership eligibility requirements. This rulemaking will ensure the ASRS is consistent with Arizona statutes.

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

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)).

As discussed, this rulemaking will ensure that employers are aware of how the ASRS processes requests to join the ASRS. Likewise, it will ensure that the requirements governing an employee's participation in the ASRS are more understandable, resulting in fewer adjustments as discussed above. A better understanding of membership requirements and fewer adjustments will result in the more effective and efficient administration of the ASRS. As discussed above and below, this rulemaking will increase the clarity of statutory requirements regarding membership and joining the ASRS, which will incorporate consistent language and reduce confusion.

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

The ASRS promulgates rules that allow the agency to provide for the proper administration of the state retirement trust fund. ASRS rules affect ASRS members and ASRS employers regarding how they contribute to, and receive benefits from, the ASRS. The ASRS effectively administrates how public-sector employers and employees participate in the ASRS. As such, the ASRS does not issue permits or licenses, or charge fees, and its rules have little to no economic impact on private-sector businesses, with the exception of some employer-partner political subdivision and political subdivision entities, which have voluntarily contracted to join the ASRS. Thus, there is little to no economic, small business, or consumer impact, other than the minimal cost to the ASRS to prepare the rule package. The rules will have minimal economic impact, if any, because they merely clarify when an employee of an Employer may be eligible for ASRS membership and how a potential Employer may join the ASRS. Such clarification will increase understandability of when an employee becomes a member of the ASRS and how a potential Employer may join the ASRS, which will increase the effectiveness and efficiency of the administration of the ASRS, thus, reducing the regulatory burden and the economic impact.

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, as well as their beneficiaries, and Employers 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 586,306.

Specifically, members and Employers may be affected based on various transactions. These rules will clarify when an employee becomes a member of the ASRS and how potential employers may join the ASRS. Such clarification will benefit members and Employers by increasing the readability of the statutory reporting requirements for members and employers.

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:

All ASRS members, beneficiaries, and Employers are directly affected by this rulemaking because it will provide notice of when employees become ASRS members, clarify the process for how a new employer may join the ASRS based on the type of employer, and identify when and how employers must report certain information to the ASRS. The ASRS has determined that no new full-time employees will be required to implement and enforce the rules.

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

This rulemaking does not provide any benefits or impose any costs on political subdivisions other than those required to voluntarily join the ASRS.

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 and Employers 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 will clarify ASRS processes without imposing any additional requirements on the public.

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