

# ECONOMIC, SMALL BUSINESS, AND CONSUMER IMPACT STATEMENT<sup>1</sup>

## TITLE 2. ADMINISTRATION

### CHAPTER 8. STATE RETIREMENT SYSTEM BOARD

#### 1. Identification of the rulemaking:

The ASRS needs to update R2-8-118 Application of Interest Rates to add the new rate that was approved by the Board in December 2017. The rule needs to clarify when a member account stops accruing interest. In addition, all rules referring to the interest rate will require an update to incorporate consistent language, as well as remove any reference to system members.

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

In each fiscal year, the ASRS applies the Board approved interest rate to approximately 457,015 member accounts. The majority of account transactions and calculations, including service purchases and refunds, use the assumed actuarial investment earnings rate. The ASRS processes approximately 3213 service purchases and 11,852 refunds each fiscal year. With the changes completed in this rulemaking, the interest rules will be clearer and more effective. Ultimately, the rules will clarify what the rates are and provide clear notice to the public.

##### 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:

Currently, the ASRS does not foresee significant changes or harm resulting from the conduct the rule is designed to change. However, without this rulemaking, members and Employers will not be aware of the new interest rate affecting various transactions. Implementing clear and concise language will ensure members, beneficiaries, and Employers understand how the ASRS applies the assumed actuarial investment earnings rate. 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:

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<sup>1</sup> 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)).

Arizona statutes indicate that the ASRS pays or charges interest on various transactions as set by the Board; therefore, the ASRS does not anticipate any change in frequency as a result of this rule. As discussed above and below, this rulemaking will increase the clarity of the interest rate rule, which will incorporate consistent language and reducing confusion.

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

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 rule will have minimal economic impact, if any, because it merely clarifies current statutory requirements without imposing any additional requirements on the public. These rules will increase the readability of the statutory requirements related to interest rates, leading to a reduction in the resources the ASRS must expend in order to rectify unintended consequences resulting from a misunderstanding of how interest rates are accrued and applied. Thus, the economic impact is minimized.

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, beneficiaries, and Employers may be affected based on various transactions. This rule will provide the interest rate for various transactions. Such

clarification will benefit members, beneficiaries, and Employers by increasing the readability of the interest rates used in various transactions and calculations.

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 the new interest rate, clarify when a member's account stops accruing interest, and incorporate consistent language. 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.

- 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 businesses<sup>2</sup>:

- 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.

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

8. Cost and benefit to private persons and consumers who are directly affected by the rulemaking:

All ASRS members, beneficiaries, 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 the new interest rate without imposing any additional requirements on the public.