

NOTICE OF FINAL RULEMAKING
TITLE 2. ADMINISTRATION
CHAPTER 8. STATE RETIREMENT SYSTEM BOARD

1. Articles, Parts, and Sections Affected

Rulemaking Action

R2-8-104	Amend
R2-8-116	Amend
R2-8-118	Amend
R2-8-122	Amend
R2-8-124	Amend
R2-8-125	Amend

2. Citations to the agency's statutory rulemaking authority to include both the authorizing statute (general) and the implementing statute (specific):

Authorizing statute: A.R.S. § 38-714(E)(4)

Implementing statutes: A.R.S. §§ 38-711, 38-735, 38-738, 38-740, and 38-749

3. The effective date for the rules:

a. If the agency selected a date earlier than the 60 day effective date as specified in A.R.S. § 41-1032(A), include the earlier date and state the reason or reasons the agency selected the earlier effective date as provided in A.R.S. § 41-1032(A)(1) through (5):

The ASRS is requesting an immediate effective date upon filing this Notice of Final Rulemaking with the Secretary of State. Pursuant to A.R.S. § 41-1032(A)(2), an immediate effective date is necessary in order to comply with new interest rate that was set by the Board and which is effective for the new fiscal year beginning July 1, 2018.

b. If the agency selected a date later than the 60 day effective date as specified in A.R.S. § 41-1032(A), include the later date and state the reason or reasons the agency selected the later effective date as provided in A.R.S. § 41-1032(B):

Not applicable.

4. Citations to all related notices published in the Register as specified in R1-1-409(A) that pertain to the record of the final rulemaking package:

Notice of Docket Opening: 24 A.A.R. 509, March 9, 2018

Notice of Proposed Rulemaking: 24 A.A.R. 495, March 9, 2018

5. The agency's contact person who can answer questions about the rulemaking:

Name: Jessica A.R. Thomas, Rules Writer
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6. An agency's justification and reason why a rule should be made, amended, repealed, or renumbered, to include an explanation about the rulemaking: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.

7. A reference to any study relevant to the rule that the agency reviewed and either relied on or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

No study was reviewed.

8. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

9. A summary of the economic, small business, and consumer impact:

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.

10. A description of any changes between the proposed rulemaking, including supplemental notices, and the final rulemaking:

None

11. An agency's summary of the public or stakeholder comments made about the rulemaking and the agency response to the comments:

The ASRS received no written comments regarding the rulemaking. No one attended the oral proceeding on April 16, 2018.

12. All agencies shall list any other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:

None

a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:

The rules do not require a permit.

b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:

There are no federal laws applicable to these rules.

c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:

No analysis was submitted.

13. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rule:

No materials are incorporated by reference.

14. Whether the rule was previously made, amended, or repealed as an emergency rule. If so, cite the notice published in the Register as specified in R1-1-409(A). Also, the agency shall state where the text was changed between the emergency and the final rulemaking packages:

Not applicable.

15. The full text of the rules follows:

TITLE 2. ADMINISTRATION
CHAPTER 8. STATE RETIREMENT SYSTEM BOARD
ARTICLE 1. RETIREMENT SYSTEM

Section

- R2-8-104. Definitions
- R2-8-116. Alternate Contribution Rate
- R2-8-118. Application of Interest Rates
- R2-8-122. Remittance of Contributions
- R2-8-124. Termination Incentive Program by Agreement; Unfunded Liability Calculations
- R2-8-125. Termination Incentive Program by 30% Salary Increase; Unfunded Liability Calculations

ARTICLE 1. RETIREMENT SYSTEM

R2-8-104. Definitions

- A. No change.
- B. Unless otherwise specified, in this Chapter:
 - 1. “Actuarial assumption” means an estimate of an uncertain future event that affects pension liabilities, or assets, or both.
 - 2. “Assumed actuarial investment earnings rate” means the assumed rate of investment return approved by the Board and contained in R2-8-118(A).
 - 23. “Authorized employer representative” means an individual specified by the ASRS employer to provide the ASRS with information about a member who previously worked for the ASRS employer.
 - 34. “Contribution” means:
 - a. Amounts required by A.R.S. Title 38, Chapter 5, ~~Article~~Articles 2 and 2.1 to be paid to the ASRS by a member or an employer on behalf of a member; ~~other than amounts attributed to the long-term disability program;~~
 - b. Any voluntary amounts paid to the ASRS by a member to be placed in the member’s account; and
 - c. Amounts credited by transfer under A.R.S. § 38-924.
 - 45. “Day” means a calendar day, and excludes the:
 - a. Day of the act or event from which a designated period of time begins to run; and
 - b. Last day of the period if a Saturday, Sunday, or official state holiday.
 - 56. “Designated beneficiary” means the same as in A.R.S. § 38-762(G).

~~67.~~ “Director” means the Director appointed by the Board as provided in A.R.S. § 38-715.

~~78.~~ “Individual retirement account” or “IRA” means the types of eligible retirement plans specified in A.R.S. § 38-770(D)(3)(a) and (b).

~~8.~~ “Investment return rate” means a percentage of total return on an asset.

9. “Party” means the same as in A.R.S. § 41-1001(14).

10. “Person” means the same as in A.R.S. § 41-1001(15).

11. “Plan” means the same as “defined benefit plan” in A.R.S. § 38-712(B), and as administered by the ASRS.

12. “Retirement account” means the same as in A.R.S. § 38-771(J)(2).

13. “Rollover” means a contribution to the ASRS by an eligible member of an eligible rollover distribution from one or more of the retirement plans listed in A.R.S. § 38-747(H)(2) and (H)(3).

~~14.~~ “System” means the same as “defined contribution plan” in A.R.S. § 38-769(O)(7), and as administered by the ASRS.

~~14.~~ “Terminate employment” means to end the employment relationship between a member and an ASRS employer with the intent that the member does not return to employment with an ASRS employer.

~~15.~~ “United States” means the same as in A.R.S. § 1-215(39).

R2-8-116. Alternate Contribution Rate

A. No change.

B. No change.

C. No change.

D. No change.

E. If the employer does not remit the ACR by the date it is due pursuant to subsection (D), the ASRS shall charge interest on the ACR amount from the date it was due to the date the ACR payment is remitted to the ASRS at the ~~assumed actuarial interest rate~~ assumed actuarial investment earnings rate listed in ~~R2-8-118(B)~~. R2-8-118(A).

F. No change.

R2-8-118. Application of Interest Rates

A. Application of interest from inception of the ASRS Plan through the present is as follows:

Effective Date of Interest Rate Change	Assumed Actuarial Interest and Investment Return Rate <u>Assumed Actuarial Investment Earnings Rate</u>	Interest Rate Used to Determine Return of Contributions Upon Termination of Membership by Separation from Service by Other Than Retirement or Death		Interest Rate Used to Determine Survivor Benefits
7-1-1953	2.50%	2.50%		2.50%
7-1-1959	3.00%	3.00%		3.00%
7-1-1966	3.75%	3.75%		3.75%
7-1-1969	4.25%	4.25%		4.25%
7-1-1971	4.75%	4.75%		4.75%
7-1-1975	5.50%	5.50%		5.50%
7-1-1976	6.00%	5.50%		6.00%
7-1-1981	7.00%	5.50%		7.00%
7-1-1982	7.00%	7.00%		7.00%
7-1-1984	8.00%	8.00%		8.00%
7-1-2005	8.00%	4.00% for Plan Members	8.00% for System Members	8.00%
7-1-2013	8.00%	2.00% for Plan Members	8.00% for System Members	8.00%
<u>7-1-2018</u>	<u>7.50%</u>	<u>2.00%</u>		<u>7.50%</u>

B. No change.

C. Notwithstanding subsection (B), the retirement account of each member stops accruing interest the last full month prior to the retirement date.

R2-8-122. Remittance of Contributions

~~A. Remittance of employee member contributions: Each state department and employer member of the ASRS, including, any county, municipality or political subdivision, Each Employer shall certify on each payroll the amount to be contributed by each one of their employee members of the ASRS and shall remit the amount of employee member contributions to the ASRS, together with such detailed report as may be required by the ASRS to identify the individual owner of each such member contribution, not later than 14 calendar days after the last day of each payroll period. Payments of employee member contributions not received in the offices of the ASRS by the 14th calendar day after the last day of the applicable payroll period shall become delinquent after that date and shall be increased accrue, by interest at the rate of eight percent assumed actuarial investment earnings rate listed in R2-8-118(A) per annum from and after the date of delinquency until payment is received by the ASRS.~~

~~B. Remittance of employee member contributions: Each state department and employer member of the ASRS, including, any county, municipality or political subdivision, Each Employer shall remit the amount of employer contributions to the ASRS not later than 14 calendar days after the last day of each payroll period. Payments of employer contributions not received in the offices of the ASRS by the 14th calendar day after the last day of the applicable payroll period shall become delinquent after that date and shall be increased accrue, by interest at the rate of eight percent assumed actuarial investment~~

earnings rate listed in R2-8-118(A) per annum from and after the date of delinquency until payment is received by the ASRS.

R2-8-124. Termination Incentive Program by Agreement; Unfunded Liability

Calculations

- A. No change.
- B. No change.
- C. No change.
- D. No change.
- E. No change.
- F. No change.
- G. No change.
- H. No change.
- I. No change.
- J. Pursuant to A.R.S. § 38-735(C), if the ASRS does not receive full payment from the Employer of the unfunded liability amount by the due date specified in the Termination Incentive Program Liability Invoice, the unpaid portion of the unfunded liability amount shall accrue interest at the ~~assumed actuarial interest and investment rate contained in R2-8-118(A).~~ assumed actuarial investment earnings rate listed in R2-8-118(A).
- K. No change.

R2-8-125. Termination Incentive Program by 30% Salary Increase; Unfunded Liability

Calculations

- A. No change.

- B. No change.
- C. No change.
- D. No change.
- E. No change.
- F. No change.
- G. No change.
- H. No change.
- I. No change.
- J. No change.
- K. No change.
- L. Pursuant to A.R.S. § 38-735(C), if the ASRS does not receive full payment from the Employer of the unfunded liability amount by the due date specified in the Termination Incentive Program Liability Invoice, the unpaid portion of the unfunded liability amount shall accrue interest at the ~~assumed actuarial interest and investment rate contained in R2-8-118(A).~~ assumed actuarial investment earnings rate listed in R2-8-118(A).
- M. No change.