

**FIVE-YEAR-REVIEW REPORT**  
**TITLE 2. ADMINISTRATION**  
**CHAPTER 8. STATE RETIREMENT SYSTEM BOARD**

**ARTICLE 6. PUBLIC PARTICIPATION IN RULEMAKING**  
**ARTICLE 7. CONTRIBUTIONS NOT WITHHELD**  
**ARTICLE 9. COMPENSATION**

## **TABLE OF CONTENTS**

1.	FIVE-YEAR-REVIEW SUMMARY .....	1
2.	INFORMATION THAT IS IDENTICAL FOR ALL THE RULES .....	4
3.	ANALYSIS OF INDIVIDUAL RULES .....	7
4.	ECONOMIC IMPACT STATEMENT (EIS) .....	Exhibit 1
5.	CURRENT RULES .....	Exhibit 2
6.	ENABLING AND RELATED STATUTES .....	Exhibit 3

## **FIVE-YEAR-REVIEW SUMMARY**

The state legislature created the Arizona State Retirement System (ASRS) in 1953 in order to provide defined contribution retirement (defined contribution plan) benefits for state employees and teachers, as well as employees of political subdivisions that elected coverage. The defined contribution plan was closed to new members in 1972. At that time, members of the defined contribution plan who chose to, and all new members, became part of the defined benefit plan. At the end of Fiscal Year 2025 there were approximately 674, 481 ASRS members.

The ASRS Board (Board) is appointed by the Governor. The Board consists of nine members who qualify according to A.R.S. § 38-713. The Board is responsible for supervising the administration of the ASRS, including the defined contribution plan, defined benefit plan, long-term disability plan, and health insurance benefit plan. Investment responsibilities include:

1. Prescribing investment goals, objectives, and policies;
2. Allocating assets to meet investment goals;
3. Adopting specific policy directives for the guidance of investment management;
4. Appointing investment managers;
5. Prescribing investment diversification programs; and
6. Assigning investment responsibilities.

The enabling statutes for the Board are set forth in A.R.S. §§ Title 38, Chapter 5, Articles 1 and 2. The Board currently implements its statutes with rules located at A.A.C. Title 2, Chapter 8. This report covers Articles 6, 7, and 9 of the rules.

### **Article 6**

R2-8-601 was last amended in 2015 and R2-8-602 through R2-8-607 were last amended in 2017.

### **Article 7**

R2-8-701, R2-8-704, R2-8-706, and R2-8-707 were last amended in 2022. R2-8-702, R2-8-703, and R2-8-705 were last amended in 2019.

### **Article 9**

R2-8-901, R2-8-902, and R2-8-904 were adopted in 2021. R2-8-903 was last amended in 2026.

**FIVE-YEAR-REVIEW REPORT**  
**TITLE 2. ADMINISTRATION**  
**CHAPTER 8. STATE RETIREMENT SYSTEM BOARD**

**ARTICLE 6. PUBLIC PARTICIPATION IN RULEMAKING**

- R2-8-601. Definitions
- R2-8-602. Reviewing Agency Rulemaking Record and Directory of Substantive Policy Statements
- R2-8-603. Petition for Rulemaking
- R2-8-604. Review of A Rule, Agency Practice, or Substantive Policy Statement
- R2-8-605. Objection to Rule Based on Upon Economic, Small Business and Consumer Impact Statement
- R2-8-606. Employer Payments for Ineligible Contributions; Unfunded Liability Invoice
- R2-8-607. Petition for Delayed Effective Date

**ARTICLE 7. CONTRIBUTIONS NOT WITHHELD**

- R2-8-701. Definitions
- R2-8-702. General Information
- R2-8-703. Employer's Discovery of Error
- R2-8-704. Member's Discovery of Error
- R2-8-705. ASRS' Discovery of Error
- R2-8-706. Determination of Contributions Not Withheld
- R2-8-707. Submission of Payment

**ARTICLE 9. COMPENSATION**

- R2-8-901. Definitions
- R2-8-902. Remitting Contributions
- R2-8-903. Accrual of Credited Service and Calculating Average Monthly Compensation
- R2-8-904. Compensation from An Additional Employer

## INFORMATION THAT IS IDENTICAL FOR ALL THE RULES

The following information is the same for all of the rules and is not restated in the analysis of each rule:

1. **Authorization of the rule by existing statute**  
All of the rules have general authority in A.R.S. §§ 38-714(E)(4) and the rules in Article 6 are authorized by A.R.S. §§ 41-1021 et seq.
2. **Objective of the Rules**  
The objective of each rule is identified in the analysis of individual rules.
3. **Analysis of effectiveness in achieving the objective**  
All of the rules are effective in achieving their objectives.
4. **Analysis of consistency with state and federal statutes and rules**  
All of the rules are consistent with state and federal statutes and rules.
5. **Status of enforcement of the rule**  
All of the rules are enforced as written.
6. **Analysis of clarity, conciseness, and understandability**  
With the exception of the issues identified in R2-8-903, all of the rules are clear, concise, and understandable.
7. **Analysis of any written criticisms the agency received on the rule**  
No written criticisms were received.
8. **Estimated economic, small business, and consumer impact statement comparison**  
Analysis of the economic impact statement for the rules is included as Exhibit 1.
9. **Analysis of any analyses the agency received regarding the rule's impact on this state's business competitiveness as compared to the competitiveness of businesses in other states**  
No analyses were received.
10. **Whether the agency completed the course of action proposed in the previous Five-year-review Report**  
The ASRS has completed the course of action for each rule that identified a proposed course of action in the previous Five-year-review Report.
11. **Determination that the probable benefits of the rule outweigh the probable costs and the rule imposes the least burden and costs**

The ASRS has determined that the probable benefits of the rule outweigh the probable costs because the rules impose the least burden and costs on members and employers while still achieving their regulatory purpose. The Agency consistently reviews its rules and updates its processes to require the least amount of information from members and employers and to allow the members and employers to access and submit documents through the online portal, thereby minimizing the burden of the rules as much as possible.

**12. Determination that the rule is not more stringent than a corresponding federal law**

There is no corresponding federal law for the rules.

**13. Whether the rule complies with A.R.S. § 41-1037**

The ASRS does not issue permits or licenses.

**14. Proposed course of action**

Amend R2-8-903 by December 2026 to address the issues identified in this report.

## **ARTICLE 6. PUBLIC PARTICIPATION IN RULEMAKING**

### **R2-8-601. Definitions**

#### **2. Objective**

The objective of the rule is to provide notice to the public of how the ASRS is using certain terms throughout its rules.

### **R2-8-602. Reviewing Agency Rulemaking Record and Directory of Substantive Policy Statements**

#### **2. Objective**

The objective of the rule is to provide notice to the public of the procedures for:

- a. Distribution of a member's contributions to ASRS when:
  - i. The member terminates employment and seeks a refund of contributions;
  - ii. A domestic relations order has been filed; and
  - iii. The member dies;
- b. The documentation ASRS will accept for proof of death of a member;
- c. The method of calculating interest on refunds; and
- d. When eligibility for payment of a refund is limited.

### **R2-8-603. Petition for Rulemaking**

#### **2. Objective**

The objective of the rule is to clarify how an Employer pays an alternate contribution rate.

### **R2-8-604. Review of A Rule, Agency Practice, or Substantive Policy Statement**

#### **2. Objective**

The objective of the rule is to clarify what documentation is required when a retiree returns to work with an Employer.

### **R2-8-605. Objection to Rule Based on Upon Economic, Small Business and Consumer Impact Statement**

**2. Objective**

The objective of the rule is to:

- a. Inform the public of the historic and current interest rates for valuation purposes and to be paid to member accounts; and
- b. Specify when the interest is accrued on the amounts in a member's account.

**R2-8-606. Oral Proceedings**

**2. Objective**

The objective of the rule is to provide notice to members and employers of when the ASRS may issue an unfunded liability invoice for ineligible contributions.

**R2-8-607. Petition for Delayed Effective Date**

**2. Objective**

The objective of the rule is to provide notice to members and employers of when contributions are due and the interest rate for delinquent contributions.

**ARTICLE 7. CONTRIBUTIONS NOT WITHHELD**

**R2-8-701. Definitions**

**2. Objective**

The objective of the rule is to provide notice to the public of how the ASRS is using certain terms throughout its rules.

**R2-8-702. General Information**

**2. Objective**

The objective of the rule is to provide notice to the public of requirements and/or limitations that apply to contributions not withheld.

**R2-8-703. Employer's Discovery of Error**

**2. Objective**

The objective of the rule is to provide notice to the public of how the Employer must notify the ASRS of any Contributions Not Withheld error the Employer discovers.

**R2-8-704. Member's Discovery of Error**

**2. Objective**

The objective of the rule is to provide notice to the public of the information that should be provided to the ASRS when a member discovers a Contributions Not Withheld error.

**R2-8-705. ASRS' Discovery of Error**

**2. Objective**

The objective of the rule is to provide notice to the public of how the member and Employer will be notified when the ASRS discovers a Contributions Not Withheld error and identifies the information the ASRS will request.

**R2-8-706. Determination of Contributions Not Withheld**

**2. Objective**

The objective of the rule is to provide notice to the public of how the ASRS will make a Contributions Not Withheld determination and how the Employer and member will be notified.

**R2-8-707. Submission of Payment**

**2. Objective**

The objective of the rule is to provide notice to the public of the deadlines and methods for the Employer and member to submit payment and the penalties if payment is not submitted timely.

**ARTICLE 9. COMPENSATION**

**R2-8-901. Definitions**

**2. Objective**

The objective of the rule is to provide notice to the public of how the ASRS is using certain terms throughout its rules.

**R2-8-702. Remitting Contributions**

**2. Objective**

The objective of the rule is to provide notice to the public of how an Employer shall remit contributions to the ASRS.

**R2-8-903. Accrual of Credited Service and Calculating Average Monthly Compensation**

**2. Objective**

The objective of the rule is to provide notice to the public of how the member accrues service credit and how the ASRS calculates the member's Average Monthly Compensation.

**6. Analysis of clarity, conciseness, and understandability**

The rule is mostly clear, concise, and understandable. It could be clearer by clarifying that the member shall accrue service credit in each month that the member renders services to the Employer and for which contributions have been remitted to the ASRS, not simply in which the Employer's pay period ends.

**R2-8-904. Compensation from An Additional Employer**

**2. Objective**

The objective of the rule is to provide notice to the public of how the ASRS processes compensation from an additional Employer.