

State of Arizona
House of Representatives
Forty-fourth Legislature
Second Regular Session
2000

HOUSE BILL 2008

AN ACT

AMENDING SECTIONS 38-740, 38-846.02 AND 38-884, ARIZONA REVISED STATUTES;
RELATING TO RETURN OF PUBLIC RETIREMENT SYSTEM CONTRIBUTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-740, Arizona Revised Statutes, is amended to
3 read:

4 38-740. Return of contributions

5 A. Any member who leaves employment other than by retirement or death
6 may elect to receive a return of the contributions as follows:

7 1. If the member has less than five years of credited service, the
8 member shall receive the member's contributions.

9 2. If a member has five or more years of credited service, the member
10 shall receive the member's contributions and an amount equal to a percentage
11 of the employer contributions paid on behalf of the member. The percentage
12 of employer contributions paid on behalf of the member shall be as follows:

13 (a) 5.0 to 5.9 years of credited service, twenty-five per cent.

14 (b) 6.0 to 6.9 years of credited service, forty per cent.

15 (c) 7.0 to 7.9 years of credited service, fifty-five per cent.

16 (d) 8.0 to 8.9 years of credited service, seventy per cent.

17 (e) 9.0 to 9.9 years of credited service, eighty-five per cent.

18 (f) 10.0 or more years of credited service, one hundred per cent.

19 3. Interest on the returned contributions as determined by the board.

20 ~~B.~~ **NOTWITHSTANDING SUBSECTION A, IF A MEMBER WHO IS A STATE EMPLOYEE**
21 **LEAVES EMPLOYMENT DUE SOLELY TO THE PRIVATIZATION OF THE MEMBER'S POSITION OR**
22 **JOB FUNCTION OR DUE SOLELY TO A REDUCTION IN FORCE AND THE MEMBER ELECTS TO**
23 **RECEIVE A RETURN OF CONTRIBUTIONS, THE MEMBER SHALL RECEIVE THE MEMBER'S**
24 **CONTRIBUTIONS, AN AMOUNT EQUAL TO ONE HUNDRED PER CENT OF THE EMPLOYER**
25 **CONTRIBUTIONS PAID ON BEHALF OF THE MEMBER AND INTEREST ON THE RETURNED**
26 **CONTRIBUTIONS AS DETERMINED BY THE BOARD.**

27 ~~B.~~ **C.** Withdrawal of contributions with interest constitutes a
28 withdrawal from membership in ASRS and results in a forfeiture of all other
29 benefits under ASRS.

30 ~~C.~~ **D.** Notwithstanding any other provision of this article, a member
31 who has not received a return of contributions pursuant to this section may
32 combine any two or more periods of service for purposes of determining the
33 member's benefits.

34 ~~D.~~ **E.** If a member receives more than the amount due to a member
35 pursuant to this section, the member shall repay the amount of the
36 overpayment together with interest at the interest rate earned on ASRS
37 investments as reported on a quarterly basis, but not less than the valuation
38 rate established by the board, from the time of overpayment to the settlement
39 of the debt.

40 Sec. 2. Section 38-846.02, Arizona Revised Statutes, is amended to
41 read:

42 38-846.02. Termination of membership

43 A. On termination of employment for any reason other than death or
44 retirement, within twenty days after filing a completed application with the
45 fund manager, a member is entitled to receive the following amounts, less any

1 benefit payments the member has received or any amount the member may owe to
2 the system:

3 1. If the member has less than five years of credited service with the
4 system, the member may withdraw the member's accumulated contributions from
5 the system.

6 2. If the member has five or more years of credited service with the
7 system, the member may withdraw the member's accumulated contributions plus
8 an amount equal to the amount determined as follows:

9 (a) 5.0 to 5.9 years of credited service, twenty-five per cent of all
10 member contributions deducted from the member's salary pursuant to section
11 38-843, subsection C.

12 (b) 6.0 to 6.9 years of credited service, forty per cent of all member
13 contributions deducted from the member's salary pursuant to section 38-843,
14 subsection C.

15 (c) 7.0 to 7.9 years of credited service, fifty-five per cent of all
16 member contributions deducted from the member's salary pursuant to section
17 38-843, subsection C.

18 (d) 8.0 to 8.9 years of credited service, seventy per cent of all
19 member contributions deducted from the member's salary pursuant to section
20 38-843, subsection C.

21 (e) 9.0 to 9.9 years of credited service, eighty-five per cent of all
22 member contributions deducted from the member's salary pursuant to section
23 38-843, subsection C.

24 (f) 10.0 or more years of credited service, one hundred per cent of
25 all member contributions deducted from the member's salary pursuant to
26 section 38-843, subsection C.

27 **B. NOTWITHSTANDING SUBSECTION A OF THIS SECTION, IF A MEMBER WHO IS A**
28 **STATE EMPLOYEE LEAVES EMPLOYMENT DUE SOLELY TO THE PRIVATIZATION OF THE**
29 **MEMBER'S POSITION OR JOB FUNCTION OR DUE SOLELY TO A REDUCTION IN FORCE AND**
30 **THE MEMBER ELECTS TO WITHDRAW THE MEMBER'S ACCUMULATED CONTRIBUTIONS, THE**
31 **MEMBER MAY WITHDRAW THE MEMBER'S ACCUMULATED CONTRIBUTIONS PLUS AN AMOUNT**
32 **EQUAL TO ONE HUNDRED PER CENT OF ALL MEMBER CONTRIBUTIONS DEDUCTED FROM THE**
33 **MEMBER'S SALARY PURSUANT TO SECTION 38-843, SUBSECTION C, LESS ANY BENEFIT**
34 **PAYMENTS THE MEMBER HAS RECEIVED OR ANY AMOUNT THE MEMBER MAY OWE TO THE**
35 **SYSTEM.**

36 ~~B.~~ C. If a member has more than ten years of credited service with
37 the system **OR IS ENTITLED TO RECEIVE THE AMOUNT PRESCRIBED IN SUBSECTION B OF**
38 **THIS SECTION**, leaves the monies prescribed in subsection A **OR B** of this
39 section on account with the system for more than thirty days after
40 termination of employment and after that time period requests a refund of
41 those monies, the member is entitled to receive the **PRESCRIBED** amount
42 ~~prescribed in subsection A of this section~~ plus interest at a rate determined
43 by the fund manager for each year computed from and after the member's
44 termination of employment.

45 ~~C.~~ D. If the amount prescribed in subsection A, ~~or~~ **B OR C** of this
46 section includes monies that are an eligible rollover distribution and the

1 member elects to have the distribution paid directly to an eligible
2 retirement plan or individual retirement account or annuity and specifies the
3 eligible retirement plan or individual retirement account or annuity to which
4 the distribution is to be paid, the distribution shall be made in the form of
5 a direct trustee-to-trustee transfer to the specified eligible retirement
6 plan. The distribution shall be made in the form and at the time prescribed
7 by the fund manager. A member who withdraws the amount prescribed in
8 subsection A, ~~or~~ B OR C of this section from the system or who elects a
9 transfer pursuant to this section forfeits all rights to benefits under the
10 system and rights to rehearing and appeal, except as provided in section
11 38-849.

12 Sec. 3. Section 38-884, Arizona Revised Statutes, is amended to read:
13 38-884. Membership of retirement plan; termination; credited
14 service; redemption

15 A. Each employee of a participating employer is a member of the plan.
16 A person employed shall undergo a medical examination performed by a doctor
17 or clinic appointed by the local board or, in the case of a state
18 correctional officer who is employed by the state department of corrections,
19 complete a physical examination pursuant to section 41-1822, subsection B.
20 For the purposes of subsection B of this section, the doctor or clinic
21 appointed by the local board may be the employer's regular employee or
22 contractor.

23 B. The purpose of the medical examination authorized by this section
24 is to identify a member's physical or mental condition or injury that existed
25 or occurred before the member's date of membership in the plan. Any employee
26 who fails or refuses to submit to the medical examination prescribed in this
27 section is deemed to waive all rights to disability benefits under this
28 article. Medical examinations conducted under this article shall not be
29 conducted or used for purposes of hiring, advancement, discharge, job
30 training or other terms, conditions and privileges of employment unrelated to
31 receipt or qualification for pension benefits or service credits from the
32 fund. This subsection does not affect or impair the right of an employer to
33 prescribe medical or physical standards for employees or prospective
34 employees.

35 C. If a member ceases to be an employee for any reason other than
36 death or retirement, within twenty days after filing a completed application
37 with the fund manager, the member is entitled to receive the following
38 amounts, less any benefit payments the member has received and any amount the
39 member may owe to the plan:

40 1. If the member has less than five years of credited service with the
41 plan, the member may withdraw the member's accumulated contributions from the
42 plan.

43 2. If the member has five or more years of credited service with the
44 plan, the member may withdraw the member's accumulated contributions plus an
45 amount equal to the amount determined as follows:

1 (a) 5.0 to 5.9 years of credited service, twenty-five per cent of all
2 member contributions deducted from the member's salary pursuant to section
3 38-891, subsection B.

4 (b) 6.0 to 6.9 years of credited service, forty per cent of all member
5 contributions deducted from the member's salary pursuant to section 38-891,
6 subsection B.

7 (c) 7.0 to 7.9 years of credited service, fifty-five per cent of all
8 member contributions deducted from the member's salary pursuant to section
9 38-891, subsection B.

10 (d) 8.0 to 8.9 years of credited service, seventy per cent of all
11 member contributions deducted from the member's salary pursuant to section
12 38-891, subsection B.

13 (e) 9.0 to 9.9 years of credited service, eighty-five per cent of all
14 member contributions deducted from the member's salary pursuant to section
15 38-891, subsection B.

16 (f) 10.0 or more years of credited service, one hundred per cent of
17 all member contributions deducted from the member's salary pursuant to
18 section 38-891, subsection B.

19 D. NOTWITHSTANDING SUBSECTION C OF THIS SECTION, IF A MEMBER WHO IS A
20 STATE EMPLOYEE LEAVES EMPLOYMENT DUE SOLELY TO THE PRIVATIZATION OF THE
21 MEMBER'S POSITION OR JOB FUNCTION OR DUE SOLELY TO A REDUCTION IN FORCE AND
22 THE MEMBER ELECTS TO WITHDRAW THE MEMBER'S ACCUMULATED CONTRIBUTIONS, THE
23 MEMBER MAY WITHDRAW THE MEMBER'S ACCUMULATED CONTRIBUTIONS PLUS AN AMOUNT
24 EQUAL TO ONE HUNDRED PER CENT OF ALL MEMBER CONTRIBUTIONS DEDUCTED FROM THE
25 MEMBER'S SALARY PURSUANT TO SECTION 38-891, SUBSECTION B, LESS ANY BENEFIT
26 PAYMENTS THE MEMBER HAS RECEIVED OR ANY AMOUNT THE MEMBER MAY OWE TO THE
27 PLAN.

28 ~~D.~~ E. If a member has more than ten years of credited service with
29 the plan OR IS ENTITLED TO RECEIVE THE AMOUNT PRESCRIBED IN SUBSECTION D OF
30 THIS SECTION, and leaves the monies prescribed in subsection C OR D of this
31 section on account with the plan for more than thirty days after termination
32 of employment and after that time period requests a refund of those monies,
33 the member is entitled to receive the PRESCRIBED amount ~~prescribed in~~
34 ~~subsection C of this section~~ plus interest at a rate determined by the fund
35 manager for each year computed from and after the member's termination of
36 employment.

37 ~~E.~~ F. If the refund includes monies that are an eligible rollover
38 distribution and the member elects to have the distribution paid directly to
39 an eligible retirement plan or individual retirement account or annuity and
40 specifies the eligible retirement plan or individual retirement account or
41 annuity to which the distribution is to be paid, the distribution shall be
42 made in the form of a direct trustee-to-trustee transfer to the specified
43 eligible retirement plan. The distribution shall be made in the form and at
44 the time prescribed by the fund manager.

45 ~~F.~~ G. Service shall be credited to a member's individual credited
46 service account in accordance with rules the local board prescribes. In no

1 case shall more than twelve months of credited service be credited on account
2 of all service rendered by a member in any one year. In no case shall
3 service be credited for any period during which the member is not employed in
4 a designated position, except as provided by sections 38-921 and 38-922.

5 ~~G~~ H. Credited service is forfeited if the amounts prescribed in
6 subsection C, ~~or~~ D OR E of this section are paid or are transferred in
7 accordance with this section.

8 ~~H~~ I. If a former member becomes reemployed with the same employer
9 within two years after the former member's termination date, a member may
10 have forfeited credited service attributable to service rendered during a
11 prior period of service as an employee restored on satisfaction of each of
12 the following conditions:

13 1. The member files with the plan a written application for
14 reinstatement of forfeited credited service within ninety days after again
15 becoming an employee.

16 2. The retirement fund is paid the total amount previously withdrawn
17 pursuant to subsection C, ~~or~~ D OR E of this section plus compound interest
18 from the date of withdrawal to the dates of repayment. Interest shall be
19 computed at the rate of nine per cent for each year compounded each year from
20 the date of withdrawal to the date of repayment. Forfeited credited service
21 shall not be restored until complete payment is received by the fund.

22 3. The required payment is completed within one year after returning
23 to employee status.

24 ~~I~~ J. A present active member of the plan who received a refund of
25 accumulated contributions from the plan pursuant to subsection C, D OR E of
26 this section and forfeited credited service pursuant to subsection ~~G~~ H of
27 this section may elect to redeem any part of that forfeited credited service
28 by paying into the plan any amounts required pursuant to this subsection. A
29 present active member who elects to redeem any part of forfeited credited
30 service for which the member is deemed eligible by the fund manager shall pay
31 into the plan the amounts previously paid or transferred as a refund of the
32 member's accumulated contributions plus an amount, computed by the plan's
33 actuary that is necessary to equal the increase in the actuarial present
34 value of projected benefits resulting from the redemption calculated using
35 the actuarial methods and assumptions prescribed by the plan's actuary.

36 ~~J~~ K. The following conditions apply to a retired member who becomes
37 an employee subsequent to retirement:

38 1. Payment of the retired member's pension shall be suspended until
39 the retired member again ceases to be an employee. The amount of pension
40 shall not be changed on account of service as an employee subsequent to
41 retirement.

42 2. The retired member shall not contribute to the fund and shall not
43 accrue credited service.