

NOTICES OF PROPOSED RULEMAKING

Unless exempted by A.R.S. § 41-1005, each agency shall begin the rulemaking process by first submitting to the Secretary of State's Office a Notice of Rulemaking Docket Opening followed by a Notice of Proposed Rulemaking that contains the preamble and the full text of the rules. The Secretary of State's Office publishes each Notice in the next available issue of the *Register* according to the schedule of deadlines for *Register* publication. Under the Administrative Procedure Act (A.R.S. § 41-1001 et seq.), an agency must allow at least 30 days to elapse after the publication of the Notice of Proposed Rulemaking in the *Register* before beginning any proceedings for making, amending, or repealing any rule. (A.R.S. §§ 41-1013 and 41-1022)

NOTICE OF PROPOSED RULEMAKING

TITLE 2. ADMINISTRATION

CHAPTER 8. STATE RETIREMENT SYSTEM BOARD

PREAMBLE

1. Sections Affected

Article 1
R2-8-123
Table 3
Table 3
Table 4A
Table 4B
Table 4C
Table 5
Table 5
Table 6
Table 7

Rulemaking Action

Amend
Amend
Repeal
Renumber
New Section
New Section
New Section
Repeal
Renumber
Renumber
Renumber

2. The statutory authority for the rulemaking, including both the authorizing statute (general) and the statute the rules are implementing (specific):

Authorizing statute: A.R.S. § 38-714(F)(5)

Implementing statutes: A.R.S. §§ 38-711(2); 38-711(24); 38-714(G); and 38-737

3. A list of all previous notices appearing in the Register addressing the proposed rules:

Notice of Rulemaking Docket Opening: 8 A.A.R. 4423, October 18, 2002

Notice of Emergency Rulemaking: 9 A.A.R. 1006, March 21, 2003

Notice of Recodification: 9 A.A.R. 1470, May 16, 2003

4. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:

Name: Susanne Dobel
Address: Arizona State Retirement System
Office of External Affairs
3300 N. Central Ave., Suite 1400
Phoenix, AZ 85012
Telephone: (602) 240-2039
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E-mail: SusanneD@asrs.state.az.us

5. An explanation of the rule, including the agency's reasons for initiating the rule:

The heading for Article 1 is changed to "State Retirement Defined Benefit Plan" to more accurately reflect its contents.

R2-8-123 and all its tables constitute the Board's direction to the Actuary, the professional organization contracted by the ASRS to perform the statistical analysis of ASRS operations for financial reporting purposes and for determining the contribution rate necessary to pay future benefits of ASRS members. The Actuary must use these tables and assumptions in order to determine the present value of future benefits from the Fund to determine how much ASRS

needs in the Fund now in order to pay benefits to all ASRS members when they qualify for benefits. This is a critical rule. Explanations follow.

Subsection (1)(a): This assumption is necessary to determine how much must be in the Fund at the present time in order to pay future retirees. Example: based on all of the other assumptions and tables in this rule, a retiree is expected to retire in 10 years and to need \$240,000 in benefits before he or she dies. Actuary would discount the \$240,000 by 8% per annum, compounded annually, to determine the amount necessary in the fund TODAY in order to meet that future obligation.

Subsection (1)(b): Existing Tables 3 and 4 prescribe the assumptions to be used in estimating how long members will live (and therefore receive benefits.) Table 3 has been eliminated and replaced by “incorporation by reference” to the table published by the Society of Actuaries, which was reprinted in the rule. The Board believes that there is less chance of error by incorporating a table rather than retyping or reproducing it in the rule. The remainder of the tables have been renumbered accordingly.

Subsection (1)(c): Table 5 (now 4A, 4B, and 4C) shows the rate at which people are assumed to retire in a given year. The probability of retirement generally increases with age and years of service. Minor changes have been made to this table to reformat it more clearly (dividing it by age group into A, B, and C.) There is no actual material impact from this change.

Subsection (1)(d): The table in this subsection shows how much salaries are assumed to increase during a member’s career. Note that state employees are only 25% of the ASRS fund so the lack of salary increase for state employees has been offset by other membership.

Subsection (1)(e): Tables 6 and 7 (now 5 and 6) are assumptions regarding members’ leaving ASRS employment and withdrawing their contributions.

Subsection (1)(f): Tables 1 and 2 show the rates of long-term disablement that will occur among members (meaning disabilities which last longer than six months).

Subsection (1)(g): The assumptions to be used for determining how many members will be eligible to receive the health insurance premium supplement when they retire.

Subsection (1)(h): this addresses the assumed proportion of vested terminated members who will not withdraw their contributions. Changes to this subsection are made to bring the rule into conformity with 1999 Legislation which allows a portion of the employer’s contributions to go to members. (A.R.S. § 38-740.)

Subsection (1)(i) is added to reflect an assumption regarding family structure that is already in use but was not reflected in rule.

Subsection (2): Proposed changes to this subsection will begin the process for making permanent an emergency rule adopted by the Board which was approved by the Attorney General, and published by the Secretary of State on March 21, 2003. Before the emergency rule, this established the actuarial value of the ASRS Plan’s assets as equal to the market value of assets less a five-year phase-in of the difference between expected and actual investment returns. It has further restricted the resulting value to not less than 80% nor more than 120% (a 20% corridor) of the market value of assets. Actuarial calculations show that using the five-year smoothing and 20% corridor would result in contribution rates jumping from the current 2.00% to 6.11%.

The amendment (which follows the emergency rule) eliminates the 20% corridor, causing the contribution rate to decline from 6.11% to 5.51%. Extending the “smoothing” period from five to ten years will cause the contribution rate to further decline from 5.51% to 5.20%.

The rule amendment states “The Board adopts the following for actuarial valuations as of June 30, 2002 and thereafter” because the new contribution rate was determined in the valuation of June 30, 2002. The actual effect of this determination begins with the fiscal year beginning July 1, 2003, and is effective for two years thereafter. (See A.R.S. § 38-737.)

6. A reference to any study relevant to the rule that the agency reviewed and either proposes to rely on in its evaluation of or justification for the rule or proposes not to 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:

None

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

Not applicable

8. The preliminary summary of the economic, small business, and consumer impact:

The proposed changes to subsection (2) of this rule begin the process for making permanent the emergency rule adopted by the Board which was approved by the Attorney General, and published by the Secretary of State on March 21, 2003. Acting on the recommendation of its consulting actuaries, the Board adopted the emergency amendment in

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November of 2002, and it was approved by the Attorney General, filed with the Secretary of State, and published in the *Arizona Administrative Register* on March 21, 2003. Public announcements and notice were provided immediately upon adoption of the emergency rule to provide ample notice to the member and employer participants in the program.

In the past two decades, state, county and municipal employees and their employers participating in the system have benefited from a decline in the contribution rate from a high of seven percent to the current two percent.

However, the past two years have seen a decline in the ASRS investment returns from previous years of excellent returns on system investments. Combined with increases in retirement benefits mandated by the Arizona legislature in 2001, the increase in contribution rates is required to maintain a viable retirement benefits program.

Along with other financial institutions and markets across the country, the previous high rates of return did not materialize in 2001 and 2002. Along with the increase in benefits passed by the Arizona legislature last year, the pressure on the contribution rates dictated this increase.

The return for the ASRS investment fund for the past decade has averaged a healthy 10.2 percent per year. From 1995 to 2000, these returns have been from a high of 21.3 percent to 10 percent. In 2001, the rate of return dropped to -6.7 percent and declined to -8.2 percent in 2002.

Substantial portions of the (Plan's) assets are invested in securities. Even though the securities market may represent a sound long term investment, it is subject to more short term, sudden and wide swings in value. Contribution amounts of employers and employees are calculated annually and are a function of actuarial assets (including recognized market gains and losses) and liabilities. Investment gains and losses have been recognized actuarially over a five-year period for the purpose of "smoothing" the annual changes in contribution rates resulting from market gains and losses. Actuarial calculations show that using the current five-year smoothing and 20% corridor would result in contribution rates jumping from the current 2.00% to 6.11%.

Eliminating the 20% corridor reduces the contribution rate from 6.11% to 5.51%. Extending the "smoothing" period from five to ten years causes the contribution rate to further decline from 5.51% to 5.20%.

Contributions to the ASRS plan are made by both public employers and employees. The difference between the 6.11% contribution rate required previous to the emergency rule, and 5.2% under the emergency/proposed rule, is .91% of the \$6.989 billion dollar payroll. This amounts to a reduction for FY 2004 of \$67.8 million for public employers and \$63.6 million for employees. The state's portion of this difference is about 24%, or about \$15.3 million for FY 2004.

When the market turns upward again, this longer smoothing method will keep the contribution rate higher for a longer period of time, thereby stabilizing the fund. The effect of market changes will be more gradual in the future. This will result in more stable contribution rates for employers and employees.

9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Susanne Dobel
Address: Arizona State Retirement System
Office of External Affairs
3300 N. Central Ave., Suite 1400
Phoenix, AZ 85012
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E-mail: SusanneD@asrs.state.az.us

10. The time, place, and nature of the proceedings for the making, amendment, or repeal of the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

No oral proceedings are scheduled. A person may request an oral proceeding on the proposed rule by contacting Susanne Dobel at the address or phone number listed in item #9 of this Notice.

Deadline for written comments:

Thursday, July 3, 2003

11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

Not applicable

12. Incorporations by reference and their location in the rules:

1983 Group Annuity Mortality Table provided in volume XXXV of the *Transactions of the Society of Actuaries* published in 1985 by the Society of Actuaries.

Located in R2-8-123(1)(b)

13. The full text of the rules follows:

TITLE 2. ADMINISTRATION

CHAPTER 8. STATE RETIREMENT SYSTEM BOARD

ARTICLE 1. SOCIAL SECURITY DIVISION STATE RETIREMENT DEFINED BENEFIT PLAN

Section

- R2-8-123. Actuarial Assumptions and Actuarial Value of Assets
- ~~Table 3.~~ ~~Non-disabled Member Mortality Rates~~
- ~~Table 4.~~ ~~Table 3.~~ Disabled Member Mortality Rates
- ~~Table 4A.~~ Rates of Decrement Due to Retirement 0 to 23 Years of Service
- ~~Table 4B.~~ Rates of Decrement Due to Retirement 24 to 30 Years of Service
- ~~Table 4C.~~ Rates of Decrement Due to Retirement 31 to 33 or More Years of Service
- ~~Table 5.~~ ~~Rates of Decrement Due to Retirement~~
- ~~Table 6.~~ ~~Table 5.~~ Graduated Tabular Rates of Withdrawal - Active Male Members
- ~~Table 7.~~ ~~Table 6.~~ Graduated Tabular Rates of Withdrawal - Active Female Members
- ~~Table 7.~~ Renumbered

ARTICLE 1. SOCIAL SECURITY DIVISION STATE RETIREMENT DEFINED BENEFIT PLAN

R2-8-123. Actuarial Assumptions and Actuarial Value of Assets

The Board adopts the following for actuarial valuations as of June 30, ~~1996-2002~~, and thereafter:

1. Actuarial Assumptions shall be as follows:
 - a. Interest and Investment Yield Rate -- 8% per annum, compounded annually.
 - b. Mortality -- Healthy rates are based on the 1983 Group Annuity Mortality Table with margins, set back 1 year for males and not set back for females as provided in ~~Table 3 of this rule~~ volume XXXV of the Transactions of the Society of Actuaries published in 1985 by the Society of Actuaries, 475 N. Martingale Road, Suite 800, Schaumburg, IL 60173-3599. This table is incorporated by reference and on file with ASRS and the Office of the Secretary of State. This incorporation by reference contains no future editions or amendments. Disabled rates are based on ~~the experience of other large public sector retirement systems through age 82, and healthy mortality rates thereafter, as provided in Table 4~~ Table 3 of this rule. ~~Section.~~
 - c. Retirement Age -- Select and ultimate retirement rates at age and years of service shown in ~~Table 5~~ Table 4 of this rule ~~Section.~~
 - d. Salary Scales -- A select and ultimate salary scale made up of a step-rate/promotional component and general salary increase component as follows:

Years of Service	Step-Rate/Promotional Component	Total Salary Increase*
(1)	(2)	(3)
1	5.00%	9.50%
2	4.00%	8.50%
3	2.50%	7.00%
4	1.80%	6.30%
5	1.40%	5.90%
6	1.25%	5.75%
7	1.00%	5.50%
8	0.80%	5.30%
9	0.75%	5.25%
10	0.50%	5.00%
11-19	0.25%	4.75%
20 +	0.00%	4.50%
* Total salary increase rate = inflation (or growth) rate (4.25%) + productivity increase rate (0.25%) + step-rate/promotional component.		

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- e. Withdrawal Rates (for causes other than death, disability, or retirement) -- Select and ultimate withdrawal rates as provided in ~~Table 6~~ Table 5 for withdrawal rates for males and ~~Table 7~~ Table 6 for withdrawal rates for females.
 - f. Disability Rates -- Group long-term disability rates ~~based on the Society of Actuaries 1987 Disability Incidence Study (with a 6-month elimination period)~~ as provided in Table 1 for male disability rates and Table 2 for female disability rates.
 - g. Future Retirees Eligible for the Health Insurance Premium Supplement -- 75% of future retirees will be eligible to receive the post-retirement health insurance premium supplement and 60% of those retirees will be eligible for the dependent premium supplement.
 - h. Proportion of Vested Terminated Members Who Will Not Withdraw Their Contributions -- ~~25% of members who terminate vested will not withdraw their contributions but instead will receive a retirement benefit upon attaining retirement age.~~ Members who terminate with five or more years of service, but prior to eligibility for retirement, will choose to receive the enhanced refund option if its value exceeds the present value of the deferred benefit; otherwise such members will elect their deferred benefits. Members who terminate with less than five years of service withdraw their member contributions with interest. Members who are eligible for early retirement when they terminate elect to begin their benefits immediately.
 - i. We assume that all members have beneficiaries of the opposite sex and that the beneficiary of a male member is three years younger than the member and that the beneficiary of a female member is three years older than the member.
2. ~~Actuarial Value of Assets: The actuarial value of assets is equal to the market value of assets less a 5-year phase-in of the excess (shortfall) between expected investment return and actual income with the resulting value not being less than 80% or more than 120% of the market value of assets.~~ Actuarial Value of Plan Assets: The actuarial value of assets is equal to the market value of assets less a ten-year (five-year for fiscal years before fiscal 2002) phase-in of the excess (shortfall) of actual investment return over expected investment return.

Table 3. ~~Non-disabled Member Mortality Rates~~

Age	Male	Female	Age	Male	Female
20	0.000365	0.000189	69	0.022229	0.010921
21	0.000377	0.000201	70	0.024817	0.012385
22	0.000392	0.000212	71	0.027530	0.014128
23	0.000408	0.000225	72	0.030354	0.016159
24	0.000424	0.000238	73	0.033370	0.018481
25	0.000444	0.000253	74	0.036680	0.021091
26	0.000464	0.000268	75	0.040388	0.023992
27	0.000488	0.000283	76	0.044597	0.027184
28	0.000513	0.000301	77	0.049388	0.030672
29	0.000542	0.000320	78	0.054758	0.034459
30	0.000572	0.000342	79	0.060678	0.038549
31	0.000607	0.000364	80	0.067125	0.042945
32	0.000645	0.000388	81	0.074070	0.047655
33	0.000687	0.000414	82	0.081484	0.052691
34	0.000734	0.000443	83	0.089320	0.058071
35	0.000785	0.000476	84	0.097525	0.063807
36	0.000860	0.000502	85	0.106047	0.069918
37	0.000907	0.000535	86	0.114836	0.076570
38	0.000966	0.000573	87	0.124170	0.084459
39	0.001039	0.000617	88	0.133870	0.091935
40	0.001128	0.000665	89	0.144073	0.101354
41	0.001238	0.000716	90	0.154859	0.111750

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42	0.001370	0.000775	91	0.166307	0.123076
43	0.001527	0.000841	92	0.178214	0.135630
44	0.001715	0.000919	93	0.190460	0.149577
45	0.001932	0.001010	94	0.203007	0.165103
46	0.002183	0.001117	95	0.217904	0.182419
47	0.002471	0.001237	96	0.234086	0.201757
48	0.002790	0.001366	97	0.248436	0.222043
49	0.003138	0.001505	98	0.263954	0.243899
50	0.003513	0.001647	99	0.280803	0.268185
51	0.003909	0.001793	100	0.299154	0.295187
52	0.004324	0.001948	101	0.319185	0.325225
53	0.004755	0.002119	102	0.341086	0.358897
54	0.005200	0.002315	103	0.365052	0.395842
55	0.005660	0.002541	104	0.393102	0.438360
56	0.006131	0.002803	105	0.427255	0.487816
57	0.006618	0.003103	106	0.469531	0.545886
58	0.007139	0.003442	107	0.521945	0.614309
59	0.007719	0.003821	108	0.586518	0.694884
60	0.008384	0.004241	109	0.665268	0.789474
61	0.009158	0.004702	110	0.760215	0.789474
62	0.010064	0.005210			
63	0.011133	0.005769			
64	0.012391	0.006385			
65	0.013868	0.007064			
66	0.015592	0.007817			
67	0.017579	0.008681			
68	0.019804	0.009702			

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Table 4. Table 3. Disabled Member Mortality Rates

Age	Male	Female	Age	Male	Female
20	0.069879	0.053877	66	0.061623	0.026840
21	0.069996	0.052371	67	0.061524	0.025983
22	0.070844	0.051719	68	0.061425	0.025358
23	0.072426	0.051921	69	0.061410	0.024949
24	0.074739	0.052977	70	0.067459	0.024778
25	0.077774	0.054887	71	0.074692	0.025103
26	0.081514	0.057649	72	0.081981	0.026205
27	0.085917	0.061249	73	0.088344	0.028186
28	0.090912	0.065656	74	0.093244	0.030948
29	0.096392	0.070808	75	0.096503	0.034291
30	0.102203	0.076604	76	0.098256	0.038087
31	0.108136	0.082892	77	0.098856	0.042217
32	0.113923	0.089460	78	0.098860	0.046540
33	0.119246	0.096034	79	0.098874	0.050814
34	0.123755	0.102284	80	0.098892	0.054859
35	0.127088	0.107853	81	0.099251	0.058639
36	0.128906	0.112409	82	0.100129	0.062150
37	0.128926	0.115626	83	0.108361	0.064523
38	0.126987	0.117135	84	0.117830	0.070897
39	0.123139	0.116642	85	0.127595	0.077687
40	0.117613	0.113967	86	0.137967	0.085078
41	0.110786	0.109054	87	0.148744	0.093189
42	0.103215	0.102042	88	0.160081	0.102150
43	0.095530	0.093478	89	0.172066	0.112616
44	0.088266	0.084216	90	0.184785	0.124167
45	0.081841	0.075172	91	0.198016	0.136751
46	0.076701	0.067198	92	0.211622	0.150700
47	0.073156	0.060788	93	0.225563	0.166197
48	0.071164	0.056136	94	0.242116	0.183448
49	0.070180	0.053121	95	0.260096	0.202688
50	0.069484	0.051392	96	0.276040	0.224174
51	0.068278	0.050436	97	0.293282	0.246715
52	0.066081	0.049707	98	0.312003	0.270999
53	0.062961	0.048730	99	0.332393	0.297983
54	0.062820	0.047328	100	0.354650	0.327986
55	0.062712	0.045671	101	0.378984	0.361361
56	0.062613	0.044033	102	0.405613	0.398774
57	0.062514	0.042368	103	0.436780	0.439825
58	0.062415	0.040421	104	0.474728	0.487067
59	0.062316	0.038255	105	0.521701	0.542018

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60	0.062217	0.036058	106	0.579939	0.606540
61	0.062118	0.033981	107	0.651687	0.682566
62	0.062019	0.032048	108	0.739187	0.772094
63	0.061920	0.030396	109	0.844683	0.877193
64	0.061821	0.029038	110	1.000000	1.000000
65	0.061722	0.027868			

Table 4A. Rates of Decrement Due to Retirement 0 to 23 Years of Service

Age	0-4	5-9	10-14	15	16	17	18	19	20	21-23
50 & Under	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
51	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
52	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
53	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
54	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
55	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0600	0.0600
56	0.000	0.0500	0.0550	0.0500	0.0500	0.0500	0.0500	0.0500	0.0800	0.0800
57	0.000	0.0500	0.0700	0.0500	0.0500	0.0500	0.0500	0.0500	0.1250	0.1250
58	0.000	0.0500	0.0750	0.0800	0.0800	0.0800	0.0800	0.0800	0.1625	0.1625
59	0.000	0.0500	0.0800	0.0900	0.0900	0.0900	0.0900	0.0900	0.2000	0.2000
60	0.000	0.0500	0.0900	0.1100	0.1100	0.1100	0.1100	0.1100	0.2625	0.2625
61	0.000	0.0500	0.1400	0.1500	0.1500	0.1500	0.1500	0.1500	0.2375	0.2375
62	0.000	0.0500	0.3400	0.3400	0.3400	0.3400	0.3400	0.3400	0.4200	0.4200
63	0.000	0.0500	0.4500	0.4500	0.4500	0.4500	0.4500	0.4500	0.5000	0.5000
64	0.000	0.0500	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.5300	0.5300
65	0.0250	0.0500	0.5500	0.5500	0.5500	0.5500	0.5500	0.5500	0.5500	0.5500
66 & Older	0.0250	0.1000	0.5500	0.5500	0.5500	0.5500	0.5500	0.5500	0.6000	0.6000

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Table 4B. Rates of Decrement Due to Retirement 24 to 30 Years of Service

<u>Age</u>	<u>24</u>	<u>25</u>	<u>26</u>	<u>27</u>	<u>28-29</u>	<u>30</u>
50 & Under	0.0500	0.0500	0.0563	0.0563	0.0625	0.1000
51	0.0500	0.0500	0.0625	0.0625	0.0813	0.0938
52	0.0500	0.0625	0.0625	0.0625	0.1094	0.1000
53	0.0500	0.0625	0.1125	0.1125	0.1188	0.1125
54	0.0500	0.0625	0.1563	0.1563	0.1313	0.1375
55	0.0750	0.1625	0.1500	0.1500	0.1438	0.1875
56	0.1625	0.1500	0.1500	0.1500	0.1500	0.1500
57	0.1875	0.1875	0.1875	0.1875	0.1813	0.1750
58	0.2000	0.2000	0.2000	0.2000	0.2125	0.2125
59	0.2125	0.2125	0.2125	0.2125	0.2125	0.2500
60	0.2375	0.2500	0.2500	0.2500	0.2500	0.3000
61	0.4000	0.3000	0.3000	0.3000	0.3000	0.3125
62	0.4200	0.4400	0.4400	0.4400	0.4400	0.5000
63	0.5000	0.5300	0.5300	0.5300	0.5300	0.5500
64	0.5300	0.5500	0.5500	0.5500	0.5500	0.5500
65	0.5500	0.6000	0.6000	0.6000	0.6000	0.6000
66 & Older	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000

Table 4C. Rates of Decrement Due to Retirement 31 to 33 or More Years of Service

<u>Age</u>	<u>31-32</u>	<u>33 or more</u>
50 & Under	0.0781	0.1250
51	0.1031	0.1375
52	0.1156	0.0750
53	0.1188	0.0750
54	0.1313	0.1250
55	0.1250	0.1250
56	0.1500	0.1500
57	0.1750	0.1750
58	0.2125	0.2125
59	0.2500	0.2500
60	0.3000	0.3000
61	0.3125	0.3125
62	0.5000	0.5000
63	0.5500	0.5500
64	0.5500	0.5500
65	0.6000	0.6000
66 & Older	0.6000	0.6000

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Table 5. Rates of Decrement Due to Retirement

Age	Years of Service									
	0-4	5-9	10-14	15	16	17	18	19	20	21
50 & Under	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
51	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
52	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
53	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
54	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
55	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0600	0.0600
56	0.000	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0800	0.1000
57	0.000	0.0500	0.0700	0.0500	0.0500	0.0500	0.0500	0.0500	0.1250	0.1250
58	0.000	0.0500	0.0750	0.0800	0.0800	0.0800	0.0800	0.1000	0.1625	0.1625
59	0.000	0.0500	0.0800	0.0900	0.0900	0.0900	0.1125	0.1125	0.2000	0.2250
60	0.000	0.0500	0.0900	0.1100	0.1100	0.1375	0.1375	0.1375	0.2625	0.2375
61	0.000	0.0500	0.1400	0.1500	0.1875	0.1875	0.1875	0.1875	0.2375	0.2375
62	0.000	0.0500	0.3400	0.3400	0.3400	0.3400	0.3400	0.3400	0.4200	0.4200
63	0.000	0.1000	0.4500	0.4500	0.4500	0.4500	0.4500	0.4500	0.5000	0.5000
64	0.000	0.0500	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.5300	0.5300
65	0.0250	0.0500	0.5500	0.5500	0.5500	0.5500	0.5500	0.5500	0.5500	0.5500
66 & Older	0.0250	0.1000	0.5500	0.5500	0.5500	0.5500	0.5500	0.5500	0.6000	0.6000

Age	Years of Service									
	22	23	24	25	26	27	28	29	30	31
50 & Under	0.0500	0.0500	0.0500	0.0500	0.0500	0.0625	0.0625	0.0625	0.1000	0.0750
51	0.0500	0.0500	0.0500	0.0500	0.0625	0.0625	0.0625	0.1000	0.0938	0.1000
52	0.0500	0.0500	0.0500	0.0625	0.0625	0.0625	0.1250	0.0938	0.1000	0.1062
53	0.0500	0.0500	0.0500	0.0625	0.0625	0.1625	0.1250	0.1125	0.1125	0.1125
54	0.0500	0.0500	0.0500	0.0625	0.1625	0.1500	0.1250	0.1375	0.1375	0.1375
55	0.0750	0.0750	0.0750	0.1625	0.1500	0.1500	0.1375	0.1500	0.1875	0.1250
56	0.1000	0.1000	0.1625	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
57	0.1250	0.2250	0.1875	0.1875	0.1875	0.1875	0.1875	0.1750	0.1750	0.1750
58	0.2250	0.2000	0.2000	0.2000	0.2000	0.2000	0.2125	0.2125	0.2125	0.2125
59	0.2125	0.2125	0.2125	0.2125	0.2125	0.2125	0.2125	0.2125	0.2500	0.2500
60	0.2375	0.2375	0.2375	0.2500	0.2500	0.2500	0.2500	0.2500	0.3000	0.3000
61	0.2375	0.2375	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3125	0.3125
62	0.4200	0.4200	0.4200	0.4400	0.4400	0.4400	0.4400	0.4400	0.5000	0.5000
63	0.5000	0.5000	0.5000	0.5300	0.5300	0.5300	0.5300	0.5300	0.5500	0.5500
64	0.5300	0.5300	0.5300	0.5500	0.5500	0.5500	0.5500	0.5500	0.5500	0.5500
65	0.5500	0.5500	0.5500	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
66 & Older	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000

Age	Years of Service			
	32	33	34	35 or more
50 & Under	0.0812	0.0938	0.1250	0.1250
51	0.1062	0.1250	0.1375	0.1375
52	0.1250	0.1375	0.0750	0.0750
53	0.1250	0.750	0.0750	0.0750
54	0.1250	0.1250	0.1250	0.1250
55	0.1250	0.1250	0.1250	0.1250
56	0.1500	0.1500	0.1500	0.1500
57	0.1750	0.1750	0.1750	0.1750
58	0.2125	0.2125	0.2125	0.2125
59	0.2500	0.2500	0.2500	0.2500
60	0.3000	0.3000	0.3000	0.3000
61	0.3125	0.3125	0.3125	0.3125
62	0.5000	0.5000	0.5000	0.5000
63	0.5500	0.5500	0.5500	0.5500
64	0.5500	0.5500	0.5500	0.5500
65	0.6000	0.6000	0.6000	0.6000
66 & Older	0.6000	0.6000	0.6000	0.6000

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Table 6. Table 5. Graduated Tabular Rates of Withdrawal - Active Male Members											
Male Withdrawal Rates - Years of Service											
Age	0	1	2	3	4	5	6	7	8	9	10+
15	0.3888	0.3797	0.3087	0.2632	0.1580	0.1413	0.0931	0.0860	0.0735	0.0794	0.1365
16	0.3888	0.3797	0.3087	0.2632	0.1580	0.1413	0.0931	0.0860	0.0735	0.0794	0.1365
17	0.3888	0.3797	0.3087	0.2632	0.1580	0.1413	0.0931	0.0860	0.0735	0.0794	0.1365
18	0.3888	0.3797	0.3087	0.2632	0.1580	0.1413	0.0931	0.0860	0.0735	0.0794	0.1365
19	0.3809	0.3719	0.2991	0.2588	0.1544	0.1389	0.0920	0.0851	0.0723	0.0778	0.1321
20	0.3731	0.3642	0.2895	0.2545	0.1508	0.1364	0.0910	0.0843	0.0711	0.0763	0.1277
21	0.3573	0.3487	0.2703	0.2458	0.1436	0.1316	0.0889	0.0825	0.0688	0.0733	0.1189
22	0.3412	0.3324	0.2531	0.2365	0.1367	0.1268	0.0868	0.0808	0.0665	0.0704	0.1104
23	0.3250	0.3154	0.2376	0.2265	0.1300	0.1222	0.0848	0.0791	0.0643	0.0676	0.1024
24	0.3088	0.2981	0.2237	0.2162	0.1237	0.1178	0.0828	0.0775	0.0622	0.0649	0.0947
25	0.2930	0.2809	0.2111	0.2057	0.1177	0.1135	0.0808	0.0759	0.0602	0.0624	0.0874
26	0.2776	0.2638	0.1999	0.1949	0.1119	0.1094	0.0789	0.0743	0.0582	0.0599	0.0804
27	0.2628	0.2471	0.1897	0.1842	0.1064	0.1054	0.0770	0.0728	0.0564	0.0576	0.0739
28	0.2491	0.2315	0.1802	0.1738	0.1012	0.1015	0.0751	0.0712	0.0547	0.0554	0.0677
29	0.2369	0.2175	0.1708	0.1639	0.0963	0.0978	0.0733	0.0697	0.0530	0.0533	0.0619
30	0.2267	0.2055	0.1612	0.1547	0.0917	0.0943	0.0714	0.0682	0.0514	0.0514	0.0565
31	0.2187	0.1960	0.1509	0.1465	0.0874	0.0909	0.0696	0.0668	0.0499	0.0495	0.0514
32	0.2128	0.1887	0.1403	0.1392	0.0834	0.0876	0.0679	0.0653	0.0485	0.0478	0.0467
33	0.2083	0.1832	0.1301	0.1326	0.0796	0.0845	0.0661	0.0639	0.0472	0.0462	0.0424
34	0.2050	0.1792	0.1210	0.1267	0.0762	0.0815	0.0645	0.0625	0.0460	0.0447	0.0385
35	0.2021	0.1760	0.1137	0.1214	0.0729	0.0787	0.0628	0.0611	0.0448	0.0434	0.0349
36	0.1996	0.1736	0.1087	0.1165	0.0699	0.0760	0.0612	0.0597	0.0438	0.0421	0.0318
37	0.1974	0.1719	0.1055	0.1121	0.0672	0.0734	0.0596	0.0584	0.0427	0.0410	0.0290
38	0.1956	0.1708	0.1036	0.1082	0.0646	0.0710	0.0581	0.0571	0.0418	0.0400	0.0266
39	0.1942	0.1702	0.1023	0.1047	0.0623	0.0687	0.0566	0.0558	0.0409	0.0391	0.0245
40	0.1931	0.1698	0.1011	0.1015	0.0601	0.0665	0.0551	0.0546	0.0400	0.0383	0.0227
41	0.1924	0.1695	0.0996	0.0985	0.0580	0.0644	0.0535	0.0534	0.0392	0.0376	0.0213
42	0.1919	0.1693	0.0982	0.0958	0.0562	0.0624	0.0519	0.0523	0.0383	0.0369	0.0201
43	0.1915	0.1691	0.0967	0.0934	0.0544	0.0605	0.0504	0.0511	0.0375	0.0362	0.0192
44	0.1912	0.1690	0.0954	0.0912	0.0529	0.0588	0.0491	0.0496	0.0368	0.0356	0.0185
45	0.1909	0.1692	0.0944	0.0893	0.0515	0.0572	0.0482	0.0477	0.0363	0.0350	0.0179
46	0.1907	0.1698	0.0937	0.0878	0.0503	0.0559	0.0479	0.0453	0.0359	0.0345	0.0174
47	0.1905	0.1705	0.0932	0.0866	0.0492	0.0549	0.0479	0.0424	0.0358	0.0341	0.0169
48	0.1903	0.1710	0.0927	0.0853	0.0482	0.0537	0.0480	0.0396	0.0356	0.0335	0.0165
49	0.1899	0.1707	0.0918	0.0839	0.0471	0.0522	0.0476	0.0370	0.0352	0.0328	0.0161
50	0.1892	0.1692	0.0904	0.0820	0.0458	0.0502	0.0466	0.0351	0.0345	0.0319	0.0155
51	0.1881	0.1660	0.0882	0.0795	0.0441	0.0475	0.0446	0.0340	0.0332	0.0306	0.0147
52	0.1867	0.1618	0.0854	0.0766	0.0422	0.0443	0.0418	0.0336	0.0316	0.0291	0.0138
53	0.1859	0.1576	0.0829	0.0739	0.0405	0.0410	0.0389	0.0336	0.0299	0.0276	0.0128

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54	0.1863	0.1547	0.0811	0.0719	0.0392	0.0381	0.0361	0.0339	0.0284	0.0263	0.0120
55	0.1887	0.1543	0.0807	0.0713	0.0386	0.0361	0.0341	0.0340	0.0272	0.0252	0.0113
56	0.1935	0.1572	0.0821	0.0724	0.0392	0.0352	0.0331	0.0340	0.0266	0.0247	0.0109
57	0.2003	0.1625	0.0850	0.0749	0.0406	0.0352	0.0328	0.0339	0.0263	0.0245	0.0107
58	0.2080	0.1693	0.0887	0.0781	0.0422	0.0358	0.0330	0.0337	0.0263	0.0245	0.0107
59	0.2155	0.1763	0.0927	0.0817	0.0437	0.0365	0.0335	0.0335	0.0263	0.0246	0.0107
60	0.2219	0.1824	0.0963	0.0848	0.0445	0.0371	0.0339	0.0333	0.0261	0.0246	0.0108
61	0.2266	0.1869	0.0993	0.0874	0.0442	0.0373	0.0342	0.0331	0.0258	0.0243	0.0109
62	0.2301	0.1905	0.1018	0.0895	0.0433	0.0373	0.0345	0.0330	0.0253	0.0240	0.0110
63	0.2328	0.1937	0.1043	0.0917	0.0423	0.0374	0.0348	0.0328	0.0248	0.0235	0.0113
64	0.2355	0.1969	0.1069	0.0942	0.0418	0.0380	0.0350	0.0326	0.0242	0.0230	0.0117
65	0.2386	0.2008	0.1101	0.0975	0.0426	0.0393	0.0353	0.0324	0.0237	0.0226	0.0123
66	0.2424	0.2056	0.1139	0.1017	0.0449	0.0415	0.0357	0.0322	0.0233	0.0221	0.0132
67	0.2467	0.2109	0.1182	0.1066	0.0484	0.0445	0.0360	0.0320	0.0230	0.0217	0.0143
68	0.2512	0.2166	0.1227	0.1120	0.0527	0.0479	0.0363	0.0318	0.0227	0.0213	0.0155
69	0.2558	0.2225	0.1274	0.1175	0.0572	0.0514	0.0366	0.0315	0.0223	0.0208	0.0167
70	0.2604	0.2282	0.1320	0.1229	0.0616	0.0549	0.0369	0.0313	0.0220	0.0204	0.0180
71	0.2626	0.2311	0.1342	0.1257	0.0638	0.0567	0.0371	0.0312	0.0219	0.0202	0.0186
72	0.2649	0.2340	0.1365	0.1284	0.0661	0.0584	0.0373	0.0311	0.0217	0.0200	0.0192
73	0.2672	0.2369	0.1388	0.1311	0.0684	0.0601	0.0375	0.0310	0.0215	0.0198	0.0198
74	0.2672	0.2369	0.1388	0.1311	0.0684	0.0601	0.0375	0.0310	0.0215	0.0198	0.0198

Table 7. Table 6. Graduated Tabular Rates of Withdrawal - Active Female Members
Female Withdrawal Rates - Years of Service

Age	0	1	2	3	4	5	6	7	8	9	10+
15	0.3324	0.3249	0.2787	0.2761	0.2244	0.2216	0.1785	0.1486	0.1457	0.1356	0.2326
16	0.3324	0.3249	0.2787	0.2761	0.2244	0.2216	0.1785	0.1486	0.1457	0.1356	0.2326
17	0.3324	0.3249	0.2787	0.2761	0.2244	0.2216	0.1785	0.1486	0.1457	0.1356	0.2326
18	0.3324	0.3249	0.2787	0.2761	0.2244	0.2216	0.1785	0.1486	0.1457	0.1356	0.2326
19	0.3220	0.3151	0.2714	0.2678	0.2172	0.2146	0.1733	0.1445	0.1419	0.1320	0.2237
20	0.3116	0.3053	0.2640	0.2596	0.2101	0.2077	0.1680	0.1405	0.1380	0.1285	0.2148
21	0.2908	0.2858	0.2492	0.2432	0.1958	0.1937	0.1575	0.1323	0.1303	0.1215	0.1970
22	0.2726	0.2686	0.2358	0.2281	0.1826	0.1808	0.1479	0.1248	0.1231	0.1150	0.1804
23	0.2569	0.2536	0.2237	0.2143	0.1705	0.1690	0.1389	0.1179	0.1165	0.1089	0.1648
24	0.2434	0.2405	0.2127	0.2017	0.1593	0.1580	0.1307	0.1114	0.1104	0.1033	0.1503
25	0.2321	0.2293	0.2027	0.1902	0.1491	0.1480	0.1231	0.1055	0.1047	0.0980	0.1368
26	0.2227	0.2197	0.1937	0.1796	0.1397	0.1388	0.1161	0.1000	0.0994	0.0931	0.1242
27	0.2149	0.2116	0.1856	0.1700	0.1311	0.1304	0.1097	0.0949	0.0945	0.0886	0.1126
28	0.2088	0.2048	0.1782	0.1612	0.1233	0.1226	0.1037	0.0901	0.0898	0.0842	0.1017
29	0.2044	0.1989	0.1714	0.1531	0.1161	0.1155	0.0982	0.0856	0.0854	0.0801	0.0916
30	0.2015	0.1937	0.1652	0.1456	0.1094	0.1089	0.0930	0.0813	0.0811	0.0760	0.0821
31	0.2003	0.1892	0.1593	0.1385	0.1032	0.1027	0.0880	0.0772	0.0770	0.0721	0.0731
32	0.2003	0.1851	0.1539	0.1320	0.0974	0.0969	0.0833	0.0732	0.0730	0.0682	0.0647

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33	0.2007	0.1815	0.1487	0.1258	0.0921	0.0916	0.0789	0.0694	0.0691	0.0645	0.0569
34	0.2003	0.1785	0.1438	0.1201	0.0873	0.0867	0.0748	0.0658	0.0653	0.0608	0.0498
35	0.1984	0.1762	0.1390	0.1147	0.0829	0.0823	0.0710	0.0624	0.0617	0.0573	0.0436
36	0.1943	0.1745	0.1344	0.1097	0.0789	0.0783	0.0675	0.0591	0.0582	0.0539	0.0382
37	0.1885	0.1732	0.1298	0.1050	0.0753	0.0747	0.0643	0.0561	0.0549	0.0506	0.0335
38	0.1821	0.1722	0.1255	0.1006	0.0721	0.0714	0.0613	0.0532	0.0518	0.0475	0.0296
39	0.1762	0.1709	0.1213	0.0966	0.0692	0.0686	0.0587	0.0506	0.0488	0.0445	0.0264
40	0.1720	0.1693	0.1174	0.0930	0.0666	0.0661	0.0563	0.0482	0.0461	0.0417	0.0239
41	0.1701	0.1671	0.1138	0.0897	0.0644	0.0639	0.0543	0.0461	0.0437	0.0391	0.0220
42	0.1699	0.1644	0.1105	0.0868	0.0625	0.0620	0.0524	0.0441	0.0414	0.0367	0.0208
43	0.1707	0.1614	0.1074	0.0842	0.0608	0.0603	0.0508	0.0424	0.0393	0.0345	0.0199
44	0.1718	0.1584	0.1046	0.0818	0.0593	0.0589	0.0494	0.0408	0.0374	0.0324	0.0194
45	0.1725	0.1557	0.1020	0.0797	0.0579	0.0575	0.0480	0.0394	0.0356	0.0305	0.0189
46	0.1726	0.1532	0.0996	0.0778	0.0567	0.0563	0.0468	0.0380	0.0340	0.0287	0.0185
47	0.1723	0.1510	0.0975	0.0761	0.0556	0.0552	0.0456	0.0367	0.0325	0.0270	0.0181
48	0.1717	0.1490	0.0957	0.0746	0.0546	0.0541	0.0445	0.0356	0.0311	0.0254	0.0177
49	0.1708	0.1472	0.0941	0.0733	0.0536	0.0531	0.0435	0.0345	0.0298	0.0240	0.0173
50	0.1698	0.1457	0.0927	0.0722	0.0528	0.0522	0.0426	0.0335	0.0287	0.0227	0.0167
51	0.1684	0.1443	0.0917	0.0713	0.0521	0.0513	0.0417	0.0326	0.0277	0.0216	0.0160
52	0.1669	0.1431	0.0909	0.0707	0.0515	0.0505	0.0408	0.0317	0.0268	0.0206	0.0152
53	0.1656	0.1422	0.0904	0.0702	0.0510	0.0497	0.0399	0.0309	0.0260	0.0197	0.0143
54	0.1650	0.1416	0.0901	0.0700	0.0505	0.0490	0.0391	0.0302	0.0253	0.0191	0.0134
55	0.1655	0.1412	0.0901	0.0700	0.0503	0.0484	0.0384	0.0296	0.0248	0.0186	0.0125
56	0.1674	0.1410	0.0903	0.0702	0.0501	0.0478	0.0377	0.0290	0.0243	0.0183	0.0116
57	0.1704	0.1412	0.0908	0.0706	0.0501	0.0474	0.0371	0.0286	0.0240	0.0182	0.0107
58	0.1739	0.1416	0.0916	0.0712	0.0502	0.0470	0.0366	0.0281	0.0237	0.0182	0.0100
59	0.1775	0.1422	0.0926	0.0720	0.0504	0.0468	0.0361	0.0278	0.0236	0.0185	0.0093
60	0.1805	0.1432	0.0939	0.0731	0.0508	0.0466	0.0357	0.0275	0.0237	0.0190	0.0088
61	0.1827	0.1443	0.0954	0.0743	0.0513	0.0465	0.0354	0.0273	0.0238	0.0197	0.0085
62	0.1842	0.1457	0.0971	0.0758	0.0519	0.0465	0.0352	0.0272	0.0241	0.0206	0.0083
63	0.1854	0.1473	0.0990	0.0775	0.0527	0.0467	0.0350	0.0272	0.0245	0.0217	0.0084
64	0.1863	0.1493	0.1013	0.0794	0.0536	0.0469	0.0349	0.0272	0.0250	0.0231	0.0087
65	0.1872	0.1516	0.1039	0.0816	0.0547	0.0473	0.0349	0.0274	0.0257	0.0247	0.0092
66	0.1881	0.1542	0.1067	0.0841	0.0560	0.0479	0.0351	0.0276	0.0266	0.0266	0.0100
67	0.1890	0.1571	0.1099	0.0868	0.0575	0.0485	0.0353	0.0280	0.0277	0.0288	0.0109
68	0.1899	0.1603	0.1132	0.0897	0.0590	0.0493	0.0357	0.0284	0.0288	0.0311	0.0121
69	0.1907	0.1634	0.1165	0.0926	0.0606	0.0500	0.0360	0.0289	0.0299	0.0335	0.0132
70	0.1916	0.1666	0.1199	0.0955	0.0622	0.0508	0.0363	0.0293	0.0311	0.0358	0.0144
71	0.1920	0.1682	0.1215	0.0969	0.0630	0.0512	0.0365	0.0295	0.0317	0.0370	0.0150
72	0.1924	0.1698	0.1232	0.0984	0.0638	0.0516	0.0367	0.0298	0.0322	0.0382	0.0156
73	0.1714	0.1698	0.1249	0.0999	0.0646	0.0520	0.0369	0.0301	0.0327	0.0394	0.0162
74	0.1714	0.1698	0.1249	0.0999	0.0646	0.0520	0.0369	0.0301	0.0327	0.0394	0.0162

Table 7. Renumbered

NOTICE OF PROPOSED RULEMAKING

TITLE 19. ALCOHOL, HORSE AND DOG RACING, LOTTERY, AND GAMING

CHAPTER 1. DEPARTMENT OF LIQUOR LICENSES AND CONTROL

PREAMBLE

- 1. Sections Affected**

R19-1-201	Repeal
R19-1-315	Repeal
R19-1-315	New Section
- 2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):**

Authorizing statute: A.R.S. § 4-112(B)(1)(a)
Implementing statute: A.R.S. § 4-244.05(I), (J), and (K)
- 3. A list of all previous notices appearing in the Register addressing the proposed rules:**

Notice of Rulemaking Docket Opening: 8 A.A.R. 3486, August 9, 2002
Notice of Rulemaking Docket Opening: 8 A.A.R. 3759, August 30, 2002
- 4. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**

Name: Special Investigator Wes Kuhl or David Williams
Address: 800 W. Washington, 5th Floor
Phoenix, AZ 85007
Telephone: (602) 542-9072 or (602) 542-9789
Fax: (602) 542-5707
- 5. An explanation of the rule, including the agency's reason for initiating the rule:**

The agency is informing the public of the limitations on the possession or consumption of spirituous liquor at establishments that are exempt from A.R.S. § 4-244.05. This rule is necessary to maintain the health and welfare of the community.
- 6. A reference to any study relevant to the rule that the agency reviewed and either proposes to rely on in its evaluation of or justification for the rule or proposes not to 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:**

None
- 7. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:**

Not applicable
- 8. The preliminary summary of the economic, small business, and consumer impact:**

The rule imposes an administrative burden on the agency. Minimal economic impact is expected for processing the applications and inspections for ensuring compliance. Employee salaries and time were utilized in creating and rewriting the rule. The rule imposes a minimal burden and cost to the small business owners in completing the required application. However, there is no cost for the application itself. More small business owners are expected to participate in this exemption and remain compliant with the rule. Compliance with the rule will alleviate state-imposed civil penalties. The rule will establish clear parameters for the amount of alcohol, time-frames, and occupancy restrictions, so the applicant will be able to easily monitor compliance with the rule. Consumer impact is minimal as the rule allows the public to bring alcohol to qualified establishments as an incidental convenience. Clarity in the rule will allow more effective and efficient enforcement and will better inform the public. The economic impact on other state agencies, such as the Governor's Regulatory Review Council, is expected to be minimal.
- 9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:**

Name: Special Investigator Wes Kuhl or David Williams
Address: 800 W. Washington, 5th Floor
Phoenix, AZ 85007

Notices of Proposed Rulemaking

Telephone: (602) 542-9072 or (602) 542-9789

Fax: (602) 542-5707

10. The time, place, and nature of the proceedings for the adoption, amendment, or repeal of the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

No oral proceeding is scheduled. Under A.R.S. § 41-1023(C), an oral proceeding will be scheduled if a written request is submitted to the persons identified in item #4 within 30 days after publication of this notice.

Written comments will be accepted at the above location until close of record.

11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None

12. Incorporations by reference and their location in the rules:

None

13. The full text of the rule follows:

TITLE 19. ALCOHOL, HORSE AND DOG RACING, LOTTERY, AND GAMING

CHAPTER 1. DEPARTMENT OF LIQUOR LICENSES AND CONTROL

ARTICLE 2. DIRECTOR

Section

R19-1-201. ~~Definitions~~ Repealed

R19-1-315. ~~Exemptions to A.R.S. § 4-244.05~~ Authorization under A.R.S. § 4-244.05(I)

ARTICLE 2. DIRECTOR

R19-1-201. ~~Definitions~~ Repealed

In this Article, unless the context otherwise requires:

1. ~~“Business establishment or premises” means the real property and improvements from which an enterprise or organized undertaking is conducted regularly for profit.~~
2. ~~“Entertainment,” for purposes of A.R.S. § 4-244.05 only, means any form of amusement including, but not limited to, a performance of theater, dance or opera, musical concerts, motion pictures, videotapes, audiotapes, radio, television, carnivals, games of chance or skill, shows, lectures, or sports events.~~
3. ~~“Food” means any edible substance for the nourishment of the body and consists of hot fare commonly ordered at lunch or dinner prepared at the premises.~~
4. ~~“Membership fee” or “cover charge” means any consideration, direct or indirect, paid to the business establishment by patrons to gain entry.~~
5. ~~“Minimum purchase” or “rental requirement” means an amount of money or other consideration required to be paid by patrons of the business establishment as a condition to enter or remain on the premises.~~
6. ~~“Goods or services” includes all types of commodities, stock, or wares, and any method of providing the use of something needed or desired.~~
7. ~~“Incidental convenience” means the goodwill the business receives from permitting patrons to possess and consume a minimal amount of spirituous liquor while they are present to obtain the goods or services regularly offered to all patrons.~~
8. ~~“Small restaurant” means a public eating place which has facilities for keeping, preparing and cooking foods for lunch or dinner and accommodations to provide food service for up to 40 persons.~~
9. ~~“Catering establishment” means any premises available for hire for a particular function, occasion, or event and which furnishes food and service for up to 300 persons.~~
10. ~~“Association” means an organization of persons having common interests and purposes, established as a nonprofit corporation or fraternal and/or benevolent society, which owns, leases, or occupies a premises used exclusively for the organization’s purposes, which operates for recreational, social, patriotic, political, benevolent or athletic purposes, and which has accommodations for less than 300 persons.~~
11. ~~“Private social function” means any occasional communal affair, gathering, or party occurring at a business establishment is limited to selected, invited guests.~~
12. ~~“Front entrance” means the door commonly used by the general public as entrance to an establishment.~~

Arizona Administrative Register / Secretary of State
Notices of Proposed Rulemaking

R19-1-315. Exemptions to A.R.S. § 4-244.05 Authorization under A.R.S. § 4-244.05(I)

Small restaurants, catering establishments, associations, and business establishments hosting private social functions are exempt from A.R.S. § 4-244.05 if the business establishment meets all of the following conditions:

1. The possession or consumption of spirituous liquor on the premises is limited to wine and beer and is permitted as an incidental convenience to patrons of the business establishment.
2. The business establishment limits possession or consumption of wine or beer on the premises to the hours between noon and 10 p.m.
3. The business establishment or premises allows a patron to possess no more than 24 ounces of beer per person, or 6 ounces of wine per person to be consumed on the premises.
4. The business establishment notifies the Department on a form prescribed by the Department that it permits patrons to consume or possess beer or wine on the premises.
5. The business establishment and/or its proprietor, manager, comptroller, controlling person, or employee shall comply with A.R.S. Title 4, Chapters 1, 2, and 3, and 19 A.A.C. 1.
6. The business establishment and/or its proprietor, manager, comptroller, controlling person, or employee shall not permit the number of patrons within the business establishment to exceed the maximum occupancy limitations. The maximum occupancy limitations are:
 - a. Small restaurant: shall not exceed 40 patrons.
 - b. Catering establishment: shall not exceed 300 patrons.
 - c. Associations: shall not exceed 300 patrons.
 - d. Business establishments hosting private social functions: shall not exceed 300 patrons.
7. If any clause, sentence, subsection, Section, or part of this act shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, subsection, Section, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

A. In this Section, unless the context otherwise requires:

1. "Beverage" means any potable drink.
2. "Business" means a person or organization engaged in an enterprise or organized undertaking, conducted for profit.
3. "Business establishment," "establishment," "business premises," or "premises" means the real property and improvements from which an enterprise or organized undertaking is conducted for profit.
4. "Catering site" means any premises available for hire for a particular function, occasion, or event where a catering business furnishes purchased food and service for not more than 300 patrons.
5. "Entertainment" means any form of amusement including, but not limited to, a performance of theater, dance or opera, musical concerts, disk jockey performances, motion pictures, videotapes, audiotapes, radio, compact discs, television, carnivals, games of chance or skill, shows, lectures, or sports events.
6. "Food" means any edible substance.
7. "Goods or services" mean all types of commodities, stock, or wares, and any method of providing the use of something needed or desired.
8. "Incidental convenience" means the goodwill the business receives from permitting customers to possess and consume a minimal amount of spirituous liquor while they are present to obtain the goods or services regularly offered to all customers.
9. "Membership fee" or "cover charge" means any consideration including donations, direct or indirect, paid to the business by customers to gain entry.
10. "Minimum purchase" or "rental requirement" means an amount of money or other consideration required to be paid by customers of the business as a condition to enter or remain on the premises.
11. "Private social function" means any occasional communal affair, gathering, or party occurring at a business establishment that is limited to selected, invited guests.
12. "Small restaurant" means any business establishment that has facilities for keeping, preparing, and cooking foods for breakfast, lunch or dinner and accommodations to provide food service for not more than 40 patrons.

B. This Section applies to the following:

1. Catering Sites;
2. Small restaurants; and
3. Other business establishments or business premises.

C. The Director shall authorize possession or consumption of spirituous liquor at any business establishment listed in subsection (B) if the person owning, operating, leasing, managing, or controlling the establishment:

1. Permits possession or consumption of spirituous liquor only as an incidental convenience to the customers at the establishment;
2. Limits the possession or consumption of spirituous liquor on the premises to wine or beer;
3. Limits the possession or consumption of wine or beer on the premises to the hours between noon and 10:00 p.m.;
4. Limits each customer to no more than 24 ounces of beer or 375 milliliters of wine for consumption on the premises;

5. Limits the number of customers within the establishment to the following maximum permitted occupancies:
 - a. Catering sites: 300 patrons;
 - b. Small restaurants: 40 patrons;
 - c. Other business establishments: 300 patrons
- D.** The director, the director's agents or any peace officer may visit and inspect the establishment or premises during the business hours of the premises or establishment to ensure compliance with state liquor laws.
- E.** The person owning, operating, leasing, managing, or controlling the establishment shall receive authorization from the Department on a form obtained from the Director before allowing customers to possess or consume beer or wine on the premises. An authorization is valid for one year from the date of issuance. A new application for authorization is required each year.