

Notices of Proposed Rulemaking

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

Editor's Note: The following Notice of Proposed Rulemaking was exempt from Executive Order 2012-03 as issued by Governor Brewer. (See the text of the executive order on page 3332.)

[R12-240]

PREAMBLE

- 1. Article, Part, or Section Affected (as applicable) Rulemaking Action**
R2-8-118 Amend
R2-8-501 Amend
- 2. Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):**
Authorizing statute: A.R.S. § 38-714(E)(4)
Implementing statute: A.R.S. § 38-740(B)
- 3. Citations to all related notices published in the Register as specified in R1-1-409(A) that pertain to the record of the proposed rule:**
Notice of Rulemaking Docket Opening: 18 A.A.R. 3325, December 21, 2012 (*in this issue*)
- 4. The agency's contact person who can answer questions about the rulemaking:**
Name: Patrick M. Klein, Assistant Director
Address: ASRS
3300 N. Central Ave., Suite 1400
Phoenix, AZ 85012-0250
Telephone: (602) 240-2044
Fax: (602) 240-5303
E-mail: PatK@azasrs.gov
Web site: www.azasrs.gov
- 5. An agency's justification and reason why a rule should be made, amended, repealed, or renumbered, to include an explanation about the rulemaking:**
At its October 19, 2012, meeting, the Board decided to change the rate of interest paid on member account balances from four percent to two percent for the purpose of determining the amount in the account of a member who separates from ASRS service for reasons other than death or retirement. The Board made this decision because the two percent rate more closely aligns with current market interest rates and the reduced rate will mitigate future contribution rate increases for members who remain with the Plan.
The Board is also amending R2-8-501(5) to delete reference to R2-8-123, which expired on July 14, 2010.
This rulemaking is exempt from the rulemaking moratorium contained in Executive Order 2012-03 under paragraph (4)(c) of the Order.
- 6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or 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:**

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The Board did not review a study relevant to this rulemaking.

7. **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

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

If a Plan member separates from ASRS for a reason other than death or retirement, the member may choose to have the member's ASRS contribution refunded. If the member has at least five years of service, the member may also receive a refund of some or the entire amount contributed by the member's employer. As a result of reducing the rate at which interest accrues on funds in a member's account, a member who chooses to receive a refund will receive less interest on the amount refunded.

The ASRS' actuary estimates that paying the lower interest rate on refunds will lower the aggregate employee and employer contribution rate by approximately .39 percent and result in a present value cost savings of \$470 million during the next 30 years.

9. **The agency's contact person who can answer questions about the economic, small business, and consumer impact statement:**

Name: Patrick M. Klein, Assistant Director

Address: ASRS
3300 N. Central Ave., Suite 1400
Phoenix, AZ 85012-0250

Telephone: (602) 240-2044

Fax: (602) 240-5303

E-mail: PatK@azasrs.gov

Web site: www.azasrs.gov

10. **The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:**

An oral proceeding regarding the proposed rule will be held as follows:

Date: Thursday, January 24, 2013

Time: 9:00 a.m.

Location: ASRS Board Room (10th Floor)
3300 N. Central Ave.
Phoenix, AZ 85012

The rulemaking record will close at 5:00 p.m. on January 24.

11. **All agencies shall list 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:**

No permit is required.

- 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:**

Federal law applies to retirement programs. However, there is no federal law specifically applicable to this rule-making.

- 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.

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

None

13. **The full text of the rule follows:**

TITLE 2. ADMINISTRATION

CHAPTER 8. STATE RETIREMENT SYSTEM BOARD

ARTICLE 1. RETIREMENT SYSTEM; DEFINED BENEFIT PLAN

Section
R2-8-118. Application of Interest Rates

ARTICLE 5. PURCHASING SERVICE CREDIT

Section
R2-8-501. Definitions

ARTICLE 1. RETIREMENT SYSTEM; DEFINED BENEFIT PLAN

R2-8-118. Application of Interest Rates

- A. No change
1. No change
 2. No change
 3. No change
 4. No change
- B. Application of interest from inception of the ASRS through the present is as follows:

Effective Date of Interest Rate Change	Assumed Actuarial Interest and Investment Yield Rate	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%
<u>7-1-2013</u>	<u>8.00%</u>	<u>2.00% for Plan Members</u>	<u>8.00% for System Members</u>	<u>8.00%</u>

- C. No change
1. No change
 2. No change
 3. No change
 4. No change
 5. No change

ARTICLE 5. PURCHASING SERVICE CREDIT

R2-8-501. Definitions

The following definitions apply to this Article unless otherwise specified:

1. No change
2. No change
 - a. No change

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- b. No change
- c. No change
- 3. No change
- 4. No change
- 5. “Actuarial present value” means an amount in today’s dollars of a member’s future retirement benefit calculated using the appropriate actuarial assumptions ~~in R2-8-123~~ and the:
 - a. No change
 - b. No change
 - c. No change
 - d. No change
- 6. No change
- 7. No change
- 8. No change
- 9. No change
- 10. No change
- 11. No change
- 12. *No change*
 - a. *No change*
 - b. *No change*
 - c. *No change*
 - d. *No change*
 - e. *No change*
- 13. No change
- 14. No change
- 15. No change
 - a. No change
 - b. No change
- 16. No change
- 17. No change
- 18. No change
- 19. No change
- 20. No change
- 21. No change
- 22. No change
 - a. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
- 23. No change
- 24. No change
- 25. No change
- 26. No change
- 27. No change
- 28. No change
- 29. No change
- 30. No change
- 31. No change
 - a. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
- 32. No change
- 33. No change
- 34. No change
- 35. No change
- 36. No change
- 37. No change

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- 38. No change
- 39. No change
- 40. No change
- 41. No change
- 42. No change
- 43. No change
- 44. No change
- 45. No change
- 46. No change
- 47. No change
 - a. No change
 - b. No change
- 48. No change
- 49. No change
- 50. No change
- 51. No change