



**NOTICES OF PROPOSED RULEMAKING**

This section of the *Arizona Administrative Register* contains Notices of Proposed Rulemakings.

A proposed rulemaking is filed by an agency upon completion and submittal of a Notice of Rulemaking Docket Opening. Often these two documents are filed at the same time and published in the same *Register* issue.

When an agency files a Notice of Proposed Rulemaking under the Administrative Procedure Act (APA), the notice is published in the *Register* within three weeks of filing. See the publication schedule in the back of each issue of the *Register* for more information.

Under the APA, 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)

The Office of the Secretary of State is the filing office and publisher of these rules. Questions about the interpretation of the proposed rules should be addressed to the agency the promulgated the rules. Refer to item #4 below to contact the person charged with the rulemaking and item #10 for the close of record and information related to public hearings and oral comments.

**NOTICE OF PROPOSED RULEMAKING**

**TITLE 2. ADMINISTRATION**

**CHAPTER 8. STATE RETIREMENT SYSTEM BOARD**

[R15-58]

**PREAMBLE**

- |  |                                 |
|--|---------------------------------|
| <b><u>1. Article, Part or Section Affected (as applicable)</u></b> | <b><u>Rulemaking Action</u></b> |
| R2-8-104   | Amend                           |
| R2-8-115   | Amend                           |
| R2-8-118   | Amend                           |
| R2-8-120   | Amend                           |
| R2-8-123   | Amend                           |
| R2-8-126   | Amend                           |
| R2-8-401   | Amend                           |
| R2-8-501   | Amend                           |
| R2-8-601   | Amend                           |
| R2-8-701   | 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 statutes: A.R.S. §§ 38-711, 38-712, 38-715, 38-738, 38-740, 38-742, 38-743, 38-745, 38-747, 38-755, 38-760, 38-762, 38-769, 38-770, 38-771, 38-772, 38-773, 38-776, 38-924, 41-1001, 41-1092
- 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 rules:**  
 Notice of Rulemaking Docket Opening: 21 A.A.R. 726, May 22, 2015  
 Notice of Rulemaking Docket Opening: 21 A.A.R. 931, June 26, 2015
- 4. The agency’s contact person who can answer questions about the rulemaking:**  
 Name: Jessica A. Ross, Rule Writer  
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 3300 N. Central Ave., Suite 1400  
 Phoenix, AZ 85012-0250  
  
 Telephone: (602) 240-2039  
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 E-Mail: [JessicaR@azasrs.gov](mailto:JessicaR@azasrs.gov)  
 Website: [www.azasrs.gov](http://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:**  
 Definitions for terms that apply to all the articles in 2 A.A.C. 8 will be removed from rules throughout the articles and



added to R2-8-104. R2-8-104 contains terminology that is outdated and needs to be removed. This rulemaking reorganizes and clarifies the terms and definitions used throughout 2 A.A.C. 8. In a 2010 five-year-review report approved by the Council, the ASRS identified that R2-8-104 is not clear, concise, or understandable because it appears to address when certain categories of people (e.g. agricultural labor, student services, and elective positions) are excluded from participating in ASRS. This is not the typical function of a definitions section and the rule needs to be amended to conform to current rulemaking formatting. Similarly, the remaining sections containing definitions throughout 2 A.A.C. 8 need to be amended in order to improve clarity and consistency with other rules.

R2-8-115 provides for the return of contributions to an ASRS member who leaves ASRS employment other than by retirement or death. The rule also provides for the distribution of a deceased member’s benefits upon the death of the member. The ASRS will amend R2-8-115 to reflect that the ASRS will distribute a deceased member’s benefits pursuant to the most recent, acceptable documentation on file with the ASRS prior to the member’s death. Members’ survivors will no longer be able to submit documents to the ASRS on behalf of the member on, or after, the date of the member’s death.

**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.**

None

**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:**

Other than the minimal cost to the ASRS to prepare the rule package, there is little to no economic, small business, or consumer impact. The rules will have minimal economic impact, if any, because they simply clarify and make public, the terms and definitions used by the ASRS. Amendments to the rules will not substantively affect the definitions of terms or the interests of people subject to these rules.

R2-8-115 will have minimal economic impact, if any, because the majority of members currently follow this process. There may be some minimal cost to a few members who, in the past, have not used acceptable documentation to designate beneficiaries, and now must do so, either physically or electronically. There may also be some minimal cost to members’ survivors, who, in the past, could submit a beneficiary designation that was embedded within an incomplete document after the member’s death, so long as the designation was complete and dated before the member’s death. With these amendments, survivors cannot submit any kind of beneficiary designation after the member’s death.

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

Name: Jessica A. Ross, Rule Writer  
Address: Arizona State Retirement System  
3300 N. Central Ave., Suite 1400  
Phoenix, AZ 85012-0250  
Telephone: (602) 240-2039  
Fax: (602) 264-6113  
E-Mail: [JessicaR@azasrs.gov](mailto:JessicaR@azasrs.gov)  
Website: [www.azasrs.gov](http://www.azasrs.gov)

**10. The time, place, and nature of the proceedings for 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: August 11, 2015  
Time: 9:00 a.m.  
Location: Arizona State Retirement System  
10th Floor Board Room  
3300 N. Central Ave.  
Phoenix, AZ 85012-0250

**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:**  
None of the rules requires 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:**  
Federal law applies to retirement programs, but no federal law specifically applies to this rulemaking.
  - 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 incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:**  
None
- 13. The full text of the rules follows:**

**TITLE 2. ADMINISTRATION**

**CHAPTER 8. STATE RETIREMENT SYSTEM BOARD**

**ARTICLE 1. RETIREMENT SYSTEM; DEFINED BENEFIT PLAN**

- Section R2-8-104. Definitions
- Section R2-8-115. Return of Contributions Upon Termination of Membership by Separation from All ASRS Employment by Other Than Retirement or Death; Payment of ~~Survivor Member’s~~ Benefits Upon the Death of a Member
- Section R2-8-118. Application of Interest Rates
- Section R2-8-120. Designating a Beneficiary; Spousal Consent to Designation
- Section R2-8-123. Actuarial Assumptions and Actuarial Value of Assets
- Section R2-8-126. Calculating Benefits

**ARTICLE 4. PRACTICE AND PROCEDURE BEFORE THE BOARD**

- Section R2-8-401. Definitions

**ARTICLE 5. PURCHASING SERVICE CREDIT**

- Section R2-8-501. Definitions

**ARTICLE 6. PUBLIC PARTICIPATION IN RULEMAKING**

- Section R2-8-601. Definitions

**ARTICLE 7. CONTRIBUTIONS NOT WITHHELD**

- Section R2-8-701. Definitions

**ARTICLE 1. RETIREMENT SYSTEM; DEFINED BENEFIT PLAN**

**R2-8-104. Definitions**

- ~~A. Proprietary functions: Services performed in a single proprietary function for a political subdivision are those services normally carried on by private enterprises. These include, but are not limited to, municipal water departments, municipal transportation departments, municipal housing and airport authorities. For other political subdivisions such as school districts, these functions include cafeteria workers and bookstore employees. School district bus drivers engaged in transporting students without charge are not engaged in a proprietary function. Hospitals operated for the care of the indigent sick by political subdivisions constitute a governmental function, and the employees in such a hospital, therefore, are not performing services in proprietary functions.~~
- ~~B. Who are employees:~~
  - 1. Every individual is an employee if the political subdivision for which he performs services has the right to control and direct him not only as to what shall be done but how it shall be done. It is not necessary that the political subdivision actually control or direct the manner in which the services are performed; it is sufficient if the subdivision has the right to do so. The right to discharge strongly implies the right to control.
  - 2. Officers of a political subdivision are its employees. So are any individuals performing services under contract in the exercise of a governmental function. Individuals such as physicians, dentists, and lawyers, engaged in an independent profession in which they offer their services to the public, are employees if their services include the exer-



aise of a governmental function. If not, they may or may not be employees depending upon the degree to which they are subject to control by the political subdivision.

- 3. Whether the individual is an employee depends upon the actual facts of his relationship with the political subdivision. A juror is not an employee since he is not a public officer and is not subject to control as to how he votes on a verdict. A physician who contracts with a county Board of Supervisors to furnish medical services to the indigent sick is an employee when the duty of caring for indigent sick is by law placed in the Board.

**C. Mandatory exclusion:** Prior to the 1967 Social Security Amendments, the state had the option of excluding emergency services. Beginning January 1, 1968, services performed by an individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency are mandatorily excluded. This mandatory exclusion is applicable to services for groups already covered as well as to services for groups which may be covered in the future.

**D. Elective positions:** Elective positions as used in agreements excluding such positions from coverage means those positions filled by a vote of a legislative body, a board or committee, or by the qualified electorate at large for the subdivision or instrumentality covered by the agreement, which would constitute an election under the law of Arizona.

**E. Class or classes of part-time positions:** Services performed in a position which does not require more than 150 hours of service in a calendar quarter are services in a part-time position. If a position is established during a calendar quarter and if such position would require more than 150 hours of service if it had been in existence for the entire quarter, such position would not be a part-time position and services in such a position would not be excluded under the state's definition. The time requirements of the position itself, and not the number of hours worked by an individual, is the determinative factor. For example, an individual may be employed and compensated for only a few hours in only one day of a calendar quarter and such individual may be subject to coverage if the position is one which requires more than 150 hours of service.

**F. Class or classes of positions the compensation for which is on a fee basis:**

- 1. Compensation is considered to be on a salary basis when the payments are made at regular and fixed intervals based on services for definite and regular periods of time; and on a fee basis when made for particular services rendered at irregular and uncertain periods. Persons performing personal services of a governmental nature for a political subdivision are employees regardless of whether compensation is on a salary or fee basis. The services of such a person may be excluded, however, if compensated on a fee rather than a salary basis and the agreement between the Arizona State Retirement System Board and the subdivision excludes positions on a fee basis.

- 2. Individuals performing governmental services in the practice of their profession, such as doctors or lawyers, may be on either a fee or salary basis depending on the nature of their contract of employment with the political subdivision. For example, a city attorney working full time for a regular monthly salary is not on a fee basis. An attorney employed by the city for special services to be rendered at irregular and uncertain periods for a fixed amount (even though weekly, monthly or other partial advances may be made) is compensated on a fee basis. When, as with some justices of the peace or tax collectors, the compensation is derived in part from fees and part from salary, the position is to be considered as on a fee basis if fees constitute the primary source of compensation. The fees may be received from either the public or the political subdivision. If the fee-basis exclusion is taken and if the position is a fee-basis position, all fees and salary received for services in such a position are not to be reported. If the exclusion is not exercised, all fees received, whether from the political subdivision or other sources, are to be reported.

- 3. Beginning January 1, 1968, services performed by state and local employees in positions compensated solely by fees, which are not covered under an agreement, are compulsorily covered as self-employment. However, an individual occupying such a fee-basis position in 1968 could elect not to have his fees covered as self-employment income, if he filed a certificate of election of exemption with the Internal Revenue Service on or before the due date of his 1968 federal income tax return.

- 4. An entity may modify its agreement to extend coverage to services performed after 1967 in any class or classes of positions compensated solely by fees not covered under an agreement prior to 1968. However, the entity must specifically include such services where this coverage is desired. Such coverage shall be effective with respect to services in such fee-basis positions performed beginning with the first day of the year after the year in which the agreement is approved.

- 5. An entity may at any time after 1967 modify its agreement to exclude services performed in any class or classes of positions compensated solely by fees. Such an exclusion from coverage is effective the first day of the year following the year in which the agreement is approved. If any class or classes of positions are so excluded, the entity cannot at a later date modify its agreement to again cover the services.

**G. Exclusion by class or classes of positions:**

- 1. Basic classifications may be made within either elective, part-time, or fee-basis positions according to a class or classes of positions having common characteristics or attributes, and exclusions limited to such classes. A class of positions includes all of the positions in the coverage group which have these common characteristics. Services in one or more classes or combinations of classes may be excluded. Positions may be excluded in one class and covered in another. For example, in a coverage group there may be excluded services in all elective positions or the exclusion could be limited to services in all elective positions except elective judicial positions and except part-time elective positions.



2. Positions in a single organizational unit of the coverage group do not constitute a class of positions. Therefore, while all of the part-time maintenance workers of a county could be excluded under the part-time option, the exclusion could not be limited to all or any class or part-time maintenance workers in the Office of the County Clerk, which is an organizational unit of the county.
- H.** Agricultural labor which would be excluded if performed for a private employer:
1. Under the federal Social Security Act, when the agricultural exclusion has been taken, tests as to services which are excluded should be applied to all reports covering reporting quarters beginning on or after January 1, 1957. Cash remuneration paid to an employee for agricultural services should be reported only if:
    - a. Such remuneration paid the employee during a calendar year (even though part of it was for services performed in a previous calendar year) amounts to \$150 or more; or
    - b. The employee performs agricultural services for the employer on some part of a day on at least 20 days during a calendar year for cash remuneration computed on a time basis, as by the hour, day, or week; in which event the amount of cash remuneration is immaterial in determining if the services are covered.
  2. Services performed by individuals lawfully admitted from any foreign country on a temporary basis to perform agricultural labor are excluded.
- I.** Student service exclusion: Only those student services which would be mandatorily excluded if performed for a private employer fall within this exclusion. Where this exclusion is taken, the following services are not covered:
1. Services performed by a student regularly enrolled and attending classes in the employ of his school, college, or university. This means the employing entity and not necessarily the individual institution. The exclusion applies only during periods of regular school attendance. Thus, the exclusion does not apply to work done during summer vacation unless the student is attending a summer session. This is true even though the student was enrolled and regularly attending classes in the school during the previous year and expects to return to school the following year. Services performed on holidays and weekends falling within the academic year when classes are not scheduled, on the other hand, are excluded.
  2. Services performed as a student nurse in the employ of a hospital or nurses' training school by an individual who is enrolled and regularly attending classes in a nurses' training school chartered or approved pursuant to state law. It is not necessary that the nurses' training school in which the student nurse is enrolled and attending classes be located within the approving state as long as the school meets the educational standards established by state law for the approval of schools within the state.
- J.** Services performed by election officials or election workers if remuneration paid in a calendar quarter is less than \$50:
1. Prior to the 1967 amendments to the Social Security Act, there was no provision for a specific exclusion of the services of election officials or election workers. The exclusion of such services was possible, however, by exclusion of a class of services for which an exclusion was permitted, i.e., exclusion of election officials and election workers as a class of part-time or fee-basis positions.
  2. This optional exclusion of services performed by election officials or election workers is dependent on the amount paid in a calendar quarter for such services, e.g., if the remuneration paid in the third calendar quarter of a year amounts to \$50 or more, the services are covered and must be reported regardless of the fact that the remuneration paid in any other calendar quarter for election officials' or election workers' services amount to \$49.99 or less and is not reportable.
  3. These services may continue to be excluded as a class of part-time or fee-basis positions without regard to the amount paid for such services. These services would, of course, be excluded already if a part-time or fee-basis position exclusion in broad enough terms was previously exercised. The purpose of the optional exclusion of services performed by election officials or election workers if remuneration in a calendar quarter is less than \$50 is to permit the exclusion to be taken where one was not previously taken. The effective date of exclusion for these services may not be earlier than the last day of the calendar quarter in which the modification to state's Social Security agreement is mailed to the Secretary of Health and Human Services.
  4. On or after January 1, 1978, a political entity can modify its agreement to specifically exclude the services of election officials or election workers if the remuneration paid in a calendar year is less than \$100. A change to \$100 in a year from \$50 in a calendar quarter requires the execution of a new modification. For modification executed after December 31, 1977, the \$100 in a year test must be used.
- K.** "Wages" — (A.R.S. § 38-701(8)) means all remuneration paid to employees whose services are covered under an agreement in a calendar year not in excess of the maximum reportable wages on which social security contributions are due:
1. Wages include the cash value of remuneration paid to employees other than money, for example, the value of room and board. The valuation of room and board furnished an employee by a political entity shall be computed at the same valuation as computed by the Industrial Commission for payment of workmen's compensation premiums.
  2. If, as a part of the employment, it is understood that the employee is entitled to meals and the employer is to furnish them, the value of such meals is wages and should be reported. If there is no understanding (either orally or in writing) that meals will be furnished the employee, but they are in fact provided, the value of the meals would be wages if it is substantial. The value of meals may be considered as not substantial if it is less than five percent of the cash pay.



- 3. The employer's report of wages paid for each calendar quarter to the Arizona State Retirement System Board shall include for each employee both the cash wages and the value of room and board as a lump sum for the quarter for which the report is made.
- 4. The employee tax shall be deducted from the wages paid in accordance with the method of including the value of remuneration paid in any medium other than cash in each pay period or in a single pay period in the calendar quarter.
- 5. The value of meals and lodging furnished by, or on behalf of an employer to an employee, the employee's spouse, or any of the employee's dependents is not wages for Social Security purposes if:
  - a. The meals or lodging are furnished on the business premises of the employer, and
  - b. The meals or lodging are furnished for the convenience of the employer, and
  - e. The employee is required to accept such lodging as a condition of employment.

**A.** The definitions in A.R.S. § 38-711 apply to this Chapter.

**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. "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.
- 3. "Contribution" means:
  - a. Amounts required by A.R.S. Title 38, Chapter 5, Article 2 to be paid to 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 ASRS by a member to be placed in the member's account; and
  - c. Amounts credited by transfer under A.R.S. § 38-924.
- 4. "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.
- 5. "Designated beneficiary" means the same as in A.R.S. § 38-762(G).
- 6. "Director" means the Director appointed by the Board as provided in A.R.S. § 38-715.
- 7. "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.
- 10. "Person" has the same meaning as in A.R.S. § 1-215.
- 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.
- 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 (3).
- 14. "System" means the same as "defined contribution plan" in A.R.S. § 38-769, and as administered by the ASRS.
- 15. "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.
- 16. "United States" means the same as in A.R.S. § 1-215.

**R2-8-115. Return of Contributions Upon Termination of Membership by Separation from All ASRS Employment by Other Than Retirement or Death; Payment of Survivor Member's Benefits Upon the Death of a Member**

**A.** The following definitions apply to this Section unless otherwise specified:

- 1. "Acceptable documentation" means any ASRS form request containing all the accurate, required information, dates, and signatures necessary to process the form request.
- 1. "ASRS" means the same as in A.R.S. § 38-711.
- 2. "ASRS employer" has the same meaning as "employer" in A.R.S. § 38-711.
- 3. "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.
- 4. "Beneficiary" means the individual specified by a member to receive the balance of the member's account or, if applicable, selected benefits upon the death of the member.
- 5. "Contribution" means:
  - a. Amounts required by A.R.S. Title 38, Chapter 5, Article 2 to be paid to 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 by a System member to ASRS to be placed in the System member's account; and
  - e. Any amount credited to a non-retired System member's employer account or to a retired System member's non-guaranteed benefit as determined by Section 24(B) of Arizona Session Laws 1995, Chapter 32, Section 24, as amended by Arizona Session Laws 1999, Chapter 66, Section 1.



- 6. “Court” means a superior, appellate, or the Supreme court of this state, a corresponding court of another state of the United States, or a federal court of the United States.
- 7. “Designated beneficiary” has the same meaning as in A.R.S. § 38-762(H).
- 8. “Domestic relations order” has the same meaning as in A.R.S. § 38-773(G).
- 9-2. “Eligible retirement plan” has ~~means~~ the same meaning as in A.R.S. § ~~38-770(D)(3)~~ 38-770(C)(3).
- 10-3. “Employer number” means a unique identifier the ASRS assigns to a member employer.
- 11-4. “Employer plan” means the types of eligible retirement plans specified in A.R.S. § ~~38-770(D)(3)(c), (d), (e), and (f)~~ 38-770(C)(3)(e), (d), (e), and (f).
- 12. “Fiscal year” means July 1 of one year to June 30 of the next year.
- 13. “Individual retirement account” means the types of eligible retirement plans specified in A.R.S. § 38-770(C)(3)(a) and (b).
- 14. “Lump sum payment” means a member receives the total amount in the member’s ASRS account to which the member is entitled by law.
- 15. “Member” has the same meaning as in A.R.S. § 38-711.
- 16. “Personal representative” means a person who is authorized by law to represent the estate of a deceased individual.
- 17-5. “Process date” means the calendar day the ASRS generates contribution withdrawal documents to be sent to a member.
- 18. “Service year” has the same meaning as in A.R.S. § 38-711.
- 19. “System” means the same as “defined contribution plan” as defined in A.R.S. § 38-769, and which is administered by the ASRS.
- 20. “Terminate employment” means to end the employment relationship between a member and an ASRS employer with the intent that the member not return to employment with that ASRS employer.
- 21. “Trustee” means an individual who holds monetary assets in an eligible retirement plan under the Internal Revenue Code for the benefit of the member.
- 22. “United States” means the same as in A.R.S. § 1-215.
- 23-6. “Warrant” means a voucher authorizing payment of funds due to a member.

- B. No change
- C. No change
  - 1. No change
  - 2. No change
  - 3. No change
- D. No change
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- E. No change
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- 2. No change
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    - ii. No change
    - iii. No change
  - h. No change
- F. No change
- G. No change
- H. No change
- I. Upon the death of a member, the ASRS shall ~~provide~~ distribute the survivor member's benefits based according ~~on~~ to the ~~deceased member's last dated, written designation of beneficiary most recent, acceptable documentation that is on file with the ASRS that was received before~~ most recent, acceptable documentation that is on file with the ASRS ~~before~~ prior to the date of the member's death, unless otherwise provided by law.
- J. No change
  - 1. No change
  - 2. No change
  - 3. No change
    - a. No change
    - b. No change
    - c. No change
      - i. No change
      - ii. No change
      - iii. No change
      - iv. No change
      - v. No change

**R2-8-118. Application of Interest Rates**

- ~~A.~~ The following definitions apply to this Section unless otherwise specified:
  - 1. "ASRS" means the same as in A.R.S. § 38-711.
  - 2. "Member" has the same meaning as in A.R.S. § 38-711.
  - 3. "Plan" means the same as "defined benefit plan" in A.R.S. § 38-769, and administered by the ASRS.
  - 4. "System" means the same as "defined contribution plan" as defined in A.R.S. § 38-769, and that is administered by the ASRS.

~~B.A.~~ 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 <del>Return</del> 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%   |
| 7-1-2013                               | 8.00%  | 2.00% for Plan Members  | 8.00% for System Members | 8.00%   |





~~C.B.~~ At the beginning of each fiscal year interest is credited to the retirement account of each member on the June 30 that marks the end of the fiscal year based on the balance in the member's account as of the previous June 30. The balance on which interest is credited includes:

1. Employer and employee contributions;
2. Voluntary additional contributions made by System members, if applicable;
3. Amounts credited by transfer under A.R.S. § ~~38-922~~38-924;
4. ~~Amounts credited to a non-retired system member's employer account or to a retired System member's non-guaranteed benefit as determined by Article 2 of this Chapter;~~ and
- 5-4. Interest credited in previous years.

**R2-8-120. Designating a Beneficiary; Spousal Consent to Designation**

A. ~~In addition to the definitions at A.R.S. § 38-711, the~~ The following definitions apply to this Section unless otherwise specified:

1. ~~"DRO" means the same as "domestic relations order" in A.R.S. § 38-773(H)(1). "Beneficiary" means a person designated to receive money or other benefits when someone dies.~~
2. ~~"Contingent annuitant" means the person that a member designates to receive continued annuity payments after the member dies.~~
- 3-2. ~~"Joint and survivor annuity" means an optional form of retirement benefits described at in A.R.S. § 38-760(B)-38-760(B)(1).~~
- 4-3. ~~"Period certain and life annuity" means an optional form of retirement benefits described at in A.R.S. § 38-760(B)-38-760(B)(2).~~
5. ~~"QDRO" means qualified domestic relations order, which is a judgment, decree, or order directing a retirement plan to make payments to an alternative payee.~~
- 6-4. "Spouse" means the individual to whom a member is married under Arizona law.

B. No change

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

C. No change

1. No change
2. No change
3. No change

D. Changing a beneficiary designation:

1. If a married member changes a beneficiary designation on or after July 1, 2013, the member shall ensure that the new beneficiary designation is consistent with the requirements specified in subsection (B);
2. If a married member who retired before July 1, 2013, and:
  - a. Chose a straight-life annuity wishes to change the member's beneficiary, the member shall ensure that the new beneficiary designation is consistent with subsection (B); or
  - b. Chose a period certain and life annuity or joint and survivor annuity wishes to change either the annuity option or the contingent annuitant, the member shall ensure that the new beneficiary designation is consistent with subsection (B).

E. No change

1. No change
2. No change

F. No change

G. No change

1. No change
2. No change
  - a. No change
    - i. No change
    - ii. No change
  - b. No change

H. No change

I. No change

1. No change
  - a. No change
  - b. No change
2. No change
3. No change



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

- A. ~~For the purposes of~~ The following definitions apply to this Section, unless otherwise specified:
  - 1. ~~“Actuarial assumption” means an estimate of an uncertain future event that affects pension liabilities.~~
  - 2. ~~“Board” means the same as in A.R.S. § 38-711.~~
  - 3. ~~“Investment return rate” means a percentage of total return on an asset.~~
  - 4. ~~“market Market value” means an estimated monetary worth of an asset based on the current demand for the asset and the amount of that type of asset available for sale.~~
- B. No change
  - 1. No change
  - 2. No change
    - a. No change
    - b. No change

**R2-8-126. Calculating Benefits**

- A. ~~For the purposes of this Section, “prior service credit” means a “service credit” listed in R2-8-501(24), credited service that is earned pursuant to A.R.S. § 38-739, or a service credit that is transferred or redeemed pursuant to A.R.S. §§ 38-730, 38-771, or 38-921 et seq.~~ The following definitions apply to this Section unless otherwise specified:
  - 1. ~~“Contingent annuitant” has the same meaning as in A.R.S. § 38-711.~~
  - 2. ~~“Life annuity” has the same meaning as in A.R.S. § 38-711.~~
  - 3. ~~“Member” has the same meaning as in A.R.S. § 38-711.~~
  - 4. ~~“Plan” means a “defined benefit plan” under A.R.S. § 38-769 that is administered by the ASRS.~~
  - 5. ~~“Prior service” has the same meaning as in A.R.S. § 38-772.~~
  - 6. ~~“System” means a “defined contribution plan” as defined under A.R.S. § 38-769 that is administered by the ASRS.~~
- B. No change
- C. No change
- D. No change
- E. No change
- F. No change
- G. The ASRS shall add any prior service credit benefit that is payable to a member to the life annuity of the member before the ASRS applies any optional payment plan calculation provided for in A.R.S. § 38-760.
- H. No change

**ARTICLE 4. PRACTICE AND PROCEDURE BEFORE THE BOARD**

**R2-8-401. Definitions**

- The following definitions apply to this Article unless otherwise specified:
- 1. ~~“Appealable agency action” has means~~ the same meaning as in A.R.S. § 41-1092.
  - 2. ~~“Board” has the same meaning as in A.R.S. § 38-711.~~
  - 3. ~~“Director” means the Director appointed by the Board as provided in A.R.S. § 38-715.~~
  - 4. ~~“Party” has the same meaning as in A.R.S. § 41-1001.~~
  - 5. ~~2. “Person” has means~~ the same meaning as in A.R.S. § 41-1001.

**ARTICLE 5. PURCHASING SERVICE CREDIT**

**R2-8-501. Definitions**

- The following definitions apply to this Article unless otherwise specified:
- 1. ~~“Active duty” has means full-time duty in a branch of the United States uniformed service, other than active reserve duty, the same meaning as in 32 U.S.C. 101.~~
  - 2. “Active duty termination date” means the day a member:
    - a. Separates from active military duty;
    - b. Is released from active duty-related hospitalization or one year after initiation of active duty-related hospitalization, whichever date is earlier; or
    - c. Dies as a result of active military duty.
  - 3. ~~“Active member” means the same as in A.R.S. § 38-711.~~
  - 4. ~~3. “Active reserve duty” means participating in required meetings and annual training in a Reserve or National Guard branch of the United States uniformed service.~~
  - 5. ~~4. “Actuarial present value” means an amount in today’s dollars of a member’s future retirement benefit calculated using appropriate actuarial assumptions and the:~~
    - a. Member’s current years of credited service to the nearest month;
    - b. Member’s age to the nearest day;
    - c. Amount of service credit the member wishes to purchase to the nearest month, except for the calculation in R2-8-506(A)(2); and
    - d. Member’s current annual compensation.
  - 6. ~~“ASRS” means the same as in A.R.S. § 38-711.~~
  - 7. ~~“ASRS employer” means the same as “employer” in A.R.S. § 38-711.~~



8. ~~“Authorized employer representative” means an individual who has been delegated the authority to act on behalf of an ASRS employer to provide the ASRS with information.~~
- 9-5. “Authorized representative” means an individual who has been delegated the authority to act on behalf of a custodian, trustee, plan administrator, or, if applicable, a member.
10. ~~“Compensation” means the same as in A.R.S. § 38-769.~~
11. ~~“Credited service” means the same as in A.R.S. § 38-711.~~
12. ~~“Current annual compensation” means the greater of:~~
- a. ~~Annualized compensation of the full pay period immediately before the date of a request to ASRS to purchase credited service pursuant to section 38-743 or 38-745.~~
  - b. ~~Annualized compensation of the partial year if the member has less than twelve months total credited service on the date of a request to purchase credited service pursuant to section 38-743 or 38-745.~~
  - c. ~~The sum of the twelve months of compensation immediately before the date of a request to ASRS to purchase credited service pursuant to section 38-743 or 38-745.~~
  - d. ~~The sum of the thirty-six months of compensation immediately before the date of a request to ASRS to purchase credited service pursuant to section 38-743 or 38-745 divided by three.~~
  - e. ~~If the member has retired one or more times from ASRS, the average monthly compensation that was used for calculating the member’s last pension benefit times twelve. A.R.S. § 38-711(10).~~
- 13-6. “Current years of credited service” means the amount of credited service a member has earned or purchased, and the amount of service credit for which an Irrevocable Payroll Deduction Authorization is in effect for which the member has not yet completed payment, but does not include any current requests to purchase service credit for which the member has not yet paid.
- 14-7. “Custodian” means a financial institution that holds financial assets for guaranteed safekeeping.
15. ~~“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.~~
- 16-8. ~~“Direct rollover” means distribution of eligible funds made payable to the ASRS as a contribution for the benefit of an eligible member from a retirement plan listed in A.R.S. § 38-747(H)(2) or (H)(3).~~
- 17-9. ~~“Eligible funds” means payments listed in A.R.S. § 38-747(H)(2) and (H)(3).~~
- 18-10. “Eligible member” means an active member of the Plan or a Plan member who is receiving benefits under the Long Term Disability Program established by A.R.S. Title 38, Chapter 5, Article 2.1.
19. ~~“Error” means a typographical mistake, incorrect information, or other inaccuracy, whether intentional or unintentional.~~
- 20-11. “Forms of payment” means check, cashier’s check, money order, Irrevocable Payroll Deduction Authorization, direct rollover, indirect IRA rollover, indirect rollover, trustee-to-trustee transfer, IRA rollover and termination pay distribution.
- 21-12. “Forfeited service” means credited service for which the ASRS has returned retirement contributions to the member under A.R.S. § 38-740.
- 22-13. “Immediate family member” means:
- a. A member’s spouse or life partner;
  - b. A member’s natural, step, or adopted sibling;
  - c. A member’s natural, step, or adopted child;
  - d. A member’s natural, step, or adoptive parent; or
  - e. An individual for whom the member has legal guardianship.
- 23-14. “Indirect IRA rollover” means funds already distributed to the eligible member from a retirement plan listed in A.R.S. § 38-747(H)(3) that are then paid by the eligible member to the ASRS as a contribution for the benefit of the eligible member.
24. ~~“IRA” means an Individual Retirement Account or Annuity under IRC § 408.~~
- 25-15. “IRC” means the Internal Revenue Code.
- 26-16. “Irrevocable Payroll Deduction Authorization payroll deduction authorization” means an irrevocable contract between an eligible member, an ASRS employer, and the ASRS that requires the ASRS employer to withhold payments from a member’s pay for a specified amount and for a specified number of payments, as provided in A.R.S. § 38-747.
27. ~~“Leave of absence” means the same as in A.R.S. § 38-711.~~
- 28-17. “Life partner” means an individual who lives with a member as a spouse, but without being legally married.
- 29-18. “Military Call-up” means a member is called to active duty in a branch of the United States uniformed services.
- ~~“Member” means the same as in A.R.S. § 38-711.~~
- 30-19. “Military service” means active duty or active reserve duty with any branch of the United States uniformed services or the Commissioned Corps of the National Oceanic and Atmospheric Administration.



- ~~31-20.~~ “Military service record” means a United States uniformed services or National Oceanic and Atmospheric Administration document that provides proof of active duty or active reserve duty time, including a military form ~~DD-214 or other military form~~ that provides the following information:
  - a. The member’s full name;
  - b. The member’s Social Security number;
  - c. Type of discharge the member received; and
  - d. Active duty dates, if applicable; ~~and~~ or
  - e. Active reserve duty dates, if applicable; ~~and-~~
  - f. Point history for reserve duty dates, if applicable.
- ~~32-21.~~ “Other public service” means previous employment listed in A.R.S. § 38-743(A).
- ~~33-22.~~ “PDA pay-off letter” means written correspondence from the ASRS to a member that specifies the amount necessary to be paid by the member to complete an Irrevocable Payroll Deduction Authorization and receive the credited service specified in the Irrevocable Payroll Deduction Authorization.
- ~~34.~~ “Person” means the same as in A.R.S. § 1-215.
- ~~35.~~ “Plan” means the same as “defined benefit plan” in A.R.S. § 38-769, and administered by the ASRS.
- ~~36-23.~~ “Plan Administrator” means the person authorized to represent a specific eligible plan as addressed in IRC § 414(g).
- ~~37.~~ “Political subdivision” means the same as in A.R.S. § 38-711.
- ~~38.~~ “Political subdivision entity” means the same as in A.R.S. § 38-711.
- ~~39.~~ “Presidential Call-up” means a directive from the President of the United States, Cabinet Secretary, or Secretary of any United States uniformed service, initiating active duty for personnel of active military, or active or inactive National Guard and Reserve branches of the United States uniformed services.
- ~~40.~~ “Public employer” means the United States government, a state of the United States, a political subdivision of a state of the United States, or a political subdivision entity.
- ~~41.~~ “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 (3).
- ~~42-24.~~ “Service credit” means forfeited service under A.R.S. § 38-742, leave of absence under A.R.S. § 38-744, military service and Presidential Military Call-up service under A.R.S. § 38-745, and other public service under A.R.S. § 38-743 that an eligible member may purchase.
- ~~43-25.~~ “SP invoice” means a written correspondence from the ASRS informing an eligible member of the amount of money required to purchase a specified amount of service credit.
- ~~44.~~ “Terminate employment” means to end the employment relationship between a member and an ASRS employer with the intent that the member not return to employment with that ASRS employer.
- ~~45-26.~~ “Termination pay distribution” means an ASRS employer’s payment to the ASRS of an eligible member’s termination pay to purchase service credit as specified in § 38-747(B)(2).
- ~~46-27.~~ “Three full calendar months” means the first day of the first full month through the last day of the third consecutive full month.
- ~~47-28.~~ “Transfer employment” means to terminate employment with one ASRS employer with which a member has an Irrevocable Payroll Deduction Authorization:
  - a. After accepting an offer to work for a new ASRS employer, or
  - b. While working as an active member for a different ASRS employer.
- ~~48-29.~~ “Trustee-to-trustee transfer” means a transfer of assets to the ASRS as authorized in A.R.S. § 38-747(I), from a retirement program listed in R2-8-515(A) from which, at the time of the transfer, a member is not eligible to receive a distribution.
- ~~49-30.~~ “Uniformed services” means the United States Army, Army Reserve, Army National Guard, Navy, Navy Reserve, Air Force, Air Force Reserve, Air Force National Guard, Marine Corps, Marine Corps Reserve, Coast Guard, Coast Guard Reserves, ~~the National Oceanic and Atmospheric Administration~~, and the Commissioned Corps of the Public Health Service.
- ~~50.~~ “United States” means the same as in A.R.S. § 1-215.
- ~~51-31.~~ “Window credit” means overpayments made on previously purchased service credit by eligible members of the ASRS as provided by Laws 1997, Ch. 280, § 21, and Laws 2003, Ch. 164, § 3.

**ARTICLE 6. PUBLIC PARTICIPATION IN RULEMAKING**

**R2-8-601. Definitions**

The following definitions apply to this Article unless otherwise specified:

- ~~1.~~ “ASRS” has the same meaning as in A.R.S. § 38-711.
- ~~2.~~ “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.
- ~~3-1.~~ “Rulemaking record” means a file the ASRS maintains as specified in A.R.S. § 41-1029.



- ~~4.2.~~ “Oral proceeding” means a public gathering the ASRS holds for the purpose of receiving comment and answering questions about a proposed rule as specified in A.R.S. § 41-1023.
- ~~3.~~ “Person” has the same meaning as in A.R.S. § 41-1001.
- ~~5.4.~~ “Presiding officer” means an individual selected by the ASRS Director to oversee oral proceedings.
- ~~6.5.~~ “Substantive policy statement” has the same meaning as in A.R.S. § 41-1001.

#### ARTICLE 7. CONTRIBUTIONS NOT WITHHELD

##### R2-8-701. Definitions

The following definitions apply to this Article unless otherwise specified:

1. “218 agreement” means a written agreement between the state, political subdivision, or political subdivision entity and the Social Security Administration, under the provisions of § ~~218~~418 of the Social Security Act, to provide Social Security and Medicare or Medicare-only coverage to employees of the state, political subdivision, or political subdivision entity.
2. “Active member” ~~has the same meaning as in A.R.S. § 38-711.~~
3. “ASRS” ~~has the same meaning as in A.R.S. § 38-711.~~
4. “ASRS employer” means this state, a political subdivision, or a political subdivision entity that has:
  - a. Signed a 218 agreement;
  - b. Applied to become a member of ASRS; and
  - e. Been approved for membership by the Board.
5. “Authorized employer representative” ~~means an individual who has legal power to bind the ASRS employer in its transactions with the ASRS.~~
6. “Board” ~~has the same meaning as in A.R.S. § 38-711.~~
7. “Director” ~~means the Director appointed by the Board as provided in A.R.S. § 38-715.~~
- 8.2. “Documentation” means a pay stub, completed W-2 form, completed Verification of Contributions Not Withheld form, employer letter or spreadsheet, completed State Personnel Action Form, Social Security Earnings Report, employment contract, payroll record, timesheet, or other ASRS employer-provided form that includes:
  - a. Whether the employee was covered under the ASRS employer’s 218 agreement prior to July 24, 2014,
  - b. The number of hours worked or length of time the member was employed by the ASRS employer, or
  - c. The compensation paid to the member by the ASRS employer.
- 9.3. “Eligible service” means employment with an ASRS employer:
  - a. That is no more than 15 years before the date the ASRS receives written credible evidence that less than the correct amount of contributions were paid into the ASRS or the ASRS otherwise determines that less than the correct amount of contributions were made as specified in A.R.S. § 38-738(C); and
  - b. In which the member:
    - i. ~~Until 6/30/92, worked a minimum of 20 hours per week for at least five months in a fiscal year for any one or more ASRS employers;~~
    - ii. ~~From 7/1/92 to 7/1/99, worked a minimum of 20 hours per week for at least 20 weeks in a fiscal year for any one or more ASRS employers; or~~
    - iii. ~~From 7/1/99 to the present, worked a minimum of 20 hours per week for at least 20 weeks in a service year for at least one ASRS employer from 7/1/1999 to the present.~~
10. “Fiscal year” ~~means from July 1 of one year through June 30 of the next year.~~
11. “Member” ~~has the same meaning as in A.R.S. § 38-711.~~
12. “Person” ~~has the same meaning as in A.R.S. § 1-215.~~
13. “Political subdivision” ~~has the same meaning as in A.R.S. § 38-711.~~
14. “Political subdivision entity” ~~has the same meaning as in A.R.S. § 38-711.~~
15. “Service year” ~~has the same meaning as in A.R.S. § 38-711.~~