

REFERENCE TITLE: public retirement systems; intersystem transfers

State of Arizona
Senate
Forty-eighth Legislature
Second Regular Session
2008

SB 1444

Introduced by
Senator Verschoor

AN ACT

AMENDING SECTIONS 38-921 AND 38-922, ARIZONA REVISED STATUTES; RELATING TO
PUBLIC RETIREMENT SYSTEMS OR PLANS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 38-921, Arizona Revised Statutes, is amended to
3 read:

4 38-921. Transfer of retirement service credits from one
5 retirement system or plan to another retirement
6 system or plan in this state; definitions

7 A. An active or inactive member of a state retirement system or plan,
8 including the retirement system provided for in article 2 of this chapter,
9 the elected officials' retirement plan provided for in article 3 of this
10 chapter, the public safety personnel retirement system provided for in
11 article 4 of this chapter or the corrections officer retirement plan provided
12 for in article 6 of this chapter, may transfer service credits from one
13 system or plan to the member's current or former system or plan pursuant to
14 section 38-922 if all of the following conditions are met:

15 1. The board or fund manager governing the retirement system or plan
16 from which the service credits are being transferred mutually agrees with the
17 board or fund manager governing the retirement system or plan to which the
18 service credits are being transferred regarding the terms of the transfer.

19 2. The transfer does not cause either the retirement system or plan to
20 which the transfer is made or the retirement system or plan from which the
21 transfer is made to incur any unfunded accrued liabilities as a result of the
22 transfer, **EXCEPT AS PROVIDED BY SECTION 38-922, SUBSECTION C.**

23 3. The member initiates the transfer by making written application to
24 the governing board or fund manager of the retirement system or plan to which
25 the member is contributing.

26 B. For the purposes of this section:

27 1. "Active member" means a member who satisfies the eligibility
28 criteria of the state retirement system or plan and who is currently making
29 member contributions to or receiving credited service from the state
30 retirement system or plan.

31 2. "Inactive member" means a member of the state retirement system or
32 plan who previously made contributions to the state retirement system or plan
33 and who satisfies each of the following:

34 (a) Has not retired.

35 (b) Is not eligible for active membership in the state retirement
36 system or plan.

37 (c) Is not currently making contributions to the state retirement
38 system or plan.

39 (d) Has not withdrawn contributions from the state retirement system
40 or plan.

41 Sec. 2. Section 38-922, Arizona Revised Statutes, is amended to read:

42 38-922. Transfer or redemption of service credits

43 A. Service credits qualified in accordance with section 38-921 may be
44 transferred or redeemed in accordance with this section.

1 B. In the case of a member whose contributions remain on deposit with
2 the prior retirement system or plan, the following shall be calculated:

3 1. The prior system or plan shall calculate the amount equal to the
4 actuarial present value of a member's projected benefits to the extent funded
5 on a market value basis as of the most recent actuarial valuation under the
6 prior system or plan as calculated by that system's or plan's actuary using
7 the same actuarial method and assumptions used in calculating that system's
8 or plan's funding requirements based on the transferring member's service
9 credits at the time of transfer.

10 2. The system or plan to which the member is transferring shall
11 calculate the increase in the actuarial present value of the projected
12 benefits provided as a result of the transfer of the member's service
13 credits. This calculation shall be performed by that system's or plan's
14 actuary using the same actuarial method and assumptions used in calculating
15 that system's or plan's funding requirements based upon the transferring
16 member's service credits at the time of transfer.

17 C. In the event a member decides to transfer:

18 1. If the amount calculated in subsection B, paragraph 2 is greater
19 than the amount calculated in subsection B, paragraph 1:

20 (a) The prior system or plan shall transfer to the present system or
21 plan the greater of:

22 (i) The amount calculated in subsection B, paragraph 1. ~~or~~

23 (ii) The member's accumulated contribution account balance **PLUS THE**
24 **EMPLOYER'S CONTRIBUTIONS MADE ON BEHALF OF THE MEMBER, BUT THE PRIOR SYSTEM**
25 **OR PLAN SHALL NOT TRANSFER TO THE PRESENT SYSTEM OR PLAN MORE THAN THE AMOUNT**
26 **CALCULATED PURSUANT TO SUBSECTION B, PARAGRAPH 2.**

27 (b) If the amount transferred is less than the amount calculated under
28 subsection B, paragraph 2, the transferring member shall elect either to pay
29 the difference or to accept a reduced transfer of service credits. If the
30 member elects to pay the difference, the amount paid shall be added to the
31 member's accumulated contribution account balance. If the member elects to
32 accept a reduced transfer of service credits, the amount of service credits
33 transferred shall be equal to the amount of service credits used in making
34 the calculation under subsection B, paragraph 1 multiplied by the ratio of
35 the amount calculated under subsection ~~B~~ C, paragraph 1, **SUBDIVISION (a)** to
36 the amount calculated under subsection B, paragraph 2.

37 2. If the amount calculated in subsection B, paragraph 2 is less than
38 or equal to the amount calculated in subsection B, paragraph 1, the prior
39 system or plan shall transfer to the present system or plan the greater of
40 the amount calculated in subsection B, paragraph 2 or the member's
41 accumulated contribution account balance.

42 D. In the case of an applicant who has withdrawn his member
43 contributions from another prior system or plan of this state, the applicant
44 shall pay into the new system or plan to which he is transferring an amount
45 equal to the increase in the actuarial present value of the projected

1 benefits provided by the service credits being redeemed and this amount shall
2 be included in the member's current accumulated contribution account balance.
3 This calculation shall be performed by the actuary of the system or plan to
4 which the service credits are being transferred using the same actuarial
5 method and assumptions used in calculating that system's or plan's funding
6 requirements.

7 E. Service credits shall not be applied to the applicant's account
8 until such time as complete payment is made to the retirement system or plan
9 to which the applicant is transferring. On completion of the transfer
10 provided for in this article, the member's rights in the retirement system or
11 plan from which the member is transferring are extinguished.