



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

FACT SHEET FOR S.B. 1045

defined contribution; health subsidy; disability

Purpose

Outlines eligibility for the health insurance premium subsidy and a temporary disability pension for retired participants of the Public Safety Personnel Retirement System (PSPRS) Defined Contribution Retirement Plan (DC Plan).

Background

Statute requires the Arizona Department of Administration (ADOA) to establish group health and accident coverage for former state employees who opt on retirement to enroll or continue enrollment in the group health and accident coverage and who are receiving either income from a state retirement program or long-term disability income benefits. ADOA must adopt standards for retired state employees or state employees with a disability to participate in the coverage. A retired participant of the PSPRS DC Plan may elect to obtain the coverage but must pay the premium for the coverage and is not eligible for the health insurance premium subsidy ([A.R.S. § 38-651.01](#)).

A member who meets the requirements for an accidental disability pension must receive a monthly amount, computed in the same manner as a normal pension, using the member's average monthly benefit compensation before termination of employment and the member's actual credited service or 20 years of credited service, whichever is greater.

A member who meets the requirements for an ordinary disability pension must receive a monthly amount that is equal to a fraction times the member's normal pension that is computed using a statutory formula if the member had 20 years of credited service. The fraction is the result obtained by dividing the member's actual years of credited service, not to exceed 20 years, by 20 ([A.R.S. § 38-845](#)).

The creation of a new contribution rate to fund retiree health insurance stipends for Tier 3 DC Plan members may generate a fiscal impact to the state General Fund.

Provisions

1. Removes, for a retired PSPRS member enrolled in the DC plan who has elected to obtain ASRS or PSPRS retiree group health and accident coverage, the:
 - a) requirement to pay the premium for group health and accident coverage; and
 - b) ineligibility for the health insurance premium subsidy.
2. Deems a Tier 3 retired participant of the PSPRS DC Plan and a retired Corrections Officer Retirement Plan (CORP) member who participates in the PSPRS DC Plan and meet requirements for the normal retirement date, eligible for:

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- a) the health insurance premium subsidy depending on the participant's election; and
 - b) a temporary disability pension, if certain requirements are met.
3. Requires each PSPRS DC Plan member and each participating employer to contribute an equal amount for the group health and accident coverage payments as determined by actuarial valuations reported by the PSPRS Board of Trustees.
 4. Requires the accidental disability pension for a PSPRS member to be a monthly amount that equals not less than 50 percent of the member's average monthly benefit compensation.
 5. Changes the formula used to compute the fraction used in calculating the monthly amount for an ordinary disability pension by dividing the member's actual years of credited service by the member's required credited service for the applicable normal retirement date, rather than 20.
 6. Applies all prescribed restrictions related to the amount of group health and accident coverage to a Tier 3 retired participant of the PSPRS DC Plan and a retired CORP member who participate in the PSPRS DC Plan and make an election.
 7. Makes technical and conforming changes.
 8. Becomes effective on the general effective date.

Prepared by Senate Research

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