



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

AMENDED
FACT SHEET FOR S.B. 1045

defined contribution; health subsidy; disability

Purpose

Requires the Public Safety Personnel Retirement System (PSPRS) Board of Trustees to establish, design and administer a group health benefits plan to provide statutorily prescribed group health benefits for retired participants who make an election to participate. Outlines eligibility and participation in the group health benefits 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. 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

Group Health Benefits Plan
(Effective July 1, 2022)

1. Requires the PSPRS Board of Trustees (PSPRS Board) to establish, design and administer a group health benefits plan to provide statutorily prescribed group health benefits to retired participants who make an election to participate.

2. Deems a retired PSPRS member who participates in the DC plan and who makes an election to participate in the group health benefits plan as eligible for group health benefits.
3. Requires an existing PSPRS DC plan participant, for 90 days after July 1, 2022, to have the opportunity to participate in the group health benefits plan by opting in through an irrevocable election to pay the required costs through payroll deduction.
4. Requires an existing PSPRS DC plan participant, if the participant fails to make an irrevocable election within the 90-day period, to be excluded from receiving any group health benefits plan benefits during retirement.
5. Prohibits an existing PSPRS DC plan participant who fails to make an irrevocable election within the 90-day period from again having an election to participate if the participant is reemployed in a position that allows participation in the DC plan.
6. Allows a PSPRS DC plan participant who is hired after July 1, 2022, to participate in the group health benefits plan by making an irrevocable election to pay the required costs through payroll deduction.
7. Requires the group health benefits plan to provide payments in statutorily outlined amounts to a Tier 3 retired PSPRS member or a retired CORP member a retired participant who has elected to participate, if the retired participant:
 - a) meets requirements for the normal retirement date; and
 - b) has elected to:
 - i. participate in the group health and accident coverage or any other retiree health and accident insurance coverage provided by a participating employer; or
 - ii. purchases individual health care coverage and receives a payment through the retired participant's former employer if the employer assumes the administrative functions associated with the payment.
8. Requires monies collected from employee and employer contributions to the group health benefits plan to be deposited in a separate account solely to pay for group health benefits and the amounts must be held in trust for the purpose of providing group health benefits.
9. Requires the PSPRS Board to subject the separate account to actuarial analysis and to manage the account in an actuarially sound manner.
10. Deems contributions made to the separate account nonrefundable and as separate assets for the purposes of funding the group health benefits plan.
11. Requires any remaining assets, if the PSPRS Board dissolves the separate account trust, to be returned to the contributing employers in amounts determined by the PSPRS Board.
12. Requires each employer and each PSPRS DC plan participant who makes an election to participate in the group health benefits plan to pay an equal amount for costs, as actuarially determined, for the group health benefits plan.

13. Requires each employer to transfer the employer and participant contributions to the PSPRS Board within 10 working days after each payroll date and requires contributions made after the deadline to include a penalty to be paid by the employer of 10 percent per year, compounded annually, for each day the contributions are late.
14. Allows delinquent contribution payments and interested charges to be recovered by a court action against an employer or may be deducted from any other monies payable to such an employer by a department or agency at the request of the PSPRS Board.
15. Allows the PSPRS Board to authorize PSPRS to:
 - a) administer the group health benefits plan;
 - b) pay costs from the separate account to PSPRS for administrative expenses; and
 - c) allocate costs on a pro rata basis consistent with the required employer and employee contributions.
16. Declares the Legislature's intention that the group health benefits plan for participants constitutes the exercise by the PSPRS Board of an essential governmental function and that the separate account is exempt from federal and state income tax.
17. Allows the PSPRS Board to adopt any additional provisions to the group health benefits plan that is necessary to fulfill the Legislature's intent.
18. Declares the purpose of the group health benefits plan statute as providing a group health benefits plan that is fully funded on a current basis from employer and participant contributions.
19. 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 ineligibility for the health insurance premium subsidy.

Miscellaneous

20. 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.
21. 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.
22. Makes technical and conforming changes.
23. Becomes effective on the general effective date, with a delayed effective date as noted.

Amendments Adopted by Committee of the Whole

1. Requires the PSPRS Board to establish, design and administer a group health benefits plan to provide statutorily prescribed group health benefits for retired participants who make an election to participate.

2. Deems a retired PSPRS member who participates in the DC Plan and who makes an election to participate in the group health benefits plan as eligible for group health benefits.
3. Outlines eligibility for the group health benefits plan and procedures for eligible members to elect to participate in the group health benefits plan.
4. Requires the group health benefits plan to provide payments in statutorily outlined amounts to a Tier 3 retired PSPRS member or a retired CORP member a retired participant who has elected to participate, if the retired participant meets outlined conditions.
5. Requires monies collected from employee and employer contributions to the group health benefits plan to be deposited in a separate account solely to pay for group health benefits to be held in trust for the purpose of providing group health benefits.
6. Requires the PSPRS Board to subject the separate account to actuarial analysis and to manage the account in an actuarially sound manner.
7. Outlines procedures for the treatment of monies in the separate account.
8. Requires each employer and each PSPRS DC plan participant who makes an election to participate in the group health benefits plan to pay an equal amount for costs, as actuarially determined, for the group health benefits plan.
9. Requires each employer to transfer the employer and participant contributions to the PSPRS Board within 10 working days after each payroll date and requires contributions made after the deadline to include a penalty to be paid by the employer of 10 percent per year, compounded annually, for each day the contributions are late.
10. Allows delinquent contribution payments and interested charges to be recovered by a court action against an employer or may be deducted from any other monies payable to such an employer by a department or agency at the request of the PSPRS Board.
11. Allows the PSPRS Board to authorize PSPRS to:
 - a) administer the group health benefits plan;
 - b) pay costs from the separate account to PSPRS for administrative expenses; and
 - c) allocate costs on a pro rata basis consistent with the required employer and employee contributions.
12. Declares the Legislature's intent and allows the PSPRS Board to adopt any additional provisions to the group health benefits plan that is necessary to fulfill the Legislature's intent.
13. Declares the purpose of the group health benefits plan statute as providing a group health benefits plan that is fully funded on a current basis from employer and participant contributions.
14. Reinserts the requirement for a retired PSPRS member enrolled in the DC plan who has elected to obtain ASRS or PSPRS retiree group health and accident coverage to pay the premium for group health and accident coverage.

15. Removes the application of all prescribed restrictions related to the amount of group health and accident coverage on a Tier 3 retired participant of the PSPRS DC Plan and a retired CORP member who participates in the PSPRS DC Plan and make an election.
16. Makes technical and conforming changes.
17. Delays enactment of the provisions relating to the group health benefits plan to July 1, 2022.

Senate Action

FIN 1/13/21 DP 6-2-2

Prepared by Senate Research

February 23, 2021

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