Senate Engrossed House Bill

FILED

JANICE K. BREWER
SECRETARY OF STATE

State of Arizona
House of Representatives
Forty-eighth Legislature
First Regular Session
2007

CHAPTER 253

HOUSE BILL 2311

AN ACT

AMENDING SECTIONS 38-783 AND 38-817, ARIZONA REVISED STATUTES; AMENDING SECTION 38-857, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 297, SECTION 3; AMENDING SECTION 38-857, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2004, CHAPTER 325, SECTION 6; AMENDING SECTION 38-906, ARIZONA REVISED STATUTES; RELATING TO PUBLIC RETIREES' HEALTH INSURANCE SUBSIDIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 38-783, Arizona Revised Statutes, is amended to read:

38-783. Retired members; dependents; health insurance; premium payment; separate account; definitions

A. Subject to subsections J, K and L of this section, the board shall pay from ASRS assets part of the single coverage premium of any health and accident insurance for each retired, contingent annuitant or disabled member of ASRS if the member elects to participate in the coverage provided by ASRS or section 38-651.01 or elects to participate in a health and accident insurance program provided or administered by an employer or paid for, in whole or in part, by an employer to an insurer. A contingent annuitant must be receiving a monthly retirement benefit from ASRS in order to obtain any premium payment provided by this section. The board shall pay:

1. Up to one hundred fifty dollars per month for a member of ASRS who is not eligible for medicare if the retired or disabled member has ten or more years of credited service.

2. Up to one hundred dollars per month for each member of ASRS who is eligible for medicare if the retired or disabled member has ten or more years of credited service.

B. Subject to subsections J, K and L of this section, the board shall pay from ASRS assets part of the family coverage premium of any health and accident insurance for a retired, contingent annuitant or disabled member of ASRS who elects family coverage and who otherwise qualifies for payment pursuant to subsection A of this section. If a member of ASRS and the member's spouse are both either retired or disabled under ASRS and apply for family coverage, the member who elects family coverage is entitled to receive the payments under this section as if they were both applying under a single coverage premium unless the payment under this section for family coverage is greater. Payment under this subsection is in the following amounts:

1. Up to two hundred sixty dollars per month if the member of ASRS and one or more dependents are not eligible for medicare.

2. Up to one hundred seventy dollars per month if the member of ASRS and one or more dependents are eligible for medicare.

3. Up to two hundred fifteen dollars per month if either:

(a) The member of ASRS is not eligible for medicare and one or more dependents are eligible for medicare.

(b) The member of ASRS is eligible for medicare and one or more dependents are not eligible for medicare.

C. In addition each retired, contingent annuitant or disabled member of ASRS with less than ten years of credited service and a dependent of such a retired, contingent annuitant or disabled member who elects to participate in the coverage provided by ASRS or section 38-651.01 or who elects to participate in a health and accident insurance program provided or administered by an employer or paid for, in whole or in part, by an employer

to an insurer is entitled to receive a proportion of the full benefit prescribed by subsection A, B, E, F, O or P of this section according to the following schedule:

1. 9.0 to 9.9 years of credited service, ninety per cent.
2. 8.0 to 8.9 years of credited service, eighty per cent.
3. 7.0 to 7.9 years of credited service, seventy per cent.
4. 6.0 to 6.9 years of credited service, sixty per cent.
5. 5.0 to 5.9 years of credited service, fifty per cent.
6. Those with less than five years of credited service do not qualify for the benefit.

D. The board shall not pay more than the amount prescribed in this section for a member of ASRS.

E. In addition to the payments provided by subsection A of this section, through June 30, 2005, the board shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for each retired, contingent annuitant or disabled member of ASRS who is eligible for a premium benefit payment pursuant to subsection A of this section and who lives in a nonservice area as follows:

1. Up to three hundred dollars per month for a member of ASRS who is not eligible for medicare if the retired or disabled member has ten or more years of credited service. To qualify for this additional benefit, a retired or disabled member of ASRS shall pay out-of-pocket medical insurance premiums of at least one hundred twenty-five dollars per month.

2. Up to one hundred seventy dollars per month for a member of ASRS who is eligible for medicare if the retired or disabled member has ten or more years of credited service. To qualify for this additional benefit, a retired or disabled member of ASRS shall pay out-of-pocket medical insurance premiums of at least one hundred dollars per month.

F. In addition to the payments provided by subsection B of this section, through June 30, 2005, the board shall pay from ASRS assets part of the family coverage premium for medical coverage, not including limited benefit coverage as defined in section 20-1137, for a retired, contingent annuitant or disabled member of ASRS who is eligible for a premium benefit payment pursuant to subsection B of this section, who is enrolled in a family medical plan and who lives in a nonservice area as follows:

1. Up to six hundred dollars per month if the member of ASRS and one or more dependents are not eligible for medicare and the retired or disabled member of ASRS has ten or more years of credited service. To qualify for this additional benefit, a retired or disabled member shall pay out-of-pocket medical insurance premiums of at least four hundred twenty-five dollars per month.

2. Up to three hundred fifty dollars per month if the member of ASRS and one or more dependents are eligible for medicare and the retired or disabled member of ASRS has ten or more years of credited service. To

qualify for this additional benefit, a retired or disabled member shall pay out-of-pocket medical insurance premiums of at least two hundred dollars per month.

3. If the retired or disabled member of ASRS has ten or more years of credited service, up to four hundred seventy dollars per month if either:

(a) The member of ASRS is not eligible for medicare and one or more dependents are eligible for medicare.

(b) The member of ASRS is eligible for medicare and one or more dependents are not eligible for medicare.

To qualify for this additional benefit, a retired or disabled member shall pay out-of-pocket medical insurance premiums of at least four hundred dollars per month.

G. A retired, contingent annuitant or disabled member of ASRS who is enrolled in a managed care program in a nonservice area is not eligible for the payment prescribed in subsection E, F, O or P of this section ~~if the member terminates coverage under the managed care program~~.

H. A retired, contingent annuitant or disabled member of ASRS may elect to purchase individual health care coverage and receive a payment pursuant to this section through the retired or disabled member's employer if that employer assumes the administrative functions associated with the payment, including verification that the payment is used to pay for health insurance coverage if the payment is made to the retired or disabled member.

I. The board shall establish a separate account that consists of the benefits provided by this section. The board shall not use or divert any part of the corpus or income of the account for any purpose other than the provision of benefits under this section unless the liabilities of ASRS to provide the benefits are satisfied. If the liabilities of ASRS to provide the benefits described in this section are satisfied, the board shall return any amount remaining in the account to the employer.

J. Payment of the benefits provided by this section is subject to the following conditions:

1. The payment of the benefits is subordinate to the payment of retirement benefits payable by ASRS.

2. The total of contributions for the benefits and actual contributions for life insurance protection, if any, shall not exceed twenty-five per cent of the total actual employer and employee contributions to ASRS, less contributions to fund past service credits, after the day the account is established.

3. The board shall deposit the benefits provided by this section in the account.

4. The contributions by the employer to the account shall be reasonable and ascertainable.

K. A member who elects to receive a retirement benefit pursuant to section 38-760, subsection B, paragraph 1 may elect at the time of retirement

an optional form of health and accident insurance premium benefit payment pursuant to this subsection as follows:

1. The optional premium benefit payment shall be an amount prescribed by subsection A, B, C, E, F, O or P of this section that is actuarially reduced to the retiring member for life. The amount of the optional premium benefit payment shall be the actuarial equivalent of the premium benefit payment to which the retired member would otherwise be entitled. The election in a manner prescribed by the board shall name the contingent annuitant and may be revoked at any time before the retiring member's effective date of retirement. At any time after benefits have commenced, the member may name a different contingent annuitant or rescind the election by written notice to the board as follows:

(a) If the retired member names a different contingent annuitant, the optional premium benefit payment shall be adjusted to the actuarial equivalent of the original premium benefit payment based on the age of the new contingent annuitant. The adjustment shall include all postretirement increases or decreases in amounts prescribed by subsection A, B, C, E, F, O or P of this section that are authorized by law after the retired member's date of retirement. Payment of this adjusted premium benefit payment shall continue under the provisions of the optional premium benefit payment previously elected by the retired member. A retired member cannot name a different contingent annuitant if the retired member has at any time rescinded the optional form of health and accident insurance premium benefit payment.

(b) If the retired member rescinds the election, the retired member shall thereafter receive the premium benefit payment that the retired member would otherwise be entitled to receive if the retired member had not elected the optional premium benefit payment, including all postretirement increases or decreases in amounts prescribed by subsection A, B, C, E, F, O or P of this section that are authorized by law after the member's date of retirement. The increased benefit payment shall continue during the remainder of the retired member's lifetime. The decision to rescind shall be irrevocable.

2. If, at the time of the retired member's death:

(a) The retired member was receiving a reduced premium benefit payment based on an amount prescribed in subsection B, C, F or P of this section and the contingent annuitant is eligible for family health and accident insurance coverage, the contingent annuitant is entitled to receive a premium benefit payment based on an amount prescribed in subsection B, C, F or P of this section times the reduction factor applied to the retired member's premium benefit payment times the joint and survivor option reduction factor elected by the retired member at the time of retirement pursuant to section 38-760, subsection B, paragraph 1.

(b) The retired member was receiving a reduced premium benefit payment based on an amount prescribed in subsection A, C, E or O of this section and

1 the contingent annuitant is eligible for single health and accident insurance
2 coverage, the contingent annuitant is entitled to receive a premium benefit
3 payment based on an amount prescribed in subsection A, C, E or O of this
4 section times the reduction factor applied to the retired member's premium
5 benefit payment times the joint and survivor option reduction factor elected
6 by the retired member at the time of retirement pursuant to section 38-760,
7 subsection B, paragraph 1.
8 (c) The retired member was receiving a reduced premium benefit payment
9 based on an amount prescribed in subsection B, C, F or P of this section and
10 the contingent annuitant is not eligible for family health and accident
11 insurance coverage, the contingent annuitant is entitled to receive a premium
12 benefit payment based on an amount prescribed in subsection A, C, E or O of
13 this section times the reduction factor applied to the retired member's
14 premium benefit payment times the joint and survivor option reduction factor
15 elected by the retired member at the time of retirement pursuant to section
16 38-760, subsection B, paragraph 1.
17 L. A member who elects to receive a retirement benefit pursuant to
18 section 38-760, subsection B, paragraph 2 may elect at the time of retirement
19 an optional form of health and accident insurance premium benefit payment
20 pursuant to this subsection as follows:
21 1. The optional premium benefit payment shall be an amount prescribed
22 by subsection A, B, C, E, F, O or P of this section that is actuarially
23 reduced with payments for five, ten or fifteen years that are not dependent
24 on the continued lifetime of the retired member but whose payments continue
25 for the retired member's lifetime beyond the five, ten or fifteen year
26 period. The election in a manner prescribed by the board shall name the
27 contingent annuitant and may be revoked at any time before the retiring
28 member's effective date of retirement. At any time after benefits have
29 commenced, the member may name a different contingent annuitant or rescind
30 the election by written notice to the board. If the retired member rescinds
31 the election, the retired member shall thereafter receive the premium benefit
32 payment that the retired member would otherwise be entitled to receive if the
33 retired member had not elected the optional premium benefit payment,
34 including all postretirement increases or decreases in amounts prescribed by
35 subsection A, B, C, E, F, O or P of this section that are authorized by law
36 after the member's date of retirement. The increased benefit payment shall
37 continue during the remainder of the retired member's lifetime. The decision
38 to rescind shall be irrevocable.
39 2. If, at the time of the retired member's death:
40 (a) The retired member was receiving a reduced premium benefit payment
41 based on an amount prescribed in subsection B, C, F or P of this section and
42 the contingent annuitant is eligible for family health and accident insurance
43 coverage, the contingent annuitant is entitled to receive a premium benefit
44 payment based on an amount prescribed in subsection B, C, F or P of this
45 section times the period certain and life option reduction factor elected by

1 the retired member at the time of retirement pursuant to section 38-760,
2 subsection B, paragraph 2.
3 (b) The retired member was receiving a reduced premium benefit payment
4 based on an amount prescribed in subsection A, C, E or O of this section and
5 the contingent annuitant is eligible for single health and accident insurance
6 coverage, the contingent annuitant is entitled to receive a premium benefit
7 payment based on an amount prescribed in subsection A, C, E or O of this
8 section times the period certain and life option reduction factor elected by
9 the retired member at the time of retirement pursuant to section 38-760,
10 subsection B, paragraph 2.
11 (c) The retired member was receiving a reduced premium benefit payment
12 based on an amount prescribed in subsection B, C, F or P of this section and
13 the contingent annuitant is not eligible for family health and accident
14 insurance coverage, the contingent annuitant is entitled to receive a premium
15 benefit payment based on an amount prescribed in subsection A, C, E or O of
16 this section times the period certain and life option reduction factor
17 elected by the retired member at the time of retirement pursuant to section
18 38-760, subsection B, paragraph 2.
19 M. If, at the time of retirement, a retiring member does not elect to
20 receive a reduced premium benefit payment pursuant to subsection K or L of
21 this section, the retired member's contingent annuitant is not eligible at
22 any time for the optional premium benefit payment.
23 N. A contingent annuitant is not eligible for any premium benefit
24 payment if the contingent annuitant was not enrolled in an eligible health
25 and accident insurance plan at the time of the retired member's death or if
26 the contingent annuitant is not the dependent beneficiary or insured
27 surviving dependent as provided in section 38-782.
28 O. In addition to the payments provided by subsection A of this
29 section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the board shall
30 pay an insurance premium benefit for medical coverage, not including limited
31 benefit coverage as defined in section 20-1137, for each medicare eligible
32 retired, contingent annuitant or disabled member of ASRS who is eligible for
33 a premium benefit payment pursuant to subsection A of this section and who
34 lives in a nonservice area of up to one hundred seventy dollars per month for
35 a member of ASRS who is eligible for medicare if the retired or disabled
36 member has ten or more years of credited service. To qualify for this
37 additional benefit, a retired or disabled member of ASRS shall pay
38 out-of-pocket medical insurance premiums of at least one hundred dollars per
39 month.
40 P. In addition to the payments provided by subsection B of this
41 section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the board shall
42 pay from ASRS assets part of the family coverage premium for medical
43 coverage, not including limited benefit coverage as defined in section
44 20-1137, for a medicare eligible retired, contingent annuitant or disabled
45 member of ASRS who is eligible for a premium benefit payment pursuant to

subsection B of this section, who is enrolled in a family medical plan and who lives in a nonservice area as follows:

1. Up to three hundred fifty dollars per month if the member of ASRS and one or more dependents are eligible for medicare and the retired or disabled member of ASRS has ten or more years of credited service. To qualify for this additional benefit, a retired or disabled member shall pay out-of-pocket medical insurance premiums of at least two hundred dollars per month.

2. If the retired or disabled member of ASRS has ten or more years of credited service, up to four hundred seventy dollars per month if the member of ASRS is eligible for medicare and one or more dependents are not eligible for medicare. To qualify for this additional benefit, a retired or disabled member shall pay out-of-pocket medical insurance premiums of at least four hundred dollars per month.

Q. For the purposes of this section:

1. "Account" means the separate account established pursuant to subsection I of this section.

2. "Credited service" includes prior service.

3. "Nonservice area" means an area in this state in which ASRS pursuant to section 38-782, the department of administration pursuant to section 38-651.01 or any employer does not provide or administer a health care services organization program, excluding any preferred provider organization program or individual health indemnity policy, for which the retired, contingent annuitant or disabled member of ASRS is eligible.

4. "Prior service" means service for this state or a political subdivision of this state before membership in the defined contribution program administered by ASRS.

Sec. 2. Section 38-817, Arizona Revised Statutes, is amended to read:

38-817. <u>Group health and accident coverage for retired members; payment; definition</u>

A. The fund manager shall pay from the assets of the fund part of the single coverage premium of any group health and accident insurance for each retired member or survivor of the elected officials' retirement plan who receives a pension if the retired member had eight or more years of credited service under the plan. In order to qualify for payment pursuant to this subsection, the retired member or survivor shall elect single coverage and must have elected to participate in the coverage provided in section 38-651.01 or 38-782 or any other health and accident insurance coverage provided or administered by a participating employer of the elected officials' retirement plan. The fund manager shall pay up to:

1. One hundred fifty dollars per month for each retired member or survivor of the plan who is not eligible for medicare.

2. One hundred dollars per month for each retired member or survivor of the plan who is eligible for medicare.

B. The fund manager shall pay from the assets of the fund part of the family coverage premium of any group health and accident insurance each month for a benefit recipient who elects family coverage and who otherwise qualifies for payment pursuant to subsection A of this section. The fund manager shall pay up to:

1. Two hundred sixty dollars per month if the retired member or survivor of the plan and one or more dependents are not eligible for medicare.

2. One hundred seventy dollars per month if the retired member or survivor of the plan and one or more dependents are eligible for medicare.

3. Two hundred fifteen dollars per month if either:

(a) The retired member or survivor of the plan is not eligible for medicare and one or more dependents are eligible for medicare.

(b) The retired member or survivor of the plan is eligible for medicare and one or more dependents are not eligible for medicare.

C. Each retired member or survivor of the plan with less than eight years of credited service and a dependent of such a retired member or survivor who participates in the coverage provided by section 38-651.01 or 38-782 or who participates in any other health and accident insurance coverage provided or administered by a participating employer of the plan is entitled to receive a proportion of the full benefit prescribed by subsection A, B, E, F, G or H of this section according to the following schedule:

1. 7.0 to 7.9 years of credited service, ninety per cent.

2. 6.0 to 6.9 years of credited service, seventy-five per cent.

3. 5.0 to 5.9 years of credited service, sixty per cent.

4. Those with less than five years of credited service do not qualify for the benefit.

D. The fund manager shall not pay more than the amount prescribed in this section for a benefit recipient as a member or survivor of the plan.

E. In addition to the payments provided by subsection A of this section, through June 30, 2005, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for each retired member or survivor of the plan who is entitled to a premium benefit payment pursuant to subsection A of this section and who lives in a nonservice area as follows:

1. Up to three hundred dollars per month for a retired member or survivor of the plan who is not eligible for medicare and who has eight or more years of credited service. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least one hundred twenty-five dollars per month.

2. Up to one hundred seventy dollars per month for a retired member or survivor of the plan who is eligible for medicare and who has eight or more years of credited service. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least one hundred dollars per month.

F. In addition to the payments provided by subsection B of this section, through June 30, 2005, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for a retired member or survivor of the plan who is entitled to a premium benefit payment pursuant to subsection B of this section, who is enrolled in a family medical plan and who lives in a nonservice area as follows:

1. Up to six hundred dollars per month if the retired member or survivor of the plan and one or more dependents are not eligible for medicare and the retired member or survivor of the plan has eight or more years of credited service. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least four hundred twenty-five dollars per month.

2. Up to three hundred fifty dollars per month if the retired member or survivor of the plan and one or more dependents are eligible for medicare and the retired member or survivor of the plan has eight or more years of credited service. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least two hundred dollars per month.

3. If the retired member or survivor of the plan has eight or more years of credited service, up to four hundred seventy dollars per month if either:

(a) The retired member or survivor of the plan is not eligible for medicare and one or more dependents are eligible for medicare.

(b) The retired member or survivor of the plan is eligible for medicare and one or more dependents are not eligible for medicare.

To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least four hundred dollars per month.

G. In addition to the payments provided by subsection A of this section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for each medicare eligible retired member or survivor of the plan who is entitled to a premium benefit payment pursuant to subsection A of this section and who lives in a nonservice area of up to one hundred seventy dollars per month for a retired member or survivor of the plan who is eligible for medicare and who has eight or more years of credited service. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least one hundred dollars per month.

H. In addition to the payments provided by subsection B of this section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for a medicare eligible retired member or survivor of the plan who is entitled to a premium

benefit payment pursuant to subsection B of this section, who is enrolled in a family medical plan and who lives in a nonservice area as follows:

1. Up to three hundred fifty dollars per month if the retired member or survivor of the plan and one or more dependents are eligible for medicare and the retired member or survivor of the plan has eight or more years of credited service. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least two hundred dollars per month.

2. If the retired member or survivor of the plan has eight or more years of credited service, up to four hundred seventy dollars per month if the retired member or survivor of the plan is eligible for medicare and one or more dependents are not eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least four hundred dollars per month.

I. A retired member or survivor of the plan who is enrolled in a managed care program in a nonservice area is not eligible for the payment prescribed in subsection E, F, G or H of this section ~~if the member terminates coverage under the managed care program~~.

J. A retired member or survivor of the plan may elect to purchase individual health care coverage and receive a payment pursuant to this section through the retired member's employer if that employer assumes the administrative functions associated with the payment, including verification that the payment is used to pay for health insurance coverage if the payment is made to the retired member or survivor of the plan.

K. For the purposes of this section, "nonservice area" means an area in this state in which the Arizona state retirement system pursuant to section 38-782, the department of administration pursuant to section 38-651.01 or the member's or survivor's participating employer does not provide or administer a health care services organization program, excluding any preferred provider organization program or individual health indemnity policy, for which the retired member or survivor of the plan is eligible.

Sec. 3. Section 38-857, Arizona Revised Statutes, as amended by Laws 2005, chapter 297, section 3, is amended to read:

38-857. <u>Group health and accident coverage for retired members; payment; definition</u>

A. The fund manager of the public safety personnel retirement system shall pay part of the single coverage premium of any group health and accident insurance for each retired member or survivor of the system who receives a pension and who has elected to participate in the coverage provided by section 38-651.01 or 38-782 or any other health and accident insurance coverage provided or administered by a participating employer of the system. The fund manager shall pay up to:

1. One hundred fifty dollars per month for each retired member or survivor of the system who is not eligible for medicare.

2. One hundred dollars per month for each retired member or survivor of the system who is eligible for medicare.

B. The fund manager of the system shall pay from assets of the fund part of the family coverage premium of any group health and accident insurance each month for a benefit recipient who elects family coverage and otherwise qualifies for payment pursuant to subsection A of this section. The fund manager shall pay up to:

1. Two hundred sixty dollars per month if the retired member or survivor of the system and one or more dependents are not eligible for medicare.

2. One hundred seventy dollars per month if the retired member or survivor of the system and one or more dependents are eligible for medicare.

3. Two hundred fifteen dollars per month if either:

(a) The retired member or survivor of the system is not eligible for medicare and one or more dependents are eligible for medicare.

(b) The retired member or survivor of the system is eligible for medicare and one or more dependents are not eligible for medicare.

C. The fund manager shall not pay from assets of the fund more than the amount prescribed in this section for a benefit recipient as a member or survivor of the system.

D. This section does not apply to a retired member or survivor of the system who is reemployed by this state or a political subdivision of this state and who participates in coverage provided by this state or a political subdivision of this state as an active employee.

E. In addition to the payments provided by subsection A of this section, through June 30, 2005, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for each retired member or survivor of the system who is entitled to a premium benefit payment pursuant to subsection A of this section and who lives in a nonservice area as follows:

1. Up to three hundred dollars per month for a retired member or survivor of the system who is not eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least one hundred twenty-five dollars per month.

2. Up to one hundred seventy dollars per month for a retired member or survivor of the system who is eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least one hundred dollars per month.

F. In addition to the payments provided by subsection B of this section, through June 30, 2005, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for a retired member or survivor of the system who is entitled to a premium benefit payment pursuant to subsection B of this

section, who is enrolled in a family medical plan and who lives in a nonservice area as follows:

1. Up to six hundred dollars per month if the retired member or survivor of the system and one or more dependents are not eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least four hundred twenty-five dollars per month.

2. Up to three hundred fifty dollars per month if the retired member or survivor of the system and one or more dependents are eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least two hundred dollars per month.

3. Up to four hundred seventy dollars per month if either:

(a) The retired member or survivor of the system is not eligible for medicare and one or more dependents are eligible for medicare.

(b) The retired member or survivor of the system is eligible for medicare and one or more dependents are not eligible for medicare.

To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least four hundred dollars per month.

G. In addition to the payments provided by subsection A of this section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for each medicare eligible retired member or survivor of the system who is entitled to a premium benefit payment pursuant to subsection A of this section and who lives in a nonservice area of up to one hundred seventy dollars per month for a retired member or survivor of the system who is eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least one hundred dollars per month.

H. In addition to the payments provided by subsection B of this section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for a medicare eligible retired member or survivor of the system who is entitled to a premium benefit payment pursuant to subsection B of this section, who is enrolled in a family medical plan and who lives in a nonservice area as follows:

1. Up to three hundred fifty dollars per month if the retired member or survivor of the system and one or more dependents are eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least two hundred dollars per month.

2. Up to four hundred seventy dollars per month if the retired member or survivor of the system is eligible for medicare and one or more dependents are not eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least four hundred dollars per month.

I. A retired member or survivor of the system who is enrolled in a managed care program in a nonservice area is not eligible for the payment prescribed in subsection E, F, G or H of this section ~~if the member terminates coverage under the managed care program~~.

J. A retired member or survivor of the system may elect to purchase individual health care coverage and receive a payment pursuant to this section through the retired member's employer if that employer assumes the administrative functions associated with the payment, including verification that the payment is used to pay for health insurance coverage if the payment is made to the retired member or survivor of the system.

K. For the purposes of this section, "nonservice area" means an area in this state in which the Arizona state retirement system pursuant to section 38-782, the department of administration pursuant to section 38-651.01 or the member's or survivor's participating employer does not provide or administer a health care services organization program, excluding any preferred provider organization program or individual health indemnity policy, for which the retired member or survivor of the system is eligible.

Sec. 4. Section 38-857, Arizona Revised Statutes, as amended by Laws 2004, chapter 325, section 6, is amended effective from and after June 30, 2008, to read:

38-857. <u>Group health and accident coverage for retired members; payment; definition</u>

A. The fund manager of the public safety personnel retirement system shall pay part of the single coverage premium of any group health and accident insurance for each retired member or survivor of the system who receives a pension and who has elected to participate in the coverage provided by section 38-651.01 or 38-782 or any other health and accident insurance coverage provided or administered by a participating employer of the system. The fund manager shall pay up to:

1. One hundred fifty dollars per month for each retired member or survivor of the system who is not eligible for medicare.

2. One hundred dollars per month for each retired member or survivor of the system who is eligible for medicare.

B. The fund manager of the system shall pay from assets of the fund part of the family coverage premium of any group health and accident insurance each month for a benefit recipient who elects family coverage and otherwise qualifies for payment pursuant to subsection A of this section. The fund manager shall pay up to:

1. Two hundred sixty dollars per month if the retired member or survivor of the system and one or more dependents are not eligible for medicare.

2. One hundred seventy dollars per month if the retired member or survivor of the system and one or more dependents are eligible for medicare.

3. Two hundred fifteen dollars per month if either:

(a) The retired member or survivor of the system is not eligible for medicare and one or more dependents are eligible for medicare.

(b) The retired member or survivor of the system is eligible for medicare and one or more dependents are not eligible for medicare.

C. The fund manager shall not pay from assets of the fund more than the amount prescribed in this section for a benefit recipient as a member or survivor of the system.

D. This section does not apply to a retired member or survivor of the system who is reemployed by this state or a political subdivision of this state and who participates in coverage provided by this state or a political subdivision of this state as an active employee.

E. In addition to the payments provided by subsection A of this section, through June 30, 2005, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for each retired member or survivor of the system who is entitled to a premium benefit payment pursuant to subsection A of this section and who lives in a nonservice area as follows:

1. Up to three hundred dollars per month for a retired member or survivor of the system who is not eligible for medicare. From and after June 30, 2003, to qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least one hundred twenty-five dollars per month.

2. Up to one hundred seventy dollars per month for a retired member or survivor of the system who is eligible for medicare. From and after June 30, 2003, to qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least one hundred dollars per month.

F. In addition to the payments provided by subsection B of this section, through June 30, 2005, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for a retired member or survivor of the system who is entitled to a premium benefit payment pursuant to subsection B of this section, who is enrolled in a family medical plan and who lives in a nonservice area as follows:

1. Up to six hundred dollars per month if the retired member or survivor of the system and one or more dependents are not eligible for medicare. From and after June 30, 2003, to qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least four hundred twenty-five dollars per month.

2. Up to three hundred fifty dollars per month if the retired member or survivor of the system and one or more dependents are eligible for medicare. From and after June 30, 2003, to qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least two hundred dollars per month.

3. Up to four hundred seventy dollars per month if either:

(a) The retired member or survivor of the system is not eligible for medicare and one or more dependents are eligible for medicare.

(b) The retired member or survivor of the system is eligible for medicare and one or more dependents are not eligible for medicare.

From and after June 30, 2003, to qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least four hundred dollars per month.

G. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION A OF THIS SECTION, BEGINNING JULY 1, 2007 THROUGH JUNE 30, 2009, THE FUND MANAGER SHALL PAY AN INSURANCE PREMIUM BENEFIT FOR MEDICAL COVERAGE, NOT INCLUDING LIMITED BENEFIT COVERAGE AS DEFINED IN SECTION 20-1137, FOR EACH MEDICARE ELIGIBLE RETIRED MEMBER OR SURVIVOR OF THE SYSTEM WHO IS ENTITLED TO A PREMIUM BENEFIT PAYMENT PURSUANT TO SUBSECTION A OF THIS SECTION AND WHO LIVES IN A NONSERVICE AREA OF UP TO ONE HUNDRED SEVENTY DOLLARS PER MONTH FOR A RETIRED MEMBER OR SURVIVOR OF THE SYSTEM WHO IS ELIGIBLE FOR MEDICARE. TO QUALIFY FOR THIS ADDITIONAL BENEFIT, A RETIRED MEMBER OR SURVIVOR SHALL PAY OUT-OF-POCKET MEDICAL INSURANCE PREMIUMS OF AT LEAST ONE HUNDRED DOLLARS PER MONTH.

H. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION B OF THIS SECTION, BEGINNING JULY 1, 2007 THROUGH JUNE 30, 2009, THE FUND MANAGER SHALL PAY AN INSURANCE PREMIUM BENEFIT FOR MEDICAL COVERAGE, NOT INCLUDING LIMITED BENEFIT COVERAGE AS DEFINED IN SECTION 20-1137, FOR A MEDICARE ELIGIBLE RETIRED MEMBER OR SURVIVOR OF THE SYSTEM WHO IS ENTITLED TO A PREMIUM BENEFIT PAYMENT PURSUANT TO SUBSECTION B OF THIS SECTION, WHO IS ENROLLED IN A FAMILY MEDICAL PLAN AND WHO LIVES IN A NONSERVICE AREA AS FOLLOWS:

1. UP TO THREE HUNDRED FIFTY DOLLARS PER MONTH IF THE RETIRED MEMBER OR SURVIVOR OF THE SYSTEM AND ONE OR MORE DEPENDENTS ARE ELIGIBLE FOR MEDICARE. TO QUALIFY FOR THIS ADDITIONAL BENEFIT, A RETIRED MEMBER OR SURVIVOR SHALL PAY OUT-OF-POCKET MEDICAL INSURANCE PREMIUMS OF AT LEAST TWO HUNDRED DOLLARS PER MONTH.

2. UP TO FOUR HUNDRED SEVENTY DOLLARS PER MONTH IF THE RETIRED MEMBER OR SURVIVOR OF THE SYSTEM IS ELIGIBLE FOR MEDICARE AND ONE OR MORE DEPENDENTS ARE NOT ELIGIBLE FOR MEDICARE. TO QUALIFY FOR THIS ADDITIONAL BENEFIT, A RETIRED MEMBER OR SURVIVOR SHALL PAY OUT-OF-POCKET MEDICAL INSURANCE PREMIUMS OF AT LEAST FOUR HUNDRED DOLLARS PER MONTH.

~~G.~~ I. A retired member or survivor of the system who is enrolled in a managed care program in a nonservice area is not eligible for the payment prescribed in subsection E, ~~or~~ F, G OR H of this section ~~if the member terminates coverage under the managed care program~~.

~~H.~~ J. A retired member or survivor of the system may elect to purchase individual health care coverage and receive a payment pursuant to this section through the retired member's employer. If the retired member or survivor makes the election under this subsection, the retired member's employer shall provide the administrative functions associated with the payment, including verification that the payment is used to pay for health insurance. The retiree is responsible for providing the written evidence of coverage to the employer. Eligibility for and payment of the subsidy shall begin on the last day of the month following the month in which the written evidence is received by the employer. The employer is not responsible for making, and is not obligated to make, retroactive subsidy payments to the insurance carrier if the retiree does not supply the written evidence of coverage in a timely manner. The payment allowed pursuant to this subsection is limited to no more than twenty-five dollars per month.

~~I.~~ K. For the purposes of this section, "nonservice area" means an area in which the Arizona state retirement system pursuant to section 38-782, the department of administration pursuant to section 38-651.01 or the member's or survivor's participating employer does not provide or administer a health care services organization program, excluding any preferred provider organization program or individual health indemnity policy, for which the retired member or survivor of the system is eligible.

Sec. 5. Section 38-906, Arizona Revised Statutes, is amended to read:

38-906. <u>Group health and accident coverage for retired members; payment; definition</u>

A. The fund manager shall pay from the assets of the fund part of the single coverage premium of any group health and accident insurance for each retired member or survivor of the plan who receives a pension and who has elected to participate in coverage provided by section 38-651.01 or 38-782 or any other health and accident insurance coverage provided or administered by a participating employer in the plan. The fund manager shall pay up to:

1. One hundred fifty dollars per month for each retired member or survivor of the plan who is not eligible for medicare.

2. One hundred dollars per month for each retired member or survivor of the plan who is eligible for medicare.

B. The fund manager shall pay from the assets of the fund part of the family coverage premium of any group health and accident insurance for each retired member or survivor of the plan who elects family coverage and who otherwise qualifies for payment pursuant to subsection A of this section. Payment under this subsection is in the following amounts:

1. Up to two hundred sixty dollars per month if the retired member or survivor of the plan and one or more dependents are not eligible for medicare.

2. Up to one hundred seventy dollars per month if the retired member or survivor of the plan and one or more dependents are eligible for medicare.

3. Up to two hundred fifteen dollars if either:

1 (a) The retired member or survivor of the plan is not eligible for
2 medicare and one or more dependents are eligible for medicare.
3 (b) The retired member or survivor of the plan is eligible for
4 medicare and one or more dependents are not eligible for medicare.
5 C. The fund manager shall not pay more than the amount prescribed in
6 this section for a benefit recipient as a member or survivor of the plan.
7 D. In addition to the payments provided by subsection A of this
8 section, through June 30, 2005, the fund manager shall pay an insurance
9 premium benefit for medical coverage, not including limited benefit coverage
10 as defined in section 20-1137, for each retired member or survivor of the
11 plan who is entitled to a premium benefit payment pursuant to subsection A of
12 this section and who lives in a nonservice area as follows:
13 1. Up to three hundred dollars per month for a retired member or
14 survivor of the plan who is not eligible for medicare. To qualify for this
15 additional benefit, a retired member or survivor shall pay out-of-pocket
16 medical insurance premiums of at least one hundred twenty-five dollars per
17 month.
18 2. Up to one hundred seventy dollars per month for a retired member or
19 survivor of the plan who is eligible for medicare. To qualify for this
20 additional benefit, a retired member or survivor shall pay out-of-pocket
21 medical insurance premiums of at least one hundred dollars per month.
22 E. In addition to the payments provided by subsection B of this
23 section, through June 30, 2005, the fund manager shall pay an insurance
24 premium benefit for medical coverage, not including limited benefit coverage
25 as defined in section 20-1137, for a retired member or survivor of the plan
26 who is entitled to a premium benefit payment pursuant to subsection B of this
27 section, who is enrolled in a family medical plan and who lives in a
28 nonservice area as follows:
29 1. Up to six hundred dollars per month if the retired member or
30 survivor of the plan and one or more dependents are not eligible for
31 medicare. To qualify for this additional benefit, a retired member or
32 survivor shall pay out-of-pocket medical insurance premiums of at least four
33 hundred twenty-five dollars per month.
34 2. Up to three hundred fifty dollars per month if the retired member
35 or survivor of the plan and one or more dependents are eligible for medicare.
36 To qualify for this additional benefit, a retired member or survivor shall
37 pay out-of-pocket medical insurance premiums of at least two hundred dollars
38 per month.
39 3. Up to four hundred seventy dollars per month if either:
40 (a) The retired member or survivor of the plan is not eligible for
41 medicare and one or more dependents are eligible for medicare.
42 (b) The retired member or survivor of the plan is eligible for
43 medicare and one or more dependents are not eligible for medicare.

To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least four hundred dollars per month.

F. In addition to the payments provided by subsection A of this section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for each medicare eligible retired member or survivor of the plan who is entitled to a premium benefit payment pursuant to subsection A of this section and who lives in a nonservice area of up to one hundred seventy dollars per month for a retired member or survivor of the plan who is eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least one hundred dollars per month.

G. In addition to the payments provided by subsection B of this section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager shall pay an insurance premium benefit for medical coverage, not including limited benefit coverage as defined in section 20-1137, for a medicare eligible retired member or survivor of the plan who is entitled to a premium benefit payment pursuant to subsection B of this section, who is enrolled in a family medical plan and who lives in a nonservice area as follows:

1. Up to three hundred fifty dollars per month if the retired member or survivor of the plan and one or more dependents are eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least two hundred dollars per month.

2. Up to four hundred seventy dollars per month if the retired member or survivor of the plan is eligible for medicare and one or more dependents are not eligible for medicare. To qualify for this additional benefit, a retired member or survivor shall pay out-of-pocket medical insurance premiums of at least four hundred dollars per month.

H. A retired member or survivor of the plan who is enrolled in a managed care program in a nonservice area is not eligible for the payment prescribed in subsection D, E, F or G of this section ~~if the member terminates coverage under the managed care program~~.

I. A retired member or survivor of the plan may elect to purchase individual health care coverage and receive a payment pursuant to this section through the retired member's employer if that employer assumes the administrative functions associated with the payment, including verification that the payment is used to pay for health insurance coverage if the payment is made to the retired member or survivor of the plan.

J. For the purposes of this section, "nonservice area" means an area in this state in which the Arizona state retirement system pursuant to section 38-782, the department of administration pursuant to section 38-651.01 or the member's or survivor's participating employer does not provide or administer a health care services organization program, excluding

1 any preferred provider organization program or individual health indemnity
2 policy, for which the retired member or survivor of the plan is eligible.
3 Sec. 6. Emergency
4 This act is an emergency measure that is necessary to preserve the
5 public peace, health or safety and is operative immediately as provided by
6 law.

APPROVED BY THE GOVERNOR JUNE 20, 2007.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 20, 2007.