



ARIZONA STATE SENATE
Fifty-Sixth Legislature, First Regular Session

FACT SHEET FOR H.B. 2029

ASRS; supplemental deferral plan; participation

Purpose

Allows a political subdivision that is not participating in the Arizona State Retirement System (ASRS) to enter into an agreement with ASRS to allow its employees to participate in an ASRS supplemental employee deferral plan (supplemental savings plan) and allows a political subdivision that allows its employees to participate in a supplemental savings plan to elect to join ASRS as prescribed for political subdivisions that have adopted a supplemental retirement plan.

Background

ASRS may establish one or more supplemental savings plans to provide public employees an opportunity to save additional tax-deferred monies for retirement. If an employer elects to participate in a supplemental savings plan, any employee of the employer may participate if the employee meets the eligibility requirements for participation prescribed by ASRS. Participation in a supplemental savings plan authorizes the participant's employer to make salary reductions for payment to the supplemental savings plan. Employee contributions and earnings are immediately vested and employer contributions and earnings vest according to the schedule in the supplemental savings plan ([A.R.S. § 38-781](#)).

Statute allows the governing body of any political subdivision to adopt, by appropriate legislation, a supplemental retirement plan for employees and officers of the political subdivision. The supplemental retirement plan must provide the same retirement benefits and require the same obligations for entitlement as statutorily prescribed for ASRS members. A political subdivision or political subdivision entity may be eligible to participate in ASRS if it notifies ASRS in writing of its intent to join and provides ASRS outlined documentation, including a resolution showing that the entity is adopting a supplemental retirement plan. The governing body of the political subdivision must submit the supplemental retirement plan to the ASRS Board for approval. On approval, the ASRS Board must administer the political subdivision's supplemental retirement plan ([A.R.S. § 38-729](#); [A.A.C. R2-8-1004](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Allows a political subdivision or political subdivision entity that is not participating in ASRS to enter into an agreement with ASRS to allow its employees to participate in a supplemental savings plan that is overseen by ASRS.
2. Allows a political subdivision or political subdivision entity that elects to allow its employees to participate in a supplemental savings plan overseen by ASRS (participating political subdivision) to elect to join ASRS as statutorily prescribed for political subdivisions that have adopted a supplemental retirement plan.

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3. Specifies that a participating political subdivision is not an ASRS employer and its employees are not considered ASRS members.
4. Prohibits a participating political subdivision from implying that the political subdivision or political subdivision entity offers any ASRS benefits other than participation in the supplemental savings plan.
5. Prohibits a participating political subdivision that violates the benefit implication prohibition from allowing new employees to participate in the supplemental savings plan until the violation is corrected.
6. Makes conforming changes.
7. Becomes effective on the general effective date.

House Action

WM	1/18/23	DP	10-0-0-0
3 rd Read	2/21/23		56-4-0

Prepared by Senate Research

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MG/sr