

SB 1609: Plan Modifications

Elected Officials Retirement Plan

Plan changes go into effect on 07/20/2011 unless otherwise stated.

For Existing Members

Contribution Rate	Service Purchase/Refunds	Benefit Calculations
<ul style="list-style-type: none"> • FY 2010-2011: 7% • FY 2011-2012: 10% • FY 2012-2013: 11.5% <p>For FY 2013-2014 and after, 13% or a 33.3%/66.7 split between employee/employer, whichever is lower, with a minimum employee contribution rate of 7% and 10% for employer.</p> <p>Alternate contribution rate will be required from the employer for any EORP retired member who returns to work in an EORP position. Rate determined annually by the actuary as the unfunded liability amortization portion of the total required contribution, with a minimum rate of 10%.</p>	<p><u>Service Purchase:</u> Member must have 10 years of credited service in order to redeem qualified prior public service and prior qualified military service. Member is limited to:</p> <ul style="list-style-type: none"> • 60 months prior public service • 60 months prior military service <p><u>Refunds:</u> If a member prior to January 1, 2012, no changes to contribution refund structure.</p>	<p><u>No changes to the benefit calculation provisions including Early Retirement:</u></p> <p>Normal retirement:</p> <ul style="list-style-type: none"> • Age 65 with 5 or more years of credited service • Age 62 with 10 or more years of credited service • 20 years of credited service regardless of age <p>Pension benefit calculation based on highest 3 consecutive years of compensation.</p> <p>Early Retirement:</p> <ul style="list-style-type: none"> • Must have at least 5 years of credited service and ceases to hold office.

Superior Court Commissioners appointed on or after July 1st become members of the ASRS on the first fiscal year after the SSA approves inclusion of this group on the State's Section 218 agreement.

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For New Hires on or after January 1, 2012

Contribution Rate	Service Purchase/Refunds	Benefit Calculations
<ul style="list-style-type: none"> • FY 2010-2011: 7% • FY 2011-2012: 10% • FY 2012-2013: 11.5% <p>For FY 2013-2014 and after, 13% or a 33.3%/66.7 split between employee/employer, whichever is lower, with a minimum employee contribution rate of 7% and 10% for employer.</p> <p>Alternate contribution rate will be required from the employer for any EORP retired member who returns to work in an EORP position. Rate determined annually by the actuary as the unfunded liability amortization portion of the total required contribution, with a minimum rate of 10%.</p>	<p><u>Service Purchase:</u> Member must have 10 years of credited service in order to redeem qualified prior public service and prior qualified military service. Member is limited to:</p> <ul style="list-style-type: none"> • 60 months prior public service • 60 months prior military service <p><u>Refunds:</u> If member terminates for reasons other than death, retirement or disability, member can withdraw his/her accumulated contributions less any benefit payments already received or any amount the member owes to the plan, plus interest at a rate determined by the Board of Trustees.</p>	<p>Normal retirement:</p> <ul style="list-style-type: none"> • Age 65 with 5 or more years of credited service • Age 62 with 10 or more years of credited service <p>Pension benefit calculation based on average of the highest 5 consecutive years of compensation within the last 10 years of service.</p> <p><u>Pension Amount:</u> Member receives 3% of average salary multiplied by years of credited service.</p> <p>Maximum benefit is 75% of average monthly compensation.</p> <p><u>Survivor Amounts:</u> Eligible Surviving spouse receives 50% of member's pension at time of death. Member may elect a higher survivor pension at time of retirement with an actuarial reduction in member's calculated pension benefit.</p> <p><u>Disability Pensions:</u></p> <ul style="list-style-type: none"> • Member receives 75% of average salary if a member has 10 or more years of credited service. • Member receives 37.5% of average salary if a member has 5-9 years of credited service. • Member receives 18.75% of average salary if a member has less than 5 years of credited service.

Additionally, all members of the plan are subject to forfeiture law as prescribed in A.R.S. 13-713 and described below *

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Permanent Benefit Increases (COLA)

Effective **May 31, 2011** no more excess investment earnings will be transferred to the current COLA Reserve.

Effective July 1, 2013 Benefit increases are determined as follows:

- Fund must earn more than 10.5% in prior fiscal year.

If EORP funding ratio is 60-64%: **2% increase of benefit being received on the preceding June 30th to eligible retirees/survivors.**

If EORP funding ratio is 65-69%: **2.5% increase of benefit being received on the preceding June 30th to eligible retirees/survivors.**

If EORP funding ratio is 70-74%: **3% increase of benefit being received on the preceding June 30th to eligible retirees/survivors.**

If EORP funding ratio is 75-79%: **3.5% increase of benefit being received on the preceding June 30th to eligible retirees/survivors.**

If EORP funding ratio is 80% or more: **4% increase of benefit being received on the preceding June 30th to eligible retirees/survivors.**

If earnings over 10.5% are insufficient to fund the maximum allowable percentage increase as set forth above, then the percentage increase will be limited to the percentage that can be funded by the earnings available.

For retired members or survivor of a retired member hired on or after January 1, 2012

To be eligible to receive an increase, the retired member or survivor:

- Must be 55 years of age or older on July 1 and be currently receiving benefits

Additionally, from and after 12/31/2015, State Legislature may enact permanent one-time benefit increases

after an analysis of the plan by the JLBC.

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***Forfeiture Law:**

If a member of a state retirement system or plan is convicted or pleads no contest to a Class 1-5 felony AND that crime was committed in the course of the member's public employment, the court shall order the person's membership terminated and the person shall forfeit all rights and benefits earned under the retirement system or plan. Member receives refund plus interest determined by the board less any benefits received by the member. The court shall order that the member subject to forfeiture is not eligible for future membership in any state retirement system or plan.

After forfeiture, the court may award an amount to a spouse, dependent or former spouse of the member. However, this award is subject to existing laws under the retirement system or plan.

Jim,

We reviewed the final plan provisions for the three plans and summarized our understanding of those provisions. Please review and let us know if our understanding is correct so we can proceed with the final stochastic projections. In addition please confirm the following:

- there are no additional contributions for CORP
- for PSPRS and EORP the additional contributions do not reduce the employer contributions, so there is a “maintenance of effort” provision.

We can provide the results of these projections by Friday, May 13th, 2011. Let us know if this timing works for you.

CORP – Final -----

Existing Members

- Maintain high 3 FAC
- Maintain normal retirement requirements (20 years or 25 years for a dispatcher; 62 years if age with 10 years of service; sum of age and years of service equals 80)
- Contribution rates are 8.41% (7.96% for dispatchers) for FY 2010-2011. For fiscal years 2011-2012 and after, 8.41% (7.96% for dispatchers), or a 50/50 split between employer and employee, whichever is lower. Minimum employee contribution rate of 7.65%, minimum employer contribution rate of 6%. This means there are no additional contributions to the plan.
- Dispatcher contribution rate is .45% less than the non-dispatcher rate until the plan is 100% funded then rates are equal thereafter
- Employer will contribute at the alternate contribution rate (ARC which is the amortization portion of the required rate) to System when members retire and return to work.

New Hires on or after January 1, 2012

- High 5 FAC
- Normal retirement at age 52.5 with 25 years of service or 62 years of age with 10 years of service
- 25 years of service: Receive a monthly amount that equals 62.5% of member’s average monthly benefit compensation; less than 25 years of service product of 2.5% of members average salary and the members credited service; more than 25 years increased monthly amount 2.5% of the avg monthly benefit multiplied by number of years over 25; maximum benefit is 80% of average monthly compensation
- If ceases to hold office for any reason other than death or retirement, member can withdraw accumulated member contributions (no employer match of refund contributions) with interest at rate set by Board.
- Contribution rates are 8.41% (7.96% for dispatchers) for FY 2010-2011. For fiscal years 2011-2012 and after, 8.41% (7.96% for dispatchers), or a 50/50 split between employer and employee, whichever is lower. Minimum employee contribution rate of 7.65%, minimum employer contribution rate of 6%. This means there are no additional contributions to the plan.
- Dispatcher contribution rate is .45% less than the non-dispatcher rate until the plan is 100% funded then rates are equal thereafter
- Employer will contribute to System when members retire and return to work.

Existing Members and New Hires

- COLA provision
 - A COLA is only paid in a year when the return on the market value of assets exceeds 10.5% and the plan is at least 60% funded. 100% of the excess earnings is used to determine whether a COLA can be paid and the size of the COLA for that year.

- No COLA reserve accumulates. The present value of that year's COLA for eligible retirees cannot exceed 100% of the earnings in excess of 10.5%. If the excess earnings is high enough to exceed the present value of that year's COLA, the excess stays in the fund.
- To be eligible for an increase the retiree or the survivor must be:
 - In the case of a retired member who became a member of the plan before January 1, 2012, the retired member or survivor was receiving benefits on or before July 31 of the two previous years or
 - In the case of a retired member who became a member of the plan before January 1, 2012, the retired member or survivor was 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year
 - In the case of a retired member who became a member of the plan on or after January 1, 2012, the retired member or survivor was at least 55 or older on July 1 and receiving benefits
 - In the case of a retired member who became a member of the plan on or after January 1, 2012, if under 55 on July 1, was receiving accidental disability benefits for the preceding 2 years
 - In the case of a member who became a member of the plan on or after January 1, 2012, if the survivor is under 55 on July 1, is the survivor of the member who was killed in the line of duty, and has been receiving a survivor benefits for the preceding 2 years
- The amount of the COLA to be paid is determined as follows:
 - Funded ratio is 60-64%, COLA is 2%
 - Funded ratio is 65-69%, COLA is 2.5%
 - Funded ratio is 70-74%, COLA is 3%
 - Funded ratio is 75-79%, COLA is 3.5%
 - Funded ratio is 80% or more, COLA is 4%

PSPRS – Final -----

Existing Members

- Maintain high 3 FAC
- Maintain normal retirement requirements of 20 years of service, or age 62 with 15 years of service
- Member contribution rates are shown in the schedule below. Additional member contributions DO NOT reduce the employer contribution, this means there is a "maintenance of effort" provision
 1. FY 2010-2011 – 7.65%
 2. FY 2011-2012 – 8.65%
 3. FY 2012-2013 – 9.55%
 4. FY 2013-2014 – 10.35%
 5. FY 2014-2015 – 11.05%
 6. FY 2015-2016 and after: 11.65% or a 33.3%/66.7% split between the employee and the employer, whichever is lower; minimum employee contribution rate is 7.65%.
- Employer will contribute to System when members retire and return to work.
- DROP
 1. Members who have at least 20 years of service on or after January 1, 2012 – no change in the DROP
 2. Members with less than 20 years of service on or after January 1, 2012
 1. Can still elect DROP
 2. Interest credited on DROP account is the average return on the actuarial value of assets, with a minimum of 2% and a maximum equal to the actuarial assumed earnings rate
 3. Members in the DROP contributed to the Retirement System; contributions are not refundable.

New Hires on or after January 1, 2012

- High 5 FAC
- Normal retirement at age 52.5 and 25 years of service
- 25 years of service: Receive a monthly amount that equals 62.5% of member's average monthly benefit compensation; less than 25 years of service reduced 4% for each credited year under 25 yrs; more than 25 years increased monthly amount 2.5% of the avg monthly benefit multiplied by number of years over 25; maximum benefit of 80% of the average monthly compensation
- If ceases to hold office for any reason other than death or retirement, member can withdraw their accumulated contributions less any benefit payments already received or any amount the member owes the plan (no employer match of refund contributions) with interest at rate set by Board.
- Member contribution rates are shown in the schedule below. Additional member contributions DO NOT reduce the employer contribution, this means there is a "maintenance of effort" provision
 1. FY 2011-2012 – 8.65%
 2. FY 2012-2013 – 9.55%
 3. FY 2013-2014 – 10.35%
 4. FY 2014-2015 – 11.05%
 5. FY 2015-2016 and after: 11.65% or a 33.3%/66.7% split between the employee and the employer, whichever is lower; minimum employee contribution rate is 7.65%.
- Employer will contribute to System when members retire and return to work.
- No DROP

Existing Members and New Hires

- COLA provision
 - A COLA is only paid in a year when the return on the market value of assets exceeds 10.5% and the plan is at least 60% funded. 100% of the excess earnings is used to determine whether a COLA can be paid and the size of the COLA for that year.
 - No COLA reserve accumulates. The present value of that year's COLA for eligible retirees cannot exceed 100% of the earnings in excess of 10.5%. If the excess earnings is high enough to exceed the present value of that year's COLA, the excess stays in the fund.
 - To be eligible for an increase the retiree or the survivor must be:
 - In the case of a retired member who became a member of the plan before January 1, 2012, the retired member or survivor was receiving benefits on or before July 31 of the two previous years or
 - In the case of a retired member who became a member of the plan before January 1, 2012, the retired member or survivor was 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year
 - In the case of a retired member who became a member of the plan on or after January 1, 2012, the retired member or survivor was at least 55 or older on July 1 and receiving benefits
 - In the case of a retired member who became a member of the plan on or after January 1, 2012, if under 55 on July 1, was receiving accidental disability benefits for the preceding 2 years
 - In the case of a member who became a member of the plan on or after January 1, 2012, if the survivor is under 55 on July 1, is the survivor of the member who was killed in the line of duty, and has been receiving a survivor benefits for the preceding 2 years
 - The amount of the COLA to be paid is determined as follows:
 - Funded ratio is 60-64%, COLA is 2%
 - Funded ratio is 65-69%, COLA is 2.5%
 - Funded ratio is 70-74%, COLA is 3%
 - Funded ratio is 75-79%, COLA is 3.5%
 - Funded ratio is 80% or more, COLA is 4%

Existing Members

- Maintain high 3 FAC
- Maintain normal retirement requirements at age 65 with 5 years of service, age 62 with 10 years of service, or 20 years of service regardless of age
- Early retirement with at least 5 years of service
- Member contribution rates are shown in the schedule below. Additional member contributions DO NOT reduce the employer contribution, this means there is a “maintenance of effort” provision
 1. FY 2010-2011 – 7.0%
 2. FY 2011-2012 – 10.0%
 3. FY 2012-2013 – 11.5%
 4. FY 2013-2014 and after: 13.0% or a 33.3%/66.7% split between the employee and the employer, whichever is lower; minimum employee contribution rate is 7.0%, minimum employer contribution rate is 10%.
- Employer will contribute to System when members retire and return to work.

New Hires on or after January 1, 2012

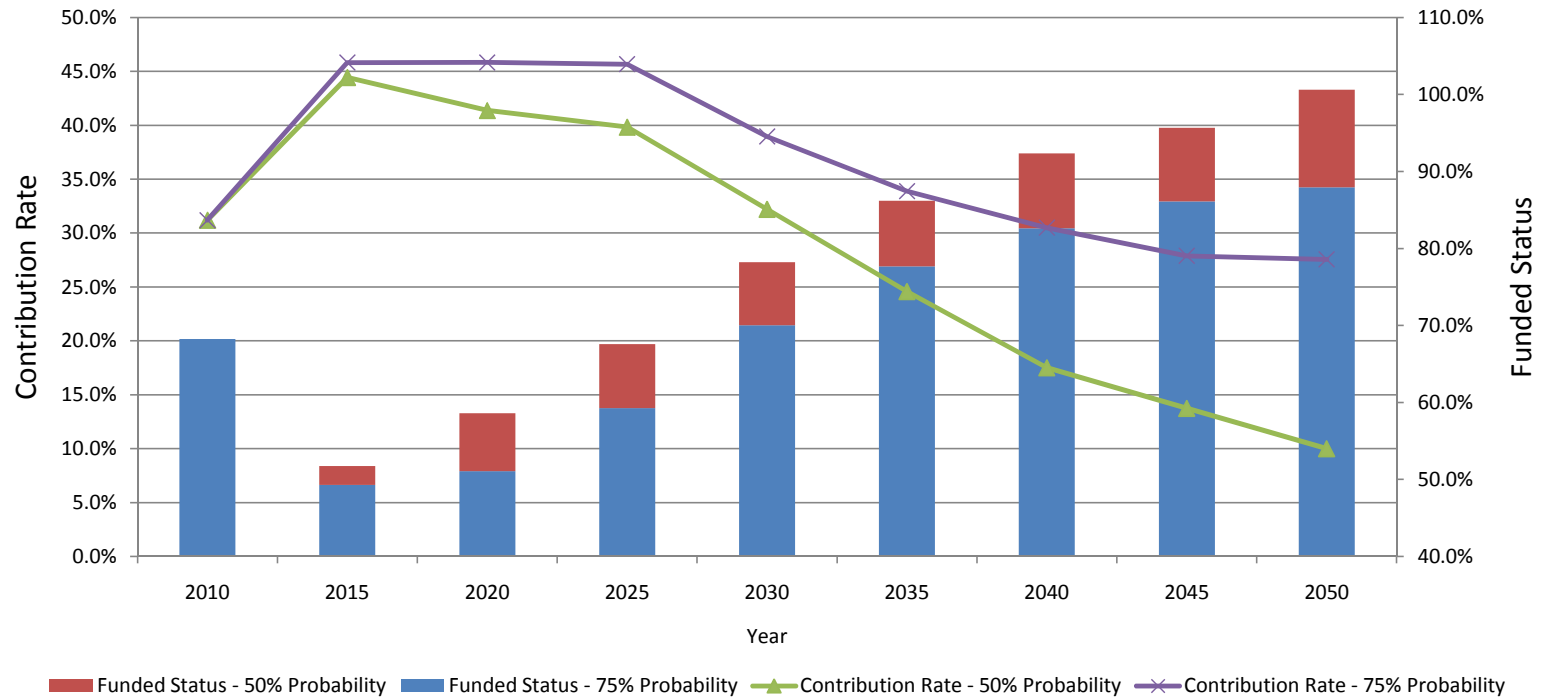
- High 5 FAC within the last 10 years of service
- 65 years of age with 5 or more years of credited service OR 62 years of age with 10 or more years of service
- Multiplier of 3% of average monthly compensation multiplied by years of credited service; maximum benefit is 75% of average monthly compensation
- No early retirement
- Survivor benefit is equal to 50% of the member’s benefit at time of death; may elect a higher survivor benefit but with actuarial reduction
- Disability benefit:
 1. 75% of average salary if member has 10 or more years of service
 2. 37.5% of average salary if member has between 5 and 9 years of service
 3. 18.75% of average salary if member has less than 5 years of service
- If ceases to hold office for any reason other than death or retirement, member can withdraw their accumulated contributions less any benefit payments already received or any amount the member owes the plan (no employer match of refund contributions) with interest at rate set by Board.
- Member contribution rates are shown in the schedule below. Additional member contributions DO NOT reduce the employer contribution, this means there is a “maintenance of effort” provision
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- In the case of a retired member who became a member of the plan before January 1, 2012, the retired member or survivor was receiving benefits on or before July 31 of the two previous years or
 - In the case of a retired member who became a member of the plan before January 1, 2012, the retired member or survivor was 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year
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- The amount of the COLA to be paid is determined as follows:
 - Funded ratio is 60-64%, COLA is 2%
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 - Funded ratio is 75-79%, COLA is 3.5%
 - Funded ratio is 80% or more, COLA is 4%

EORP Projection Results Final



Contribution Rates *	2010	2015	2020	2025	2030	2035	2040	2045	2050
95% Probability	31.2%	51.4%	55.7%	59.2%	56.4%	49.3%	49.8%	58.8%	57.2%
75% Probability	31.2%	45.8%	45.8%	45.7%	38.9%	33.9%	30.5%	27.9%	27.6%
50% Probability	31.2%	44.4%	41.4%	39.8%	32.2%	24.6%	17.5%	13.7%	10.0%
25% Probability	31.2%	42.8%	37.6%	32.6%	21.4%	11.6%	10.0%	10.0%	10.0%
5% Probability	31.2%	36.0%	13.3%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Funded Rate **	2010	2015	2020	2025	2030	2035	2040	2045	2050
95% Probability	68.2%	45.8%	44.0%	50.0%	61.4%	68.3%	73.5%	74.8%	76.5%
75% Probability	68.2%	49.3%	51.1%	59.2%	70.0%	77.7%	82.6%	86.1%	88.0%
50% Probability	68.2%	51.7%	58.6%	67.6%	78.2%	86.2%	92.3%	95.7%	100.6%
25% Probability	68.2%	55.2%	65.0%	77.2%	88.4%	97.0%	103.8%	112.7%	122.2%
5% Probability	68.2%	60.5%	76.7%	92.8%	105.1%	123.2%	141.5%	159.1%	173.9%

* Represents the probability that the contributions will be at most this percent of payroll.

** Represents the probability that the funded ratio will be at least this percent.