

“If we love our country, we should also love our countrymen.” ~ Ronald Reagan

## NEWSLETTER FEBRUARY 2011

### CURRENT LEGISLATIVE SESSION AND RETIREMENT DECISIONS

With the legislative session underway and the proposed plan changes that could potentially affect the system's three plans (PSPRS, CORP and EORP), the system's Administrative Office has experienced an increase in the number of phone call and email inquiries from members and local boards regarding retirement decisions.

The System understands members concerns with respect to the proposed plan modifications, and how they might be affected. We would like to take this time to say that currently, there are just proposals. Bills introduced at the legislature go through a detailed process before being enacted and that process is both public and lengthy. Many bills never even make it to the Governor's desk for signature. Those that do pass and are enacted into law, do so with a specific effective date which is normally 90 days after the legislature adjourns.

As with all previous legislative cycles, we make every effort to keep our members, employers and local boards informed on the status of all bills that could potentially affect the Plans managed by The PSPRS. The system maintains an update on all legislative bills and their status in the State legislative process on our website. We also encourage our local boards and members to view bills in their entirety on the legislature's website ([www.azleg.gov](http://www.azleg.gov)). It is important for all of our local boards to fully educate themselves on any legislation that could affect the plans. Doing so, allows you to better guide members on retirement decisions.

You can learn more about the bill process by logging onto the following link:

<http://www.azleg.gov/Bills.asp>

### NOTES FROM BENEFITS

The Benefits Department would like to remind all of our boards that updated forms and spreadsheets are available on our website ([www.psprs.com](http://www.psprs.com)). Boards should be utilizing the most current versions of any PSPRS approved forms.



## NOTICE REGARDING 1099-R'S FOR NONTAXABLE BENEFITS

Based upon IRS instructions, some pensioners from our three Plans may not have a 1099-R mailed to them this year. The IRS has instructed that payers of benefits that are totally exempt from tax (such as some accidental disability payments, return of nontaxable contributions, etc.) are not to report such amounts to the IRS on the 1099-R form. Therefore, some of our members who received 1099-Rs in the past will not receive them in the mail this year.

For information purposes, however, we have generated the form and posted it on our "Members Only" website where they can be viewed and printed but this form is not being sent to the IRS.

It is important to note that anyone who receives a benefit that is nontaxable but who voluntarily chooses to have income taxes withheld from those payments will receive a mailed copy of the 1099-R form to attach to their income tax return, to serve as proof of withholding.

Should you have or receive any questions regarding this matter, you can direct those questions to our offices.



### 2011 TRAINING SCHEDULE

Below are the dates, times and topics of currently scheduled trainings. These training events will be held at the PSPRS administrative office (3010 E Camelback Rd. Suite 200 Phoenix, AZ 85016). These events will also be accessible via our online webinar. If you plan to attend any of these events in person, please register by emailing Robert Ortega ([rortega@psprs.com](mailto:rortega@psprs.com)). Please provide the names of all individuals who will be in attendance in person as space is limited. To register as a participant via the webinar, you can do so by logging onto the PSPRS website: [www.psprs.com](http://www.psprs.com).



#### FEBRUARY

February 16, 2011(10am-11am): CORP Benefits 101

#### MARCH

March 2, 2011 (10am-12pm): Duties of the Local Board presented by Ron Snodgrass

March 16, 2011 (10am-12pm): Disabilities Determination Process presented by Ron Snodgrass



#### APRIL

April 6, 2011 (10am-11am): The Retirement Calculation and Retirement Paperwork Process

April 20, 2011 (10am-12pm): Open Meeting Law (presenter TBD)

#### JUNE


June 22, 2011 (10am-12pm): Legislative Update

For any questions regarding these training events, or to host an event in your area or general questions regarding PSPRS or CORP, please contact Robert Ortega at 602-255-5575 extension 2047 or email him at [rortega@psprs.com](mailto:rortega@psprs.com).



## L'IL RONNIE'S CORNER "PRE-MEMBERSHIP MEDICAL EXAM"


As I travel around Arizona conducting training for local police and fire pension boards, board staff and also the membership, I am finding that some boards are not conducting medical exams on newly hired police officers and firefighters for pension purposes. I am guessing, but I would not be surprised if upwards of 30% of the boards are not doing this. Since we are not doing any local board compliance testing yet, this is only a guess. If your board is not following all the rules set forth in statute you could be placing your membership in jeopardy.



We all know that if a member applies for a disability, and the board finds that there is evidence to believe that the member meets all of the qualifications then a medical board or doctor must be appointed to make a determination regarding the medical portion of the requirements. If the member does not meet the non-medical requirement as, for example, the member is still performing a reasonable range of job duties, do not waste your money by sending them to the doctor.

However, there is a second reason to hire a medical board (composed of a designated physician or a clinic). This is to identify a physical or mental condition or injury that existed or occurred prior to the member's date of membership in the System and for which benefits may otherwise be limited. What you are looking for is both physical and mental conditions that new members have or had prior to becoming members. For PSPRS, these physicals need to be completed on all members hired after October 1, 1992.

If you have not been doing this it may cause the following problems:




There will be no pre membership medical exam for the local board to review to determine if there were any physical or mental conditions that existed prior to membership in the Plan and prior to a member's claim for disability benefits.

The law is clear that a member who fails to comply with this statute waives all rights to disability benefits under the law. Even if it's the employer's fault that the member did not have an exam for pre-existing conditions, you still place the member in jeopardy.

If the member applies for a disability and no pre-membership exam was completed, no disability benefits are available and their rights have been waived.

Why?



All employees shall undergo a medical exam by a physician or clinic appointed by the local board for the reasons prescribed. A doctor is hired by the board to complete this exam.



A physician or clinic employed by the local board may employ occupational specialists to assist the physician or clinic in rendering an opinion. This means that, for example, a psychologist's report on the new member's mental condition is acceptable.

The examining physician or clinic shall report the results of examinations to the local board, and the secretary of the local board shall preserve the report as a permanent record in the member's file. You must permanently keep this report and have it available for review if a member applies for a disability down the road.

Medical examinations conducted pursuant to this statutory requirement shall not be conducted or utilized for the purposes of hiring. This means the employer cannot use your board pre membership medical exam as a pre hire exam to save money.

Have you heard the expression, "Better late than never"? I know this exam costs the employer money. Sorry! If you have not been doing these pre-membership exams, please identify who has not had this exam and hire a doctor or clinic and identify the medical and mental conditions, injuries or illnesses a person has experienced prior to membership.

Also, don't forget to review the pre-membership exam as part of the processing of any application for disability benefits.

Remember, the pension law does not preclude the employer from hiring anyone. Once the employer hires an employee and completes the membership form, the pre membership exam must be completed in a timely manner.

"DROP, the best or worst decision you will ever make."

First, let me start off by saying the most important thing you need to know about DROP. If you elect to participate in DROP, you may be electing to receive less money from PSPRS during your lifetime. That is because you stop accruing service and a possible higher average compensation while in DROP.

So why elect to participate in DROP? Because unlike a 457 or 401(k) account, it allows you to set aside a larger lump sum of pre-tax dollars over a period of up to 60 months, and earn interest on it at what is currently a generous rate. At the same time, during the 60-month period, you continue your employment and you may be able to save more money in your 457. No you have not retired while in DROP. Once you resign your employment to retire you must end DROP.

The big question we are hearing, "Is DROP going away this legislative session"? My guess is "no". The main reason is there were 1905 members who qualify to enter DROP as of the last actuarial evaluation. The last thing the employers and PSPRS need is for all of those folks to enter DROP at the same time. I do think some changes will be made to DROP. One possible change may constrict the interest rate paid on DROP accounts and members may have to continue to make contributions into the System while in DROP. Are these two possible changes reasons to enter DROP early and change your retirement plans? I think not.





My favorite DROP advice is "Have a plan." That still makes sense. Unfortunately I am hearing that some members are changing their plans and buying credited service time early for big money and entering DROP before the date they originally planned. Don't do that right now without talking to me. If the Legislature did pass a bill to end DROP, you will have plenty of notice because it would not happen prior to July or August of this year. The Police and fire groups are keeping members posted on what is happening so you can modify your plan if necessary.

So please don't change you plan and jump into DROP early just because someone else says you should. Call me first. Don't make entering DROP early the worst pension decision you make. If you hear any rumors, please call me for the facts. There is a lot of potential legislative activity this year and I will try and be up to speed on current legislation. Be safe.

L'il Ronnie

Contact Ron at 602-361-0803 or [littletonnie@mac.com](mailto:littletonnie@mac.com) if you need some help, a visit or training. We are here to serve you.

