

THE PSPRS LOCAL BOARD NEWSLETTER

Volume: 3
Issue 1

“Change tends to be viewed as a threat to our control.” ~ Anonymous

SEPTEMBER 2010

This month's issue begins our third year of publication of our local board newsletter. We hope that the newsletters have provided our boards with substantive information to assist in duties as mandated by statutes. Much of the information presented in this newsletter is the result of frequently asked questions by boards, so, if there are questions or topics that you would like to have covered in the newsletters, I encourage you to give me call or send me an email rortega@psprs.com.

Robert Ortega, PHR
Local Board Training Coordinator


CONDUCTING A PSPRS/CORP PENSION BENEFIT CALCULATION:

The PSPRS Administrative Office has received several inquiries asking for further clarification on the new methodology for determining leave without pay (LWOP) and for calculating the “high three” compensation totals.

The System has given new direction to local boards on how to conduct an analysis of both LWOP as well as the prorating issue when it comes to calculating a member's high three years of compensation. This new direction is based on the language of both the PSPRS and CORP statutes and is to be in use as of July 1, 2010. These changes are the result of the system's strategic plan to continue to move to electronic and online media to complete the pension process. This move requires that a more structured and consistent application of benefit calculations is instituted based upon statutory provisions.

First, in dealing with LWOP, the statutes state that members receive credited service for those compensated periods of time during their service for which contributions were made to the system. The System's Administrative Office has determined that this period of time will be pay periods. So, as long as a contribution is received during a pay period the member will receive credited service for that time. Local boards, employer payroll departments or any support staff who conduct pension calculations just need to account for any pay periods in which a contribution was not submitted. Those pay periods where no contributions were submitted must be considered as LWOP (leave without pay).






When conducting an analysis of a member's high three consecutive years of compensation, a local board, employer payroll department or any support staff who conduct these calculations just need to determine the following:


1. Determine the time range that provides the highest three consecutive years of benefit compensation. (Does the compensation meet statutory requirements?)
2. When calculating the salary totals, account for all pay periods that fall within the timeframe. No prorating of pay periods is needed.

Once this information is collected, local boards, employer payroll departments or any support staff who complete retirement calculations will need to input the information utilizing the system approved electronic retirement spreadsheets. The most current spreadsheets must be used at all times. These can be accessed by logging onto the PSPRS website: www.psprs.com

DEALING WITH MEMBERS WHO ARE IN ACTIVE MILITARY SERVICE




The system has received questions regarding what to do when a member is called or volunteers for military service. This can sometimes seem a bit confusing, so hopefully the following information will shed some light on the issue. When an employer or a local board is dealing with an employee who is called or volunteers for military service and for whom contributions to PSPRS or CORP are made, employers and local boards should initially refer to A.R.S. 38-858 (PSPRS) A.R.S. 38-907 (CORP) as these sections of statutes govern the provisions on credit for military service. Credit for military service (during membership) is limited to a total of 60-months as required under the Uniformed Services Employment and Reemployment Rights Act (USERRA.)



In looking at an employee who is called into or volunteers for military service, the first thing an employer needs to look at is this:

- Is the active military service due to a presidential call-up?
- Or, is this active duty outside of presidential call-up (Guard training, other active duty orders, etc.)?

Determining what type of military service assists in determining who is responsible for what portion of contribution.


- ✦ If the military service is due to presidential call-up, the employer is required to cover the first 48 months of both employee and employer contribution. If the service is more than 48 months, then the contribution for months in excess of 48 is split between the employee and employer in the same manner as all other contributions (EE contributes at statutory rate, ER contributes their employer rate) up to the 60th month
 - ✦ If the military service is outside of a presidential call-up, then the employee is required to contribute his/her portion of covered compensation at the statutory rate, and the employer is required to cover its portion of contribution.
 - ✦ It is important to note that, per statutes, members have up to 3 times the amount of time they were on leave to pay their contributions (not to exceed 60 months). Example: A member was on military leave for 5 months. Upon the member's return, he/she has up to 15 months to pay all back contributions.
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So, this then leads to the question...How is this handled administratively?

Our Active Members Department has established the following procedure which an employer should follow in a military leave situation:


- Once the member goes into active military service, **all contributions should cease. (Both employee and employer)**
- The Employer should notify our office that a member is currently on military leave. (We note the member's record to reconcile why contributions are not being submitted.)
- Once a member returns from his/her active military service, the employer should notify our office so that we can work with the employer on what steps are needed in order to submit all covered back contributions.
- **All covered back contributions must be submitted in their entirety in one contribution submittal, with a detail of the per pay period breakdown. Again, employers should contact our Active Members Department for details with respect to reporting contributions for the covered time to ensure proper administration.**



I know this has probably led to some additional questions...


Won't an employee lose his/her membership in the retirement plan if no contributions are being submitted to the system? No. The statutes require that in accordance with USERRA a member not lose membership in the retirement plan if he/she is called or volunteers for military service. So, not contributing during the military leave will not jeopardize membership in the plan.

But what if a member is allowed to use vacation or other employer sponsored paid time off to maintain his/her civilian pay? If an employer allows an employee to use vacation, or any other pay to continue receiving civilian pay while in military service, that is an employer level issue, not a pension issue.



Our direction to employers is that once an employee enters active military service, all contributions are stopped. Notification is provided to us on the member's military leave and upon their return. Once the member has returned, our Active Members Department should be contacted for direction on how to pay the back contributions as required by statute.

THE PSPRS BOARD OF TRUSTEES HAS DIRECTED OUR OFFICE TO BEGIN A PROCESS TO ELIMINATE DIRECT DEPOSIT PAPER NOTICES




In an effort to reduce administrative and postal costs, beginning January 2011, PSPRS will no longer automatically mail paper copies of direct deposit notices to retirees. Retirees are already able to access a more detailed monthly statement online by logging into our Members Only application via www.psprs.com. The retiree's bank deposit information will be available for viewing on the last business day of each month.

A retiree may request, in writing, to continue to receive by mail a paper copy of his/her bank deposit notice, if the retiree is not able to access the information on line because, for example, he/she does not own a computer or does not have access to the PSPRS website. Requests should be mailed to PSPRS, 3010 E. Camelback Rd, Ste 200, Attention Benefits, Phoenix, AZ 85016. All requests must be received no later than December 31, 2010.




L'il Ronnie's Corner
"Timely disability applications"

This month I would like to address a portion of PSPRS law that sometimes goes un-noticed. When a member has a disability there are certain rules that must be followed to qualify .




38-844.B A member is eligible for an accidental disability pension if the member's employment is terminated by reason of accidental disability. A member is eligible for an ordinary disability pension if the member's employment is terminated before the member's normal retirement date by reason of ordinary disability. **A member shall file an application for a disability pension after the disabling incident or within one year after the date the member ceases to be an employee. Timely application for an accidental, catastrophic or ordinary disability pension is a prerequisite to receipt of the pension.** Payment of an accidental, catastrophic or ordinary disability pension shall commence as of the first day of the month following the date of retirement or the expiration of a period during which the member is receiving sick leave payments or a temporary disability pension, whichever is later. The last payment shall be made as of the last day of the month in which the death of the retired member occurs, or if disability ceases before his normal retirement date, the first day of the month in which disability ceases.



The first two sentences make it clear that, if an employer terminates a member or the member quits because of a job related or non-job related mental or medical condition the member may be eligible to apply for a disability retirement. The member still has to qualify by meeting the criteria required for the type of disability that he/she is applying for.

The third sentence of the statute tells the local boards when a member needs to file the application for disability. Once a member leaves employment with a participating employer, the clock starts ticking. Members have one year to file an application for any disability that occurred during that term of duty with that employer. Once the year passes the member can still file an application with the past local board, but the board will be required to deny the application because the member's time limit has expired.

The fourth sentence of the statute makes it clear that timely application is a prerequisite for receiving a disability pension.



Under prior law, a member did not have the ability to apply for a disability after terminating employment. Having a period of time in which to apply for disability after termination of employment is more reasonable for members who have left employment but who may have had a qualifying disabling condition prior to retirement.



Members need to be very careful when they consider terminating employment covered by PSPRS. The law gives the member the ability to leave money in the system just in case the member wants to return within two years. It even allows the member's prior credited service to count as continuous service toward the member's 20-year pension. Of course any time period in which the member was not working as a police officer or firefighter with a PSPRS participating employer does not count. A new date of employment with the most recent participating employer is the member's new date of membership in the system.



Here is the problem. All of those old injuries the member had during his/her career with the other employer(s) become pre-existing conditions, and no longer qualify unless the member is still within the one year window. In fact, a new, or even past, employer hiring a former member as a new employee must conduct the physical exam looking for pre-existing mental or medical conditions. All of those conditions will be considered pre-existing prior to the member's new employment and will not qualify for a disability pension.

Unlike some other retirement systems, PSPRS is a pension plan with separate accounts for each employer. Each employer group is actuarially reviewed each year to determine the contribution rate the employer will pay into the system. That's why PSPRS has separate local boards to make eligibility and benefit determinations for members of the group. Each time a member terminates employment and later returns to a new or past employer, the member can purchase credited service or transfer service, both of which count as time in the system. But those old injuries do not count if the one-year application period has passed. Those old injuries would be considered as pre-existing conditions.



The short story is members do not get to take all of their old injuries with them during their 20-year careers. Upon termination from an employer, a member has one year to apply for a disability pension

Here is one more thing to consider regarding timely application. A local board would certainly be justified in closely reviewing and questioning a disability application for a condition that occurred 10, 15, 20 or even 32 plus years ago. Some members have applied for a disability after working full duty all the past years including and up to their last day of employment. When denied they have made statements as follows:

- ♦ "I heard it was tax exempt so I thought I would give it a try."
- ♦ "One of my friends got one and I thought I could too."
- ♦ "After five years in DROP I thought it would be nice to have my pension tax exempt."
- ♦ "I didn't think I would get it but why not give it a shot."



This is why local boards need to review all the medical reports and more. Look for additional doctor's reports that may be missing. Look for pre-existing conditions. Look to your HR department and determine if there have been breaks in employment.



If you do not conduct your due diligence you may end up granting a benefit that the member does not qualify for. The last hope is that staff at PSPRS will catch the error that a local board makes prior to commencing payments to the member.

I know this is a lot of information to digest and that's why I give you my direct phone number so you can call me anytime to ask questions or get clarification.

Remember, if you hear any rumors, please call me for the facts. Be safe.
L'il Ronnie

Contact Ron at 602-361-0803 or littletonnie@mac.com if you need some help, a visit or training.

