

## **FREQUENTLY ASKED QUESTIONS**

### **PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**(REVISED JULY 2011)**

#### **What is the Public Safety Personnel Retirement System (PSPRS)?**

The Public Safety Personnel Retirement System is a special retirement system created by the state legislature for certain full-time certified peace officers and full-time fire fighters in the state of Arizona. The System provides a uniform, consistent and equitable statewide retirement program to these public safety personnel who are regularly assigned to hazardous duty of the type expected of peace officers or fire fighters. The System is designed to meet the special needs of personnel engaged in hazardous duty situations.

#### **What type of retirement plan is the PSPRS and how is it administered?**

The PSPRS is a governmental retirement plan qualified under 401 (a) of the Internal Revenue Code. It is a "defined benefit plan", which means your pension is determined by a formula, not by the amount of money in your account. In addition, the PSPRS is known as an agent multiple-employer retirement plan. This means that separate accounts are kept for each employer that is in the system. Benefit payments are not "shared" by all employers in the system. Monies in the entire system are pooled for investment purposes, but benefits and refunds are paid for by each employer only from the employer's separate account in the PSPRS.

#### **What is the Board of Trustees?**

The Board of Trustees is a seven-member policy making board that has statutory responsibility in investing the monies in the system, keeping records for each employee and employer in the system and paying out benefits and refunds to members. The Board of Trustees employs an administrator and his administrative staff to handle these functions. The administration of the system and responsibility for making the provisions of the system effective for each employer are vested in a local board. Although the Board of Trustees receives contributions from each employer and makes payments of benefits and refunds at the direction of the various local boards, the Board of Trustees acts as a "gatekeeper" to ensure that monies received and disbursed is in accordance with state law.

#### **What is a local board?**

A local board is a five member board composed of three persons appointed by the employer and two persons who are members of the system and who are elected as local board members by the employees. Each employer has their own local board. If a city has both police and firefighters in the system, the city will have two local boards. The local boards have the authority to determine membership eligibility and payment of benefits, including eligibility for receipt of disability payments in accordance with the provisions of the retirement statutes.

### **What is the employer and employee contribution rate?**

Under the PSPRS, the employee contribution rate is fixed by statute at 8.65% of salary on a pre-tax basis for fiscal year 2011-2012. (An application for pre-tax treatment of employee contributions was approved beginning July 1, 2000) The employer contribution rates are different for each employer in the system and changes every fiscal year, based upon an actuarial valuation. If investment returns are better than expected or if benefit payments are lower than expected, the employer rate will generally decrease. Conversely, if investment returns are not as good as expected or if more benefits are paid than expected, the employer rate will generally increase.

### **When am I eligible to retire?**

Normal retirement is the first day of the calendar month following a member's completion of twenty years of service or if the member is still working, the member's sixty-second birthday if the member has at least fifteen years of service. Pension payments begin on the last business day of the retirement month.

### **How is my pension determined?**

Your pension amount is determined by years of credited service, based upon a formula. With 20 years of credited service, your pension is 50% of your highest consecutive three-year salary. If you have more than 20 years of credited service your pension is increased by 2% of your three-year average salary for every year of credited service over 20 but less than 25. With 25 or more years of credited service, your pension is increased by 2.5% of your three-year average salary for every year of credited service over 20 years. The maximum amount of pension can not exceed 80% of your three-year average salary. If you have less than 20 years of credited service, your 50% pension amount is decreased by 4% for each year of credited service under 20 years.

### **How do I apply for retirement benefits including disability?**

Please contact your Local Board Secretary to obtain an application. If you do not know who your Local Board Secretary is, you may call our Benefits Department at 602-255-5575 for the current contact information.

### **How can someone have less than 20 years of credited service when normal retirement is at least 20 years of service? What is the difference between service and credited service?**

Service is defined as continuous employment with an employer in the system in a position covered by the PSPRS. Credited service is defined as service for which contributions are paid into the system on behalf of the employee. Any leaves without pay, either voluntary or involuntary, are not credited service. Therefore, if a member was on a leave and not receiving salary during this period of time, the member would accrue service, but not credited service. Also, if a member was working at age 62 and had at least 15 years of credited service, he would be entitled to retire with the pension calculated at less than 20 years of credited service.

### **Who should be named as my beneficiary under the PSPRS?**

There is an automatic surviving spouses' pension under the PSPRS for those eligible spouses. If you should die during your employment and were married, your spouse would receive four-fifths of your pension that would be calculated as if you had 20 years of credited service. If you were killed in the line of duty, a surviving spouse would receive 100% of the pension amount. If you are retired and passed away, provided that you were married to your spouse for at least two years, your surviving spouse would receive four-fifths of your pension. If you pass away and do not have a spouse or eligible children, then your named beneficiary is entitled to receive any accumulated contributions of employee money that remains in your account.

### **When I retire, are there any cost of living adjustments?**

There may be post-retirement benefit increases to eligible retirees under the PSPRS. If the fund receives a return on its' investments that is over the expected actuarial return (currently 9%), one-half of this excess money goes into an excess investment earnings account. This money is then available for benefit increases to eligible retirees based upon a statutory formula. The maximum benefit increase is limited to the equivalent of four per cent of the average normal benefit being paid. The benefit increase is a monthly flat dollar amount that is the same for all retirees and survivors. The benefit increase is not guaranteed but is dependent on the availability of money in the excess investment earnings account. A retiree is eligible for the increase if he has been receiving benefits on or before July 31 of the two previous years. If the member is 55 years of age or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous years, the retiree is entitled to receive the increase. Therefore, when you retire may be important to you for purposes of receiving the benefit increase. Assuming you are under the age of 55 and you terminate employment on June 30, 2000 your effective date of retirement will be July 1, 2000. If monies are available, your first benefit increase will be July 31, 2002. If you terminate employment on July 31, 2000 your effective date of retirement will be August 1, 2000 and you would become eligible for the benefit increase on July 31, 2003.

### **I am in the military reserves. What happens to my retirement if I am called up to serve in the active military?**

Your employer will make both member and employer contributions for you (up to 48 months) in a lump sum upon your return if:

1. You are a member of the Arizona National Guard or a reserve in any branch of the military.
2. You volunteer into active duty or are called into active duty as a result of a presidential call-up.
3. You are honorably separated from active duty and return to your same employer within 90 days after separation.

You will receive credited service for this active military service. Employers will base the contributions on the salary being received by the member immediately before active service. The law does allow the employer to make the contributions in a lump sum without any penalty for a late contribution.

See A. R. S section 38-858, subsections C, D, E, F and G.

**Will the retirement office accept personal information changes over the phone?**

No, you must submit any changes to your record in writing on the appropriate change request form. Change request forms are available on-line or by calling 602-255-5575.

**I am retired and no longer residing in Arizona, can the Retirement System withhold taxes for other states?**

No.

**Please submit any questions you have to Bonnie Brown and we will be glad to add them to this list.**