

# **Public Safety Personnel Retirement System Retirement Instruction Manual**

A manual of instructions, checklists and guidelines for completing a DROP, retirement, or disability retirement in the Public Safety Personnel Retirement System.

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**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**DROP CHECKLIST**

Forms and Documentation Required

Form P4 DROP	Copy of Member's Birth Certificate
Form P8 DROP	If Married:
Form P11	Copy of Marriage Certificate
Form P12 DROP	Copy of Spouse's Birth Certificate
Minutes or Letter from Local Board Approving DROP Participation	If Eligible Children:
Memorandum of Understanding and Agreement	Copy of Children's Birth Certificates
DROP Statutes (copy to employee and employer)	If Divorced:
	Copy of Divorce Decree (no split with ex-spouse)
	Certified copy of Plan Approved Domestic Relations Order
	Medical Documentation for Disabled Children (If applicable)
	Proof of Fulltime School Enrollment (If applicable)

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**IMPORTANT DEADLINE**

To ensure sufficient time for processing and timely payment of the DROP account, all applications must be received by the Fund Manager's Administrative Office by the 10<sup>th</sup> of the month in which the DROP applicant will begin his first DROP payment. For example, if a DROP applicant's election to enter the DROP is in July, his DROP becomes effective August 1<sup>st</sup> and his DROP application should be submitted to the Fund Manager no later than August 10<sup>th</sup>. Information should be double-checked for accuracy before submitting the application.

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**Form P4DROP - Application for DROP**

Make sure this form is completely filled out on both sides, including necessary signatures. The date of election to participate in DROP on this form should agree with the ending service date on Form P11. The day after the election to participate date is the date when employer and employee contributions to the PSPRS stop. The member must have 20 years of credited service on the date of election to participate in order to be eligible to DROP. Any leaves without pay or industrial leaves should be noted and taken into consideration when computing credited service and the DROP benefit on Form P11. Remember that leaves without pay will affect one's credited service amount. The designated period to participate in DROP cannot exceed 60 months. Begin calculating the designated period to participate from the effective date of participation in DROP. For example, if a member elects to participate in DROP on August 2, 2001 and selects 6 months as his designated period, his effective date in DROP is September 1, 2001, his first payment will be credited on September 30, 2001 and he must terminate employment and retire on or before February 28, 2002. Assume he terminates employment February 14, 2002, his effective date of retirement will be March 1, 2002 and his first pension check and the DROP lump sum amount plus interest thru February will be paid to him on or about March 31, 2002.

The employer must be notified that the member is entering DROP. The local board needs to set up a chain of command to ensure that the proper official signs the bottom of the form. Since the local board chairman or secretary are considered arms of the employer, if one of them signs the form, we will assume that they have such authority to do so. The date of election on the bottom of the form needs to be identical to the date prescribed at the top of the form.

**Form P8DROP - Beneficiary Designation**

This is now a required document for DROP purposes under A.R.S. section 38-844.06.C. The law account that if the member dies during the DROP period, the designated beneficiary is entitled to receive the DROP account subject to the community property laws of this state. If no designation were made, the estate would get the monies. If a person other than the spouse is listed, the spouse must also sign the document with the appropriate witness. If the spouse does not sign the document, the prescribed designated beneficiary will be effective, only to the extent it complies with the Arizona Community Property Laws.

**Form P11 - Benefit Calculations**

Use only Page 1 of this form for calculating the frozen DROP pension amount. Be sure to verify the final contribution amount to PSPRS.

**Credited Service:** In calculating the length of the member's credited service, make sure that you use the statutory definition of "Credited Service" in A.R.S. Section 38-842.11:

“...the member's total period of service prior to his effective date of participation, plus those compensated periods of his service thereafter for which he made contributions to the fund.”

By definition, a "leave without pay" is not a "compensated period of service" and therefore cannot be considered as credited service for purposes of computing a member's DROP benefit on this form. Any leaves without pay noted on Form P4DROP should be subtracted from his total service to come up with the length of credited service.

A leave without pay, however, is considered "Service" under the PSPRS as long as it is an "absence which is authorized by an employer...(and) the employee returns within the period of authorized absence" (A.R.S Section 38-842.38). However, be careful because authorized leaves without pay will not count toward the 20 year credited service requirement for a DROP.

**Compensation:** In calculating a retiree's average monthly compensation, the current PSPRS statute allows the member to use "three consecutive years within the last twenty completed years of credited service which yield the highest average". (A.R.S. Section 38-842.6)

These 3 years do not have to be calendar years. Also if these 3 considered years include periods of non-paid or partially paid industrial leave, you should include "the compensation the employee would have received in this job classification if the employee was not on industrial leave".

Make sure that you only include compensation that is permitted by the PSPRS statute. A.R.S. Section 38-842.10, defines the allowable compensation as follows:

"Compensation" means, for the purpose of computing retirement benefits, base salary, overtime pay, shift differential pay, military differential wage pay, and holiday pay paid to an employee by the employer on a regular monthly, semimonthly or biweekly payroll basis and longevity pay paid to an employee at least every six months for which contributions are made to the system pursuant to Section 38-843.D. Compensation does not include, for the purpose of computing retirement benefits, payment for unused sick leave, payment in lieu of vacation, payment for compensatory time or payment for any fringe benefits. In addition, compensation does not include, for the purposes of computing retirement benefits, payments made directly or indirectly by the employer to the employee for work performed for a third party on a contracted basis or any other type of agreement under which the third party pays or reimburses the employer for the work performed by the employee for that third party, except for the third party contracts between public agencies for law enforcement, training, wildfire and emergency management activities. For the purposes of the paragraph, "base salary" means the amount of compensation each employee is regularly paid for personal services rendered to an employer before the addition of any extra monies, including overtime pay, shift differential pay, holiday pay, longevity pay, fringe benefit pay and similar extra payments.

Be careful in determining the three consecutive years of compensation. If the member's last day of work was June 26, 1989, the beginning of the 3 year period ending on that date would be June 27, 1986, not June 26, 1986. The spirit and letter of the law requires that we consider only 3 years of compensation not 3 years and one day – 78 biweekly pay periods, not 79.

The Administrative Office will allow you the determination of whether you want to establish the considered compensation on a "when earned" basis or a "when received" basis; however, we ask that you be consistent in your approach with each DROP calculation.

**Benefit Calculations:** Make sure that you use the correct section of Form P11 to calculate the appropriate benefit calculation for each particular DROP applicant.

For retirement with 20 or more years of credited service: Use Section D.

For retirement with 25 or more years of credited service: Use Section E.

If benefit calculations are incorrect when submitted, a corrected Form P11 and a new Form P12DROP with the member's signature must be submitted before the first DROP payment can be credited to the DROP applicant.

### **Form P12DROP - Notification of Benefits and Election**

The "Date First DROP Benefit Credited" should be the last day of the next calendar month following the member's election to participate in the DROP. For example, if the member's election into the DROP were on December 23, 2000, the "Date First Benefit Credited" would be January 31, 2001.

Make sure the DROP applicant initials the election line on the bottom section of the form and then signs the Election and Acceptance in the presence of a witness.

Make sure you calculate the correct "Date Last DROP Benefit Credited" based upon the member's election to participate in DROP on form P4DROP. The day should be the last day of the calendar month of the member's designated DROP period. For instance, if a member elects to participate in DROP on June 2, 2001 and selects 6 months as his designated period, his effective date in DROP is July 1, 2001, his first payment will be credited on July 31, 2001 and he must terminate employment and retire on or before December 31, 2001. The date last DROP benefit credited would be December 31, 2001. Note that this amount will be paid on the last business day of the following month.

Mail the original P12 to the Fund Manager and keep a copy for your records. Use your copy once member is ready to exit DROP and terminate employment. Prior to the end of his DROP period the member will come to the Local Board and complete the bottom portion of this form. His signature and the signature of the employer authorizes us to begin his monthly pension payment as well as disbursing the DROP monies. Once the signatures are completed, make a copy for your records and mail the Fund Manager the "hybrid" original.

#### **Local Board Minutes or Letter Approving Deferred Retirement Option**

The Local Board's initial authorization to the Administrative Office to begin DROP payments is on Form P12DROP - Notification of Benefits and Election wherein the Local Board Chairman or Secretary certifies that the Local Board "has determined that the applicant is eligible for the DROP and DROP credits as shown above." This gives us the authority to begin the applicant's initial DROP credit. Similarly, when the member terminates employment and retires, the Local Board's authorization on the bottom of this form will allow us to begin disbursing the DROP monies as well as begin monthly pension payments. In addition, A.R.S. Section 38-847.M, provides "The secretary of the local board shall keep a record and prepare minutes of all meetings, forward the minutes to the fund manager within forty-five days after each meeting and forward all necessary communications to the fund manager".

#### **Memorandum of Understanding and Agreement**

Make sure the employee initials all of the statements and that the employer signs the memo. Provide a copy of the DROP laws to the employee and the employer. This is important for the employer, as they need to adjust their payroll records to terminate employer and employee contributions to the PSPRS.

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**RETIRING FROM DROP CHECKLIST**

Forms and Documentation

Form P8 (Optional)	Copy of Member's Birth Certificate
P12DROP	If Married:
Form 13	Copy of Marriage Certificate
Form U3 Benefits Lump Sum Distribution Election	Copy of Spouse's Birth Certificate
Special Tax Notice (copy to retiree)	If Eligible Children:
Federal Tax Withholding Preference Certificate Form W-4P	Copy of Children's Birth Certificates
State Tax Withholding Preference Certificate Form A-4P	If Divorced:
Minutes or Letter from Local Board Approving Retirement	Copy of Divorce Decree (no split with ex-spouse)
	Certified copy of Plan Approved Domestic Relations Order
	Medical Documentation for Disabled Children (If applicable)
	Proof of Fulltime School Enrollment (If applicable)

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**IMPORTANT DEADLINE**

To ensure sufficient time for processing and timely payment of retirement benefits, all applications must be received by the Fund Manager's Administrative Office by the 10th of the month in which the retiree will receive his first benefit check. For example, if a retiree's last day of work is in July, his retirement becomes effective August 1st and his retirement application should be submitted to the Fund Manager no later than August 10th. Information should be double checked for accuracy before submitting the application.

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**Form P8 - Change of Beneficiary Designation (Optional)**

Retirement is a critical time for members to update their beneficiary information. Many members are surprised to find who we have listed as their beneficiaries (ex-spouses, deceased parents, etc.), so we would encourage retirees to submit this form along with their retirement applications.

**Form P12DROP - Notification of DROP Benefits and Election**

Your office should have a copy of form P12DROP, which was filled out when the member entered the DROP. Make another copy and fill out the bottom portion entitled "To Be Completed upon Termination of Employment at the End of the Drop Period."

**Form 13 - Authorization to Direct Deposit Benefit Check**

A retiree's first monthly benefit can be issued either in check form or by direct deposit, if the direct deposit authorization is received by the 10<sup>th</sup> of the month. The Direct Deposit option enables us to electronically transfer monthly benefits into a member's bank or credit union account. The check or direct deposit notice will be mailed to the retiree's address indicated on Form P12DROP.

Have the member complete Form 13 and attach a voided check for the bank or credit union account into which the benefits are to be deposited. Encourage the retiree to contact his bank or credit union to verify that this electronic transfer option is available through the bank and to verify the bank routing (transit) number. This office relies on the retiree to provide correct routing information for the direct deposit and any incorrect information will result in a delay in the direct deposit.

**Form U3 Benefits - Lump Sum Distribution Election Form**

**Without Form U3 Benefits, the retirement cannot be processed.** Any references to a 30-day grace period for submission of this form are false. Members and Local Board staff are not authorized to sign in place of the Financial Institution Representative or have the rollover check mailed directly to them on page 2 of the Form U3 Benefits.

**Special Tax Notice**

Provide a copy of the Special Tax Notice to the retiree.

### **Federal Tax Withholding Preference Certificate Form W-4P**

Prior to 1986, monthly pension benefits were excluded from gross income for federal tax purposes and not taxed until the pension benefits equaled the retiree's after-tax member contributions to the PSPRS. This allowed the retiree to withdraw his member contributions tax free during the first three years after retirement.

With the enactment of the Tax Reform Act of 1986, PSPRS retirement benefits became immediately taxable upon retirement except for a small percent monthly that is excludable as recapture of the retiree's after-tax contributions under rules established by the IRS.

The retiree has three options on this form:

Line 1 - No federal withholding will be deducted from the benefit check.

Line 2 - Federal withholding based on the retiree's marital status and claimed allowances will be deducted from the benefit check.

Line 3 - The amount of federal withholding will be the amount based on the retiree's marital status and claimed allowances plus the ADDITIONAL AMOUNT indicated on Line 3 over and above the amount calculated based on marital status and allowances.

### **State Tax Withholding Preference Certificate Form A-4P**

Recent Legislative changes now provide for state taxation of PSPRS retirement benefits in excess of \$2500 annually effective retroactive to tax year commencing January 1, 1989.

The applicant has 7 options on this form:

Line 1 – Check one option:

- An amount equal to eleven and one-half percent (11.5%) of the member's federal withholding will be deducted from the benefit check.
- An amount equal to twenty-one point nine percent (21.9%) of the member's federal withholding will be deducted from the benefit check.
- An amount equal to twenty-six and a half percent (26.5%) of the member's federal withholding will be deducted from the benefit check.
- An amount equal to twenty-eight point eight percent (28.8%) of the member's federal withholding will be deducted from the benefit check.
- An amount equal to thirty-five point seven percent (35.7%) of the member's federal withholding will be deducted from the benefit check.
- An amount equal to forty-two point six percent (42.6%) of the member's federal withholding will be deducted from the benefit check.

Line 2 - No State Withholding will be deducted from the benefit check.

### **Personal Documents not Previously Submitted**

If any applicable birth certificates or other documents were not sent to this office, please forward those at this time.

### **Local Board Minutes or Letter Approving Retirement**

The Local Board's initial authorization to the Administrative Office to pay retirement benefits is on Form P12DROP - Notification of DROP Benefits and Election wherein the Local Board Chairman or Secretary certifies that the Local Board "has determined that the applicant...is eligible for the benefit payments as shown above." This gives us the authority to issue the retiree's initial retirement benefit. In addition, A.R.S. Section 38-847.M, provides "The secretary of the local board shall keep a record and prepare minutes of all meetings, forward the minutes to the fund manager within forty-five days after each meeting and forward all necessary communications to the fund manager".

The local board minutes for a DROP participant who is retiring should read as follows:

"[*Member Name*] has elected to term his/her participation in the DROP Program and apply for Normal/Accidental/Disability Retirement."

Please include the monthly pension amount as a part of the local board minutes.

**Medical and Dental Insurance Coverage Available to PSPRS Retirees**

In 1987, the Arizona Legislature provided availability for medical and/or dental insurance coverage through the State of Arizona Retiree Health Plan for PSPRS retirees.

Information regarding plans and premiums are available on our website at [www.psprs.com](http://www.psprs.com). Any specific retiree insurance questions should be directed to the Insurance staff at (602) 255-5575.

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**REVERSE DROP CHECKLIST**

Forms and Documentation Required

- |   |   |
|---|---|
| Form P4RDROP  | Verification of Final Contributions to PSPRS                |
| Form P8RDROP  | Copy of Member's Birth Certificate                          |
| Form P11RDROP   | If Married:   |
| Form P12RDROP   | Copy of Marriage Certificate                                |
| Form 13   | Copy of Spouse's Birth Certificate                          |
| Form U3 Benefits Lump Sum Distribution Election                         | If Eligible Children:                                       |
| Special Tax Notice (copy to retiree)                                    | Copy of Children's Birth Certificates                       |
| Federal Tax Withholding Preference Certificate Form W-4P                | If Divorced:  |
| State Tax Withholding Preference Certificate Form A-4P                  | Copy of Divorce Decree (no split with ex-spouse)            |
| Reverse DROP Memorandum of Understanding and Agreement                  | Certified copy of Plan Approved Domestic Relations Order    |
| Reverse DROP Statutes (copy to employee and employer)                   | Medical Documentation for Disabled Children (If applicable) |
| Minutes or Letter from Local Board Approving Reverse DROP Participation | Proof of Fulltime School Enrollment (If applicable)         |

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**IMPORTANT DEADLINE**

To ensure sufficient time for processing and timely payment of the Reverse DROP account, all applications must be received by the Fund Manager's Administrative Office by the 10<sup>th</sup> of the month in which the Reverse DROP applicant will receive the lump sum payment and begin the first pension payment. For example, if a Reverse DROP applicant's election to enter Reverse DROP is in July, the retirement becomes effective August 1<sup>st</sup> and the Reverse DROP application should be submitted to the Fund Manager no later than August 10<sup>th</sup>. Information should be double-checked for accuracy before submitting the application.

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**Form P4RDROP – Application for Reverse DROP**

Make sure this form is completely filled out on both sides, including necessary signatures. The date of election to participate in Reverse DROP should agree with the retirement date. The Reverse DROP date should agree with the ending service date on the Form P11RDROP. The member elects a Reverse DROP date that is the first day of the month immediately following completion of 20 years of credited service or a date not more than 60 consecutive months before the date the member elects to participate in the Reverse DROP, whichever is later. Any leaves without pay or industrial leaves should be noted and taken into consideration when computing credited service and the Reverse DROP benefit on the Form P11RDROP. Remember that leaves without pay will affect one's credited service amount.

**Form P8RDROP – Beneficiary Designation**

This is now a required document for DROP purposes under A.R.S. section 38-844.06.C. The designated beneficiary is entitled to receive the Reverse DROP monies if the member dies after making application but before receiving the first payment. If no designation were made, the estate would get the monies. If a person other than the spouse is listed, the spouse must also sign the document with the appropriate witness. If the spouse does not sign the document, the prescribed designated beneficiary will still be effective; however, if there were a dispute, it would be between the spouse and the designated beneficiary.

**Form P11 – Benefit Calculations**

Be sure to verify the final contribution amount to PSPRS.

Credited Service: In calculating the length of the member's credited service, make sure that you use the statutory definition of "Credited Service" in A.R.S. Section 38-842.11:

"...the member's total period of service prior to his effective date of participation, plus those compensated periods of his service thereafter for which he made contributions to the fund."

By definition, a "leave without pay" is not a "compensated period of service" and therefore cannot be considered as credited service for purposes of computing a member's Reverse DROP benefit on this form. Any leaves without pay noted on Form P4RDROP should be subtracted from the total service to come up with the length of credited service.

A leave without pay, however, is considered "Service" under the PSPRS as long as it is an "absence which is authorized by an employer...(and) the employee returns within the period of authorized absence" (A.R.S Section 38-842). However, be careful because authorized leaves without pay will not count toward the 20 year credited service requirement for a Reverse DROP.

Compensation: In calculating a retiree's average monthly compensation, the current PSPRS statute allows the member to use "three consecutive years within the last twenty completed years of credited service which yield the highest average" (A.R.S. Section 38-842.6) in effect on the reverse deferred retirement option plan date.

These 3 years do not have to be calendar years. Also if these 3 considered years include periods of non-paid or partially paid industrial leave, you should include "the compensation the employee would have received in this job classification if the employee was not on industrial leave".

Make sure that you only include compensation that is permitted by the PSPRS statute. A.R.S. Section 38-842.10, defines the allowable compensation as follows:

"Compensation" means, for the purpose of computing retirement benefits, base salary, overtime pay, shift differential pay, military differential wage pay, and holiday pay paid to an employee by the employer on a regular monthly, semimonthly or biweekly payroll basis and longevity pay paid to an employee at least every six months for which contributions are made to the system pursuant to Section 38-843.D. Compensation does not include, for the purpose of computing retirement benefits, payment for unused sick leave, payment in lieu of vacation, payment for compensatory time or payment for any fringe benefits. In addition, compensation does not include, for the purposes of computing retirement benefits, payments made directly or indirectly by the employer to the employee for work performed for a third party on a contracted basis or any other type of agreement under which the third party pays or reimburses the employer for the work performed by the employee for that third party, except for the third party contracts between public agencies for law enforcement, training, wildfire and emergency management activities. For the purposes of the paragraph, "base salary" means the amount of compensation each employee is regularly paid for personal services rendered to an employer before the addition of any extra monies, including overtime pay, shift differential pay, holiday pay, longevity pay, fringe benefit pay and similar extra payments.

Be careful in determining the three consecutive years of compensation. If the member's Reverse DROP date was June 26, 1989, the beginning of the 3 year period ending on that date would be June 27, 1986, not June 26, 1986. The spirit and letter of the law requires that we consider only 3 years of compensation not 3 years and one day – 78 biweekly pay periods, not 79.

The Administrative Office will allow you the determination of whether you want to establish the considered compensation on a "when earned" basis or a "when received" basis; however, we ask that you be consistent in your approach with each Reverse DROP calculation.

Benefit Calculations: Make sure that you use the correct section of Form P11RDROP to calculate the appropriate benefit calculation for each particular Reverse DROP applicant.

For retirement with 20 or more years of credited service: Use Section D.

For retirement with 25 or more years of credited service: Use Section E.

If benefit calculations are incorrect when submitted, a corrected Form P11RDROP and a new Form P12RDROP with the member's signature must be submitted before the lump sum Reverse DROP payment check and first pension benefit can be released to the retiree.

### **Form P12RDROP - Notification of Benefits and Election**

The "Date First Reverse DROP Benefit Credited" should be the day after the Reverse DROP date. The "Date Last Reverse DROP Benefit Credited" is date of retirement.

For example:

Date Elected to Participate: 9/30/07 (this is the retirement date)  
 Service Dates: 3/15/1982 to 10/1/2002  
 Reverse DROP Date = 10/1/2002

Date First Reverse DROP Benefit Credited: 10/2/2002

Date Last Reverse DROP Benefit Credited: 9/30/2007

If the member's Reverse DROP date was 10/1/2002, the beginning of the 3 year period ending on that date would be 10/2/1999, not 10/1/1999. The 60 months the member has chosen to participate in Reverse DROP is not considered in the calculation of the member's monthly benefit amount.

Make sure the Reverse DROP applicant initials the election line on the bottom section of the form and then signs the Election and Acceptance in the presence of a witness.

### **Form 13 - Authorization to Direct Deposit Benefit Check**

A retiree's first monthly benefit can be issued either in check form or by direct deposit, if the direct deposit authorization is received by the 10<sup>th</sup> of the month. The Direct Deposit option enables us to electronically transfer monthly benefits into a member's bank or credit union account. The check or direct deposit notice will be mailed to the retiree's address indicated on Form P4RDROP.

Have the member complete Form 13 and attach a voided check for the bank or credit union account into which the benefits are to be deposited. Encourage the retiree to contact his bank or credit union to verify that this electronic transfer option is available through the bank and to verify the bank routing (transit) number. This office relies on the retiree to provide correct routing information for the direct deposit and any incorrect information will result in a delay in the direct deposit.

### **Form U3 Benefits - Lump Sum Distribution Election Form**

**Without Form U3, the retirement cannot be processed.** Any references to a 30-day grace period for submission of this form are false. Members and Local Board staff are not authorized to sign in place of the Financial Institution Representative or have the rollover check mailed directly to them on page 2 of the Form U3 Benefits.

### **Special Tax Notice**

Provide a copy of the Special Tax Notice to the retiree.

### **Federal Tax Withholding Preference Certificate Form W-4P**

Prior to 1986, monthly pension benefits were excluded from gross income for federal tax purposes and not taxed until the pension benefits equaled the retiree's after-tax member contributions to the PSPRS. This allowed the retiree to withdraw his member contributions tax free during the first three years after retirement.

With the enactment of the Tax Reform Act of 1986, PSPRS retirement benefits became immediately taxable upon retirement except for a small percent monthly that is excludable as recapture of the retiree's after-tax contributions under rules established by the IRS.

The retiree has three options on this form:

Line 1 - No federal withholding will be deducted from the benefit check.

Line 2 - Federal withholding based on the retiree's marital status and claimed allowances will be deducted from the benefit check.

Line 3 - The amount of federal withholding will be the amount based on the retiree's marital status and claimed allowances plus the ADDITIONAL AMOUNT indicated on Line 3 over and above the amount calculated based on marital status and allowances.

### **State Tax Withholding Preference Certificate Form A-4P**

Recent Legislative changes now provide for state taxation of PSPRS retirement benefits in excess of \$2500 annually effective retroactive to tax year commencing January 1, 1989.

The applicant has 7 options on this form:

Line 1 – Check one option:

- An amount equal to eleven and one-half percent (11.5%) of the member's federal withholding will be deducted from the benefit check.
  - An amount equal to twenty-one point nine percent (21.9%) of the member's federal withholding will be deducted from the benefit check.
  - An amount equal to twenty-six and a half percent (26.5%) of the member's federal withholding will be deducted from the benefit check.
  - An amount equal to twenty-eight point eight percent (28.8%) of the member's federal withholding will be deducted from the benefit check.
  - An amount equal to thirty-five point seven percent (35.7%) of the member's federal withholding will be deducted from the benefit check.
  - An amount equal to forty-two point six percent (42.6%) of the member's federal withholding will be deducted from the benefit check.
- Line 2 - No State Withholding will be deducted from the benefit check.

**Reverse DROP Memorandum of Understanding and Agreement**

Make sure the employee initials all of the statements and that the employer signs the memo. Provide a copy of the Reverse DROP laws to the employee and the employer. This is important for the employer, as they need to adjust their payroll records to terminate the employer and employee contributions to PSPRS.

**Local Board Minutes or Letter Approving the Reverse Deferred Retirement Option**

The Local Board's initial authorization to the Administrative Office to begin retirement payments is on Form P12RDROP – Notification of Benefits and Election wherein the Local Board Chairman or Secretary certifies that the Local Board “has determined that the applicant is eligible for the Reverse DROP and Reverse DROP credits as shown above” in lump sum. This gives PSPRS the authority to begin the applicant's retirement and lump sum payment of the Reverse DROP credits.

In addition, A.R.S. Section 38-847.M, provides “The secretary of the local board shall keep record and prepare minutes of all meetings, forward the minutes to the fund manager within forty-five days after each meeting and forward all necessary communications to the fund manager”.

**Medical and Dental Insurance Coverage Available to PSPRS Retirees**

In 1987, the Arizona Legislature provided availability for medical and/or dental insurance coverage through the State of Arizona Retiree Health Plan for PSPRS retirees.

Information regarding plans and premiums are available on our website at [www.psprs.com](http://www.psprs.com). Any specific retiree insurance questions should be directed to the Insurance staff at (602) 255-5575.

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**NORMAL RETIREMENT CHECKLIST**

Forms and Documentation Required

- |  |   |
|--|---|
| Form P4  | Copy of Member's Birth Certificate                          |
| Form P8 (Optional)                                       | If Married:   |
| Form P11   | Copy of Marriage Certificate                                |
| Form P12   | Copy of Spouse's Birth Certificate                          |
| Form 13  | If Eligible Children:                                       |
| Federal Tax Withholding Preference Certificate Form W-4P | Copy of Children's Birth Certificates                       |
| State Tax Withholding Preference Certificate Form A-4P   | If Divorced:  |
| Minutes or Letter from Local Board Approving Retirement  | Copy of Divorce Decree (no split with ex-spouse)            |
|  | Certified copy of Plan Approved Domestic Relations Order    |
|  | Medical Documentation for Disabled Children (If applicable) |
|  | Proof of Fulltime School Enrollment (If applicable)         |

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**IMPORTANT DEADLINE**

To ensure sufficient time for processing and timely payment of retirement benefits, all applications must be received by the Fund Manager's Administrative Office by the 10th of the month in which the retiree will receive his first benefit check. For example, if a retiree's last day of work is in July, his retirement becomes effective August 1st and his retirement application should be submitted to the Fund Manager no later than August 10th. Information should be double checked for accuracy before submitting the application.

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**Form P4 - Application for Normal Retirement**

Make sure this form is completely filled out on both sides, including necessary signatures. The retirement date on this form should agree with the ending service date on Form P11. Any leaves without pay or industrial leaves should be noted and taken into consideration when computing credited service and the retirement benefit on Form P11.

**Form P8 - Change of Beneficiary Designation (Optional)**

Retirement is a good time for members to update their beneficiary information. Many members are surprised to find who we have listed as their beneficiaries at the time of retirement (ex-spouses, deceased parents, etc.), so we would encourage retirees to submit this form along with their retirement applications.

**Form P11 - Benefit Calculations**

Use only Page 1 of this form for calculating Normal Service Retirements. Be sure to verify the final contribution amount to PSPRS.

Credited Service: In calculating the length of the member's credited service, make sure that you use the statutory definition of "Credited Service" in A.R.S. Section 38-842.11:

    "...the member's total period of service prior to his effective date of participation, plus those compensated periods of his service thereafter for which he made contributions to the fund."

By definition, a "leave without pay" is not a "compensated period of service" and therefore cannot be considered as credited service for purposes of computing a member's retirement benefit on this form. Any leaves without pay noted on Form 4 should be subtracted from his total service to come up with the length of credited service.

A leave without pay, however, is considered "Service" under the PSPRS as long as it is an "absence which is authorized by an employer...(and) the employee returns within the period of authorized absence" (A.R.S Section 38-842.38). Authorized leaves without pay will count toward the 20 year service requirement for a Normal Retirement, but may result in a member having less than 20 years of credited service.

Compensation: In calculating a retiree's average monthly compensation, the current PSPRS statute allows the member to use "three consecutive years within the last twenty completed years of credited service which yield the highest average". (A.R.S. Section 38-842.6)

These 3 years do not have to be calendar years. Also if these 3 considered years include periods of non-paid or partially paid industrial leave, you should include "the compensation the employee would have received in this job classification if the employee was not on industrial leave".

Make sure that you only include compensation that is permitted by the PSPRS statute. A.R.S. Section 38-842.10, defines the allowable compensation as follows:

"Compensation" means, for the purpose of computing retirement benefits, base salary, overtime pay, shift differential pay, military differential wage pay, and holiday pay paid to an employee by the employer on a regular monthly, semimonthly or biweekly payroll basis and longevity pay paid to an employee at least every six months for which contributions are made to the system pursuant to Section 38-843.D. Compensation does not include, for the purpose of computing retirement benefits, payment for unused sick leave, payment in lieu of vacation, payment for compensatory time or payment for any fringe benefits. In addition, compensation does not include, for the purposes of computing retirement benefits, payments made directly or indirectly by the employer to the employee for work performed for a third party on a contracted basis or any other type of agreement under which the third party pays or reimburses the employer for the work performed by the employee for that third party, except for the third party contracts between public agencies for law enforcement, training, wildfire and emergency management activities. For the purposes of the paragraph, "base salary" means the amount of compensation each employee is regularly paid for personal services rendered to an employer before the addition of any extra monies, including overtime pay, shift differential pay, holiday pay, longevity pay, fringe benefit pay and similar extra payments.

Be careful in determining the three consecutive years of compensation. If the member's last day of work was June 26, 1989, the beginning of the 3 year period ending on that date would be June 27, 1986, not June 26, 1986. The spirit and letter of the law requires that we consider only 3 years of compensation not 3 years and one day – 78 biweekly pay periods, not 79.

The Administrative Office will allow you the determination of whether you want to establish the considered compensation on a "when earned" basis or a "when received" basis; however, we ask that you be consistent in your approach with each retirement calculation.

**Benefit Calculations:** Make sure that you use the correct section of Form P11 to calculate the appropriate benefit calculation for each particular retiree.

For retirement with 20 years of credited service but less than 25 years of credited service: Use Section D.

For retirement with 25 or more years of credited service: Use Section E.

For retirement with 20 or more years of service, but less than 20 years of credited service: Use Section F.

If benefit calculations are incorrect when submitted, a corrected Form P11 and a new Form P12 with the member's signature must be submitted before the first benefit check can be released to the retiree.

### **Form P12 - Notification of Benefits and Election**

Make sure that you mark the Type of Benefit: Normal Retirement.

The "Date First Payment Due" should be the last business day of the next calendar month following the retiree's last day of employment. For example, if the retiree's last day of work is on December 23, 2008, the "Date First Payment Due" should be January 31, 2009.

Make sure the retiree, applicant or member initials the appropriate election line on the bottom section of the form and then signs the Election and Acceptance in the presence of a witness.

### **Form 13 - Authorization to Direct Deposit Benefit Check**

A retiree's first monthly benefit can be issued either in check form or by direct deposit, if the direct deposit authorization is received by the 10<sup>th</sup> of the month. The Direct Deposit option enables us to electronically transfer monthly benefits into a member's bank or credit union account. The check or direct deposit notice will be mailed to the retiree's address indicated on Form P4.

Have the member complete Form 13 and attach a voided check for the bank or credit union account into which the benefits are to be deposited. Encourage the retiree to contact his bank or credit union to verify that this electronic transfer option is available through the bank and to verify the bank routing (transit) number. This office relies on the retiree to

provide correct routing information for the direct deposit and any incorrect information will result in a delay in the direct deposit.

### **Federal Tax Withholding Preference Certificate Form W-4P**

Prior to 1986, monthly pension benefits were excluded from gross income for federal tax purposes and not taxed until the pension benefits equaled the retiree's after-tax member contributions to the PSPRS. This allowed the retiree to withdraw his member contributions tax free during the first three years after retirement.

With the enactment of the Tax Reform Act of 1986, PSPRS retirement benefits became immediately taxable upon retirement except for a small percent monthly that is excludable as recapture of the retiree's after-tax contributions under rules established by the IRS.

The retiree has three options on this form:

Line 1 - No federal withholding will be deducted from the benefit check.

Line 2 - Federal withholding based on the retiree's marital status and claimed allowances will be deducted from the benefit check.

Line 3 - The amount of federal withholding will be the amount based on the retiree's marital status and claimed allowances plus the ADDITIONAL AMOUNT indicated on Line 3 over and above the amount calculated based on marital status and allowances.

### **State Tax Withholding Preference Certificate Form A-4P**

Recent Legislative changes now provide for state taxation of PSPRS retirement benefits in excess of \$2500 annually effective retroactive to tax year commencing January 1, 1989.

The applicant has 7 options on this form:

Line 1 – Check one option:

- An amount equal to eleven and one-half percent (11.5%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to twenty-one point nine percent (21.9%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to twenty-six and a half percent (26.5%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to twenty-eight point eight percent (28.8%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to thirty-five point seven percent (35.7%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to forty-two point six percent (42.6%) of the member's federal withholding will be deducted from the benefit check.

Line 2 - No State Withholding will be deducted from the benefit check.

### **Local Board Minutes or Letter Approving Retirement**

The Local Board's initial authorization to the Administrative Office to pay retirement benefits is on Form P12 - Notification of Benefits and Election wherein the Local Board Chairman or Secretary certifies that the Local Board "has determined that the applicant...is eligible for the benefit payments as shown above." This gives us the authority to issue the retiree's initial retirement benefit. In addition, A.R.S. Section 38-847.M, provides "The secretary of the local board shall keep a record and prepare minutes of all meetings, forward the minutes to the fund manager within forty-five days after each meeting and forward all necessary communications to the fund manager".

### **Medical and Dental Insurance Coverage Available to PSPRS Retirees**

In 1987, the Arizona Legislature provided availability for medical and/or dental insurance coverage through the State of Arizona Retiree Health Plan for PSPRS retirees.

Information regarding plans and premiums are available on our website at [www.psprs.com](http://www.psprs.com). Any specific retiree insurance questions should be directed to the Insurance staff at (602) 255-5575.

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**DEFERRED ANNUITY CHECKLIST**

Forms and Documentation Required

Form P4D	Copy of Applicant's Birth Certificate
Form P8	If Married:
Deferred Annuity Calculation	Copy of Marriage Certificate
Form P12	Copy of Spouse's Birth Certificate
Form 13	If Eligible Children:
Federal Tax Withholding Preference Certificate Form W-4P	Copy of Children's Birth Certificates
State Tax Withholding Preference Certificate Form A-4P	If Divorced:
Minutes or Letter from Local Board Approving Annuity	Copy of Divorce Decree (no split with ex-spouse)
	Certified copy of Plan Approved Domestic Relations Order

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**IMPORTANT DEADLINE**

To ensure sufficient time for processing and timely payment of annuity benefits, all applications must be received by the Fund Manager's Administrative Office by the 10th of the month in which the applicant will receive his/her first annuity benefit.

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**Form P4D - Application for Deferred Annuity**

Make sure the application is completely filled out on both pages, including necessary signatures. Any leave without pay or industrial leave should be noted on page 2. Attach copies of the supporting documentation as required on the P4D.

**Form P8 - Change of Beneficiary Designation**

The Deferred Annuity option does not offer surviving spouse or child benefits, however if there are any contributions left on account at the time of death, a named beneficiary would be paid the remaining balance of the contributions as outlined in the statutes.

**Deferred Annuity Calculation**

In order to calculate a Deferred Annuity, the electronic retirement spreadsheets **MUST** be used due to the factors used in computing age, credited service time, and total contributions made by the member. The spreadsheets are located at [www.psprs.com](http://www.psprs.com) under the PSPRS Employer menu and by selecting "Spreadsheets". Select the "Retirement Forms" spreadsheet and fill in the Input Sheet with the required data.

Any leave without pay or industrial leave should be noted and taken into consideration when computing credited service and the annuity benefit when filling in the required fields in the Deferred Annuity spreadsheet located at [www.psprs.com](http://www.psprs.com) under the PSPRS Employer menu in "Spreadsheets".

By definition, a "leave without pay" is not a "compensated period of service" and therefore cannot be considered as credited service for purposes of computing a member's annuity on this form. Any leaves without pay noted on Form P4D should be subtracted from total service to come up with the length of credited service.

**Form P12 - Notification of Benefits and Election**

The Type of Benefit should reflect: Deferred Annuity

The "Date First Payment Due" should be the last business day of the next calendar month following the date of application.

Make sure the applicant initials the appropriate election line (first option) on the bottom section of the form and then signs the Election and Acceptance in the presence of a witness.

**Form 13 - Authorization to Direct Deposit Benefit Check**

Annuity payments can be issued either in check form or by direct deposit, if the direct deposit authorization is received by the 10<sup>th</sup> of the month. The Direct Deposit option enables us to electronically transfer monthly benefits into a member's bank or credit union account. The check or direct deposit notice will be mailed to the member's address indicated on Form P4D.

Have the applicant complete Form 13 and attach a voided check for the bank or credit union account into which the annuity benefits are to be deposited. This office relies on the applicant to provide correct account information and any incorrect information may result in a delay in the direct deposit.

**Federal Tax Withholding Preference Certificate Form W-4P**

Prior to 1986, monthly pension benefits were excluded from gross income for federal tax purposes and not taxed until the pension benefits equaled the member's after-tax member contributions to the PSPRS. This allowed the member to withdraw his/her member contributions tax free during the first three years after receiving benefits.

With the enactment of the Tax Reform Act of 1986, PSPRS retirement benefits became immediately taxable upon retirement except for a small percent monthly that is excludable as recapture of the retiree's after-tax contributions under rules established by the IRS.

The applicant has three options on this form:

Line 1 - No federal withholding will be deducted from the benefit check.

Line 2 - Federal withholding based on the applicant's marital status and claimed allowances will be deducted from the benefit check.

Line 3 - The amount of federal withholding will be the amount based on the applicant's marital status and claimed allowances plus the ADDITIONAL AMOUNT indicated on Line 3 over and above the amount calculated based on marital status and allowances.

**State Tax Withholding Preference Certificate Form A-4P**

Recent Legislative changes now provide for state taxation of PSPRS retirement benefits in excess of \$2500 annually effective retroactive to tax year commencing January 1, 1989.

The applicant has 7 options on this form:

Line 1 – Check one option:

- An amount equal to eleven and one-half percent (11.5%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to twenty-one point nine percent (21.9%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to twenty-six and a half percent (26.5%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to twenty-eight point eight percent (28.8%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to thirty-five point seven percent (35.7%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to forty-two point six percent (42.6%) of the member's federal withholding will be deducted from the benefit check.

Line 2 - No State Withholding will be deducted from the benefit check.

**Local Board Minutes or Letter Approving Deferred Annuity**

The Local Board's initial authorization to the Administrative Office to pay annuity benefits is on Form P12 - Notification of Benefits and Election wherein the Local Board Chairman or Secretary certifies that the Local Board "has determined that the applicant...is eligible for the annuity benefit payments as shown above." This gives us the authority to issue the applicant's initial annuity benefit. In addition, A.R.S. Section 38-847.M., provides "The secretary of the local board shall keep a record and prepare minutes of all meetings, forward the minutes to the fund manager within forty-five days after each meeting and forward all necessary communications to the fund manager".

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**SURVIVOR'S/GUARDIAN'S RETIREMENT CHECKLIST**

Forms and Documentation Required

Form P7S	Copy of Member's Death Certificate
Form P8 (Optional)	Copy of Survivor's/Guardian's Birth Certificate
Form P11	Copy of Marriage Certificate (if applicable)
Form P12	Copy of Survivor's/Guardian's Social Security Card
Form 13	If Eligible Children:
Federal Tax Withholding Preference Certificate Form W-4P	Copy of Children's Birth Certificates
State Tax Withholding Preference Certificate Form A-4P	Medical Documentation for Disabled Children (If applicable)
Minutes or Letter from Local Board Approving Survivor's Retirement and Terminating Member's Pension	Proof of Fulltime School Enrollment (If applicable)
	Proof of Legal Guardianship (if applicable)

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**IMPORTANT DEADLINE**

To ensure sufficient time for processing and timely payment of retirement benefits, all applications must be received by the Fund Manager's Administrative Office by the 10th of the month in which the retiree will receive his first benefit check. For example, if a retiree's last day of work is in July, his retirement becomes effective August 1st and his retirement application should be submitted to the Fund Manager no later than August 10th. Information should be double checked for accuracy before submitting the application.

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**Form P7 - Application for a Survivor's Benefit**

Make sure this form is completely filled out, including the necessary signatures and verification of receipt by the employer. The applicant must indicate the type of Survivor's Benefit he is applying for and complete the appropriate sections on this form.

**SURVIVING SPOUSE:** The PSPRS statute prescribes the following eligibility requirements for a Surviving Spouse Benefit:

- a). Surviving Spouse of a deceased active(non-retired) member - the applicant must be the legal spouse of the active member at the time of the member's death.
- b). Surviving Spouse of a deceased retired member - the applicant must be the legal spouse of the retired member at the time of the member's death and said marriage must have been for a period of at least two years prior to the retired member's date of death.

The State of Arizona does not recognize common law marriages and neither will the PSPRS. Divorces or annulments in progress at the time of death will not affect the surviving spouse's rights to benefits unless they have become final prior to the member's death.

**GUARDIAN OF DECEASED MEMBER'S ELIGIBLE CHILDREN:** The applicant must be the legal guardian of the deceased member's "Eligible Child" as defined in A.R.S. Section 38-842.19:

"Eligible Child" means the unmarried child of a deceased member who is under the age of eighteen or a full-time student who is under the age of twenty-three, or under a disability which began before he attained the age of twenty-three and who remains a dependent of the Surviving Spouse or Guardian.

An eligible child must be the natural offspring of the deceased member or legally adopted. The applicant must supply proof of adoption.

A guardian's pension is payable only if there is no eligible surviving spouse receiving Survivor's Benefits and only until the youngest eligible child reaches age 23.

If there is an eligible Surviving Spouse and also a separate guardian for the deceased member's eligible children, both will need to complete a separate Form 7 - Application for a Survivor's Benefit and the applications will be processed independently. In such case, the guardian will be entitled to only the applicable child's portion of the survivor's benefit as long as a surviving spouse's pension is being paid.

### **Form P11 - Benefit Calculations**

**FOR DECEASED RETIRED MEMBERS WHO WERE RECEIVING NORMAL SERVICE RETIREMENT BENEFITS AT THE TIME OF DEATH**, Use this form for calculating Surviving Spouse, Guardian and Eligible Child Benefits.

For deceased members already receiving normal service retirement benefits, you will not need to recalculate the member's pension. Complete the top section of the P11 giving the identification and service information on the deceased member and indicate the deceased member's monthly benefit at the time of death on the appropriate line, Line D3, E3 or F3. The Surviving Spouse or Guardian pension is calculated on Line G and the Eligible Child pension is calculated on Line H.

If you are unsure of the monthly pension being received by a retired member at the time of death, contact the Administrative Office and ask for the Benefits Department.

**FOR DECEASED RETIRED MEMBERS WHO WERE RECEIVING DISABILITY RETIREMENT BENEFITS AT THE TIME OF DEATH**, Use the P11D form for calculating Surviving Spouse, Guardian and Eligible Child Benefits.

Complete the top section of the P11D giving the identification and service information on the deceased member and indicate the deceased member's monthly disability at the time of death on the appropriate line, either Line D1 or D2. The Surviving Spouse or Guardian pension is calculated on Line H and the Eligible Child pension is calculated on Line I.

**FOR DECEASED ACTIVE (NON-RETIRED) MEMBERS**, Use the P11D form for calculating Surviving Spouse, Guardian and Eligible Child Benefits. Pursuant to A.R.S. Section 38-846, the surviving spouse of a deceased active member shall receive a monthly benefit computed as for the surviving spouse of a member under the assumption that the member had retired for reason of accidental disability immediately before death.

For deceased active members with less than 20 years of Credited Service, you will need to do the 3-year compensation (Section A through C) and compute the monthly benefit on Line D1. The Surviving Spouse and Guardian pension is calculated on Line H and the Eligible Child pension is calculated on Line I.

For deceased active members with 20 or more years of Credited Service, you will need to do a normal service retirement calculation on the P11 form and transfer it over to Line D2 on the P11D and proceed with the survivor calculations on Lines H and I.

**Please Note:** In calculating the credited service and average monthly benefit compensation for deceased active members, follow the guidelines for credited service and compensation contained in the Normal Retirement Checklist. Be sure to verify the final contribution amount to PSPRS.

If benefit calculations are incorrect when submitted, a corrected Form P11D and a new Form P12 with the survivor's or guardian's signature must be submitted before the first benefit check can be released to the survivor or guardian.

### **Form P12 - Notification of Benefits and Election**

The PSPRS member's name should go in the space requesting the "Member's Name" with the Surviving Spouse or Guardian's name listed on the line requesting "Payable to".

Make sure that you mark the Type of Benefit: Survivor or Guardian.

The "Date First Payment Due" should be the last business day of the next calendar month following the date of death. For example, if the member died on December 23, 1988, the "Date First Payment Due" should be January 31, 1989.

Make sure the survivor initials the appropriate election line on the bottom section of the form and then signs the Election and Acceptance in the presence of a witness.

### **Form 13 - Authorization to Direct Deposit Benefit Check**

A survivor's first monthly benefit can be issued either in check form or by direct deposit, if the direct deposit authorization is received by the 10<sup>th</sup> of the month. The Direct Deposit option enables us to electronically transfer monthly benefits into a

member's bank or credit union account. The check or direct deposit notice will be mailed to the survivor's address indicated on Form P7. Have the survivor complete Form 13 and attach a voided check for the bank or credit union account into which the benefits are to be deposited. Encourage the survivor to contact the bank or credit union to verify that this electronic transfer option is available through the bank and to verify the bank routing (transit) number. This office relies on the survivor to provide correct routing information for the direct deposit and any incorrect information will result in a delay in the direct deposit.

### **Federal Tax Withholding Preference Certificate Form W-4P**

Prior to 1986, monthly pension benefits were excluded from gross income for federal tax purposes and not taxed until the pension benefits equaled the retiree's after-tax member contributions to the PSPRS.

This allowed the retiree to withdraw his member contributions tax free during the first three years after retirement.

With the enactment of the Tax Reform Act of 1986, PSPRS retirement benefits became immediately taxable upon retirement except for a small percent monthly that is excludable as recapture of the retiree's after-tax contributions under rules established by the IRS.

The survivor has three options on this form:

Line 1 – No federal withholding will be deducted from the benefit check.

Line 2 – Federal withholding based on the retiree's marital status and claimed allowances will be deducted from the benefit check.

Line 3 – The amount of federal withholding will be the amount based on the retiree's marital status and claimed allowances plus the ADDITIONAL AMOUNT indicated on Line 3 over and above the amount calculated based on marital status and allowances.

### **State Tax Withholding Preference Certificate Form A-4P**

Recent Legislative changes now provide for state taxation of PSPRS retirement benefits in excess of \$2500 annually effective retroactive to tax year commencing January 1, 1989.

The applicant has 7 options on this form:

Line 1 – Check one option:

- An amount equal to eleven and one-half percent (11.5%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to twenty-one point nine percent (21.9%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to twenty-six and a half percent (26.5%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to twenty-eight point eight percent (28.8%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to thirty-five point seven percent (35.7%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to forty-two point six percent (42.6%) of the member's federal withholding will be deducted from the benefit check.

Line 2 - No State Withholding will be deducted from the benefit check.

### **Local Board Minutes or Letter Approving Retirement**

MAKE SURE YOUR LOCAL BOARD VOTES TO TERMINATE THE DECEASED MEMBER'S BENEFIT AS WELL AS APPROVE THE SURVIVOR BENEFITS. The Local Board's initial authorization to the Administrative Office to pay retirement benefits is on Form P12 - Notification of Benefits and Election wherein the Local Board Chairman or Secretary certifies that the Local Board "has determined that the applicant...is eligible for the benefit payments as shown above." This gives us the authority to issue the retiree's initial retirement benefit. In addition, A.R.S. Section 38-847.M provides "The secretary of the local board shall keep a record and prepare minutes of all meetings, forward the minutes to the fund manager within forty-five days after each meeting and forward all necessary communications to the fund manager".

### **Medical and Dental Insurance Coverage Available to PSPRS Retirees**

In 1987, the Arizona Legislature provided availability for medical and/or dental insurance coverage through the State of Arizona Retiree Health Plan for PSPRS retirees.

Information regarding plans and premiums are available on our website at www.psprs.com. Any specific retiree insurance questions should be directed to the Insurance staff at (602) 255-5575.

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**DEATH BENEFICIARY CHECKLIST**

Forms and Documentation Required

- |  |  |
|--|--|
| Form P7D   | Copy of Member's Death Certificate                       |
| Federal Tax Withholding Preference Certificate Form W-4P   | Certified Personal Representative letter (if applicable) |
| State Tax Withholding Preference Certificate Form A-4P     | Copy of Designated Beneficiary's Driver's License        |
| Form U3 Lump Sum Distribution Election (if applicable)     | Copy of Designated Beneficiary's Social Security Card    |
| Special Tax Notice (copy to Beneficiary)                   |  |
| Minutes or Letter from Local Board Approving Death Benefit |  |

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**IMPORTANT DEADLINE**

To ensure sufficient time for processing and timely payment of benefits, all applications must be received by the Fund Manager's Administrative Office by the 10<sup>th</sup> of the month in which the Designated Beneficiary will receive payment. Information should be double-checked for accuracy before submitting the application.

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**Form P7D- Application for a Death Benefit (A.R.S. 38-846.F)**

Make sure this form is completely filled out, including the necessary signatures and verification of receipt by the employer. The applicant must check the appropriate description and provide the proof to confirm Personal Representative of Decedent's Estate if the applicant is not identified as the beneficiary on the Form P8, Designated Beneficiary.

If the member was active in the system, verification of final contributions from the local board is required before payment can be made to the beneficiary to PSPRS.

**Federal Tax Withholding Preference Certificate Form W-4P**

Prior to 1986, monthly pension benefits were excluded from gross income for federal tax purposes and not taxed until the pension benefits equaled the retiree's after-tax member contributions to the PSPRS. This allowed the retiree to withdraw his member contributions tax free during the first three years after retirement.

With the enactment of the Tax Reform Act of 1986, PSPRS retirement benefits became immediately taxable upon retirement except for a small percent monthly that is excludable as recapture of the retiree's after-tax contributions under rules established by the IRS.

The applicant has three options on this form:

- Line 1 - No federal withholding will be deducted from the benefit check.
- Line 2 - Federal withholding based on the retiree's marital status and claimed allowances will be deducted from the benefit check.
- Line 3 - The amount of federal withholding will be the amount based on the retiree's marital status and claimed allowances plus the ADDITIONAL AMOUNT indicated on Line 3 over and above the amount calculated based on marital status and allowances.

**State Tax Withholding Preference Certificate Form A-4P**

Recent Legislative changes now provide for state taxation of PSPRS retirement benefits in excess of \$2500 annually effective retroactive to tax year commencing January 1, 1989.

The applicant has 7 options on this form:

- Line 1 – Check one option:
  - An amount equal to eleven and one-half percent (11.5%) of the member's federal withholding will be deducted from the benefit check.
  - An amount equal to twenty-one point nine percent (21.9%) of the member's federal withholding will be deducted from the benefit check.

- An amount equal to twenty-six and a half percent (26.5%) of the member's federal withholding will be deducted from the benefit check.
  - An amount equal to twenty-eight point eight percent (28.8%) of the member's federal withholding will be deducted from the benefit check.
  - An amount equal to thirty-five point seven percent (35.7%) of the member's federal withholding will be deducted from the benefit check.
  - An amount equal to forty-two point six percent (42.6%) of the member's federal withholding will be deducted from the benefit check.
- Line 2 - No State Withholding will be deducted from the benefit check.

### **Form U3 – Benefits Lump Sum Distribution Election Form**

If you are a surviving spouse or an alternate payee receiving a one-time lump sum death benefit payment, you may choose to have a payment that can be paid in a DIRECT ROLLOVER to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee. Beneficiaries and Local Board staff are not authorized to sign in place of the Financial Institution Representative or have the rollover check mailed directly to them on page 2 of the Form U3 Benefits.

If you are a beneficiary other than the surviving spouse or alternate payee, you cannot choose a direct rollover, and you cannot roll over the payment yourself. NOTE: Beginning after December 31, 2006, non-spouse beneficiaries will also be able to roll over the distributions into an “inherited” IRA. See the Special Tax Notice handout for more information.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in the Special Tax Notice handout, even if you are younger than age 59½.

### **Special Tax Notice**

Provide a copy of the Special Tax Notice to the beneficiary.

### **Local Board Minutes or Letter Approving the Designated Beneficiary**

The Local Board must forward the minutes or letter verifying a Designated Beneficiary’s eligibility and approval for payment to PSPRS as prescribed in A.R.S. Section 38-847.M.

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**DISABILITY RETIREMENT CHECKLIST**

Forms and Documentation Required

- |  |   |
|--|---|
| Form P5  | Copy of Member's Birth Certificate                          |
| Form P8 (Optional)   | If Married:   |
| Form P11D  | Copy of Marriage Certificate                                |
| Form P12   | Copy of Spouse's Birth Certificate                          |
| Form 13  | If Eligible Children:                                       |
| Federal Tax Withholding Preference Certificate Form W-4P         | Copy of Children's Birth Certificates                       |
| State Tax Withholding Preference Certificate Form A-4P           | If Divorced:  |
| Minutes or Letter from Local Board Approving Retirement          | Copy of Divorce Decree (no split with ex-spouse)            |
| Medical Reports and Documentation Supporting Award of Disability | Certified copy of Plan Approved Domestic Relations Order    |
|  | Medical Documentation for Disabled Children (If applicable) |
|  | Proof of Fulltime School Enrollment (If applicable)         |

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**IMPORTANT DEADLINE**

To ensure sufficient time for processing and timely payment of retirement benefits, all applications must be received by the Fund Manager's Administrative Office by the 10th of the month in which the retiree will receive his first benefit check. For example, if a retiree's last day of work is in July, his retirement becomes effective August 1st and his retirement application should be submitted to the Fund Manager no later than August 10th. Information should be double checked for accuracy before submitting the application.

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**Form P5 - Application for Disability Retirement**

Make sure that the applicant has completely filled out the application, including the witnessed signature on the second page and the waiver of confidentiality on the third page.

The Date of Disability should be the date of the member's injury or the date the member's physical or mental condition was first diagnosed as to preclude him from further employment with the PSPRS employer.

The applicant must designate the Type of Disability he is applying for:

An ORDINARY DISABILITY is a non-job-related physical condition which totally and permanently prevents the applicant from performing a reasonable range of duties within his department or a non-job-related mental condition which totally and permanently prevents the applicant from engaging in any substantial gainful activity.

An ACCIDENTAL DISABILITY is a job-related physical or mental condition which totally and permanently prevents the applicant from performing a reasonable range of duties within his job classification.

A TEMPORARY DISABILITY is a job-related physical or mental condition which totally and temporarily prevents the applicant from performing a reasonable range of duties within his department.

A CATASTROPHIC DISABILITY is a job-related physical and not a psychological condition that is not an accidental disability which totally and permanently prevents the applicant from engaging in any gainful employment.

The applicant should provide a brief description of the Nature and Cause of the Disability as well as a listing of all doctors and hospitals which have treated him for the disability and three years prior. The applicant should be encouraged to provide as much medical information as is appropriate to assist the Local Board in making its determination. The Medical Authorization at the top of page two should give the Local Board and its designated physician access to the applicant's complete medical history when necessary.

Employer Certification: The Local Board should fill in the date the Application was received and have the employer verify the applicant's last day on payroll.

The Local Board Chairman or Secretary must complete the bottom section of the third page indicating the action taken by the Local Board. Please note: "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." (38-844.B.)

### **Form P8 - Change of Beneficiary Designation (Optional)**

Retirement is a good time for members to update their beneficiary information. Many members are surprised to find who we have listed as their beneficiaries at the time of retirement (ex-spouses, deceased parents, etc.), so we would encourage retirees to submit this form along with their retirement applications.

### **Form P11D – Disability Benefit Calculations**

Use this form for calculating Disability Retirements. Be sure to verify the final contribution amount to PSPRS.

Credited Service: In calculating the length of the member's credited service, make sure that you use the statutory definition of "Credited Service" in A.R.S. Section 38-842.11:

“...the member's total period of service prior to his effective date of participation, plus those compensated periods of his service thereafter for which he made contributions to the fund.”

By definition, a "leave without pay" is not a "compensated period of service" and therefore cannot be considered as credited service for purposes of computing a member's retirement benefit on this form. Any leaves without pay noted should be subtracted from his total service to come up with the length of credited service.

Compensation: Make sure that you only include compensation that is permitted by the PSPRS statute. A.R.S. Section 38-842.10, defines the allowable compensation as follows:

"Compensation" means, for the purpose of computing retirement benefits, base salary, overtime pay, shift differential pay, military differential wage pay, and holiday pay paid to an employee by the employer on a regular monthly, semimonthly or biweekly payroll basis and longevity pay paid to an employee at least every six months for which contributions are made to the system pursuant to Section 38-843.D. Compensation does not include, for the purpose of computing retirement benefits, payment for unused sick leave, payment in lieu of vacation, payment for compensatory time or payment for any fringe benefits. In addition, compensation does not include, for the purposes of computing retirement benefits, payments made directly or indirectly by the employer to the employee for work performed for a third party on a contracted basis or any other type of agreement under which the third party pays or reimburses the employer for the work performed by the employee for that third party, except for the third party contracts between public agencies for law enforcement, training, wildfire and emergency management activities. For the purposes of the paragraph, "base salary" means the amount of compensation each employee is regularly paid for personal services rendered to an employer before the addition of any extra monies, including overtime pay, shift differential pay, holiday pay, longevity pay, fringe benefit pay and similar extra payments.

For calculating the benefit for an ACCIDENTAL, CATASTROPHIC or ORDINARY Disability, the current PSPRS statute allows the member to use "three consecutive years within the last twenty completed years of credited service which yield the highest average". (A.R.S. Section 38-842.6)

These 3 years **do not** have to be calendar years. Also if these 3 considered years include periods of non-paid or partially paid industrial leave, you should include "the compensation the employee would have received in his job classification if the employee was not on industrial leave".

Be careful in determining the three consecutive years of compensation. If the member's last day of work was June 26, 1989, the beginning of the 3 year period ending on that date would be June 27, 1986, not June 26, 1986. The spirit and letter of the law requires that we consider only 3 years of compensation not 3 years and one day - 78 biweekly pay periods, not 79.

The Administrative Office will allow you the determination of whether you want to establish the considered compensation on a "when earned" basis or a "when received" basis, however, we ask that you be consistent in your approach with each retirement calculation.

For calculating the benefit for a TEMPORARY Disability, you will only need to calculate the one year of compensation received by the member immediately prior to the date on which his disability was incurred. **DO NOT USE THE 3-YEAR AVERAGING DESCRIBED ABOVE.** Just put one year of compensation on the lines provided in Section A of Form P11D.

**Benefit Calculations:** Make sure that you use the correct section on page 2 of Form P11D to calculate the appropriate benefit calculation for each particular retiree.

**For Ordinary Disability Retirement:** Use Section F.

**For Accidental Disability Retirement:** Use Section D.

**For Temporary Disability Retirement:** Use Section E.

**For Catastrophic Disability Retirement:** Use Section G.

**If benefit calculations are incorrect when submitted, a corrected Form P11D and a new Form P12 with the members' signature must be submitted before the first benefit check can be released to the retiree.**

### **Form P12 - Notification of Benefits and Election**

Make sure that you mark the Type of Benefit: Ordinary Disability, Accidental Disability, Catastrophic Disability or Temporary Disability.

The "Date First Payment Due" should be the last business day of the next calendar month following the retiree's last day of employment. For example, if the retiree's last day of work is December 23, 1988, the "Date First Payment Due" should be January 31, 1989.

Make sure the retiree initials the appropriate election line on the bottom section of the form and then signs the Election and Acceptance in the presence of a witness.

### **Form 13 - Authorization to Direct Deposit Benefit Check**

A retiree's first monthly benefit can be issued either in check form or by direct deposit, if the direct deposit authorization is received by the 10<sup>th</sup> of the month. The Direct Deposit option enables us to electronically transfer monthly benefits into a member's bank or credit union account. The check or direct deposit notice will be mailed to the retiree's address indicated on Form P5.

Have the member complete Form 13 and attach a voided check for the bank or credit union account into which the benefits are to be deposited. Encourage the member to contact his bank or credit union to verify that this electronic transfer option is available through the bank and to verify the bank routing (transit) number. This office relies on the retiree to provide correct routing information for the direct deposit and any incorrect information will result in a delay in the direct deposit.

### **Federal Tax Withholding Preference Certificate Form W-4P**

As a general rule, the job-related disability pensions available under the PSPRS are tax-exempt at the federal level for disability retirees who retire with less than 20 years of credited service (Accidental and Temporary) or less than 25 years of credited service (Catastrophic). However, Accidental and Temporary Disability retirees with more than 20 years of credited service, Catastrophic Disability retirees with more than 25 years of credited service, and those retired under a non-job-related Ordinary Disability will be taxed on their retirement benefits at the federal level.

Prior to 1986, monthly pension benefits were excluded from gross income for federal tax purposes and not taxed until the pension benefits equaled the retiree's after-tax member contributions to the PSPRS. This allowed the retiree to withdraw his member contributions tax free during the first three years after retirement.

With the enactment of the Tax Reform Act of 1986, PSPRS retirement benefits became immediately taxable upon retirement except for a small percent monthly that is excludable as recapture of the retiree's after tax contributions under rules established by the IRS.

**REGARDLESS OF WHETHER THE BENEFIT IS TAXABLE, ALL RETIREES MUST COMPLETE A W-4P.**

The retiree has three options on this form:

Line 1 – No federal withholding will be deducted from the benefit check.

Line 2 – Federal withholding based on the retiree's marital status and claimed allowances will be deducted from the benefit check.

Line 3 – The amount of federal withholding will be the amount based on the retiree's marital status and claimed allowances plus the ADDITIONAL AMOUNT indicated on Line 3 over and above the amount calculated based on marital status and allowances.

### **State Tax Withholding Preference Certificate Form A-4P**

Recent legislative changes now provide for state taxation of PSPRS retirement benefits in excess of \$2500 annually effective retroactive to tax year commencing January 1, 1989.

The applicant has 7 options on this form:

Line 1 – Check one option:

- An amount equal to eleven and one-half percent (11.5%) of the member's federal withholding will be deducted from the benefit check.
- An amount equal to twenty-one point nine percent (21.9%) of the member's federal withholding will be deducted from the benefit check.
- An amount equal to twenty-six and a half percent (26.5%) of the member's federal withholding will be deducted from the benefit check.
- An amount equal to twenty-eight point eight percent (28.8%) of the member's federal withholding will be deducted from the benefit check.
- An amount equal to thirty-five point seven percent (35.7%) of the member's federal withholding will be deducted from the benefit check.
- An amount equal to forty-two point six percent (42.6%) of the member's federal withholding will be deducted from the benefit check.

Line 2 - No State Withholding will be deducted from the benefit check.

### **Local Board Minutes or Letter Approving Retirement**

The Local Board's initial authorization to the Administrative Office to pay disability retirement benefits is on Form P12 - Notification of Benefits and Election wherein the Local Board Chairman or Secretary certifies that the Local Board "has determined that the applicant...is eligible for the benefit payments as shown above." This gives us the authority to issue the retiree's initial disability retirement benefit. In addition, A.R.S. Section 38-847.M, provides "The secretary of the local board shall keep a record and prepare minutes of all meetings, forward the minutes to the fund manager within forty-five days after each meeting and forward all necessary communications to the fund manager".

The minutes of the Local Board meeting at which a disability determination is made should include a concise statement of the medical evidence upon which the Local Board based its findings, identified simply by document dates and author. If a conflict exists in the medical evidence presented to the Local Board, the minutes should contain a brief statement as to how the Local Board resolved the conflict. A copy of the minutes of the Local Board meeting at which a retiree's disability retirement benefit was approved must be placed in the retiree's file to complete the application process.

### **Medical Reports and Documentation Supporting Award of Disability**

Copies of all medical evidence, including the Independent Medical Evaluation considered by the Local Board in reaching its determination on eligibility should be forwarded to the Fund Manager's Administrative Office for compliance review. The member's application packet should also be included with these documents.

### **Medical and Dental Insurance Coverage Available to PSPRS Retirees**

In 1987, the Arizona Legislature provided availability for medical and/or dental insurance coverage through the State of Arizona Retiree Health Plan for PSPRS retirees.

Information regarding plans and premiums are available on our website at www.psprs.com. Any specific retiree insurance questions should be directed to the Insurance staff at (602) 255-5575.

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM****ACCIDENTAL DISABILITY CHECKLIST**

1. Applicant files Application for Accidental Disability (Form P5) with Local Board.
2. Local Board determines whether the applicant has filed the application after the disabling incident or within one year after the date the member ceases to be an employee. A member is eligible for an accidental disability if the member's employment is terminated by reason of accidental disability.
3. Local Board appoints Medical Board, pursuant to A.R.S. Section 38-847.D.9, to perform an independent medical evaluation of applicant.
4. Local Board forwards a copy of claimant's Application for Accidental Disability, which includes a Medical Release Authorization for prior treatment records, and a copy of the applicant's medical records to the appointed Medical Board. The Local Board should request the Medical Board to specifically address the following statutory requirements for an award of Accidental Disability in its report to the Local Board:
  - a. Does the claimant have a physical or mental condition which totally and permanently prevents him from performing a reasonable range of duties within his job classification? (A.R.S. Section 38-842.1) Providing the Medical Board with a description of the duties required of police or fire fighters with the particular employer should help the Medical Board address this issue.
  - b. Does the claimant's disability result from a physical or mental condition or injury that existed or occurred prior to the claimant's date of membership in the PSPRS? (A.R.S. Section 38-844.D.3)
  - c. Was the disabling condition or injury incurred in the performance of claimant's duty as a police officer or fire fighter? (A.R.S. Section 38-842.1) Any departmental accident reports or documentation of an on-the-job injury should be provided to the Medical Board.
5. After receipt of the Medical Board's medical evaluation, the Local Board sets a meeting to consider the claimant's application and the Medical Board's report. The Local Board will need to make a determination on each of the three issues presented to the Medical Board above. A.R.S. Section 38-859.C requires that a Local Board's "finding of accidental disability shall be based on medical evidence by a doctor or clinic appointed by the local board...which establishes an accidental disability." Any motion to approve or disapprove a claimant's application for Accidental Disability should include a reference to the Medical Board evaluation upon which the determination is based. A Local Board can consider any medical evidence that the claimant may want to provide; however, the statute is clear that an award of an accidental disability shall be based on the appointed Medical Board's evaluation. Material conflicts in medical evidence shall be resolved by the findings of the Local Board. (A.R.S. Section 38-859.C) Disability determinations by the State Comp Fund or other workers' compensation bodies are not binding on the Local Board.
6. Once an Application for Accidental Disability is approved, the Local Board Chairman or Secretary completes the qualification portion on the Form P5 and forwards it to the Fund Manager's office together with completed Forms P11D, P12 and 13, A-4P, W-4P and P8 (optional) and supporting documentation (birth certificates, marriage certificates, etc.) along with a copy of the Local Board meeting minutes approving the accidental disability. The Local Board should also forward to the Fund Manager copies of all medical evidence including the Independent Medical Evaluation considered by the Local Board in reaching its decision. If conflicts in medical evidence were resolved by the Local Board, the minutes forwarded to the Fund Manager should explain how such conflicts were resolved. (A.R.S. Section 38-847.M)
7. Appeals for Rehearing of a Local Board's decision may be requested by the claimant or Fund Manager as set forth in A.R.S. Section 38-847.H.
8. Payment of an accidental 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 prior to his normal retirement date, the first day of the month in which disability ceases. (A.R.S. Section 38-844.B and 38-

842.36) The monthly accidental disability pension amount is calculated like a normal retirement using actual credited service or 20 years, whichever is greater. (A.R.S. Section 38-845.B)

9. Accidental disability shall be considered to have ceased and an accidental disability pension terminates if the member:
  - a. has sufficiently recovered in the opinion of the Local Board, based on medical evidence from a Medical Board appointed by the Local Board, to be able to engage in a reasonable range of duties within his department and the member refuses an offer of employment by an employer in the PSPRS; or
  - b. refuses to undergo any medical examination requested by the Local Board (cannot be requested more than once in any calendar year) (A.R.S. Section 38-844.E)

## PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

TEMPORARY DISABILITY CHECKLIST

1. Applicant files Application for Temporary Disability (Form P5) with Local Board.
2. Local Board determines whether the applicant has terminated employment prior to their normal retirement date by reason of temporary disability.
3. Local Board appoints Medical Board, pursuant to A.R.S. Section 38-847.D.9, to perform an independent medical evaluation of the applicant.
4. Local Board forwards a copy of claimant's Application for Temporary Disability, which includes a Medical Release Authorization for prior treatment records, and a copy of the applicant's medical records to the appointed Medical Board. The Local Board should request the Medical Board to specifically address the following statutory requirements for an award of Temporary Disability in its report to the Local Board:
  - a. Does the claimant have a physical or mental condition which totally and temporarily prevents him from performing a reasonable range of duties within his department? (A.R.S. Section 38-842.41) Providing the Medical Board with a description of the duties required of police or fire fighters with the particular employer should help the Medical Board address this issue. The anticipated duration of the claimant's disability to perform a reasonable range of duties should be less than twelve months and should be so stated in the medical evaluation.
  - b. Was the disabling injury or condition incurred in the performance of claimant's duty as a police officer or fire fighter? (A.R.S. Section 38-842.41) Any departmental accident reports or documentation of an on-the-job injury should be provided to the Medical Board.
5. After receipt of the Medical Board's medical evaluation, the Local Board sets a meeting to consider the claimant's application and the Medical Board's report. The Local Board will need to make a determination on each of the two issues presented to the Medical Board above. A.R.S. Section 38-859.C requires that a Local Board's "finding of disability shall be based on medical evidence by a doctor or clinic appointed by the local board...which establishes a temporary disability." Any motion to approve or disapprove a claimant's application for Temporary Disability should include a reference to the Medical Board evaluation upon which the determination is based. A Local Board can consider any medical evidence that the claimant may want to provide; however, the statute is clear that an award of a Temporary Disability shall be based on the appointed Medical Board's evaluation. Material conflicts in medical evidence shall be resolved by the findings of the Local Board. (A.R.S. Section 38-859.C) Disability determinations by the State Comp Fund or other workers' compensation bodies are not binding on the Local Board.
6. Once an Application for Temporary Disability is approved, the Local Board Chairman or Secretary completes the qualification portion on the Form P5 and forwards it to the Fund Manager's office together with completed Forms P11D, P12 and 13, A-4P, W-4P, Form P8 (optional) and supporting documentation (birth certificates, marriage certificates, etc.) along with a copy of the Local Board meeting minutes approving the temporary disability. The Local Board should also forward to the Fund Manager copies of all medical evidence including the Independent Medical Evaluation considered by the Local Board in reaching its decision. If conflicts in medical evidence were resolved by the Local Board, the minutes forwarded to the Fund Manager should explain how such conflicts were resolved. (A.R.S. Section 38-847.M)
7. Appeals for Rehearing of a Local Board's decision may be requested by the claimant or Fund Manager as set forth in A.R.S. Section 38-847.H.
8. Payment of a Temporary Disability pension shall commence as of the first day of the month following the date of disability or the expiration of a period during which the member is receiving compensation and sick leave payments, whichever is later. The last payment shall be made as of the first day of the month in which either the death of the member occurs or the Local Board deems the member is no longer under Temporary Disability, whichever occurs first, provided that NO MORE THAN TWELVE MONTHLY TEMPORARY DISABILITY PAYMENTS shall be made in total to the member. (A.R.S. Section 38-844.J) The monthly temporary disability pension amount is equal to one-twelfth of fifty per cent of his annual benefit compensation received immediately prior to the date on which his disability was incurred.
9. If upon the expiration of a Temporary Disability pension the Local Board finds upon application that the member has an Accidental or Ordinary Disability, the member shall thereupon be eligible for an Accidental or Ordinary Disability pension. (A.R.S. Section 38-844.K)

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM****ORDINARY DISABILITY CHECKLIST**

1. Applicant files Application for Ordinary Disability (Form P5) with Local Board.
2. Local Board determines whether the applicant has filed the application after the disabling incident or within one year after the date the member ceases to be an employee. 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.
3. Local Board appoints Medical Board, pursuant to A.R.S. Section 38-847.D.9, to perform an independent medical evaluation of applicant.
4. Local Board forwards a copy of claimant's Application for Ordinary Disability, which includes a Medical Release Authorization for prior treatment records, and a copy of the applicant's medical records to the appointed Medical Board. The Local Board should request the Medical Board to specifically address the following statutory requirements for an award of Ordinary Disability in its report to the Local Board:
  - a. (1) Does the claimant have a PHYSICAL CONDITION which totally and permanently prevents him from performing a reasonable range of duties within his department? (A.R.S. Section 38-842.29) Providing the Medical Board with a description of the duties required of police or fire fighters with the particular employer should help the Medical Board address this issue.

**OR**

- a. (2) Does the claimant have a MENTAL CONDITION which totally and permanently prevents him from engaging in any substantial gainful activity? (A.R.S. Section 38-842.29)
  - b. Does the claimant's disability result from a physical or mental condition or injury that existed or occurred prior to the member's date of membership in the PSPRS? (A.R.S. Section 38-844.D.3)
5. After receipt of the Medical Board's medical evaluation, the Local Board sets a meeting to consider the claimant's application and the Medical Board's report. The Local Board will need to make a determination on each of the issues presented to the Medical Board above. A.R.S. Section 38-859.C requires that a Local Board's "finding of ordinary disability shall be based on medical evidence by a doctor or clinic appointed by the local board...which establishes an ordinary disability." Any motion to approve or disapprove a claimant's application for Ordinary Disability should include a reference to the Medical Board evaluation upon which the determination is based. A Local Board can consider any medical evidence that the claimant may want to provide; however, the statute is clear that an award of an ordinary disability shall be based on the appointed Medical Board's evaluation. Material conflicts in medical evidence shall be resolved by the findings of the Local Board. (A.R.S. Section 38-859.C) Disability determination by the State Comp Fund or other workers' compensation bodies are not binding on the Local Board.
6. Once an Application for Ordinary Disability is approved, the Local Board Chairman or Secretary completes the qualification portion on the back of Form P5 and forwards it to the Fund Manager's office together with completed Forms P11D, P12 and 13, A-4P, W-4P, Form P8 (optional) and supporting documentation (birth certificates, marriage certificates, etc.) along with a copy of the Local Board meeting minutes approving the ordinary disability. The Local Board should also forward to the Fund Manager copies of all medical evidence including the Independent Medical Evaluation considered by the Local Board in reaching its decision. If conflicts in medical evidence were resolved by the Local Board, the minutes forwarded to the Fund Manager should explain how such conflicts were resolved. (A.R.S. Section 38-847.M)
7. Appeals for Rehearing of a Local Board's decision may be requested by the claimant or Fund Manager as set forth in A.R.S. Section 38-847.H.

8. Payment of an 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 prior to his normal retirement date, the first day of the month in which disability ceases. (A.R.S. Sections 38-844.B and 38-842.36)
9. The monthly ordinary disability pension amount is based on the claimant's actual credited service. The retiree receives a monthly amount equal to 50% of the member's average monthly salary multiplied by years of credited service and divided by twenty. (A.R.S. Section 38-845.C)
10. Ordinary disability shall be considered to have ceased and an ordinary disability pension terminates if the member:
  - a. Has sufficiently recovered in the opinion of the Local Board, based on medical evidence from a Medical Board appointed by the Local Board, to be able to engage in a reasonable range of duties within his department and the member refuses an offer of employment by an employer in the system; or
  - b. Refuses to undergo any medical examination requested by the Local Board (cannot be requested more than once in any calendar year). (A.R.S. Section 38-844.E)

This section does not apply after the disability retiree's normal retirement date.

11. An ordinary disability pension shall be reduced in the period prior to the member's normal retirement date if the member engages in any employment. The amount of the reduction shall be equal to the difference between the member's income from employment and the member's pension. Local Boards will need to request W-2s or earned income statements from each ordinary disability retiree as soon as possible after the beginning of each calendar year until the retiree reaches his normal retirement date. The offset for income from employment will need to be considered and approved by the Local Board as required and written instructions pertaining to the offset should be forwarded to the Fund Manager's office as soon as possible so the suspension or reduction of monthly pension can be promptly effected. If a disability retiree refuses to provide the Local Board with earned income information, the Local Board may suspend the retiree's pension. (A.R.S. Section 38-844.H)

## PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

### CATASTROPHIC DISABILITY CHECKLIST

1. Applicant files Application for Catastrophic Disability (Form P5) with Local Board.
2. Local Board determines whether the applicant has filed the application after the disabling incident or within one year after the date the member ceases to be an employee. A member is eligible for a catastrophic disability pension if the member's employment is terminated by reason of catastrophic disability.
3. Local Board appoints Medical Board, pursuant to A.R.S. Section 38-847.D.9, to perform an independent medical evaluation of applicant.
4. Local Board forwards a copy of claimant's Application for Catastrophic Disability, which includes a Medical Release Authorization for prior treatment records, and a copy of the applicant's medical records to the appointed Medical Board. The Local Board should request the Medical Board to specifically address the following statutory requirements for an award of Catastrophic Disability in its report to the Local Board:
  - a. Does the claimant have a physical condition which totally and permanently prevents him from engaging in any gainful employment? (A.R.S. Section 38-842.7)
  - b. Does the claimant's disability result from a physical condition or injury that existed or occurred prior to the claimant's date of membership in the PSPRS? (A.R.S. Section 38-844.D.3)
  - c. Was the disabling condition or injury incurred in the performance of claimant's duty as a police officer or fire fighter? (A.R.S. Section 38-842.7) Any departmental accident reports or documentation of an on-the-job injury should be provided to the Medical Board.
5. After receipt of the Medical Board's medical evaluation, the Local Board sets a meeting to consider the claimant's application and the Medical Board's report. The Local Board will need to make a determination on each of the three issues presented to the Medical Board above. A.R.S. Section 38-859.C requires that a Local Board's "finding of...catastrophic disability shall be based on medical evidence by a physician or clinic appointed by the local board...that establishes the disability." Any motion to approve or disapprove a claimant's application for Catastrophic Disability should include a reference to the Medical Board evaluation upon which the determination is based. A Local Board can consider any medical evidence that the claimant may want to provide; however, the statute is clear that an award of an catastrophic disability shall be based on the appointed Medical Board's evaluation. Material conflicts in medical evidence shall be resolved by the findings of the Local Board. (A.R.S. Section 38-859.C) Disability determinations by the State Comp Fund or other workers' compensation bodies are not binding on the Local Board.
6. Once an Application for Catastrophic Disability is approved, the Local Board Chairman or Secretary completes the qualification portion on the back of Form P5 and forwards it to the Fund Manager's office together with completed Forms P11D, P12 and 13, A-4P, W-4P, Form P8 (optional) and supporting documentation (birth certificates, marriage certificates, etc.) along with a copy of the Local Board meeting minutes approving the catastrophic disability. The Local Board should also forward to the Fund Manager copies of all medical evidence including the Independent Medical Evaluation considered by the Local Board in reaching its decision. If conflicts in medical evidence were resolved by the Local Board, the minutes forwarded to the Fund Manager should explain how such conflicts were resolved. (A.R.S. Section 38-847.M)
7. Appeals for Rehearing of a Local Board's decision may be requested by the claimant or Fund Manager as set forth in A.R.S. Section 38-847.H.
8. Payment of a catastrophic 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 the disability ceases because the member has sufficiently recovered and is able to engage in gainful employment. (A.R.S. Section 38-844.F and 38-842.36) The monthly catastrophic disability pension amount is ninety per cent of the member's average monthly benefit compensation for the first sixty months. Thereafter, the local board shall reevaluate the member. If the member still qualifies for a catastrophic disability, the benefit is reduced to either sixty-two and one-half per cent of the member's average monthly benefits compensation or computed in the same

manner as a normal pension using the member's actual credited service, whichever is greater. (A.R.S. Section 38-845.E)

9. Catastrophic disability shall be considered to have ceased and a catastrophic disability pension terminates if:
  - a. The local board determines that the member has sufficiently recovered and is able to engage in gainful employment based on a medical examination by a physician or a clinic appointed by the local board; or
  - b. Refuses to undergo any medical examination requested by the Local Board (cannot be requested more than once in any calendar year) (A.R.S. Section 38-844.F)
10. A member whose catastrophic disability pension is terminated may apply for and if eligible is entitled to receive an accidental disability pension. (A.R.S. Section 38-844.F)

## PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

### STRESS DISABILITY LEGAL GUIDELINES

Excerpts from the Arizona Court of Appeals Decision in Wills -v- Pima County Public Safety Personnel Retirement Board 154 Ariz. 435 (1987) regarding emotional stress disability applicants:

This decision requires an interpretation of A.R.S. Section 38-842 as it existed in 1970.

#### 38-842. Definitions

In this article, unless the context otherwise requires:

1. "Accidental disability" means a physical or mental condition which, in the judgment of the board, totally and presumably permanently prevents an employee from performing his regularly assigned duties and was incurred in the performance of his duty. A determination of disability shall be based on medical evidence satisfactory to the board.

What did the legislature intend by the words, "incurred in the performance of his duty?" Although "incurred" has many definitions, we believe that in the context of the statute defining "accidental disability" it can only mean "to occur as a result." Webster's Third New International Dictionary Unabridged at 1146 (1971). Therefore, entitlement to an accidental disability pension depends on evidence sufficient to establish a causal relationship between Wills' disability and his duties as a police officer.

Wills' medical expert testified that his job stress contributed to his condition but could not give an opinion as to any degree of contribution.... "We are prevented from re-weighing the evidence, and since there was substantial evidence to support the determination of no causal connection by the retirement board and the trial court, we must affirm...."

Wills argues that he is entitled to a disability pension "if (his) work as a police officer aggravates a condition to the extent it

"becomes disabling" and "the statute does not state that a mental or physical condition must be 'caused' by the policeman's work, but says it must be incurred in policeman's work." Wills supports this argument by citing cases involving workers' compensation...."

Workers' compensation is a statutory scheme peculiar to employer/employee relationships which has as its purpose compensation for work-related occurrences without regard to fault. The pension plan involved here is unrelated to workers' compensation and is a fund from which retired police officers are paid benefits after termination of employment and fulfillment of all statutory requirements by the member for the pension, A.R.S. Sections 38-841 and 38-842(19). It provides for payment of benefits before qualifying for normal retirement if a member is accidentally disabled. A.R.S. Section 38-842(1). Although Arizona workers' compensation cases are based on a very liberal interpretation of medical causation in order to entitle a worker to benefits, they are useful in assisting us in our determination that "incurred in the performance of his duty" means proof of a causal relationship between the disability and duties as a police officer. Arizona workers' compensation cases have held that heart-related disabilities allegedly caused by job stress are not compensable unless the job stress was a substantial contributing cause of the heart-related illness. A.R.S. Section 23-1043.01(a) See also Skyview Cooling Co. -v- Industrial Commission, 142 Ariz. 554, 559, 691 P.2d 320, 325 (App. 1984) (more than insubstantial or slight); Bush -v- Industrial Commission, 136 Ariz. 522, 524, 667 P.2d 222,224 (1983) (requiring a recognizable causal connection showing that the exertions or work of the job precipitated the heart attack): Sloss -v- Industrial Commission, 121 Ariz. 10, 588 P.2d 303 (1978) (exposure to nothing other than the usual, ordinary and expected incidents of a job as highway patrolman is not compensable)....

Causal connection means more than just a contribution factor.... The medical witnesses either could not find any causal connection between Wills' duties as a police officer and his heart condition or found that the job was only an

insignificant contributing factor. Therefore, there was sufficient medical evidence to support the finding of the retirement board and the superior court that Wills was not entitled to a permanent disability pension under the provisions of A.R.S. Section 38-842 because his job stress neither caused nor contributed to his heart condition or there was no causal connection between his employment and his heart condition.

## PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

### DUE PROCESS GUIDELINES FOR DISABILITY REHEARINGS

The interest of an applicant in obtaining a disability benefit, if he meets the qualifications, has generally been held to be a property interest entitled to due process protections, including some form of rehearing right.

A.R.S. Section 38-847 provides, in part, as follows:

G. Any action by a majority vote of the members of a local board which is not inconsistent with the provisions of the system shall be final, conclusive and binding upon all persons affected by it, unless a timely application for rehearing or appeal is filed as provided in this article.

H. A claimant or the fund manager may apply for rehearing before the local board within the time period prescribed in this subsection. An application for rehearing shall be filed in writing with a member of the local board or its secretary within sixty days after:

1. The applicant-claimant receives notification of the local board's original action by certified mail, by attending the meeting at which the action is taken or by receiving benefits from the system pursuant to the local board's original action, whichever occurs first.

2. The applicant-fund manager receives notification of the local board's original action by certified mail or by receipt of written directions from the local board pursuant to its original action, whichever occurs first.

I. A hearing before a local board on a matter remanded from the superior court is not subject to rehearing before the local board.

J. Decisions of local boards are subject to judicial review pursuant to Title 12, Chapter 7, Article 6.

The important aspect of the above referenced statutes are: first, the requirement of proper notice to the applicant-fund manager of the local board's original action; and second, the time period set for applying for a rehearing. The Arizona courts have construed these requirements quite literally.

The basic requirements for an adequate rehearing process are as follows:

#### 1. NOTICE OF OPPORTUNITY FOR REHEARING

A. Notice of Local Board's Original Action on Application with notification to the applicant of his statutory right to apply for a rehearing within the time period prescribed above. The PSPRS statute requires this notice to be by certified mail or the applicant's attendance at the Local Board meeting at which the action takes place.

B. Notice to Applicant of Scheduled Rehearing. This notice requirement for a rehearing is intended to insure that the applicant is made fully aware of the time, place and subject matter of the rehearing so as to have a reasonable opportunity to prepare his case. This second notice should also be by certified mail.

#### 2. TRANSCRIPTION OF REHEARING

Because of the likelihood of an adverse decision by the Local Board being challenged through the court system, all rehearsings should at least be tape recorded, if not transcribed, to preserve the record for possible appeal. In the event there is not an adequate record preserved of the rehearing, the Arizona courts have tended to grant a trial de novo (a new trial) at the Superior Court level to determine the applicant's eligibility for the disability. With an adequate record of the rehearing proceedings, an applicant can only challenge the Local Board's determination as "arbitrary and capricious"--a difficult legal standard to prove. With a trial de novo, the issue of the applicant's eligibility for the disability is reopened to a trial by judge or jury--a much more expensive proposition for the Local Board. The money spent on transcribing or recording the rehearing can be saved many times over in the event of an appeal to the Superior Court.

#### 3. AN IMPARTIAL DECISION MAKER

Due process requires that Local Board members make their decision on the basis of the medical evidence before them, not on the basis of personal prejudices and information obtained outside the scope of the rehearing. Extraneous personnel information should not be considered in determining the applicant's eligibility for a disability retirement. Any Local Board member should disqualify himself from the determination if he feels there is any type of conflict of interest.

#### 4. THE RIGHT TO PRESENT EVIDENCE AND ARGUMENT ORALLY

The fact that due process requires that the applicant be allowed a rehearing does not necessarily require a full-scale adversarial quasi-judicial hearing. It may be enough that the applicant has the opportunity to appear before the Local Board to present reasons why he is entitled to the disability retirement. The burden of proof for establishing the disability rests with the applicant.

The PSPRS statute effectively limits the evidence upon which the Local Board can base their determination in disability applications by prescribing "a finding of...disability shall be based on medical evidence by a doctor or clinic appointed by the local board pursuant to section 38-847.D.9 which establishes a...disability". (A.R.S. Section 38-842.1, 7, 29 and 41) These same statutes provide that "material conflicts in medical evidence shall be resolved by the findings of the local board". Therefore, although the Local Board can hear medical evidence from doctors other than the doctor appointed by the Local Board, they must base their determination on their designated doctor's report.

In some cases, the Local Board will be called on to make the determination of whether or not the disability is service-related. The Local Board can rely on lay information to make this determination if the designated doctor does not adequately address the issue.

In a case where the Local Board determines that their designated doctor may not have had access to new medical evidence provided at the rehearing by the applicant that may alter the designated doctor's opinion regarding the application, the Local Board can determine that the case is a "special case" and refer the new medical information for re-evaluation by the Local Board's designated doctor or refer the applicant to a new doctor designated by the Local Board pursuant to A.R.S. Section 38-847.D.9.

Disability hearings and rehearing are subject to Arizona's open meeting laws. However, the local boards should review and discuss a member's confidential medical records in executive session only. However, a final decision on a member's entitlement to benefits must be made in an open public meeting. See fund Manager Opinion 1998-2. To allow a member to present his case to the local board in an orderly manner and to prevent the necessity of having to go into executive session numerous times, the member may wish to waive the confidentiality requirements. This waiver is included in the disability application.

#### 5. THE RIGHT TO BE ACCOMPANIED BY COUNSEL

If the applicant chooses to be represented by an attorney at a rehearing, the Local Board should explain to the attorney the nature and procedure of the rehearing, so the attorney will know what to expect and how to prepare his case.

#### 6. THE RIGHT TO HAVE THE DETERMINATION BE BASED SOLELY UPON EVIDENCE ADDUCED AT THE REHEARING

All evidence being considered should be adequately identified during the rehearing--documents by date, title and author, as well as oral testimony. Any evidence not specifically documented in the transcript or record of the rehearing should not be considered in the Local Board's determination.

#### 7. A STATEMENT BY THE LOCAL BOARD OF THE REASONS FOR THEIR DECISION AND THE REHEARING EVIDENCE RELIED UPON FOR THAT PURPOSE

After the determination at the rehearing, the Local Board should again give formal written notice by certified mail to the applicant detailing the Local Board's decision and the evidence relied upon by the Local Board in reaching their decision. The minutes of the rehearing should also include specific findings of the Local Board supporting their decision with a thorough explanation of how the Local Board resolved any conflicts in the medical evidence.

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**

**A GUIDE TO PROCESSING AN ACCIDENTAL, CATASTROPHIC OR ORDINARY DISABILITY RETIREMENT**

*The following letters and procedures are intended to be a guide in processing an accidental, catastrophic or ordinary disability retirement under the Public Safety Personnel Retirement System.*

*You are free to use or modify these letters and procedures as you wish. They are not intended to supersede any current letters or procedures that you, as the Local Board, may have already implemented.*

**STEP I**

August 22, 2007

Re: Disability Application - Public Safety Personnel Retirement System

Dear Mr. Smith:

Per your request of this date, I am enclosing an Application for Disability Retirement (Form 5) and the applicable Public Safety Personnel Retirement System statutes pertaining to disability benefits available under the System. Please review the highlighted areas of the statutes provided and if you feel that you are eligible to apply for a disability pension, complete and return the application to my attention at the address above. Please be sure that you indicate on the form the type of disability for which you are applying.

Please be advised that the local board can review and discuss your confidential records only in executive session. However, a final decision on your entitlement to a disability benefit will be made in an open public meeting. To allow you to present your case to the local board in an orderly manner and to prevent the necessity of having to go into executive session numerous times, please complete the enclosed waiver of confidentiality on page 3 of Form P5, Application for Disability Retirement.

If you have any further questions regarding the above, do not hesitate to contact me.

Sincerely,

Local Board Secretary

Enclosures

STEP II

August 29, 2007

Re: Application for Disability Retirement - Public Safety Personnel Retirement System

Dear Mr. Smith:

The Public Safety Personnel Retirement System Local Board for the City of xxxx has received your Application for Disability Retirement dated August 28, 2007. We have recently requested copies of your medical files from the treating physicians that you listed on your application.

Pursuant to the statutes governing disability applications under the PSPRS, A.R.S. Section 38-859, subsection B, the Local Board requests that you be examined by Dr. Young, a specialist in occupational medicine, in order to provide the Local Board with an independent medical evaluation of your present condition. We have notified Dr. Young of our request and you will need to contact Dr. Young's office at your earliest convenience to set up an appointment for his examination. Costs of this examination will be billed directly to this office.

Dr. Young's office address and telephone number are as follows:

Dr. Young, M.D.  
123 East Cortez  
Phoenix, Arizona 85008  
(602) 296-9229

If you have any questions regarding this matter, do not hesitate to contact me.

Sincerely,

Local Board Secretary

Enclosure

STEP III

September 2, 2007

Dr. Jones, M.D.  
Southwest Disabilities  
650 Apuwai Place  
Tucson, Arizona

Re: Smith - Application for Disability Retirement - Public Safety Personnel Retirement System

Dear Doctor Jones:

Pursuant to the attached Medical Authorization, request is hereby made for copies of any and all information, records, reports and x-rays regarding your past medical treatment of the above-named patient. This person has applied for a medical disability retirement under our retirement program and, by statute, the Local Board is required to base its determination of eligibility on medical information from a physician appointed by the Local Board. In this case, the Local Board has appointed the following doctor to examine the applicant:

Dr. Young, M.D.  
123 Cortez  
Phoenix, Arizona 85008

Please forward the requested medical information at your earliest convenience directly to my attention at 500 East Chandler, Phoenix, Arizona 85014. Please bill any costs associated with making copies of the requested medical information directly to this office.

Sincerely,

Local Board Secretary

Enclosure

STEP IV

September 9, 2007

Dr. Young, M.D.  
123 Cortez  
Phoenix, AZ 85008

Re: Mr. Smith - Disability Application - Public Safety Personnel Retirement System

Dear Doctor Young:

I represent the City of xxxx Public Safety Personnel Retirement System Local Board, a retirement system for city police officers and firefighters.

Mr. Smith, a \_\_\_\_\_ for the city of xxxx, has recently applied for a medical disability retirement under the Public Safety Personnel Retirement System. On behalf of the Local Board, I hereby request that you conduct a medical evaluation of Mr. Smith in order to determine his eligibility for such a medical disability. Please bill all costs of the evaluation directly to this office at the above address.

I am enclosing a copy of Mr. Smith's Application for Disability Retirement dated August 8, 2007. I will request copies of all prior medical information, records, reports and x-rays relating to Mr. Smith's physical or mental condition and treatment from the physicians he has listed on his disability application and forward this information to you as soon as I receive it.

I am also enclosing a copy of the pertinent statutes relating to Mr. Smith's eligibility for a disability retirement and request that you address the following statutory criteria in your medical evaluation:

*(NOTE: If the member is applying for an ordinary, catastrophic or temporary disability, use the applicable legal standard)*

1. Does Mr. Smith have a physical or mental condition which totally and permanently prevents him from performing a reasonable range of duties within the employee's job classification? For your information I am enclosing a copy of the duties which are required of a \_\_\_\_\_ for the city of xxxx.
2. Do you feel that Mr. Smith's disabling condition or injury was incurred in the performance of Mr. Smith's duty as a \_\_\_\_\_?
3. Does Mr. Smith's disability result from a physical condition or injury that existed or occurred before the claimant's date of membership in the PSPRS? For your information, Mr. Smith began employment with the city as a full-time \_\_\_\_\_ on August 1, 1992.

Tony Young, M.D.

September 9, 2007

Page -2-

In your written evaluation of Mr. Smith's condition, feel free to give a narrative of Mr. Smith's past medical history, the incidents leading to his injury for which he seeks medical retirement, and his current medical condition. The Local Board is required by law to base its decision on whether or not to grant Mr. Smith a medical retirement based on medical evidence by a doctor appointed by the Local Board. For this reason, it is imperative that you answer the three questions posed above. For your convenience, I am enclosing an accidental disability retirement questionnaire that you can complete and sign.

I am simultaneously mailing a letter to Mr. Smith instructing him to contact your office at his earliest convenience to set up an appointment to be examined by you.

If you have any questions regarding this matter, do not hesitate to contact me.

Sincerely,

Local Board Secretary

Enclosures

ACCIDENTAL DISABILITY RETIREMENT QUESTIONNAIRE

(NOTE: If the member is applying for an ordinary, catastrophic or temporary disability, use the applicable legal standard)

PATIENT'S NAME: \_\_\_\_\_

DATE OF EXAMINATION: \_\_\_\_\_

**IMPORTANT:** THIS EVALUATION MUST BE PERFORMED BY A MEDICAL DOCTOR WHO IS **NOT** AN EMPLOYEE OR CONTRACTEE OF THE EMPLOYER.

1. Does the claimant have a (circle which applies) physical or mental condition which totally and permanently prevents him from performing a reasonable range of duties within his job classifications?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Does the claimant's disability result from a (circle which applies) physical or mental condition or injury that existed or occurred before the claimant's date of membership in the PSPRS?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Was the disabling condition or injury incurred in the performance of claimant's duty as a (circle which one applies) police officer or fire fighter?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PHYSICIAN'S SIGNATURE: \_\_\_\_\_

TEMPORARY DISABILITY RETIREMENT QUESTIONNAIRE

(NOTE: If the member is applying for an accidental, ordinary, or catastrophic disability, use the applicable legal standard)

PATIENT'S NAME: \_\_\_\_\_

DATE OF EXAMINATION: \_\_\_\_\_

**IMPORTANT:** THIS EVALUATION MUST BE PERFORMED BY A MEDICAL DOCTOR WHO IS **NOT** AN EMPLOYEE OR CONTRACTEE OF THE EMPLOYER.

1. Does the claimant have a (circle which applies) physical or mental condition which totally and temporarily prevents him from performing a reasonable range of duties within his department?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Was the disabling injury or condition incurred in the performance of claimant's duty as a (circle which one applies) police officer or fire fighter?

\_\_\_\_\_  
\_\_\_\_\_  
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PHYSICIAN'S SIGNATURE: \_\_\_\_\_

ORDINARY DISABILITY RETIREMENT QUESTIONNAIRE

(NOTE: If the member is applying for an accidental, catastrophic or temporary disability, use the applicable legal standard)

PATIENT'S NAME: \_\_\_\_\_

DATE OF EXAMINATION: \_\_\_\_\_

**IMPORTANT:** THIS EVALUATION MUST BE PERFORMED BY A MEDICAL DOCTOR WHO IS **NOT** AN EMPLOYEE OR CONTRACTEE OF THE EMPLOYER.

1A Does the claimant have a PHYSICAL CONDITION which totally and permanently prevents him from performing a reasonable range of duties within his department? OR

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1B Does the claimant have a MENTAL CONDITION which totally and permanently prevents him from engaging in any substantial gainful activity?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Does the claimant's disability result from a (circle which applies) physical or mental condition or injury that existed or occurred before the claimant's date of membership in the PSPRS?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PHYSICIAN'S SIGNATURE: \_\_\_\_\_

CATASTROPHIC DISABILITY RETIREMENT QUESTIONNAIRE

(NOTE: If the member is applying for an accidental, ordinary or temporary disability, use the applicable legal standard)

PATIENT'S NAME: \_\_\_\_\_

DATE OF EXAMINATION: \_\_\_\_\_

**IMPORTANT:** THIS EVALUATION MUST BE PERFORMED BY A MEDICAL DOCTOR WHO IS **NOT** AN EMPLOYEE OR CONTRACTEE OF THE EMPLOYER.

1. Does the claimant have a physical condition which totally and permanently prevents him from engaging in any gainful employment?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Does the claimant's disability result from a physical condition or injury that existed or occurred before the claimant's date of membership in the PSPRS?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Was the disabling condition or injury incurred in the performance of claimant's duty as a (circle which one applies) police officer or fire fighter?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PHYSICIAN'S SIGNATURE: \_\_\_\_\_

STEP V

September 30, 2007

Re: Application for Disability Retirement - Public Safety Personnel Retirement System

Dear Mr. Smith:

Please be advised that the matter of your Application for Disability Retirement, based on a disability related to your back injury, is scheduled to be heard at the next regular meeting of the Local Board scheduled for 1:00 p.m. on October 14, 2007, at city hall, 123 E. North Street, Ocotillo, Arizona. A copy of the notice and the agenda for the meeting is enclosed.

A copy of Doctor Young's medical report, on which the Local Board will base their decision to approve or deny your application, is enclosed for your information. I would estimate that your matter will not be heard prior to 1:30 p.m.

At the hearing, the Local Board will convene in open session to consider your application. In making their determination, the Local Board will consider and discuss the medical evidence as well as other evidence that has been presented to them. Please be advised that the local board will discuss your confidential medical records only in executive session unless you have previously executed a waiver of confidentiality.

At the hearing, you may present any witnesses or evidence that you desire. I request that you submit any additional medical evidence to me as soon as possible so that this evidence can be given to the board members in advance of the meeting.

Although the board members will be supplied all the available medical evidence prior to the hearing, they will not discuss that evidence or meet about it before the meeting. The board members will actually discuss the medical evidence only at the hearing and you may be present during the open meeting discussion.

At the conclusion of the hearing, the board members will vote in open session on whether your Accidental Disability Application should be approved or denied.

If you have any further questions in this matter, please feel free to contact me.

Sincerely,

Local Board Secretary

Enclosures