
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
SUMMARY OF BENEFITS

10/2011

Summary Topics

Average Monthly Benefit Compensation
Benefit Increase / Cost of Living Adjustment (COLA)
Cancer Insurance
Contributions
Credited Service
Death Benefits
Disabilities
Divorce / Domestic Relations Order
DROP (Deferred Retirement Option Plan)
Eligibility

Health Insurance
Joinders
Purchase of Handgun or Shotgun
Refund
Retirement and Deferred Annuity
Return to Work after Retirement
Service Purchase
Taxation of Retirement Benefits
Transfers

Average Monthly Benefit Compensation

Employees who became a member of the System on or before December 31, 2011: An average of your highest **36** consecutive months of compensation (salary) within the last 20 years of credited service A.R.S. § 38-842 (7).

Employees who became a member of the System on or after January 1, 2012: An average of your highest **60** consecutive months of compensation (salary) within the last 20 years of credited service. A.R.S. § 38-842 (7).

Compensation includes base wages, shift and military differential wage pay, compensatory time used by an employee in lieu of overtime not otherwise paid by an employer, holiday and overtime pay that is paid to an employee by the employer on a regular monthly, semi-monthly, or biweekly payroll basis as well as any longevity pay paid to an employee at least every six months for which contributions are made to the system. For the purposes of computing retirement benefits, compensation does not include unused sick leave, unused compensatory time, payment in lieu of vacation, "fringe" benefit pay (such as uniform allowance, cell phone or mileage reimbursement) and any payments made directly or indirectly by the employer to the employee for work performed for a third party on a contracted basis except for third party contracts in certain situations. A.R.S. § 38-842(12).

Benefit Increase / Cost of Living Adjustment (COLA)

A retired member or survivor of a retired member may receive an increase (COLA) from the System if monies are available (See A.R.S. § 38-856). However, effective July 1, 2013 (A.R.S. § 38-856.02) and each July 1 thereafter, as long as there are no monies left to pay under the old COLA structure (See A.R.S. § 38-856 and Section 62), a COLA will be issued as long as the following criteria have been met:

- Retired members who became a member on or before December 31, 2011, or the survivor of a retired member, was receiving benefits on or before July 31 of the two previous years, OR was 55 or older on July 1 of the current year and receiving benefits on or before July 31 of the previous year.
- Retired members who became a member on or after January 1, 2012, or the survivor of a retired member, was 55 or older on July 1 of the current year and is receiving benefits, OR the retired member was under 55 on July 1 of the current year, was receiving an accidental disability or a catastrophic disability retirement benefit and was receiving benefits on or before July 31 of the two previous years, OR a survivor was under

55 on July 1 of the current year, is the survivor of a member who was killed in the line of duty and was receiving benefits on or before July 31 of the two previous years.

The increase will be calculated based on (if there are insufficient earnings to cover the maximum increases, the percentage increase is limited to the earnings available):

- If the ratio of the actuarial value of assets to liabilities is 60-64% and the total return is more than 10.5% for the prior fiscal year, 2% maximum increase to all eligible retirees and survivors.
- If the ratio of the actuarial value of assets to liabilities is 65-69% and the total return is more than 10.5% for the prior fiscal year, 2.5% maximum increase to all eligible retirees and survivors.
- If the ratio of the actuarial value of assets to liabilities is 70-74% and the total return is more than 10.5% for the prior fiscal year, 3% maximum increase to all eligible retirees and survivors.
- If the ratio of the actuarial value of assets to liabilities is 75-79% and the total return is more than 10.5% for the prior fiscal year, 3.5% maximum increase to all eligible retirees and survivor.
- If the ratio of the actuarial value of assets to liabilities is 80% or more and the total return is more than 10.5% for the prior fiscal year, 4% maximum increase to all eligible retirees and survivors

From and after December 31, 2015, legislature may enact permanent one-time benefit increases after an analysis of the effect of the increase on the System by the Joint Legislative Budget Committee (JLBC). A.R.S. § 38-856.03.

Cancer Insurance

A cancer insurance program administrated by the PSPRS for eligible fire fighters and peace officers. A.R.S. §§ 38-641 through 38-645.

Contributions

Through June 30, 2011, each member shall contribute 7.65% of compensation to the System on a pre-tax basis by payroll deduction. After July 1, 2011, each member shall contribute 8.65% of compensation to the System on a pre-tax basis by payroll deduction. The contribution rate for members will increase each fiscal year. A.R.S. § 38-843(E).

Credited Service

The member's total period of service for which the member made contributions to the PSPRS. A.R.S. § 38-842(13).

Death Benefits

ACTIVE Member:

- Spouse's Pension

The surviving spouse of an active member will receive a lifetime monthly benefit of 80% of the pension based on the calculation for an accidental disability retirement. If the member was killed in the line of duty, the spouse will receive a lifetime monthly benefit of 100% of the member's average monthly benefit compensation less the "Child's Pension" stated below (if applicable). A.R.S. § 38-846,

AND

- Child's Pension

The surviving eligible child(ren) under the age of 18 will receive 20% of the pension each month based on the calculation for an accidental disability retirement until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23. Note: No more than 10% per child and if more than two children, equal shares of the 20%. A.R.S. §§ 38-842(23) and 38-846,

OR

- Guardian Benefit

If there is no surviving spouse and there is at least one eligible child, a guardian benefit of 80% of the member's pension and the Child's Pension will be paid to the guardian of the eligible child(ren) until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23.

If the member was killed in the line of duty, the guardian benefit is 100% of the member's average monthly benefit compensation (less the Child's Pension if applicable).

If a guardian benefit is paid to a disabled child (the child's disability occurred prior to the age of 23) and remains a dependent of the guardian, the benefit is payable to the guardian or conservator for the lifetime of the child. A.R.S. § 38-842(23) and 38-846,

OR

- Balance of Contributions

If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the member's accumulated contributions. A.R.S. § 38-846(l).

Note: Divorce automatically terminates the ex-spouse as the member's beneficiary. To maintain an ex-spouse as a beneficiary, you **must** complete a *Beneficiary Designation Form* after the date of the divorce.

INACTIVE Member (non-contributing status at the time of death):

- Balance of Contributions

If the member was inactive, the member's named beneficiary on file will receive the member's accumulated contributions. A.R.S. §§ 38-842(31) and 38-846(l).

Note: Divorce automatically terminates the ex-spouse as the member's beneficiary. To maintain an ex-spouse as a beneficiary, you **must** complete a *Beneficiary Designation Form* after the date of the divorce.

RETIRED Member:

- Spouse's Pension

The surviving spouse of a retired member will receive 80% of the member's pension benefit for lifetime. Requires two consecutive years of marriage at time of death. A.R.S. § 38-846,

AND

- Child's Pension

The surviving eligible child(ren) under the age of 18 will receive 20% of the member's pension each month until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23. Note: No more than 10% per child and if more than two children, equal shares of the 20%. A.R.S. §§ 38-842(23) and 38-846,

OR

- **Guardian Benefit**

If there is no surviving spouse and there is at least one eligible child, a guardian benefit of 80% of the member's pension and the Child's Pension will be paid to the guardian of the eligible child(ren) until the child turns 18, or until the age of 23 if attending full-time school between the ages of 18 and 23.

If a guardian benefit is paid to a disabled child (the child's disability occurred prior to the age of 23) and remains a dependent of the guardian, the benefit is payable for the lifetime of the child. A.R.S. § 38-842(23) and 38-846,

OR

- **Balance of Contributions**

If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the balance of the member's accumulated contributions less the pension payments made to the member. If there is no beneficiary, the balance of the member's accumulated contributions will be paid to the legal representative of the last surviving individual who was being paid the benefit. A.R.S. § 38-846(l).

Note: Divorce automatically terminates the ex-spouse as the member's beneficiary. To maintain an ex spouse as a beneficiary, you **must** complete a *Beneficiary Designation Form* after the date of the divorce.

Disabilities

- **Accidental**

A physical or mental condition which totally and permanently prevents an employee from performing a reasonable range of duties within the employee's job classification that was incurred in the performance of the employee's duties and was not the result of a physical or mental condition or injury that existed or occurred before the employee's date of membership in the System. A.R.S. §§ 38-842(1) and 38-844.

Eligibility for an accidental disability will be determined by the Local Board upon an independent medical examination. The monthly benefit is 50% of the member's average monthly compensation, or the normal pension amount, whichever is greater. (There is no credited service requirement.) The Local Board may require periodic medical re-evaluations and the accidental disability may terminate if the Local Board finds the member no longer meets the requirements for the disability benefit and refuses an offer of employment by an employer in the system. A.R.S. §§ 38-844 and 38-845.

- **Catastrophic**

A physical (not mental) condition or injury that totally and permanently prevents an employee from engaging in any gainful employment that was incurred in the performance of the employee's duties and that did not exist or occur before the employee's date of membership in the System. A.R.S. §§ 38-842(8) and 38-844.

Eligibility for a catastrophic disability will be determined by the Local Board upon an independent medical examination. The monthly benefit is 90% of average monthly benefit compensation for first 60 months then reduced to either 62.5% of the average monthly benefit compensation, or normal pension amount, whichever is greater. (There is no credited service requirement.) The Local Board may require periodic medical re-evaluations and the catastrophic disability may terminate if the Local Board finds the member no longer meets the requirements for the disability benefit. A.R.S. §§ 38-844 and 38-845 and Section 11.

- **Ordinary**

A physical condition that totally and permanently prevents an employee from performing a reasonable range of duties within the employee's department, or a mental condition that totally and permanently prevents the employee from engaging in any substantial gainful activity. The physical or mental condition or injury did not occur before the employee's date of membership in the System. A.R.S. §§ 38-842(34) and 38-844.

Eligibility for an ordinary disability will be determined by the Local Board upon an independent medical examination. The monthly benefit is a percentage of normal retirement based on the employee's years of credited service divided by 20. The Local Board may require periodic medical re-evaluations and the ordinary disability may terminate if the Local Board finds that the member no longer meets the requirements for the disability benefit and refuses an offer of employment by an employer in the system. A.R.S. §§ 38-844 and 38-845.

- **Temporary**

A physical or mental condition that totally and temporarily prevents an employee from performing a reasonable range of duties within the employee's department and that was incurred in the performance of the employee's duties. The monthly benefit is one-twelfth of 50% of annual compensation at time of disability. (There is no credited service requirement.) The disability pension will be paid for no more than 12 months, or if the member returns to work, or if the Local Board deems the member is no longer under temporary disability, whichever occurs first. The member must terminate employment to receive this benefit. A.R.S. §§ 38-842(46), 38-844 and 38-845.

Divorce / Domestic Relations Order (DRO)

If the member has been involved in a divorce(s), please provide the PSPRS with a complete copy of the Divorce Decree(s) and any attachments or exhibits if referenced in the Decree(s). Upon receipt, additional correspondence will be provided to the parties. If the retirement account is required to be split, a Domestic Relations Order (DRO) will need to be prepared. To ensure that the language in the DRO is acceptable, it is recommended to provide the PSPRS with a draft copy of the DRO for review and approval prior to submitting it to the court. A.R.S. § 38-860.

DROP (Deferred Retirement Option Plan)

Employees who became a member before January 1, 2012 and have at least 20 years of credited service may voluntarily and irrevocably enter into the DROP program with the employer for a period of up to 60 months (5 years). The member's monthly benefit is calculated based upon the years of credited service and average monthly compensation at the beginning of the DROP period and that same amount is credited to the DROP account with interest (which will change each fiscal year). Effective July 1, 2011, the interest rate is 8.0% through June 30, 2012. During the DROP period, the member remains as a full-time employee and contributions will not be paid by the employee or the employer and the employee will not earn any additional credited service. At the end of the 60 months (or prior to that time), the member must terminate employment and the monies in the DROP account will then be paid as a lump-sum to the member or as a rollover. The member will then begin receiving the monthly retirement benefit - which is the same amount that was calculated at the beginning of DROP. A.R.S. §§ 38-842, 38-844.02 through 38-844.09.

Employees who became a member before January 1, 2012 and have less than 20 years of credited service on January 1, 2012 and, when eligible, elects to participate in DROP will receive an interest rate that is equal to the average annual return of the system – minimum 2%; maximum assumed earnings rate. The employee will make contributions to the System during DROP period equivalent to employee contributions outlined above pursuant to A.R.S. § 38-843.

Employees who became a member on or after January 1, 2012 are not eligible to participate in DROP.

DROP Beneficiary

If a member dies while in DROP, the accrued DROP monies will be paid to the named DROP beneficiary(ies) on file via the *DROP Beneficiary Designation* form.

Note: Divorce automatically terminates the ex-spouse as the member's beneficiary. To maintain an ex-spouse as a beneficiary, you **must** complete a *Beneficiary Designation Form* after the date of the divorce.

Eligibility

Police officers who are certified peace officers and fire fighters are eligible to participate in the PSPRS if the employee's customary employment is for at least 40 hours per week for more than 6 months in a calendar year and

are regularly assigned to hazardous duties. Retroactive to January 1, 2011, police and fire chiefs are eligible to participate in the PSPRS. A.R.S. § 38-842 (24 and 31).

Health Insurance

Pursuant to A.R.S. §§ 38-857, 38-651.01 and 38-782, retirees and survivors under the System that elect group health insurance and/or accident insurance coverage through the Arizona State Retirement System group plan (ASRS), the Arizona Department of Administration (ADOA) group plan, or a group plan through an employer of the PSPRS or CORP plans, the System will pay up to the following amount Premium Benefit amount:

<u>Single</u>	<u>Premium Benefit</u>	<u>Family</u>	<u>Premium Benefit</u>
Not Medicare Eligible	\$150.00/month	All Not Medicare Eligible	\$260.00/month
Medicare Eligible	\$100.00/month	All Medicare Eligible	\$170.00/month
		One with Medicare	\$215.00/month

Joinders

Specific positions and employers may participate in the PSPRS if the governing body of the employer enters into a joinder agreement to bring such employees into the PSPRS. The joinder agreement shall be in accordance with the provisions of this System. Assets under any existing public employee defined benefit retirement program shall be transferred to the PSPRS within 60 days after the employer's effective date. A.R.S. § 38-851.

Purchase of Handgun or Shotgun

Upon retirement and subject to approval by the employer, the PSPRS retiree may purchase the handgun or shotgun issued by the employer to the employee at less than fair market value. A.R.S. § 38-845(H).

Refund

Employees who became a member on or before December 31, 2011, pursuant to A.R.S. § 38-846.02 (A and B), upon termination of employment (for any reason other than death or retirement) within 20 days after filing an application with the PSPRS, the member will receive a lump-sum payment of accumulated contributions (less any benefits paid or any amounts owed to the System) - thus, forfeiting all membership rights and credited service in the System upon receipt of refund of contributions. If the member has five or more years of credited service, an additional percentage of contributions will be refunded to the member according to the member's years of service as stated below:

- 5 to 5.9 years of service = 25% of additional member contributions
- 6 to 6.9 years of service = 40% of additional member contributions
- 7 to 7.9 years of service = 55% of additional member contributions
- 8 to 8.9 years of service = 70% of additional member contributions
- 9 to 9.9 years of service = 85% of additional member contributions 10 or more years of service = 100% of member contributions plus 3% interest if left on deposit after 30 days

Employees who became a member on or after January 1, 2012, pursuant to A.R.S. § 38-846.02 (C), upon termination of employment (for any reason other than death or retirement) within 20 days after filing an application with PSPRS, shall receive a lump-sum payment of ONLY their accumulated contributions (less any benefits paid or any amounts owed to the System) - thus, forfeiting all membership rights and credited service in the System upon receipt of refund of contributions. The member will NOT receive the additional percentage of contributions as stated above.

Note: Arizona Revised Statutes do not allow a PSPRS member to borrow against your retirement account. A refund of your contributions can only be paid to you upon termination of your employment with the PSPRS employer.

Retirement and Deferred Annuity

EMPLOYEES WHO BECAME A MEMBER ON OR BEFORE DECEMBER 31, 2011

RETIREMENT

Pursuant to A.R.S. §§ 38-842(12, 13, 32 and 43) and 38-844 and 38-845, retirement benefits will commence the first day of month following termination of employment and based upon the following:

- **20 years of credited service:** 50% of the average monthly benefit compensation. A.R.S. § 38-845(A).
- **Age 62 with 15 years of service, or 20 years of service with less than 20 years of credited service:** The pension is reduced by 4% per year for each year of credited service under 20 years. A.R.S. § 38-845(A)(1).
- **20 to 24.99 years of credited service:** 50% of the average monthly benefit compensation for the first 20 years of credited service plus 2% of the average monthly benefit compensation for each year of credited service between 20 and 24.99. A.R.S. § 38-845(A)(2).
- **25 or more years of credited service:** 50% of the average monthly benefit compensation for the first 20 years of credited service plus 2.5% of the average monthly benefit compensation for each year of credited service above 20 years - up to a maximum of 80% of the average monthly benefit compensation. A.R.S. §38-845(A)(2).

DEFERRED ANNUITY

Inactive members (not making contributions to the System) that have at least 10 years of credited service may elect to receive a Deferred Annuity at the age of 62. This annuity is a lifetime monthly payment that is actuarially equivalent to the member's accumulated contributions in the System plus an equal amount paid by the employer. This annuity is not a retirement benefit and annuitants are not entitled to survivor benefits, benefit increases, or the group health insurance subsidy. A.R.S. § 38-846.01(A).

NOTE FOR "INACTIVE" MEMBERS: For important death-benefit information, please refer to the Death Benefit section under "Inactive Member."

EMPLOYEES WHO BECAME A MEMBER ON OR AFTER JANUARY 1, 2012

RETIREMENT

Pursuant to A.R.S. §§ 38-842(12, 32 and 43) and 38-844 and 38-845, retirement benefits will commence the first day of month following termination of employment and based upon the following:

- **Age 52.5 with 25 years of credited service:** 62.5% of the average monthly benefit compensation. Benefits will be reduced by 4% for each year of credited service under 25 years. A.R.S. § 38-845(G).
- **25 or more years of credited service:** 62.5% of the average monthly benefit compensation for the first 25 years of credited service plus 2.5% of the average monthly benefit compensation for each year over 25 years of credited service - up to a maximum of 80% of the average monthly benefit compensation. A.R.S. § 38-845(G)(2).

Employees who became a member on or after January 12, 2012 are **not** eligible for a "Deferred Annuity." However, a member who attains the service requirement for a normal retirement, but does not meet the age requirement, may elect to leave contributions on account until reaching the age requirement and then elect to receive a retirement benefit (survivor benefits, benefit increases, or the group health insurance subsidy). A.R.S. § 38-846.01(B).

Return to Work after Retirement

Effective September 30, 2009, language was added to A.R.S. § 38-849(D) that requires the PSPRS to review all reemployment determinations. However, pre-approval of the rehiring decision by the PSPRS was not mandated by this legislative amendment; therefore, in order for a retirement to be valid, the Internal Revenue Service (IRS) requires a separation from service from the date of termination (retirement) to the date of rehire. The statutes have defined this period of separation of service as sixty (60) consecutive days from retirement to the date of rehire.

Effective July 20, 2011, the employer is required to pay an **alternate contribution rate** on behalf of a retired member who returns to work in any capacity in a position ordinarily filled by an employee. The current alternate contribution rate is 10.5%. A.R.S. § 38-843.05.

Effective July 20, 2011, the premium benefit (subsidy) will not apply if the retired member or survivor is reemployed and participates in health care coverage provided by the member's or survivor's new employer. A.R.S. § 38-817(E).

Service Purchase (also see Transfers)

- **Purchase of Prior Active Military Service (Form 18)**

Members who have at least 10 years of service with the System may purchase up to 60 months of credited service for periods of active military service performed before employment with their current employer. A.R.S. § 38-858(A).

Active members may also receive credited service limited to 60 months if ordered/volunteered to active military service while working for the current employer if the criteria is met pursuant to A.R.S. § 38-858. The member shall pay the members contributions, upon which the employer shall make employer contributions. If member performs military service due to presidential call-up, the employer shall make the employer and employee contributions not to exceed 48 months pursuant to A.R.S. § 38-858 (G). For more information, contact your employer.

- **Purchase of Prior Service from an Out-of-State Agency (Form POSS)**

Active members who have at least 10 years of service with the System that have previous service with an agency of the U.S. Government, a state of the U.S., or a political subdivision of a state of the U.S. as a full-time paid fire fighter or full-time paid certified peace officer may elect to redeem up to 60 months of any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-853.01.

- **Purchase of Prior Forfeited Service within the SAME Retirement Plan**

If a former member who becomes RE-EMPLOYED with the SAME EMPLOYER within two years after the former member's termination date, and applies with the System within ninety days of reemployment, may elect to purchase **all** of the previously forfeited credited service. The amount required to reinstate the credited service is the amount previously withdrawn plus interest at the rate of 9% compounded annually from the date of withdrawal to the date of repayment and the reimbursement is required to be paid within 1-year from the date of re-employment. A.R.S. § 38-849(C). (Form P1B)

OR

If the statutory requirements above are not met, the member may still purchase some or all of the previously forfeited credited service calculated based on an amount computed by the System's actuary to equal the actuarial present value. A.R.S. § 38-853.01. (Form P2)

- **Purchase of Service between the Arizona Retirement Plans/Systems (Form U2)**

Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may redeem the credited service to their current Arizona state retirement System/Plan by paying the full actuarial present value of the credited service into the current Arizona retirement System/Plan with the approval of the PSPRS or governing board. A.R.S. § 38-922.

- **Purchase of Service from Rural Metro/Contract Service (Form P2A)**

Active members that have previous service with a corporation that contracted with an employer now covered by the System to provide firefighting services on behalf of that employer as a full-time paid firefighter may purchase service subject to limitations pursuant to federal laws. A.R.S. §§ 38-842 and 38-853.01.

- **Purchase of Service with a PSPRS Employer Prior to Joinder Date (Form PSR)**

Active members of the System that had previous service in this state as an employee with an employer now covered by the System as a full-time paid fire fighter or full-time paid certified peace officer may elect to redeem any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-853.01.

Taxation of Retirement Benefits

All PSPRS retirement benefits in excess of \$2,500 annually will be subject to Arizona state tax. A.R.S. §§ 38-852 and 43-1022.

Transfers (also see Service Purchase)

- **Transfer of Contributions between PSPRS Employers (Form P1A)**

A member, who terminates employment with an employer and, within two years, accepts a position with the same or another employer participating in the System shall have their credited service transferred to their record with the new employer if they leave their accumulated contributions on deposit with the System. The period not employed shall not be considered as service. A.R.S. § 38-853.

- **Transfer of Service between the Arizona Retirement Plans/Systems (Form U2)**

Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may transfer the credited service to their current Arizona state retirement System/Plan by transferring the full actuarial present value of the credited service into the current Arizona retirement System/Plan with the approval of the PSPRS or governing board. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state System/Plan. A.R.S. §§ 38-921 and 38-922.

- **Transfer of Service between Municipal Retirement Systems and Special Retirement Plans (Form U2A)**

An active or inactive member of a retirement System or Plan of a municipality of this state (*i.e.*, *City of Phoenix and City of Tucson*) or of the PSPRS may transfer the service to their current retirement System or Plan based on the member's accumulated contributions plus interest, or the member may elect a reduced service amount to be transferred based on the actuarial present value. A.R.S. §§ 38-923 and 38-924.

This is not an official version of the Arizona Revised Statutes.
If there are any differences or discrepancies, the official version will prevail.