

Public Safety Personnel Retirement System



MEMBER HANDBOOK

August 2016

Table of Contents

Purpose of this Handbook 1

Tier 1 and Tier 2 Members 2

Operating Structure of the PSPRS 2

Online Resources for Members and Retirees..... 4

Section 1: Information for New and Active Contributing Members..... 6

 Membership Requirements 6

Section 2: Service Purchases and Transfers..... 8

 Service Purchases 8

 Service Transfers 9

Section 3: Pension Benefits..... 11

 Normal Pension..... 11

 Disability Pension 12

 Deferred Retirement Option Plan (DROP) 15

Section 4: Planning for Retirement Checklist..... 16

 Disability Benefits 17

Section 5: Cancer Insurance Program..... 20

 Benefit Highlights 20

Section 6: Leaving Employment Prior to Retirement 21

 Refund of Contributions..... 21

 Deferred Annuity 22

Section 7: Additional Benefits 23

 Retirement System Health Insurance 23

 Health Insurance Premium Subsidy 23

 Permanent Benefit Retirement Increase (BPI) (if retired and qualifies on or before 7-1-2011)
 24

 Permanent Benefit Adjustment Benefit (if retired after 7-1-2011)..... 24

 Survivor Benefits 25

 Tier 1 Members..... 25

 Tier 2 Members..... 26

Section 8: Factors that May Affect Your Pension 27

 Returning to Work after Retirement..... 27

Divorce	27
Garnishments	28
Appendix A: Glossary	29
Appendix B: Frequently Asked Questions	33
Retirement Calculations	33
Service Purchase	34
Retiree Health Insurance.....	35
Return to Work	37
Appendix C: Cancer Insurance Program Schedule of Benefits	40
Appendix D: Contact Information.....	43
PSPRS Departments.....	43
State Retirement Insurance Providers.....	45

Purpose of this Handbook

This handbook was created to give members comprehensive information regarding membership in the PSPRS. It includes what will be required of you as a member and the benefits and tools you will receive as a result. This handbook does not quote the official wording used in the Arizona Revised Statutes. If there are any differences or discrepancies, the official version of the Arizona Revised Statutes will prevail.

This handbook is divided into several sections including: Membership Benefits (active members and retirees), Planning For Retirement, Frequently Asked Questions, and a Glossary of Terms you'll encounter throughout this handbook. It is designed to provide an all-in-one reference for your benefits and requirements as a member, and help you through the process of applying for benefits. A description of each section follows.

New and Active Membership

This section provides details of the specific forms and documents needed to submit to your local board upon membership into the PSPRS, how your future retirement benefit is funded, and other applicable benefits, information, and tools that are available to you and your beneficiaries prior to retirement.

Service Purchases and Transfers

This section provides information on purchasing and transferring prior service to be applied to your retirement benefit.

Pension Benefits

This section provides details of the requirements and calculations used in determining your retirement benefit payment.

Applying for Benefits

This section provides details of the steps you'll be required to complete in order to retire, the documents needed, timeframes and deadlines to heed, and the benefits and tools available to you upon retirement.

Cancer Insurance Program

This section provides a brief overview of the Cancer Insurance Program benefits while you are an active member or a retired member. A full schedule of benefits is included in Appendix C.

Additional Benefits

This section includes information on the other benefits available to you as a member of PSPRS, including; Health Insurance Subsidy and Survivor Benefits.

Leaving Employment Prior to Retirement

This section provides information regarding termination of your PSPRS employment before retirement eligibility is met.

Factors that May Affect Your Pension

This section provides details on other factors that may affect your pension, such as post-retirement benefit increases, being involved in a divorce, and wage garnishments.

Appendix A: Glossary

This section provides definitions for terms commonly used by PSPRS and throughout this handbook.

Appendix B: Frequently Asked Questions

This section provides answers to some of our most frequently asked questions.

Appendix C: Cancer Insurance Program Schedule of Benefits

This section lists the full benefits provided by the Cancer Insurance Program.

Appendix D: Contact Information

This section provides contact information for the various departments of PSPRS and how each department can help assist you.

Tier 1 and Tier 2 Members

Members are classified as either Tier 1 or Tier 2 members, based on membership date. Tier 1 members are those who became members of PSPRS prior to January 1, 2012. Tier 2 members are those who became members on or after January 1, 2012. The exception is if a member left a PSPRS covered position prior to January 1, 2012, and withdrew all of his or her contributions to the System (prior to January 1, 2012). In that case, the member would be classified as a Tier 2 member if hired into a new PSPRS covered position on or after January 1, 2012.

Throughout this handbook, you will see differences between the two groups broken out into a Tier 1 section and a Tier 2 section. If there is no differentiation, then the benefit, calculation, or requirement is the same for both groups.

Operating Structure of the PSPRS

Defined Benefit Plan

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

The PSPRS is a governmental retirement plan qualified under 401 (a) of the Internal Revenue Code. It is a "defined benefit plan," which means that pensions are determined by a formula, versus the amount of money in the member's account. In addition, the PSPRS is an "agent multiple-employer retirement plan," which means that separate accounts are kept for each employer in the System and benefit payment costs are not "shared" by all employers in the

System. Monies are pooled for investment purposes, but benefits and refunds are paid from each employer's separate account in the PSPRS.

The Board of Trustees

The Board of Trustees is a seven member policy-making board that has statutory responsibility to invest the monies in the PSPRS, CORP (Corrections Officer Retirement Plan), and EORP (Elected Officials Retirement Plan) accounts, keeping records for each employee and employer in the Plan, and paying out benefits and refunds to members. The Board of Trustees employs an Administrator and administrative staff who are responsible for handling these functions. Although the Board of Trustees receives contributions from each employer and makes payments of benefits and refunds at the direction of the various local boards, the Board of Trustees acts as a "gatekeeper" to ensure that monies received and disbursed are in accordance with state law. The majority of day to day operations regarding PSPRS membership rests with the local board.

Composition

The Board of Trustees as established by ARS §38-848 consists of seven members who ensure proper administration of the System. All trustees serve five year terms and are appointed by the Governor. The Board is composed of the following:

- Two elected members from a local board to represent the employees
- One member appointed to represent this state as an employer of public safety personnel
- One member appointed to represent the cities as employers of public safety
- One member appointed to represent elected officials (county or state official, judge of the superior court, court of appeals, or supreme court)
- Two members of the public

Board of Trustees Meetings

The Board of Trustees meet monthly, or as otherwise scheduled, to review the operating functions, investments, and other issues pertinent to the Public Safety Personnel System, the Corrections Officer Retirement Plan, and the Elected Officials Retirement Plan. These meetings are typically held on the third Wednesday of each month at 1:00 p.m. at the PSPRS Administrative Offices (3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016). They are also broadcasted online. Twenty-four hours prior to the meeting, a registration link is posted on the PSPRS website. Click on the link, complete the short registration form, and you can listen to the meeting live online. Agendas, meeting materials, and prior meetings' minutes are available to download from the PSPRS website. Local boards, members, retirees, and members of the public are welcome to attend in person or online. Those attending on site will have the opportunity to make comments during the "Call to the Public," typically held at the end of each meeting.

The Local Board

The administration of the Plan and responsibility for making the provisions of the Plan effective for each employer are vested in a local board that is created by each employer.

Each employer has an established local board for each of its eligible groups. For example, the City of Phoenix has two eligible groups: Phoenix Fire Department and Phoenix Police Department. Each group has its own uniquely staffed local board which operates independently of the other. However, the two groups may share a local board secretary or other administrative staff.

Responsibilities

The local board is vested with the authority to determine membership eligibility, eligibility and payment of benefits, including eligibility for receipt of disability payments in accordance with the provisions of the Plan.

Composition

The local board is a five member board composed of a chairperson, two appointed persons, and two PSPRS members who are elected by secret ballot election by all contributing members for that employer group. The chairperson and two appointed members sit on both local boards (fire and police).

Local Board Secretary

The local board appoints a local board secretary to handle all administrative functions for the local board. This may include completing and retaining the minutes of each local board meeting, ensuring all retirement packets are complete prior to submission to the PSPRS, and other administrative duties the local board deems necessary. The secretary also serves as the liaison for the local board to the contributing membership and the PSPRS Administrative Offices.

When you begin thinking about retirement, the first person you should contact is your local board secretary. He or she will be able to provide you with information to consider in your planning and will help you through the process when you are ready to retire.

Online Resources for Members and Retirees

There are many resources available to you as a member and a retiree on our website: <http://www.psprs.com>. You'll find training presentations, legislative updates, forms for updating your information, and a special interactive "Members Only Portal."

Public Safety Personnel Information

Our website contains a section devoted to Public Safety Personnel, which includes benefit payment schedules, recent legislation affecting the PSPRS, downloadable technical support "How To" guides and Power Point presentations, commonly used forms, and a directory of departments and contacts at the PSPRS Administrative Offices.

The Members Only Portal

The Members Only Portal provides you instant access to your contribution history (active members) and direct deposit notices (retirees). You are encouraged to register on the Members Only Portal online by clicking on the “Members Only Site” on the main page of the PSPRS website. Doing so will provide you with secure access to your personal account. You will be prompted to provide the following information: System (Public Safety), last name, email address, date of birth, Social Security number, and employer. From there, enter a unique username to log into your account, and a PIN will be emailed to the email address you used to register. Upon logging into the Members Only Portal using your username and PIN, you will be able to do the following:

- Select a password to use instead of your PIN when logging in (active members and retirees)
- View your contribution history (active members and retirees)
- Estimate your monthly retirement benefit (active members)
- Estimate your monthly DROP benefit (active members)
- View your monthly DROP benefit schedule (DROP members)
- View and download Direct Deposit statements (retirees)
- View and download 1099-Rs (retirees)
- Update personal data such as mailing address, withholding elections for federal and state taxes, direct deposit information (retirees)
- Calculate your monthly benefit based on different tax withholding elections (retirees)

Section 1: Information for New and Active Contributing Members

Membership Requirements

Becoming a member of the PSPRS has certain requirements. Some of the requirements of membership include the following:

Pre-Member Medical Evaluations

All new members, before being admitted to PSPRS, must submit to and complete a medical evaluation. The purpose of this evaluation is to screen for pre-existing conditions (which could affect your eligibility for a disability pension later). If you refuse to undergo the medical evaluation you will be unable to apply for any form of disability pension benefit, regardless of whether the present condition was pre-existing.

Contributions

The PSPRS pension fund is composed of employer contributions, employee contributions, and investment gains.

Contributing to PSPRS is mandatory upon membership. These contributions are automatically deducted from your paycheck by your employer. Employee contribution rates are set by state statute and are the same for all PSPRS members.

Because the PSPRS has a fiscal year that runs from July 1 to June 30 of the following calendar year, employee contribution rates are set using the same time period.

Employee contribution rates are as follows:

Fiscal Year 2015 (and forward) 11.65 %

or 33.3% of the sum of the member's contribution rate from the preceding fiscal year and the aggregate computed employer contribution rate that is calculated, whichever is lower, except that the member contribution rate shall not be less than 7.65% and the employer contribution rate shall not be less than the rate prescribed by the annual actuarial valuation.

You can access your employee contribution record at any time by logging into your Members Only account.

Your employer is also required to make contributions to the PSPRS for your retirement benefit. Employer contribution rates are set annually, based on the employer group's annual actuarial valuation. Employer rates are set individually for each eligible group (i.e., fire vs. police).

Your normal retirement benefit is calculated using a set formula and is not dependent upon the amount of funds you and your employer have contributed during your period of employment. See "Pension Benefits" for more information on this.

If your employment ceases before you are eligible for a normal retirement benefit, you may apply to receive a refund of your employee contributions. See the section titled "Leaving Employment Prior to Retirement" for more information.

Choosing a Beneficiary

All PSPRS members, whether active, inactive, or retired, should have a designated beneficiary on file. Additionally, it is important to review those beneficiaries regularly and update information when necessary. A beneficiary is an individual, institution, trustee or estate which receives or may become eligible to receive benefits as a result of your death.

Some benefits, such as a survivor's or child's pension, automatically identify the beneficiary of the benefit. When there is no eligible survivor pension payable, the System looks to the identified beneficiaries on record.

Members must designate at least one primary beneficiary. More than one primary beneficiary may be designated, and, as such, in the event a death benefit is payable, equal shares will be distributed (unless otherwise directed).

Naming a contingent beneficiary is highly recommended. The contingent beneficiary would receive payable death benefits in the event the primary beneficiary predeceases the member. As with primary beneficiaries, multiple contingent beneficiaries may be designated.

It is important that you, the member, keep the PSPRS informed of any changes related to your beneficiaries, such as address changes, deaths, etc. Changes can be made anytime by completing the Beneficiary Designation Form (Form 8), which is available on the PSPRS website.

Should a death benefit become payable and a beneficiary has not been designated, the member's nearest next of kin (as determined by the local board) will be awarded the benefit.

Section 2: Service Purchases and Transfers

Service Purchases

As a member of PSPRS, you have the option of purchasing or redeeming certain other service you have acquired to be applied to your PSPRS account. Currently, service must be purchased in a lump sum payment. You may purchase increments of your service, but each purchase must be paid for in full.

Service Purchase Types

As a contributing member of the PSPRS, you have the ability to purchase certain types of credited service. Purchasing service has a direct impact on your calculated retirement benefit amount. The PSPRS allows members to purchase the following types of service:

- Prior service within the same retirement system
- Active military service, earned prior to membership
- Out of state public service (certain qualified service)
- Previously forfeited service
- Prior service from another Arizona retirement system or plan (ASRS, COPERS, TRS)
- Rural Metro or contract service (limitations and qualifications apply)
- Service with a PSPRS employer prior to joinder date

The table below details the requirements and stipulations for common service purchases:

Common Service Purchase Types		
Type of Service	Service Required with the System	Maximum service to purchase
Prior active military service	10 years	60 months
Prior out of state governmental service, Rural Metro Fire service	5 years	60 months
Prior forfeited service within the same retirement plan	N/A	All previously forfeited service
Other Arizona state retirement system or plan	N/A	All service

Service Purchase Procedure

Members who have eligible time to purchase need to complete an application. The type of service you are purchasing will determine the form. All services purchases are handled directly by the PSPRS active members department.

When the service purchase process is initiated, you will receive a quote on the cost to purchase the time requested. This quote will provide a date by which you must make the purchase, typically within 90 days. Afterwards, the quote will expire, and you will need to begin the process from the beginning.

Please note that a service purchase quote can be made in any increment of eligible time available to you.

Service Purchase Cost

The cost of credited service per year is your current annual salary multiplied by the Actuarial Present Value of the added benefit. Service purchase costs will vary by individual member based on how much time you are redeeming, how much credited service you have currently, your age and current compensation, and how close you are to major retirement milestones (i.e., 20 years of credited service, 25 years of credited service, etc.).

Once you decide to make a service purchase, you will contact the PSPRS administrative office to make the payment or transfer funds.

Service Purchase Payment Options

Lump Sum Payment: The full cost of the purchase may be made in one out of pocket payment. Purchases are subject to IRC section 415(c) limits.

Rollovers: Certain funds may be transferred from one qualified plan to the PSPRS to complete a service purchase. Current eligible plans for service purchase rollovers include:

- 401(a) Qualified Defined Benefit Plan
- 401(a) Qualified Defined Contribution Plan (includes 401(k))
- 403(a) Qualified Annuity Plan
- 403(b) Tax Sheltered Annuity
- 408(a) Traditional IRA (includes SEP IRA)
- 408(b) Individual Retirement Annuity
- 457 Governmental Deferred Compensation Plan

Service Transfers

If you terminate employment in a PSPRS-covered position and accept a position with the same employer or another employer in the System, your service will be automatically transferred. You must leave your contributions with the System from the previous employer.

In order to qualify, contributions must be left on account with the Plan.

For example, if you worked for the City of Phoenix as a firefighter (PSPRS position), terminated employment, and began working as a firefighter (PSPRS) for the City of Mesa, your service from the City of Phoenix would automatically be transferred.

Types of Service

You also have the option to transfer credited time to the PSPRS, under certain conditions. The types of eligible transfers include:

- Transfer between PSPRS employers (i.e., CORP, EORP)
- Transfer of service between Arizona retirement plans (i.e., ASRS)
- Transfer of service between Arizona municipalities and special retirement plans (i.e., COPERS, TRS)

Section 3: Pension Benefits

Normal Pension

The most prominent benefit of PSPRS membership is the normal pension which you can begin receiving upon meeting eligibility requirements. This section details eligibility and calculations for a normal pension benefit.

Several factors come in to play when calculating your pension benefit, including: member tier, service, credited service, average monthly compensation, and leave without pay. Please refer to the Glossary (Appendix A) for definitions of each of these terms.

Eligibility (Tier 1 Members)

Tier 1 members must have 20 years of service, or have 15 years of service and be at least age 62, to apply for a normal pension benefit.

Eligibility (Tier 2 Members)

Tier 2 members must have 25 years of service and be at least age 52.5 to apply for a normal pension benefit.

Calculations (Tier 1 Members)

A normal pension benefit for a Tier 1 member is calculated as follows:

- For exactly 20 years of credited service: Average monthly compensation (based on the High 3 Year Average) multiplied by 50%.
- Add 2.0% to the benefit for each year of credited service beyond 20 years but less than 25 years.
- At 25 years of credited service, add 2.5% to the benefit for each year of credited service starting at 20 years.
- Subtract 4.0% from the benefit for each year of credited service less than 20 years.

The maximum benefit is 80% of the member's average monthly benefit compensation which equals 32 years of credited service.

Calculations (Tier 2 Members)

A normal pension benefit for a Tier 2 member is calculated as follows:

- For exactly 25 years of credited service: Average monthly compensation (based on the High 5 Year Average) multiplied by 62.5%.
- Add 2.5% to the benefit for each year of credited service beyond 25 years.
- Subtract 4.0% from the benefit for each year of credited service less than 25 years.
- The maximum benefit is 80% of the member's average monthly benefit compensation which equals 32 years of credited service.

Your retirement is considered effective the first day of the month following your termination of employment. Pension payments are paid the last business day of each month.

Example: A member is eligible for normal retirement and terminates employment on May 15.

- The member is considered a **June** effective retiree.
- The first pension payment will be on the last business day in **June**.

Disability Pension

During the course of your career, there may come a time when due to injury or illness you are unable to perform your duties as a Peace Officer or Firefighter. Should that occur the System provides special disability pension benefits that you may become eligible to receive. As with all eligibility for benefits, you as member must contact your local board to initiate the disability determination process.

Please Note: The local board may require annual medical re-evaluations until the member reaches what would have been his or her normal retirement. Disability pensions terminate if the local board finds the retired member no longer meets the requirements for the benefit.

The PSPRS plan provisions provide four (4) disability pension types. Each has unique qualification standards are described below:

Ordinary Disability (Non-Service Related)

This disability type is a non-job related injury/illness pension. In order to qualify you cannot already be normal retirement eligible. You must have a physical condition which totally and permanently prevents you from performing a reasonable range of duties within your department; or, you must have a mental condition that totally and permanently prevents you from engaging in any substantial gainful activity.

Ordinary disability is a fully taxable pension benefit and is calculated using the following formula:

Tier 1 Members

$(\text{Average Monthly Compensation} \times 50\%) \times (\text{credited service}/20) = \text{Monthly Ordinary Pension}$

Tier 2 Members

For members with less than 25 years of credited service who do not meet the age requirement.

$(\text{Average Monthly Compensation} \times 62.5\%) = \text{Normal Pension (NP)}$

$(4\% \times \text{NP}) \times [25 - (\text{actual years of credited service or } 20 \text{ whichever is greater})] = \text{monthly reduction (for less than 25 years of service)}$

$[(\text{NP}) - \text{monthly reduction}] \times [\text{credited service (not to exceed } 20)/20] = \text{Monthly Ordinary Pension}$

For members with 25 or more years of credited service who do not meet the age requirement:

$(\text{Average Monthly Compensation} \times 62.5\%) = \text{Normal Pension (NP)}$

$(\text{Average Monthly Compensation} \times 2.5\%) \times \text{actual years of credited service over 25 years (max 7 years or 32 years of credited service)} = \text{additional amount to NP}$

$(\text{NP} + \text{Additional amount to NP}) \times [\text{actual years of credited service (not to exceed 20)}/20] =$
Monthly Ordinary Pension

Accidental Disability (Service Related)

An accidental disability pension is a service related disability benefit. As a member, you could qualify should you have a physical or mental condition which totally and permanently prevents you from doing a reasonable range of duties within your position classification and was the result of an on duty event.

A portion of an awarded accidental disability pension is considered non-taxable and is calculated in the following manner:

Tier 1

Please note: the first 50% of a member's average monthly compensation is considered nontaxable

For members with less than 20 years of credited service:

$(\text{Average Monthly Compensation}) \times 50\% = \text{Monthly Accidental Pension}$

For Members with more than 20 years, but less than 25 years of credited service:

$(\text{Average Monthly Compensation}) \times 50\% = \text{Normal Pension (NP)}$

$(\text{Average Monthly Compensation} \times 2\%) \times (\text{actual number of credited service years over 20}) =$
 additional amount to NP

$\text{NP} + \text{Additional Amount to NP} = \text{Monthly Accidental Pension}$

For Members with more than 25 years of credited service:

$(\text{Average Monthly Compensation}) \times 50\% = \text{Normal Pension (NP)}$

$(\text{Average Monthly Compensation} \times 2.5\%) \times [\text{actual number of credited service years over 20 (not to exceed 32 Years of credited service)}] = \text{additional amount to NP}$

$\text{NP} + \text{Additional Amount to NP} = \text{Monthly Accidental Pension}$

Tier 2 Members

Please note: the first 62.5% of a member's average monthly compensation is considered nontaxable

For member with less than 25 years of credited service and does not meet the age requirement.

$(\text{Average Monthly Compensation} \times 62.5\%) = \text{Normal Pension (NP)}$

$(4\% \times NP) \times [25 - (\text{actual yrs of credited service or } 20 \text{ whichever is greater})] = \text{monthly reduction}$
(for less than 25 years service)

NP – Monthly reduction = **Monthly Accidental Pension**

For member with 25 or more years of credited service and does not meet the age requirement:

$(\text{Average Monthly Compensation} \times 62.5\%) = \text{Normal Pension (NP)}$

$(\text{Average Monthly Compensation} \times 2.5\%) \times \text{actual years of credited service over 25 years (max 7 years or 32 years of credited service)} = \text{additional amount to NP}$

NP + Additional amount = **Monthly Accidental Pension**

Temporary Disability (Service Related)

In the event that you have a service related injury that prevents you from performing your role as a Peace Officer or Firefighter, but that it has a foreseeable rehabilitation period and that you may be able to return to full duty, then you may want to consider applying for a temporary disability. You may qualify for this disability type if you have a physical or mental condition that totally prevents you from performing a reasonable range of duties within your department, but is temporary in nature. Additionally, the physical or mental condition needs to have been incurred while in the performance of your regular duties.

Temporary disability pensions are considered nontaxable, are limited to only 12 monthly payments and are calculated using the following formula:

Both Tiers 1 & 2

$(\text{Annual compensation received immediately prior to date of disability} \times 50\%) / 12 = \text{Monthly Temporary Pension (limited to 12 payments)}$

Catastrophic Disability (Service Related)

This disability type is reserved for the most severe of physical conditions incurred while on duty. Qualifications for a catastrophic disability is limited to physical conditions that totally and permanently prevents you from engaging in any gainful employment. Individuals who receive catastrophic disabilities are those whose physical injuries far exceed those injuries that would otherwise qualify them for an accidental disability.

Catastrophic disability pensions are considered nontaxable and are calculated in the following manner:

Both Tiers 1 & 2

For the first 60 months of catastrophic disability pension

$\text{Average monthly compensation} \times 90\% = \text{Initial monthly Catastrophic Pension (first 60 months)}$

For continued catastrophic disability pension after 60 months (if still determined to be eligible)

Average monthly compensation x 62.5% **or** normal pension calculation (please see normal pension), whichever is greater = **Monthly Catastrophic Pension**

Deferred Retirement Option Plan (DROP)

DROP is a retirement option for Tier 1 PSPRS members only. If you participate in this program, you are choosing to defer your retirement for a specified timeframe and continue active employment. At the end of the specified time, you will receive a lump sum payment which earned interest during your participation period. The decision to participate is voluntary and irrevocable, with duration limited to 60 months (5 years). You must have at least 20 years of credited service in order to participate.

While participating in DROP, you remain a full-time employee. You must terminate employment at the end of the DROP participation period in order to receive the interest earned in your DROP account. This is your responsibility to remember and act upon.

The benefit is calculated using the years of credited service and average monthly compensation at your DROP participation date. This calculated amount accumulates monthly and earns interest in the following manner:

If member had 20 or more years of credited service before January 1, 2012

Interest is earned at the System's assumed earnings rate, which is set each fiscal year by the Board of Trustees. During your DROP participation, you and your employer stop contributing to the System.

If member had less than 20 years of credited service on January 1, 2012

Interest is earned at a rate equal to the average annual return used to calculate the "actuarial value of assets." The minimum interest rate is 2% and the maximum interest rate is the actuarial assumed earning rate. You continue contributing to the Plan during your DROP participation. At the end of your DROP period, you will receive the contributions you made during DROP with interest as part of the lump sum distribution.

Making the Choice

You can receive an estimate of what your DROP benefit would be by logging into the Members Only website. When considering whether to enter DROP, be sure to call your local board secretary for additional information.

Section 4: Planning for Retirement Checklist

- Choose a retirement date. Remember, the day you choose to retire (terminate your employment) determines your effective retirement date. “Effective retirement,” is always the 1st of the month following your termination. Pensions are always payable the last business day of the month.

Example: You choose a retirement date of October 15, 2015. Your *Effective Retirement* will be **November 1, 2015** and your first pension check will be payable the last business day of November (**November 29, 2015**).

- Log into your Members Only account to review your contributions history and service credits with PSPRS. Reviewing this information beforehand will help in addressing any discrepancies with your information, which, if not corrected, could delay your pension. Additionally, you also have the ability to use the Retirement Estimator. This provides you with an approximate amount of what your benefit may be.
- Contact your local board secretary. As with all benefits that are payable in the System, the local board is responsible for determining eligibility, and completing all the necessary documents with the member. Some local boards may have specific notification requirements in order to complete retirement paperwork, so the sooner you contact your board the better you can plan.

During your meeting with the local board secretary, you will be completing several acknowledgements and forms. Additionally, you will need to have the following documents available:

- Driver’s license
 - properly filed, legally recorded Marriage Certificate (if applicable)
 - Birth certificates (for you, your spouse and children)
 - Voided check (so your monthly pension will go into your bank account)
 - Legal documents (i.e., divorce decrees, certified QDRO)
- Attend the local board meeting: Before the Administrative Office of the PSPRS can initiate pension payments; your local board must meet to determine your eligibility for your pension. Once the local board has met and approved your benefit, your local board secretary will submit your retirement packet to the Administrative Office to begin pension payments. **Please note:** retirement packets must be received by the tenth of the month in which pension payments are to be made.
- Research your health insurance options. For more information, please review the Retiree Health Insurance FAQ in Appendix B of this handbook.

Disability Benefits

Application Overview

The application process includes the following:

- Brief description of the nature and cause of the disability
- List of all doctors and hospitals which have treated for the disability
- List of all doctors and hospitals consulted within the last three years
- Authorizations for the local board and its designated physician to access your complete medical history
- Date of disability: the date of the injury or the date the member's physical or mental condition was first diagnosed as to preclude the member from further employment with the PSPRS employer
- Independent medical examination by a doctor chosen by the local board
This doctor will write a report, giving an opinion as to the member's cause of injuries, extent of injuries, and, if applicable, if it is probable that they were sustained in the line of duty. The local board is required by law to base its decision on this report regarding the member's disability application.

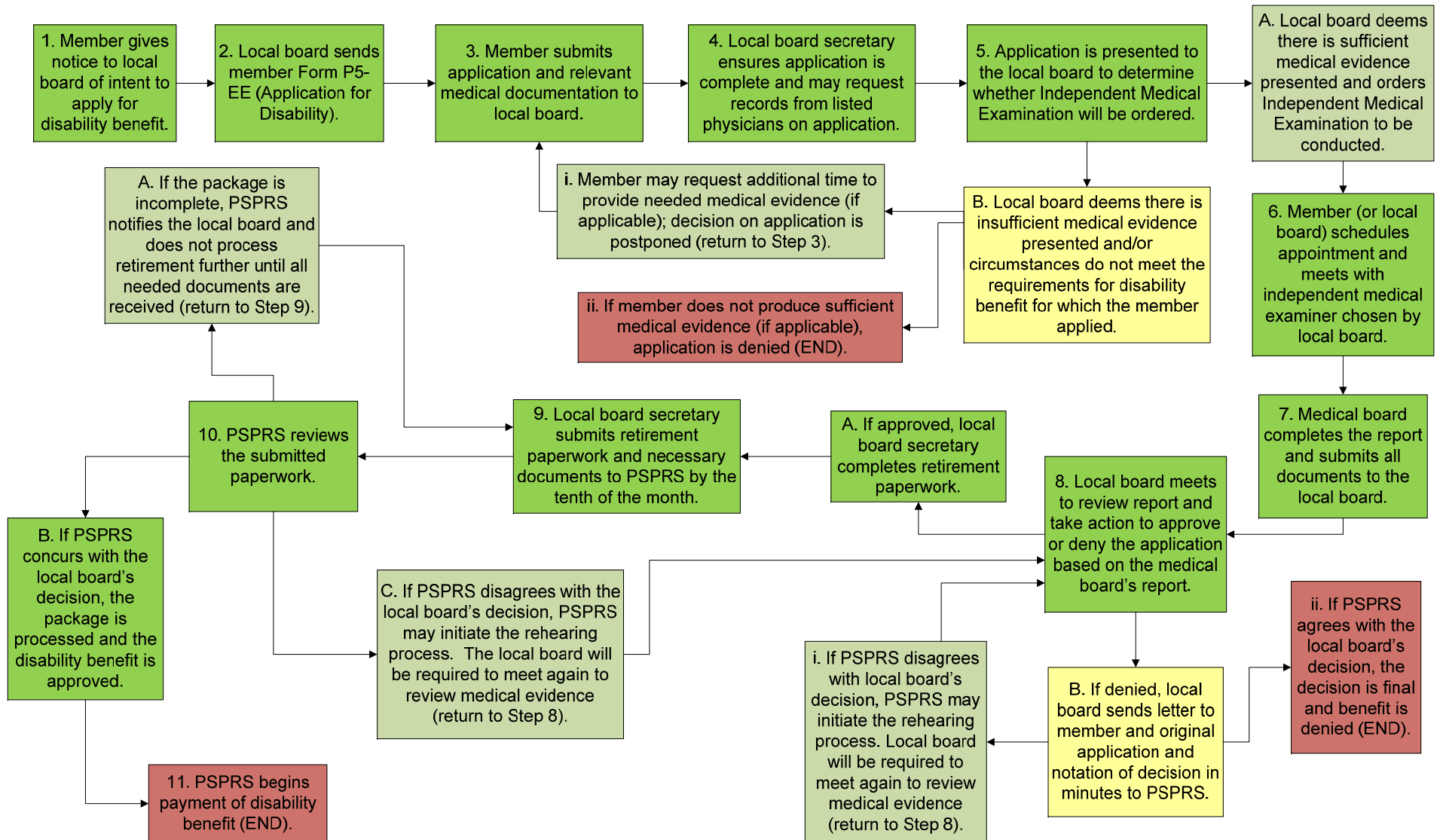
The local board is required to initiate a hearing on a claim within 90 days of receiving your application for disability pension.

If you are granted a disability pension, you may be required to undergo follow-up medical evaluations annually to continue receiving the disability pension.

Disability Pension Application Process

See the following page for a flowchart on the general disability pension application process. Please note that your local board may have specific procedures in adjudicating disability claims.

Disability Application Process



Section 5: Cancer Insurance Program

The Cancer Insurance Program (CIP) was created and designed to assist you with the costs that may arise in the event you are diagnosed with cancer and must undergo treatment. The CIP assists in covering out of pocket expenses that are not covered by your health insurance. As a member of the PSPRS, you are automatically covered by the program. When you retire from your employer, coverage continues for a limited amount of time at no cost to you. Some of the plan benefits are highlighted below. A full listing of the schedule of benefits can be found in the back of this handbook (Appendix C).

Benefit Highlights

- \$15,000 payment to members with non-skin cancer.
- \$500 payment to members with a positive diagnosis of skin cancer.
- Lifetime maximum benefit amount of \$100,000 per member.

As an active contributing member in the plan, the premiums associated with the CIP are paid annually by your employer. Premiums are set annually by the Board of Trustees. When you retire, your coverage continues with the following provisions:

- You receive 5 months of continued CIP eligibility (at no cost) for every one year of credited service with the System.
- Once your “no cost” eligibility period expires, if you have had a positive diagnosis of cancer, you will have the opportunity to continue your eligibility in the program by paying the annual premiums directly to the System as established by the Board of Trustees.

This program is directly administered by the PSPRS administrative offices. For more information regarding this program, you can log on to our website: www.psprs.com.

Section 6: Leaving Employment Prior to Retirement

Although members benefit the greatest by receiving a pension, there are financial benefits available should you cease employment prior to meeting retirement requirements. You may choose to do one of the following:

- Leave your contributions on account with PSPRS and retain rights to future PSPRS benefits
- Request a refund of your employee contributions plus interest and forfeit rights to future PSPRS benefits
- Rollover your account to another qualified retirement program and forfeit rights to future PSPRS benefits

Upon separation from PSPRS employment and withdrawal of your PSPRS account balance, you waive any and all rights to PSPRS membership benefits, including, but not limited to:

- Pension benefit
- Disability benefit
- Health insurance premium benefit
- Survivor benefits

Refund of Contributions

If you leave PSPRS prior to retirement, you are entitled to receive the funds you have contributed through your career, paid as a lump sum, minus any benefit payments or any amount you may owe the System. Employment must be terminated for any reason other than death or retirement, and you must file a completed application with the System. Depending on your length of service and membership tier, you may receive an additional amount in addition to the contributions you made. The payment amounts are calculated as follows:

Tier 1 Members

Less than five years of service: 100% of your employee contributions to the System only

Five or more years of service: 100% of your employee contributions to the System **plus** the following percentage of your employee contributions:

- 5.0 to 5.9 years of service: 25%
- 6.0 to 6.9 years of service: 40%
- 7.0 to 7.9 years of service: 55%
- 8.0 to 8.9 years of service: 70%
- 9.0 to 9.9 years of service: 85%
- 10.0 or more years of service: 100%

Tier 2 Members

Members receive a lump sum payment of their accumulated contributions plus interest at a rate determined by the Board of Trustees as of the date of termination.

Deferred Annuity

Tier 1 Members

Inactive members (not making contributions to the Plan) that have at least ten (10) years of credited service may elect to receive a deferred annuity at the age of sixty-two (62). This annuity is a lifetime monthly payment that is actuarially equivalent to the member's accumulated contributions in the Plan 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.

Tier 2 Members

Tier 2 members are not eligible to receive the deferred annuity. However, members who attain the service requirement for a normal retirement, but do not meet the age requirement, may elect to leave their contributions on account until reaching the age requirement and the elect to receive a retirement benefit, which would include regular PSPRS pension benefits such as permanent benefit increases, survivor benefit options, and health insurance subsidies.

Section 7: Additional Benefits

Retirement System Health Insurance

PSPRS members have several health insurance options when entering retirement:

1. Extension of employer's health insurance as a retiree (if offered by employer)
2. COBRA
3. ASRS Group Retiree Insurance Program

Health Insurance Premium Subsidy

Each Arizona retirement system provides a monthly premium benefit payment (subsidy) to eligible enrolled retirees. This payment is applied to health insurance premiums and is intended to help defray the out-of-pocket insurance cost to retirees. The subsidy amount is based upon the insurance plan type (single or family) and Medicare eligibility. The subsidy amount is applied to your total cost due for dental and/or medical insurance, and the difference is either taken out of your monthly benefit or billed by the insurance administrator.

Forms of eligible health insurance include: medical and/or dental coverage, coverage with your previous employer that was extended as COBRA coverage, retiree health insurance coverage offered by the employer, and retiree health insurance coverage offered by PSPRS through the Arizona State Retirement System (ASRS).

When you are eligible for a retirement benefit from two different Arizona retirement systems (such as PSPRS and ASRS), you may also be eligible for two health insurance subsidy amounts.

"Medicare eligible" is persons 65 and older. In some cases, a person receiving a disability benefit may be able to obtain Medicare earlier.

The following table details the amount of the subsidy paid by the System based upon coverage levels.

Subsidy	Number of Persons and Medicare Eligibility Type	Single / Family Coverage
\$150.00	Member only - Not Medicare eligible	Single Coverage
\$100.00	Member only - Medicare eligible	Single Coverage
\$260.00	Member and Dependent - No one is Medicare eligible	Family Coverage
\$215.00	Member and Dependent - Member or Dependent is Medicare eligible	Family Coverage
\$170.00	Member and Dependent - Member and one or more Dependents are Medicare eligible	Family Coverage

Permanent Benefit Increase (PBI) (if retired and qualifies on or before 7-1-2011)

Retirees may receive a permanent benefit increase (PBI), under a formula set by law. This formula requires that half of any surplus over 9% goes into a reserve account for payment of these increases.

The amount of the PBI is dependent on the balance of the reserve account. The maximum increase is 4% of the fund's average normal benefit and goes to all eligible retirees and survivors. The increase becomes part of the regular monthly check.

To receive a PBI, you must meet 1 of these requirements:

- 1) Regardless of age, you (or a survivor) are eligible if you were getting benefits in July of the past 2 years, or
- 2) If you are at least 55 on July 1 of the current year and received benefits in July of the previous year, you also get the increase.

Permanent Benefit Increase (PBI) (if retired after 7-1-2011)

You may be eligible for a permanent increase to your monthly benefit based on the performance of the PSPRS fund and your status. PBI is calculated using the following criteria:

- Tier 1 retirees (or the survivor of a retired Tier 1 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 and receiving benefits on or before July 31 of the previous year.
- Tier 2 retirees (or the survivor of a retired Tier 2 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 Total Fund return is greater than 10.5% for the prior fiscal year (July 1-June 30)
- The Plan funding level is at least 60% funded.

The increase will be calculated based on the following:

Funded Ratio	Benefit Increase
60 – 64%	2.0% of the average normal benefit in the prior fiscal year
65 – 69%	2.5% of the average normal benefit in the prior fiscal year
70 – 74%	3.0% of the average normal benefit in the prior fiscal year
75 – 79%	3.5% of the average normal benefit in the prior fiscal year
80% or more	4.0% of the average normal benefit in the prior fiscal year

Funded Ratio is for each plan (PSPRS, CORP, EORP)

If the earnings in excess of 10.5% are insufficient to grant the maximum allowable percentage increase as set forth above, then the percent increase will be limited to the percentage that can be funded by the earnings available.

Survivor Benefits

The System provides for benefits to those qualifying beneficiaries in the event of your death. The duration of these benefits is dependent upon the type of individual eligible.

Tier 1 Members

If the member was retired at the time of death, eligible surviving spouse will receive a lifetime benefit equal to 80% of the member's pension benefit. The spouse must have been married to the member for at least two consecutive years prior to the member's date of death.

If the member was still in active service at the time of death, the surviving spouse receives a lifetime benefit equal to 80% of the member's pension benefit, calculated in the same manner in which an accidental disability is calculated.

If the member died as a result of injuries received on the job, the surviving spouse receives a lifetime benefit equal to 100% of the member's average monthly benefit compensation, based on the high 3 year compensation.

Surviving child pension

In addition to potential surviving spouse pensions, in the event of your death, your dependent children may be eligible for benefits as well. Eligibility for surviving child pension is set within PSPRS statutes. Surviving child pension may become payable if the child meets the following criteria:

- Must be an unmarried natural or legally adopted child who is under the age of 18.
- If over the age of 18, must be a full-time student and under the age of 23.
- If child has a disability that began before they attained the age of 23 and they are dependent of the surviving spouse or guardian.

Payable surviving child pension is 10% of the member's pension, with a maximum of two child shares (20%). If there are more than two eligible surviving children, the pension is divided evenly amongst all eligible children.

Tier 2 Members

Benefits are the same for beneficiaries of a tier two member; however, they are calculated utilizing the member's highest 5 year compensation.

Section 8: Factors that May Affect Your Pension

Returning to Work after Retirement

Making the decision to return to work after retirement should be considered carefully in light of how the employment will affect your pension benefit. Below are guidelines regarding returning to work after you have retired.

The following rules apply to retirees who return to work after retirement.

- In order for you to continue to receive your retirement benefits, you must terminate your employment and remain retired for a minimum of one year from the effective date of your retirement, in any capacity, from the employer from which you retired.
- If you become employed in the same or substantially similar position by the employer from which you retired (*at any time*), your retirement benefits will be suspended.
- You can return to work with the employer from which you retired and continue to receive your retirement benefits as long as you are retired for a minimum of 60 consecutive days from the effective date of your retirement, and you were hired for a different position as a result of participating in an open, competitive, new-hire process for an entry-level, non-supervisory position, or you were hired as a fire inspector or arson investigator.
- You may continue to receive your retirement benefits if you are assigned to voluntary duties (i.e., acting as a limited authority peace officer for an employer pursuant to the Arizona peace officer standards and training board rules).
- If you are receiving a disability retirement (and have not reached normal retirement) and have become employed by any employer in a PSPRS-covered position, your retirement benefits will cease. Upon eligibility for retirement, the service from the disability retirement will be considered “service” and not “credited service.” Your average monthly compensation may be impacted by the compensation you received from your most recent employment.
- You cannot have an implicit or explicit pre-existing agreement with the employer from which you retired, whether written or verbal, to return to work, in any capacity.

PLEASE NOTE: your local board determines Your continued eligibility for pension should you return to work after retirement.

Divorce

If you have been involved in a divorce, please provide the PSPRS with a complete copy of the Divorce Decree(s) and any attachments or exhibits referenced in the Decree(s). Upon receipt, additional correspondence will be provided to the parties involved. 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 that you provide the PSPRS with a draft copy of the DRO for review and approval prior to submitting it to the court.

Garnishments

As a state agency, the PSPRS is compelled to withhold any court-ordered levies including, but not limited to: tax garnishments, child support, and spousal maintenance.

Appendix A: Glossary

Accidental Disability: A job-related physical or mental condition that the local board finds totally and permanently prevents the applicant/employee from performing a reasonable range of duties within their job classification or department. The first 50% of a Tier 1 member's average monthly benefit compensation is considered nontaxable income. The first 62.5% of a Tier 2 member's average monthly benefit compensation is considered nontaxable income.

Average Monthly Compensation (Tier 1): Tier 1 members' retirement benefits are calculated using their high three year average compensation. It does not need to be their last three years of employment. It just needs to be 36 consecutive months within the last twenty years of the member's service. Members can find their high three year average by using the Retirement Estimator tool on the Members Only Portal online.

Average Monthly Compensation (Tier 2): Tier 2 members' retirement benefits are calculated using their high five year average compensation. It does not need to be their last five years or even five calendar years. It just needs to be 60 consecutive months within the last twenty years of the member's service. Members can find their high five year average by using the Retirement Estimator tool on the Members Only Portal online.

Catastrophic Disability: 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. Entire pension is considered nontaxable income.

Compensation: For the purposes of calculating a member's benefit, "compensation" includes: base wages, shift and military differential pay, holiday pay, used vacation/sick leave, overtime, used compensatory time. Compensation does not include; fringe benefits (uniform allowance, mileage reimbursement), unused sick leave (lump sum payments), unused compensatory time (lump sum payments), payment in lieu of vacation.

Contributions: Money placed in an individual retirement account (IRA), an employer-sponsored retirement plan, or other retirement plan for a particular tax year. Contributions may be deductible or nondeductible, depending on the type of account.

Credited Service: The time in which a member's accrued service is supported by contributions made to the system. Credited service is the time used to calculate a member's pension benefit. A member can earn additional credited service if he or she redeems or purchases previous service with another eligible employer or plan. See the section titled "Service Purchases and Transfers" for more details on eligible service redemption and the purchase process.

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

Disability Pension: A type of monthly pension in which a member becomes eligible only when the local board has determined that the member has a physical or mental condition that precludes the member from continuing to work in a PSPRS covered position. Qualification for this benefit is dependent upon the type of disability the member is seeking.

Eligible Group: Employees who are covered under the plan through a joinder agreement enacted by their employer and PSPRS.

Garnishment: An amount withheld by court order or federal law for payment of taxes, child support, or spousal maintenance.

Health Insurance Premium Subsidy: Each Arizona retirement system provides a monthly premium benefit payment (subsidy) to eligible enrolled retirees. This payment is applied to health insurance premiums and is intended to help defray the out-of-pocket insurance cost to retirees. The subsidy amount is based upon the insurance plan type (single or family) and Medicare eligibility. The subsidy amount is applied to the member's total cost due for dental and/or medical insurance, and the difference is either taken out of their monthly benefit or billed by the insurance administrator. Forms of eligible health insurance include: medical and/or dental coverage, coverage with retiree's previous employer that was extended as COBRA coverage, retiree health insurance coverage offered by the employer, and retiree health insurance coverage offered by PSPRS through the Arizona State Retirement System (ASRS). When a member is eligible for a retirement benefit from two different Arizona retirement systems (such as PSPRS and ASRS), he or she may also be eligible for two health insurance subsidy amounts.

High 3 Year Average: See "Average Monthly Compensation."

High 5 Year Average: See "Average Monthly Compensation."

Independent Medical Examination: A doctor chosen by the local board to conduct an examination and write a report, giving an opinion as to the member's cause of injuries, extent of injuries, and, if applicable, if it is probable that they were sustained in the line of duty. The local board is required by law to base its decision on this report regarding the member's disability application.

Leave Without Pay: Leave without pay is the time in which a member did not work, was not paid, and did not make contributions. Any full pay period in which this occurred is deducted from a member's total service to calculate the member's retirement benefit.

Local Board: A local board is a five member board composed of a chairperson and two appointed persons as stipulated in the Arizona Revised Statutes (§38-847.A), as well as two PSPRS members who are elected by secret ballot election by all contributing members for that employer group. This group makes all decisions on member's eligibility for membership and plan benefits.

Local Board Secretary: The local board secretary is appointed by the local board and handles all administrative functions for the local board including: completing and retaining the minutes of each local board meeting, ensuring all retirement packets are complete prior to submission to the PSPRS, and other administrative duties the local board deems necessary. The secretary also serves as the liaison between the contributing membership and the local board, and the local board and PSPRS Administrative Offices.

Medicare Eligible: Persons 65 and older. In some cases, a person receiving a disability benefit may be able to obtain Medicare earlier.

Member: A person who meets the statutory requirement to be able to participate and contribute in the PSPRS Plan. At the most basic level, he or she is a full-time (40 hours a week) employee who is employed by a participating employer and is either a certified peace officer or firefighter regularly assigned to hazardous duty. The local board makes all determinations on an employee's eligibility to participate.

Normal Retirement: The earliest point at which a member is first eligible to receive a full retirement benefit as calculated by the PSPRS benefit formula. A member reaches normal retirement based upon the tier level the member is covered. Tier 1 members (see glossary term) reach normal retirement at 20 years of service or if the member is age 62 with 15 years of service. Tier 2 members (see glossary term) reach normal retirement at age 52.5 with 25 years of service.

Normal Pension: The most prominent benefit of PSPRS membership is a pension that members can begin receiving upon retirement.

Ordinary Disability: A non-job-related physical condition which totally and permanently prevents the applicant from performing a reasonable range of duties within their department or a non-job-related mental condition which totally and permanently prevents the applicant from engaging in any substantial gainful activity. Ordinary Disability pension is considered a fully taxable benefit.

Permanent Benefit Increase (PBI): A permanent increase to a member's monthly pension based on the performance of the PSPRS fund and the member's status.

Pre-Member Medical Evaluation: This is a medical evaluation, in addition to any pre-employment medical exams, that is used exclusively by the local board to identify any physical or mental conditions or injuries that existed or occurred prior to an individual's membership into the System. These identified injuries or conditions may limit a member's eligibility for disability pensions. Failure to participate in this examination by any member will automatically waive all rights to any disability benefits under the System.

Prior Service: Any previous service time eligible for redemption to add to credited service, including out of state, from another retirement system, or within the PSPRS plans (PSPRS, CORP, EORP).

Service: Service is the necessary time a member must have on record to qualify for normal retirement. It includes the entire amount of time from the beginning of membership until the member's termination. This includes any uncompensated periods as well - such as unpaid industrial leave, or any other employer-approved unpaid leave of absence.

System: The Public Safety Personnel Retirement System (PSPRS).

Temporary Disability: A job-related physical or mental condition which totally and temporarily prevents the applicant from performing a reasonable range of duties within their department. Temporary disability is limited to those who have not reached normal retirement date. Entire pension is considered nontaxable income.

Tier 1 Member: Members are classified as either Tier 1 or Tier 2 members, based on membership date. Tier 1 members are those who became members of PSPRS prior to January 1, 2012.

Tier 2 Member: Members are classified as either Tier 1 or Tier 2 members, based on membership date. Tier 2 members are those who became members on or after January 1, 2012. The exception is if a member left a PSPRS covered position prior to January 1, 2012, and withdrew all of his or her contributions to the System (prior to January 1, 2012). Members in this case would be classified as Tier 2 members if hired into a new PSPRS covered position on or after January 1, 2012.

Appendix B: Frequently Asked Questions

Retirement Calculations

1. *What is average monthly compensation?*

Per state statutes, average monthly compensation is considered one thirty-sixth of a your highest 3 consecutive years of compensation within your last 20 years of service for Tier 1 members and one sixtieth of your highest 5 consecutive years of compensation within your last 20 years of service for Tier 2 members.

2. *What is the difference between service and credited service?*

Service is the continuous time from the point your membership begins until termination. Credited service is the time during your service that is covered by contributions. Credited service is earned for each pay period in which contribution is submitted. Credited service is what is used to determine your pension benefit amount.

3. *I am Normal Retirement eligible. How do I start receiving a pension?*

In order to begin receiving a retirement pension, you must first make application with your local board. Your local board determines your eligibility and calculates your monthly pension.

4. *How do I apply for retirement benefits including disability?*

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

Service Purchase

1. What is credited service?

Credited service is the amount service a member earns that is covered by contributions to the PSPRS. This credited time is factored into a member's retirement benefit calculation.

2. I am interested in purchasing service. How much will it cost?

Service purchase costs vary by individual member, and many factors go into determining cost (such as how much time is being purchased, when it is being purchased, a member's annual salary, and age.) The PSPRS website (www.psprs.com) has an estimator for members. Please note that a member must initiate any service purchase request by contacting the PSPRS Active Member Services department.

3. If I purchase prior service, what happens to my benefits under the system from which I purchased the credited service?

You must forfeit any benefits you would be entitled to under the previous plan, except in the case of military pensions.

4. When can I decide to make a service purchase?

You can initiate a service purchase once you have met the required credited service criteria. For more information on service criteria refer to section 2: Service Purchases and Transfers. If you have potential service time to purchase, you may want to consider purchasing early in your career as the actuarial cost normally is lower than if you waited until closer to your normal retirement date.

5. Can I purchase my service through payroll deductions?

At this time, the system does not allow for service purchases to be made using payroll deductions.

Retiree Health Insurance

1. *When I retire, what insurance options do I have?*

- Your employer might offer an extension of the insurance that you currently have (i.e., City of Phoenix, Pima County, etc.). Most retirees choose to take the insurance offered by their former employer.
- The ASRS Group Retiree Insurance Program is available to PSPRS retirees.
- Most state employees are eligible for ADOA. Check with your employer's Human Resources representative to verify your eligibility.

2. *What is the ASRS Group Retiree Insurance Program?*

The ASRS Group Retiree Insurance Program for medical is an insurance program that offers HMO plans in Arizona and PPO plans outside of Arizona. For dental there are indemnity and HMO plans. These plans are contracted by the Arizona State Retirement System (ASRS). They are available to retired members of the Public Safety Personnel Retirement System (PSPRS), Corrections Officer Retirement Plan (CORP), and the Elected Officials' Retirement Plan (EORP). The plans are administered through the PSPRS, CORP, and EORP, respectively. This plan is different from the "Benefit Options" insurance plan through the Arizona State Department of Administration (ADOA), which is offered to all state employees (active and retired).

3. *Can anyone sign up for the ASRS group retiree insurance?*

Only retired members and surviving spouses of the PSPRS, CORP, and EORP are eligible for the ASRS Group Retirees Insurance. An ex-spouse of a retired member is not eligible.

4. *What is COBRA?*

The Consolidated Omnibus Budget Reconciliation Act (COBRA) gives workers and their families who lose their health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances, such as voluntary or involuntary job loss, reduction in the hours worked, transition between jobs, death, divorce, and other life events. Qualified individuals may be required to pay the entire premium for coverage up to 102 percent of the cost to the plan.

COBRA generally requires that group health plans sponsored by employers with 20 or more employees in the prior year offer employees and their families the opportunity for a temporary extension of health coverage (called continuation coverage) in certain instances where coverage under the plan would otherwise end.

COBRA outlines how employees and family members may elect continuation coverage. It also requires employers and plans to provide notice.

(Taken from: <http://www.dol.gov/dol/topic/health-plans/cobra.htm>)

5. If I am entering retirement which insurance should I choose?

Depending on your particular situation you may not want to sign up through our office for the ASRS Group Retiree Health Insurance Program. Check with your employer to see if you are able to continue the insurance that you already have.

- Some employers will only offer a COBRA plan that will last for 18 months. If this is your option, you would be able to enter our insurance effective the month that the COBRA terminates.
- If you do choose the ASRS Group Retiree Health Insurance Program, make sure that you are not making yourself ineligible to take your current insurance in a future year.

6. When I can enroll in your plan (ASRS Group Retiree Health Insurance)?

- Open enrollment begins in October of every year for a January 1 effective date in the following year.
- Whenever there is a significant change of life style, such as death, marriage, birth or adoption of a child, turning 65 and taking Medicare, moving out of state, or back into the state, termination of current insurance through an employer.

7. I am turning 65 and starting Medicare. What do I need to do?

Please send the following information to our office:

- A copy of the Medicare card that has both A and B listed with the effective dates or
- A copy of the letter from Medicare stating that you will be Medicare eligible.

We do not have any contact with Medicare or Social Security's offices. You will need to contact Medicare and Social Security directly to apply for your Medicare cards.

8. What happens to my insurance if I become Medicare eligible and I live in one of the outlying counties?

If you are not in an area with a Medicare contract, you will need to take the Medicare supplement that is provided in the area that you live. You would be able to sign up for a different plan before the open enrollment if this should happen.

9. If I change insurance companies do I have to notify the old company or will you?

Please call our office to confirm your health insurance provider.

- If the insurance is through our office we will contact the provider for you once we have received a letter from you requesting to be canceled.
- If the insurance is through your former employer or ADOA, you will need to contact them directly.

Return to Work

1. *I plan on retiring soon and I know I want to return to work with my same employer in a different position. What is the return to work process?*

In order to be able to return to work “in any capacity” with your same employer, you must be retired for one (1) year, UNLESS you are hired as a result of participating in an open competitive new hire process for an entry level nonsupervisory position, or hired as a fire inspector, or arson investigator. If you are hired as a result of participating in an open competitive new hire process for an entry level nonsupervisory position, or hired as a fire inspector or arson investigator, then the sixty (60) day rule applies. Your local retirement board must determine your eligibility to return to work. Your local board and employer are responsible for informing PSPRS within ten (10) days of your re-employment date, and must submit to PSPRS the minutes of the local board meeting in which the return to work determination was made, copies of your old and new job descriptions, and an affidavit signed by you and by the employer, stating that there was no “pre-existing” agreement for you to return to work at the time you retired. Form 16, Return to Work Acknowledgement, will serve as the retiree’s affidavit for members retiring effective August 2012 and going forward. Failure to follow the return to work statutes 38-849, informing PSPRS within ten (10) days of the re-employment, and failure to provide the required documentation will result in suspension of your retirement pension.

2. *Why is there a one (1) year rule before a retiree can return to work to the employer they retired from?*

The PSPRS is considered a tax-qualified plan under Section 401(a) of the Internal Revenue Code. In order to maintain its tax qualified status, benefits must be provided in accordance to PSPRS pension statutes as well as the provisions of the IRS Code. The IRS requires a bona fide separation from service to occur for a member to be eligible to receive a pension. In order to comply with IRS requirements, enabling legislation requires members to serve a one (1) year period before seeking reemployment with their employer they retired from in order to maintain pension payments, unless the conditions are met to return within sixty (60) days. (See above question/answer).

3. *When does the one (1) year or sixty (60) day rule for return to work begin?*

The statutes state that a member cannot be reemployed by the employer they retired from before one (1) year or sixty (60) days (if conditions in statutes are met) after a member’s date of retirement. Retirement is defined as being effective the first of the month following a member’s last day of employment or authorized leave of absence. The one (1) year or sixty (60) days begins the first of the month following a member’s last day of employment.

4. I am in DROP and “technically” retired, so does the one (1) year or sixty (60) day rule still apply to me?

Yes. Your retirement is not effective until you terminate employment and begin receiving pension payments. You are still required to wait one (1) year or sixty (60) days (if statutory conditions are met) after your effective retirement date to start employment with the employer from which you retired. You and the employer will be required to sign an affidavit stating that there was no “pre-existing” agreement for you to return to work with the same employer at the time of your retirement, if your effective date of retirement is prior to August 2012. If your effective date of retirement is August 2012 or later, you will be required to sign Form 16, Return to Work Acknowledgement, which will serve as the affidavit.

5. Does the one (1) year or sixty (60) day rule still apply if the employer hires their retiree in a part-time capacity?

Yes, the one (1) year or sixty (60) day provisions still apply, as the statutes state that a retired member who is employed in ANY CAPACITY, by their employer is subject to the provisions.

6. What happens if I take a non-PSPRS position with my former employer before the one (1) year and sixty (60) day wait period?

Your local board is required by law to suspend your pension benefits until you terminate from that position and employer.

7. What happens if I take a non-PSPRS position with my employer and leave my PSPRS position when I am eligible to apply for normal retirement benefits?

In order to be eligible and apply for retirement benefits, you must terminate employment. If you “transfer” to another non-PSPRS position within the same employer, you will not be eligible to apply for and receive pension benefits until you have terminated from the new position. This applies to members in the DROP program as well. The DROP program has financial consequences if termination does not occur as previously agreed to.

8. Q: Can I retire with a normal retirement as a police officer or fire fighter and work for another PSPRS employer doing the same job?

Yes, as long as it’s not the same employer from which you retired. You will not make contributions to the retirement system; however your new employer will have to pay the Alternate Contribution Rate (ACR) to the system. The ACR will not apply if the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011.

9. Can I be re-hired by the same employer from which I retired into the same position after the one (1) year or sixty (60) day wait period?

Statute states that if you return to the same, or substantially similar position from which you retired, your retirement benefits must be suspended (until you terminate your employment). So, while you can return to the same position, you CANNOT receive pension payments during your reemployment.

10. Do the return to work rules apply to me if I am returning to a volunteer or reserve position with the same employer?

No, as long as the volunteer position is a “non-paid” position, the return to work rules does not apply.

11. Can an employer make a job offer to an employee prior to their retirement with the expectation that work will begin after sixty (60) days have passed?

No. Again, there must be a bona fide separation of service in order to be in compliance with statutes and IRS Code. US Tax Courts have consistently interpreted IRS Code’s definition of “separation of service” as a severance of an employee’s connection and employment relationship with their employer. In order for a severance to occur, there cannot be a pre-existing agreement intent to resume employment at a later date.

12. Can an employee actively pursue reemployment opportunities with, or obtain reemployment assurances from the same employer they are retiring from, prior to retirement?

No. There must be a bona fide separation of service in order to be in compliance with statutes and IRS Code. US Tax Courts have consistently interpreted IRS Code’s definition of “separation of service” as a severance of an employee’s connection and employment relationship with their employer. In order for a severance to occur, there cannot be a pre-existing agreement intent to resume employment at a later date.

Appendix C: Cancer Insurance Program Schedule of Benefits

Effective date of Revised Benefits: July 1, 2015

**SCHEDULE OF REVISED
BENEFITS**

Benefits are determined by this Schedule and the terms of this Plan.

BENEFITS PROVISION LIMITS	AMOUNTS	AND
<u>Cancer Intensive Care Benefit</u>		
Daily Benefit:		\$ 500.00
<u>Pharmacy Benefit</u>		
	Not to exceed actual out of pocket expenses	
<u>Death Benefit</u>		
Not subject to Lifetime max		\$ 10,000.00
<u>Experimental Treatment Benefit</u>		
Maximum Benefit Amount:		\$5,000.00
<u>Diagnosis of Cancer Benefit</u>		
First Diagnosis (*This will be reported as taxable income)		\$15,000.00*
<u>Skin Cancer First Occurrence Benefit</u>		
Per Each Positive Diagnosis	Lifetime Maximum	\$500.00
Benefit		\$ 2,500.00

Home Hospice Care Benefit

Daily Benefit \$ 50.00

Hospice Care Benefit

Daily Benefit \$ 180.00

Hospital Confinement Daily Benefit

Daily Benefit Per Illness Period \$ 200.00 per day

Radiology and Chemotherapy Benefit

Lifetime Maximum Amount for This Benefit: \$ 10,000.00

Skilled Nursing Facility Benefit

Daily Benefit: \$ 40.00

Overall Lifetime Maximum Benefit under Plan: \$100,000.00

Coverage for the above benefits is based on years of credited service earned by the Covered Member with the Public Safety Personnel Retirement System. For each year of credited service accumulated, a Covered Member will be eligible for five months of Cancer coverage under this Plan. When a Covered Member has used his or her allotted coverage period, coverage under this Plan will terminate, as provided in the Enabling Legislation.

Appendix D: Contact Information

PSPRS Administrative Offices
3010 E. Camelback Road, Suite 200
Phoenix, AZ 85016

Tel.: (602) 255-5575
Toll Free: (877) 925-5575

Website: <http://www.psprs.com>

PSPRS Departments

If you have any additional questions, you should always contact your local board secretary first. However, below is a quick reference on the departments at the PSPRS Administrative Office with their associated areas of responsibility.

Call Center:

- *General questions, referral to other PSPRS resources and personnel*

Active Members Department:

Fax Number: (602) 296-2368
Email: ActiveMembersGroup@psprs.com

- *Service purchases*
- *Refunds*
- *Contribution accounting*

Retired Members Department:

Fax Number: (602) 296-2369
Email: BenefitsGroup@psprs.com

- *Processing all pension types (including DROP)*
- *Insurance/ insurance subsidy*
- *Cancer Insurance Program*

Web Support Department:

- *Members Only login and access issues*

Additional Helpful Resources:

PSPRS Website: www.psprs.com

- *Member's Only Portal*
- *Annual Trust Financials*
- *General Trust information*

- *Board Of Trustee meeting information*

State Retirement Insurance Providers

Medical Provider

United Healthcare of Arizona

www.uhcretiree.com/asrs (Medicare)

www.myuhc.com (Non-Medicare)

Choice Plan (in state) (800) 357-0971

Choice Plus PPO Plan (out of state) (800) 509-6729

Senior Supplement Plan (866) 480-1087

Group Medicare Advantage Plan (866) 208-3248

Optumrx (800) 377-5154

Dental Provider

Assurant Employee Benefits

www.assurantemployeebenefits.com/asrs

Indemnity Dental Claims (800) 442-7742

PPO Dental Providers (DHA) (800) 985-9895

Pre-Paid Dental (800) 443-2995

Vision Discount Services

VSP

www.vsp.com

(800) 877-7195

PSPRS Member Handbook
