BETTER BE READY FOR NEW LAWS – AUG. 3 EFFECTIVE DATE

PSPRS employers must be aware that legislation signed into law this year becomes effective on August 3, 2018. This date is established by statute requiring that new laws go into effect 90 days after the legislative session concludes. Several laws and a referendum dealing with retirement plans managed by PSPRS were passed. Employers are encouraged to read each statute, which are *summarized* below, carefully.

SB 1251 – PSPRS and CORP modifications.

- Codifies that disability and survivor benefits are available for PSPRS and CORP members who elect to receive defined contribution (DC) retirement benefits.
- Allows all current and retired members of PSPRS-managed plans to "rollover" existing qualified defined contribution retirement plan balances into the PSPRS defined contribution 401(a) plan.
- Requires "reverse DROP" balances from CORP employees to be transferred into the PSPRS defined contribution 401(a) plan (preventing potentially unwanted immediate income tax consequences for retiring members).
- Extends until January 1, 2019, the date by which tribal employers may opt out of participating in the public safety employer risk pool.

SB 1478 – Employer contributions; EORP.

This law effectively returns the calculation of the EORP employer contribution rate to an annual actuarially determined amount to comply with a court order. Effective July 1, 2018, the new rate Tier 1 and 2 employer rates will be 61.5 percent.

HRC 2032/HB 2545 – CORP/EORP cost-of-living adjustment.

The passing of this resolution put Proposition 125, which reforms the pension increase formula for CORP and EORP, on the November ballot to be decided by voters. This proposition applies the same cost-of-living-increase mechanism for CORP and EORP pension increases that was enacted for PSPRS retirees with the 2016 passing of Proposition 124. (See Prop 125 article below.)

HB 2097 – Pension funding policies; employers.

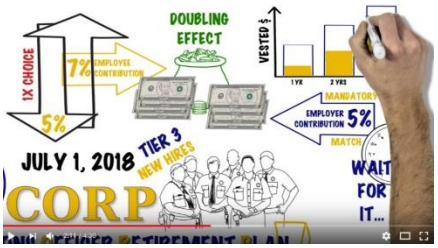
This law requires the governing bodies of each PSPRS employer to adopt a pension funding policy that identifies specific funding objectives, including maintaining adequate assets to cover pension liabilities, setting target funding ratios and timelines for reaching identified ratios. These policies are required to be posted on each governing body's website.

IT'S OFFICIAL: PROP 125 TOPS LIST OF BALLOT PROPOSITIONS

Pension reform for CORP and EORP will appear on the November ballot. The reforms mimic those put into place for the public safety pension plan in 2016 – a replacement of the permanent benefit increase, or PBI, with a cost-of-living-adjustment (capped at 2 percent) based on annual changes recognized by the U.S. Bureau of Labor's Consumer Price Index for metro-Phoenix/Mesa.

The PSPRS Board of Trustees supports Proposition 125 and has urged voters to pass the referendum. Other supporters include nearly all legislators, the County Supervisors Association, the Arizona Chamber of Commerce & Industry and the Phoenix Chamber of Commerce.

CORP REFORM GOES LIVE – CORRECTIONS & AOC



New corrections/detentions officers in Arizona now use the 401(a) Defined Contribution plan account for retirement benefits.

PSPRS has several videos explaining the benefit changes as well as brochures and new membership forms on our CORP Reform Tool Kit webpage.

This change only applies to Tier 3 corrections members hired on or after July 1, 2018. It excludes Tier 1 and 2 members. Tier 3 probation and surveillance officers hired by the Administrative Office of the Courts may choose between a pension through CORP or the 401(a) plan.

Details of the 401(a) plan include a default 7-percent employee contribution with a dollar-for-dollar employer match of 5 percent of members' salary. Would-be Tier 3 members can elect to contribute more or less than 7 percent but must do so immediately upon their hiring.

CORP REFUNDER$ BETTER THINK TWICE

A legal interpretation of A.R.S. §38-881.01 finds that a refunding Tier 1 or 2 member of CORP will remain in their original employee tier if they are hired again by a CORP-covered employer.

PSPRS is advising CORP employers to make this abundantly clear to Tier 1 and 2 members mulling over terminating their position in order to seek a refund of their pension contributions – a common practice that can have considerable financial consequences for refunding members.

CORP pension contribution refunds are also immediately subjected to federal and state income taxes and early withdrawal penalties, which typically cuts around 30 percent off expected refunds.

TIER 3 MILITARY LEAVE POLICY DICTATED BY FEDERAL LAW

State law is silent on how to handle contributions for members in the Public Safety Personnel Defined Contribution Retirement Plan when they go on military leave so PSPRS turned to federal law for answers.

When a service member is called or volunteers for military service employee and employer contributions into the DC plan are suspended, although members returning to PSPRS and CORP-covered positions can make up for missed contributions. Members have three times the amount of time that they were deployed or served and a maximum of five years to make up their missed contributions.

Should the service member elect to make up those contributions, then the employer is required to make up their portion of contributions as well. When making contribution payments for those who have returned from military leave, employers need to remit only one lump sum payment for both employee and employer contributions. Employers must also provide a breakdown of the time period in which the member served in order to detail how the contributions are to be allocated.

The guidance comes from the Uniform Services Employment and Reemployment Rights Act of 1994 (USERRA) and IRS rules, and applies to both Tier 2 hybrid (DC and DB benefits) members and Tier 3 members who use the DC plan for retirement benefits.

PSPRS HITS THE ROAD TO MEET WITH EMPLOYERS, BOARDS

Phil Coleman and Don Mineer spearhead PSPRS' education initiative for employers and local boards, both of which are encouraged to attend their sessions to stay current with state pension laws and administration.

Coleman is the PSPRS employer liaison while Mineer works with local boards.

The duo is travelling from county to county speaking with PSPRS, EORP and CORP employers at workshops, and so far have appeared in Coconino, Gila, Maricopa, Mohave, Pinal and Yuma counties.

Registration is not required, although attendees are encouraged to provide PSPRS with suggestions on topics or services to cover by calling Local Board Coordinator Don Mineer at 602-296-2543 and Employer Liaison Phil Coleman at 602-296-2553.

There are events this summer in Apache and Cochise counties. Check the PSPRS training calendar for further details and updates, including member benefits training events held by Public Safety Financial/Galloway.

CANCER INSURANCE NO DIFFERENT FOR DC MEMBERS

All members of PSPRS and CORP who use the 401(a) DC plan for all or part of their retirement planning are entitled to participate in the PSPRS Cancer Insurance Policy Program.

Under law, cancer insurance coverage is mandatory for members of PSPRS while CORP employers must opt-in to offer coverage to their members. CORP employers who opt-in must bill members who elect to receive PSPRS cancer insurance, which offers benefits for cancer diagnoses and certain treatments.

The cancer insurance annual premiums are $50 per member and employers must collect from participating members before making final payments to PSPRS. The submission process is the same for members who contribute to the DC plan as it is for Tier 1 and 2 members who will collect a pension through CORP.

Participating CORP employers will receive cancer insurance billing instructions from PSPRS soon and payment will be due August 31, 2018. For assistance and questions please contact PSPRS Cancer Insurance Manager Annette Jorgensen at annette@psprs.com or 602-296-2544.

FOP'S JIM MANN CALLS IT A CAREER

After a long career in law enforcement and leading the Arizona Fraternal Order of Police, Jim Mann announced at the PSPRS Board of Trustees June meeting that he is retiring.

Mann spent 27 years with the Maricopa County Sheriff's Office, retiring as a lieutenant in 2004. He served as FOP's Pension Oversight chairman since 2000 and as their executive director since 2006.

"That means I've been to almost every PSPRS board meeting over the last 18 years," said Mann, who credited PSPRS staff for their dedication to members.

PSPRS Board Chairman Brian Tobin praised Mann's service, temperament and skill as a lobbyist and advocate for public safety, particularly those in law enforcement.

“Jim has been an incredible asset and what has made him so effective is that he sees all sides of an issue, including the side of the members, the employers and the public,” said Tobin. “He’s genuine, fair, and experienced and he deserves a lot of credit for his contributions to law enforcement and public safety.”

Mann’s successors include retired sergeant Sean Mattson, who will lead the Fraternal Order of Police, and Stan Hoover, a retired lieutenant, who now heads FOP’s Pension Oversight Committee.