

## PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)

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1/2019

### SUMMARY OF PLAN PROVISIONS

#### Summary Topics

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PSPRS administers retirement benefits in the **Defined Benefit Plan (DB Plan)**, wherein retirement benefit payments are determined using a formula based on salary, years of service and the members age, as applicable. PSPRS also administers a 401(a) Public Safety Personnel **Defined Contribution** Retirement Plan (PSPDCRP or **DC Plan**), managed through Nationwide Retirement Solutions (<https://www.psprsdcp.com>), in which benefit provisions are determined based on employee/employer contributions and investment earnings on those contributions.

As a participant in PSPRS, Plan Provisions are determined based on the membership (hire) date with a participating employer:

<b>Tier 1 Members</b> DB Plan Only	<b>Tier 2 Members</b> DB + DC Plan (hybrid) for Non-Social Security positions	<b>Tier 3 Members</b> DB Plan + DC Plan (hybrid) for Non-Social Security positions
Hired into a PSPRS position before January 1, 2012	Hired into a PSPRS position on/after January 1, 2012	Hired into a PSPRS position on/after July 1, 2017

#### Average Monthly Benefit Compensation

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 for the employee's performance of services in an eligible group 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).

**Tier 1 Members:** Average of your highest 36 consecutive months of compensation (salary) within the last 20 years of credited service A.R.S. § 38-842 (7)(A).

**Tier 2 Members:** Average of your highest 60 consecutive months of compensation (salary) within the last 20 years of credited service. A.R.S. § 38-842 (7)(B).

**Tier 3 DB Members:** Average of your highest 60 consecutive months of compensation (salary) within the last 15 years of credited service. A.R.S. § 38-842 (7)(C).

## Benefit Increase

**Tier 1, 2 and 3 DB Members:** Cost of Living Adjustment (COLA) increases for public safety retirees and survivors are determined based on the Consumer Price Index (CPI), published by the U.S. Bureau of Labor Statistics, for the metropolitan Phoenix-Mesa area for the calendar year ending December 31 prior to each July 1 payout. Contingent on the CPI, **up to 2%** may be eligible to be paid as a COLA. For retirees in their first year of retirement, the increase is prorated based on the date of retirement.

**Additional Requirement for Tier 3 DB Members:** The increase will be payable after 7 years of retirement, or at age 60, whichever is first, and will be determined based on the funding level of the PSPRS. A.R.S. § 38-856.06.

Funding Level	Increase
70% to < 80%	1.0% cap
80% to < 90%	1.5% cap
90% or more	2.0% cap

## Cancer Insurance

The Public Safety Cancer Insurance Policy Program is administered by PSPRS for eligible fire fighters, certified peace officers, corrections officers, detention officers or other members as defined by statute. A.R.S. §§ 38-641 through 38-645.

## Contributions

During your career and as a requirement of membership, you must contribute a percentage of your pensionable wages each paycheck. Your contribution rate may vary each fiscal year depending on your Membership Tier and if you are in the DB Plan, DC Plan and/or DC Hybrid Plan for Non-Social Security positions. A.R.S. §§ 38-842, 38-843, 38-868 and 38-867.

**Tier 1, 2 and 3 DB Members:** For contribution rate information, please visit our website.

**Tier 2 DB Members with DC Hybrid (who do not contribute to Social Security):** For contribution rate information for the DB Plan, please visit our website. The contribution rates for the hybrid accounts are as follows: The employee will pay 3% and employer will pay a matching 4% contribution for a specified short period of time at which point it will reduce to 3%. A.R.S. § 38-868 (C).

**Tier 3 DB Members with DC Hybrid (who do not contribute to Social Security):** For contribution rate information for the DB Plan, please visit our website. The contribution rates for the hybrid accounts are as follows: The employee will pay 3% and employer will pay a matching 3%. A.R.S. § 38-868 (C).

**Tier 3 DC Members Only:** Employees will pay a minimum of 9%, plus a varying contribution amount towards the disability program. Employers must provide a matching contribution of 9%. A.R.S. § 38-867 (A2 and D2).

A County employer that elected to pay a higher level percentage contribution rate may eliminate that higher level percentage contribution rate amount for members who are hired on or after January 1, 2015. A.R.S. § 38-843 (B).

## Credited Service

**Tier 1, 2 and 3 DB Members:** Your eligibility to receive a pension under the DB Plan is based on your total service within the Plan; however, your pension benefit is calculated using your "credited service," which is service time that the Plan has received contributions. If you have any pay periods during an unpaid leave (i.e., leave without pay), it is not considered credited service and cannot be used towards the calculation of your benefit. A.R.S. § 38-842(13).

## Death Benefits

**Tier 1, 2 and 3 DB Members:** Pursuant to statutes, an AUTOMATIC survivor benefit will pay your eligible spouse and eligible child(ren). If there is no eligible spouse or eligible child(ren), the balance of the applicable contributions, if any, will be paid to the named beneficiary(ies) on file. If there is no beneficiary, your Local Board will determine the next-of-kin, or estate. A.R.S. 38-846.

**Tier 3 Members within the First 90 Days of Employment:** If the employee was killed in the line of duty, the surviving spouse will receive a surviving spouse pension based on the calculation for a DB Member (100% of the average monthly compensation at the time of death). A.R.S. § 38-842.01 (D).

**Tier 3 DC Members:** If the employee was killed in the line of duty, the surviving spouse will receive a surviving spouse pension based on the calculation for a DB Member (100% of the average monthly compensation at the time of death) reduced by an amount equal to the monthly annuitized value of the annuity account. A.R.S. § 38-870.07 (A and B).

**Tier 3 DC Members Dies before 10 Years of Service:** Employer contributions are immediately vested. A.R.S. § 38-867 (I).

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* and/or a *DROP Beneficiary Designation Form*, as applicable, after the date of the divorce.

#### Eligibility

**Spouse:** For retired members, statute requires two consecutive years of marriage at the time of the members death.

**Child(ren):** Biological or legally adopted children that are unmarried, under the age of 18, and/or attending school full-time between the ages of 18 to 23, which also includes disabled children (disability occurred before the age of 23), and who is a dependent of the member.

#### ACTIVE Members for Tier 1, 2 and 3 DB Members

**Spouse's Pension:** The surviving spouse of an active member will receive a Spouse's Pension each month for lifetime. The Spouse's Pension is 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) will receive a Child's Pension up to 20% (in equal shares, but no more than 10% per eligible child) each month based on the calculation for an accidental disability retirement until each (unmarried) child turns 18, or under 23 years of age only during any period that the (unmarried) child is a full-time student. An eligible Child's Pension shall become payable directly to the eligible child when the eligible child reaches the age of 18, if the child remains eligible to receive the pension and is not subject to a guardianship or conservatorship due to disability or incapacity. A.R.S. §§ 38-842(23) and 38-846.

OR

**Guardian Benefit:** If there is no surviving spouse, or the pension of the surviving spouse is terminated, and there is at least one (1) eligible child, a Guardian Benefit of 80% (based on the calculation for a Spouse's Pension) and the applicable Child's Pension (based on the calculation for a Child's Pension) will be paid to the guardian of the (unmarried) eligible child(ren) until the child turns 18, or under 23 years of age only during any period that the (unmarried) child is a full-time student.

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.

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).

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. If the surviving beneficiary does not apply for the benefit within twelve months from the date of the member's death, the Local Board has the authority to pay the member's nearest of kin, or estate. A.R.S. § 38-846(I).

#### INACTIVE Member (non-contributing status at the time of death) for Tier 1, 2 and 3 DB Members

**Balance of Contributions:** Member's named beneficiary on file will receive the member's accumulated contributions. If the surviving beneficiary does not apply for the benefit within twelve months from the date of the member's death, the Local Board has

the authority to pay the member's nearest of kin, or estate. A.R.S. §§ 38-842(30) and 38-846(I).

#### RETIRED/DROP Member for Tier 1, 2 and 3 DB Members

**Spouse's Pension:** If married for at least two (2) consecutive years at the time of the member's death, the surviving spouse will receive a Spouse's Pension each month for lifetime based on 80% of the member's pension benefit. A.R.S. § 38-846.

AND

**Child's Pension:** The surviving eligible child(ren) will receive a Child's Pension up to 20% (in equal shares, but no more than 10% per eligible child) each month based on the member's pension until each (unmarried) child turns 18, or under 23 years of age only during any period that the (unmarried) child is a full-time student. An eligible Child's Pension shall become payable directly to the eligible child when the eligible child reaches the age of 18, if the person remains eligible to receive the pension and is not subject to a guardianship or conservatorship due to disability or incapacity. A.R.S. §§ 38-842(23) and 38-846.

OR

**Guardian Benefit:** If there is no surviving spouse, or the pension of the surviving spouse is terminated, and there is at least one eligible child, a Guardian Benefit of 80% (based on the member's pension) and the applicable Child's Pension (based on the member's pension) will be paid to the guardian of the (unmarried) eligible child(ren) until the child turns 18, or under 23 years of age only during any period that the (unmarried) child is a full-time student.

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 the surviving beneficiary does not apply for the benefit within twelve months from the date of the member's death, the Local Board has the authority to pay the member's nearest of kin, or estate. A.R.S. § 38-846(I).

#### DROP Lump-sum Payment

**DROP Beneficiary:** As per the DROP Beneficiary Designation form on file, the member's named beneficiary will be paid the accrued DROP monies. A.R.S. § 38-844.07.

### 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 member shall file an application for a disability pension after the disabling incident or within one year after the date the member ceases to be an employee and employment is terminated by reason of disability. Eligibility for an accidental disability will be determined by the Local Board upon an independent medical examination. A.R.S. §§ 38-842(1) and 38-844.

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.

**Tier 1 DB Members:** The monthly benefit is 50% of the member's average monthly compensation, or the normal pension amount, whichever is greater.

**Tier 2 DB Members:** The monthly benefit is 62.5% of the member's average monthly compensation less a 4% reduction for each year of credited service under 25 years, or the normal pension amount, whichever is greater (but not less than 50% of the average monthly compensation). (There is no age or credited service requirement.)

**Tier 3 Members within the First 90 Days of Employment:** If in the first 90 days of employment an employee is determined to be eligible for a disability (ordinary is not permitted), the employee shall be automatically enrolled in the Tier 3 DB Plan for the remainder of the employee's employment with any employer under the System. A.R.S. § 38-870.06 (B).

**Tier 3 DC Only Members:** If the employee is determined to be eligible for a disability (ordinary is not permitted), the calculation is determined based on a Tier 3 DB Member reduced by an amount equal to the monthly annuitized value of the annuity account. A.R.S. § 38-870.06 (B).

**Taxability:** If the member has less than 20 years of service, this benefit is considered non-taxable income for lifetime. If greater than 20 years of service, 50% of the average monthly salary is non-taxable for lifetime, plus previously taxed monies (if applicable) based on the "Safe Harbor" method are considered non-taxable income.

- **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 member shall file an application for a disability pension after the disabling incident or within one year after the date the member ceases to be an employee and employment is terminated by reason of disability. A.R.S. §§ 38-842(9) 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. Benefit is non-taxable income for lifetime.

**Tier 3 Members within the First 90 Days of Employment:** If in the first 90 days of employment an employee is determined to be eligible for a disability (ordinary is not permitted), the employee shall be automatically enrolled in the Tier 3 DB Plan for the remainder of the employee's employment with any employer under the System. A.R.S. § 38-870.06 (B).

**Tier 3 DC Only Members:** If the employee is determined to be eligible for a disability (ordinary is not permitted), the calculation is determined based on a Tier 3 DB Member reduced by an amount equal to the monthly annuitized value of the annuity account. A.R.S. § 38-870.06 (B).

- **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 member shall file an application for a disability pension after the disabling incident or within one year after the date the member ceases to be an employee and employment is terminated by reason of disability. Additionally, the member cannot be eligible for a normal retirement. 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. For all members, the monthly benefit is a percentage of normal retirement based on the employee's years of credited service (maximum of 20 years) divided by twenty (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. Benefit is taxable income.

- **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 twelve (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's employment must be terminated by reason of disability. Additionally, the member cannot be eligible for a normal retirement. A.R.S. §§ 38-842(48), 38-844 and 38-845. Benefit is non-taxable income.

**Tier 3 Members within the First 90 Days of Employment:** If in the first 90 days of employment an employee is determined to be eligible for a disability (ordinary is not permitted), the employee shall be automatically enrolled in the Tier 3 DB Plan for the remainder of the employee's employment with any employer under the System. A.R.S. § 38-870.06 (B).

**Tier 3 DC Only Members:** If the employee is determined to be eligible for a disability (ordinary is not permitted), the calculation is determined based on a Tier 3 DB Member reduced by an amount equal to the monthly annuitized value of the annuity account. A.R.S. § 38-870.06 (B).

### Divorce / Domestic Relations Order (DRO)

If the member has been involved in a divorce(s), please provide 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)

**Tier 1 (a) Members: Employees who became a member on or before December 31, 2011 that have AT LEAST 20 years of credited service on January 1, 2012 and enter into DROP either prior to or after January 1, 2012** may voluntarily and irrevocably enter into the DROP program with the employer for a period of up to sixty (60) months (i.e., 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 (subject to change each fiscal year). 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 sixty (60) months (or prior to that time), upon termination of the members employment and exit DROP, the member will begin receiving the monthly retirement payments (which is the same amount that was calculated at the beginning of DROP) and the member will also receive the accumulated DROP benefit, plus interest. A.R.S. §§ 38-842, 38-844.02 through 38-844.09. For interest rate information, please visit our website.

**Tier 1 (b) Members were classified as employees who became a member on or before December 31, 2011 that had LESS THAN 20 years of credited service on January 1, 2012 and entered into the DROP program after January 1, 2012:** This group of membership was previously required to continue to pay contributions into the System during their participation in DROP and then when the member terminated employment and exited DROP, those additional contributions, plus interest, were returned to the member. However, PSPRS is pending changes to the Tier 1 (b) DROP membership to be handled in the same manner as the Tier 1 (a). PSPRS is in the process of coordinating with each individual employer and eligible Tier 1 (b) member to be adjusted like Tier 1 (a). Tier 1 (b) requirements were pursuant to § 38-844.06(B). For interest rate information, please visit our website.

#### Distribution of DROP

PSPRS automatically issues **ALL** of the **taxable portion** of the accrued DROP benefit, with interest, into a 401(a) Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP) administered by Nationwide Retirement Solutions. If the member has any **previously taxed** monies, those funds will be issued to the member in the same manner as the monthly retirement payments (either direct deposit or check).

**IMPORTANT:** If the members account is required to be split with an alternate payee pursuant to a Domestic Relations Order (DRO) or other court Order, since the **taxable** portion of the DROP monies are required to be sent to Nationwide, PSPRS will continue to direct the **entire taxable portion** to Nationwide – and will also advise Nationwide of the amount awarded to each party and will either hold or pay to the alternate payee, as applicable. If there are any **previously taxed** contributions, those monies will be divided and either held or paid, as applicable, to the alternate payee. A.R.S. §§ 38-844.08 and 38-860.

**Tier 2 and Tier 3 Members:** DROP is not available. §§ 38-844.02 and 38-844.03.

### Eligibility

Police officers who are certified peace officers and fire fighters are eligible to participate in PSPRS if the employee's customary employment is for at least forty (40) hours per week for more than six (6) months in a calendar year and are regularly assigned to hazardous duties. Retroactive to January 1, 2009, police and fire chiefs are eligible to participate in PSPRS. A.R.S. § 38-842 (24 and 31).

### Garnishments

As permitted by statute and upon receipt of acceptable legal documentation directing our office, if the member is retired, we may withhold from a members retirement (or disability) benefit for child support payments, Domestic Relation Orders and/or Levy from the Internal Revenue Service (IRS). However, if we receive any other garnishment or judgment, or receive any garnishment or judgment for

a member that is currently working, we will take it under advisement with the Arizona Attorney General’s Office. A.R.S. § 38-850 (C).

If you are retired (or receiving a disability retirement) and your child support payments are expected to stop, the clearinghouse or court will be required to provide our office with a stop order (i.e., Order Stopping Order of Assignment or Termination of Income Withholding Order, etc). Additionally, if your Levy is expected to stop, it is required that we receive a Release of Levy from the IRS.

Please note that child support and levy payments are taxable income to you. Therefore, if you would like to make any changes to your Federal and/or State withholding, you may access the withholding forms from the PSPRS website at <http://www.psprs.com/>. Benefit payments issued to an ex-spouse become taxable income to the ex-spouse; however, for additional information pursuant to the Domestic Relations Order, please refer to the “Divorce and Domestic Relations Order (DRO) FAQ.”

Our cut-off to process any changes to your account is the 10<sup>th</sup> of the month. If the orders are received by the clearinghouse, court or IRS by the 10<sup>th</sup> of the month, the change will occur with the payment paid at the end of that month. If received after the 10<sup>th</sup> of the month, the change will occur with the payment at the end of the following month.

## Health Insurance

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

Without Medicare		With Medicare A & B		Retiree & Dependents	
Retiree Only	Retiree & Dependents	Retiree Only	Retiree & Dependents	Retiree & Dependents One with Medicare, the other(s) without	Retiree & Dependents with Medicare, other dependents without
\$150.00	\$260.00	\$100.00	\$170.00	\$215.00	\$215.00

Retirees with a membership (hire) date on/before September 13, 2013 that meet the “Returning to Work after Retirement” qualifications and that are re-employed by a participating PSPRS employer or that participate under ADOA group insurance plan, may be eligible to have their active medical/dental insurance subsidized (*retroactive to September 2013*) up to the amount of the premium, but no more than the amount as allowed by statute. A.R.S. § 38-857.

New members with (or a survivor of the system whose deceased spouse has) a membership (hire) date on/after September 13, 2013 who retire and later become re-employed with a PSPRS employer and participate in active health care coverage provided by PSPRS employer will not be eligible to apply the PSPRS Premium Benefit towards their active health care coverage. A.R.S. § 38-857.

If a law enforcement officer, as defined in A.R.S. §38-1114, is killed in the line of duty, the eligible surviving spouse or dependent(s) are entitled to insurance benefits either by the former employer, or from the state retirement system from which the spouse or dependent is receiving benefits. The health insurance premium amount payable by the employer of the deceased law enforcement officer is the amount the employer of the deceased law enforcement officer would pay for an active law enforcement officer for a family coverage premium or single coverage premium, whichever is applicable. For additional eligibility requirements, refer to A.R.S. § 38-1114.

## Joinders

Specific positions and employers may participate in PSPRS if the governing body of the employer enters into a joinder agreement to bring such employees into 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 PSPRS within sixty (60) days after the employer’s effective date. A.R.S. § 38-851.

## Local Board

Each employer that participates in PSPRS is required to be vested in a 5-person board that determines PSPRS eligibility and benefits pursuant to statutes. (If a member needs contact information for the Local Board Secretary or representative, PSPRS can assist with providing the contact information.) A.R.S. § 38-847.

## Refund

**Tier 1 Members:** Pursuant to A.R.S. § 38-846.02 (A and B), upon termination of employment (for any reason other than death or retirement) within twenty (20) days after filing an application with PSPRS, the member will receive a lump-sum payment (less mandated tax withholding) 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 (5) 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

**Tier 2 and 3 DB Members Only:** Pursuant to A.R.S. § 38-846.02 (C), upon termination of employment (for any reason other than death or retirement) within twenty (20) days after filing an application with PSPRS, shall receive a lump-sum payment, plus interest at a rate determined by the board (currently 3%) as of the date of termination, 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.

**Tier 3 DC Members Only:** Employee contributions and earnings are immediately vested. A.R.S. 38-867 (H) and is fully vested after ten years of service, with employer contributions vesting at a rate of 10% per year. A.R.S. § 38-867 (I). Contact Nationwide Retirement Solutions for benefit information.

DB and DC Members may not, under any circumstance, borrow from, take a loan against or remove contributions from the member's account before the termination of membership in the plan or the receipt of a pension. §§ 38-843 (C) and 38-867(F).

## Retirement and Deferred Annuity

### Tier 1 Members

#### Retirement

Pursuant to A.R.S. §§ 38-842 (7, 12, 13, 32 and (45) 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	Service	Calculation
62	15 years	Average monthly benefit compensation x 50% for the first 20 years of credited service. The benefit is reduced by 4% for each year of credited service under 20 years. A.R.S. §§ 38-842(7 and 32) and 38-845(A)(1).
Not required	20 years of credited service	Average monthly benefit compensation x 50% for the first 20 years of credited service. A.R.S. §§ 38-842(7) and 38-845(A).
Not required	20 years of service with less than 20 years of credited service	Average monthly benefit compensation x 50% for the first 20 years of credited service. The benefit is reduced by 4% for each year of credited service under 20 years. A.R.S. §§ 38-842(7 and 32) and 38-845(A)(1).
Not required	20 to 24.99 years of credited service	Average monthly benefit compensation x 50% 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. §§ 38-842(7) and 38-845(A)(2).
Not required	25 or more years of credited service	Average monthly benefit compensation x 50% 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. §§ 38-842(7) and 38-845(A)(2).

#### Deferred Annuity

Inactive members (not making contributions) 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 System plus an equal amount paid by the employer. This annuity is not a retirement benefit; it is an annuity and, because of this, annuitants are not entitled to survivor benefits, benefit increases, subsidy (premium benefit), or participation in the group health insurance program. A.R.S. § 38-846.01(A).

If the death of an inactive member occurs before becoming eligible for a Retirement or Annuity benefit, the member's named beneficiary on file will receive the member's accumulated contributions. A.R.S. § 38-846(I).

## Tier 2 Members

### Retirement

Pursuant to A.R.S. §§ 38-842 (7, 12, 32 and 45) 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	Service	Calculation
52.5	15 years of service	Effective August 9, 2017 pursuant to Senate Bill 1115: Average monthly benefit compensation x credited service x multiplier (below). A.R.S. §§ 38-842(7 and 32) and 38-845(G).
52.5	25 or more years of service	Average monthly benefit compensation x 62.5% 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 years up to a maximum of 80% of the average monthly benefit compensation. The benefit is reduced by 4% for each year of credited service under 25 years with a pro-rata reduction for any fractional years. A.R.S. §§ 38-842(7 and 32) and 38-845(G).

### Deferred Annuity

Not available to Tier 2 Members; however, employees who became a member on or after January 1, 2012 who attain 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, which would include eligibility for survivor benefits, benefit increases and group health insurance subsidy. A.R.S. § 38-846.01(B).

If the death of an inactive member occurs before becoming eligible for a retirement benefit, the member's named beneficiary on file will receive the member's accumulated contributions. A.R.S. § 38-846(I).

## Tier 3

### DB Members

Pursuant to A.R.S. §§ 38-842 (7, 12, 32 and 45) 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	Credited Service	Calculation
52.5 Early Retirement	15 years of credited service	Actuarially reduced benefit based on the average monthly benefit compensation x credited service x multiplier (below).
55 Normal Retirement	15 or more years of credited service	Average monthly benefit compensation x credited service x multiplier (below) up to a maximum of 80% of the average monthly benefit compensation.

### **Multiplier for Tier 1 and Tier 2**

Credited Service	Multiplier
15 to 16.99	1.50%
17 to 18.99	1.75%
19 to 21.99	2.00%
22 to 24.99	2.25%
25 or more	2.50%

### Deferred Annuity

Not available to Tier 3 DB Members; however, employees who became a member on or after July 1, 2017 who attain 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, which would include eligibility for survivor benefits, benefit increases, or the group health insurance subsidy. A.R.S. § 38-846.01(B).

If the death of an inactive member occurs before becoming eligible for a retirement benefit, the member's named beneficiary on file will receive the member's accumulated contributions. A.R.S. § 38-846(I).

**Tier 3 DC Members:** Employee contributions and earnings are immediately vested. A.R.S. 38-867 (H) and is fully vested after ten years of service, with employer contributions vesting at a rate of 10% per year. A.R.S. § 38-867 (I). Contact Nationwide Retirement Solutions for benefit information.

### Return to Work after Retirement

Pursuant to § 38-849: Making the decision to return to work after retirement should be considered carefully as it may have an effect on your pension benefit. Below are guidelines regarding returning to work after you have retired:

1. In order for you to continue to receive your retirement benefits, you cannot return to work **in any capacity** from the employer in which you retired **for a minimum of one year** from the effective date of your retirement. Doing so may result in a suspension of your retirement benefits.
2. Additionally, **at any time following retirement**, you may not return to work from the employer in which you retired **if the position is the same or substantially similar** to the position from which you retired. Doing so may result in a suspension of your retirement benefits.
3. You may 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.
4. As well as, you can return to work with the employer from which you retired and continue to receive your retirement benefits if you were hired as a fire inspector, or arson investigator.
5. 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).
6. If you are receiving an accidental or ordinary disability retirement and have not reached normal retirement, in order to return to work with a participating employer in a PSPRS-covered position, the following conditions apply:
  - o Your local board will need to review and determine your return to work eligibility. If approved to return to work, your pension will be terminated.
  - o During your reemployment in a PSPRS position, you will be required to contribute to the Plan.
  - o Your service will be reestablished and will be used in determining your future retirement benefit, when you become eligible and make application for normal retirement.
  - o The time during which you were receiving a disability pension will be considered "service" and not "credited service" and your average monthly salary will be based on the salary from the new employment.
7. At any time following retirement, if you are awarded an accidental disability, ordinary disability, catastrophic disability, or temporary disability benefit and accept a job reassignment as an accommodation in accordance with the Americans with Disabilities Act of 1990 due to a disability that is directly related, your retirement benefits will not be suspended.
8. 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.

As with all benefit determinations, within ten (10) days of reemployment, the Local Board is required to notify our office of your reemployment. Additionally, the Local Board must make the determination of your return to work eligibility and will also need to detail their decision in the Local Board meeting minutes as well as provide the PSPRS with the necessary documentation to review your eligibility; otherwise, your retirement benefits may be suspended pending PSPRS review.

If a retired member returns to work in any capacity in a position ordinarily filled by an employee, the employer is required to pay an alternate contribution rate (ACR) to PSPRS. From July 1, 2016 through June 30, 2017, the ACR will be based on the individual valuation for each employer that participating in PSPRS. The ACR will not be less than 8%. Effective August 2, 2012, this section does 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. A.R.S. § 38-843.05.

## Service Purchase (also see the Transfers Section)

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

Members with at least five (5) years of service with the System may purchase up to sixty (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 sixty (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 forty-eight (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 with at least five (5) 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, full-time paid certified peace officer or full-time paid corrections officer engaged in law enforcement duties may elect to redeem up to sixty (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 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 one (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. § 38-849(C)(D), as applicable. (Form P2)

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

Members of any of the four Arizona 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. A.R.S. § 38-922.

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

Active members with 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 the Service Purchase section)

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

A member who terminates employment with an employer and accepts a position with the same or another employer participating in the system, after completing an application that is acceptable to the board 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 with 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.

## Vesting

**DB Members:** A member's right to benefits vest when an application for benefits is filed and the member is found to be eligible for those benefits or on the last day of employment under the system, whichever occurs first. A.R.S. §§ 38-842, 38-844.01, 38-854 and Sec. 55.

**DC Members:** Vesting varies based on Membership Tier and elections, years of service and type of distribution.

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