SB1428 Implementation: Tier 2 "Opt-Out" Process

Public Safety Personnel Retirement System

January 31, 2017

Today's Agenda

- Overview of new Defined Contribution component for Tier 2 PSPRS Members.
- Provide information on how the PSPRS will manage the "Opt-out" process.
- Provide time for Q & A.

Defined Contribution Plan

- PSPRS Defined Contribution Committee will determine who will handle the DC plan
- Timeframe
  - January 2017: Selection of DC Plan Advisor and initiation of RFP for DC third party administrators
  - Selection of DC Administrator(s) completed early May 2017
  - More information on plan administrators will be provided in May/June timeframe.

Overview of DC Program for Tier 2 Members

- Affects employees who became members of PSPRS from January 1, 2012 through June 30, 2017.
- Employees who are considered tier 2 PSPRS members will participate in DC under the following conditions:
  - The member did not make election to opt-out of the Plan.
  - The member is not covered under OASI **(i.e. Social Security)**.
- Program established to provide supplemental savings for those PSPRS members who may not receive retirement benefits through Social Security.

Overview of DC Program for Tier 2 Members

- Beginning July 1, 2017, tier 2 members who did not "opt-out" will be required to contribute 3% of their pensionable compensation to the **PSPRS Defined Contribution Retirement Plan**
  - Pensionable compensation has the same meaning as defined in the DB plan.
- This contribution is in addition to their contribution to the DB plan.
- Employers will also be required to make matching contributions into the DC plan.
  - However, for a limited period the employer will be required to make an increased contribution based on the employees membership date in the PSPRS.

Employer Contribution Rate		
Calendar year employee hired into PSPRS position	4% contribution Rate	3% contribution
2012	Beginning 7/1/2017 through 06/30/2024	Beginning 7/1/2024 and thereafter
2013	Beginning 7/1/2017 through 6/30/2023	Beginning 7/1/2023 and thereafter
2014	Beginning 7/1/2017 through 6/30/2022	Beginning 7/1/2022 and thereafter
2015	Beginning 7/1/2017 through 6/30/2021	Beginning 7/1/2021 and thereafter
2016	Beginning 7/1/2017 through 6/30/2020	Beginning 7/1/2020 and thereafter
Between 1/1/2017 & 6/30/2017	Beginning 7/1/2017 through 6/30/2018	Beginning 7/1/2018 and thereafter

Overview Tier 2 Member opt-out process

- **Step 1**: Determining which tier 2 members will be immediately affected by new DC plan
  - Those who are in positions that do not contribute to Social Security.
  - PSPRS will be conducting outreach campaign with employers to determine Social Security treatment of their PSPRS membership.
- **Step 2**: Development of resource material to provide tier 2 members
  - PSPRS in development of marketing material that can be posted (fire stations, precinct offices).
  - Educational/resource material: to be posted online, provided to employers, directly distributed to members.
  - Should be available early-march.
- **Step 3:** Conduct direct communication to tier 2 members regarding upcoming DC plan (mid-March)
  - Direct email and/or mail campaign to those tier 2 members affected by opt-out requirement.
  - Provide member with necessary document to "opt-out" of participation in DC.

Overview Tier 2 Member opt-out process

- **Step 4**: Collection of opt-out elections (beginning April 2017)
  - Member will submit election directly to PSPRS.
  - Opt-out period will close **June 30, 2017**
- **Step 5**: Reporting results to employers
  - Goal is to have reports distributed to employers affected by DC participation on or before **July 14th 2017.**
- **Step 6:** Initiate enrollment & contributions into DC plan
  - More information on process forthcoming once DC Administrator selected.

Extension of Opt-out Period & Appeal Process

- Election period to Opt-out will be extended to those employees hired in May/June 2017
  - Period will extend until **August 31st 2017**
- PSPRS will also provide an "appeal period"
  - Only available to those tier 2 members who were automatically defaulted into the DC plan.
  - Member must contact PSPRS directly to submit appeal
  - Reason for appeal must be for extenuating circumstances and will be reviewed on a case by case basis
    - Example: member out on military leave during opt-out period
    - Simply forgetting to take action will not be acceptable reason
  - Appeal must be received by the PSPRS by August 31st.
    - No exceptions will be made.
  - PSPRS will contact the employer directly, should appeal to "opt-out" be granted.

How You Can Help With Opt-Out Process

- If you haven't been contacted by PSPRS regarding how you handle social security for your PSPRS membership:
  - Contact Robert: rortega@psprs.com
  - Would like to have all employers accounted for by end of February.
- "Get the word out!"
  - Post collateral/resource material provided by PSPRS
- Encourage your tier 2 employees to establish account through our Member's Only portal.
  - Ensures that we have an active email address for direct communications to membership

Frequently Asked Questions

- How will we know how long to maintain the increased employer 4% contribution to the DC?
  - PSPRS will provide employers with report by employee, indicating when increased contribution should end.
  - Additionally, a member "look-up" feature will be added to employer payroll and local board portals
- In the future, if we hire an employee from another PSPRS employer, how will know if they elected to "Opt-out" of the DC plan?
  - A member "look-up" feature will be added to employer payroll and local board portal.

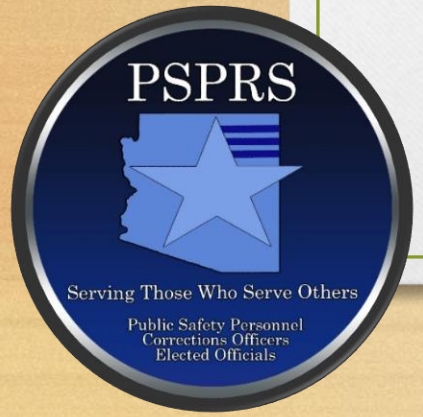
Frequently Asked Questions

- What does section 38-868(E) mean?
  - This particular section relates to the decision on the Hall Case and difference in DB contribution for Tier 1 (7.65%) vs. Tier 2 (11.65%) members The difference in contribution (4%) would be the referenced portion of the Tier 2 employee's DC contribution requirement that the employer could potentially choose to pay on their behalf.

SB1428: Future Training Events

- Understanding Tier 3 Plan Provisions (three locations in Arizona)
  - March 30, 2017 Pima Community College 1255 North Stone Avenue Tucson, AZ (10am till noon)
  - April 6, 2017 Flagstaff Council Chambers 211 W Aspen Flagstaff, AZ (10 am till noon)
  - April 13, 2017 Burton Barr Library Pulliam meeting room (1st floor located near gallery) 9:00a -11:00p and 1:00p – 3:00p
  - May 16, 2017 Employer Seminar (new enrollment process, new payment/transmittal process)

Questions?


PSPRS
Serving Those Who Serve Others
Public Safety Personnel
Corrections Officers
Elected Officials