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PSPRS 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 age of the member and beneficiary, as applicable. PSPRS also administers a 401(a), Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP or DC Plan), managed through Nationwide Retirement Solutions (www.psprsdcrplan.com), in which benefits 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:

Tier 1 Members DB Plan Only	Tier 2 Members DB + DC Plan (hybrid) for Non-Social Security positions	Tier 3 Members DB Plan + DC Plan (hybrid) for Non-Social Security positions, or DC Plan Only
Hired into PSPRS position before January 1, 2012	Hired into PSPRS position on/after January 1, 2012	Hired into 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. Non-paid or partially paid industrial leave shall be considered in the employee’s monthly benefit calculation, based on the compensation the employee would have received in the employee’s job classification if the employee was not on industrial leave. A.R.S. § 38-842(12) and A.R.S. § 38-842(7).

Tier 1 DB Members	Highest average of 36 consecutive months of salary within the last 20 years of service. A.R.S. § 38-842(7)(A)
Tier 2 DB Members	Highest average of 60 consecutive months of salary within the last 20 years of service. A.R.S. § 38-842(7)(B)
Tier 3 DB Members	Highest average of 60 consecutive months of salary within the last 15 years of service. A.R.S. § 38-842(7)(C)

Benefit Increase

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

For NEW retirees and survivors with a retirement date after July 1 of the prior fiscal year, the increase is prorated based on the date of retirement. A.R.S. §§ 38-856.05 and 38-856.06.

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, 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, 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 and then the employer rate reduces 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, visit our website. The contribution rates for the hybrid accounts are as follows: Employee and employer each contribute 3%. A.R.S. § 38-868(C).

Tier 3 DC Only Members: 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). Employees who elect to participate in the group health benefits plan will be required to share the cost of participation (as determined by actuarial valuation) equally with their Employer. (For more information, see "Health Insurance" section.) A.R.S. §§ 38-867(G) and 38-869.

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 for a surviving spouse pension; however, to maintain an ex-spouse as a beneficiary of any remaining contributions on account, you **must** complete a *Beneficiary Designation Form* and/or a *DROP Beneficiary Designation Form*, as applicable, after the date of the divorce. A.R.S. § 14-2804.

Eligibility

Spouse: For retired members, statute requires two consecutive years of marriage at the time of the members death. Proof of recorded/filed marriage license/certificate is required. A.R.S. § 38-846.

Child(ren): Biological or legally adopted children who 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 are 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 his/her 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 his/her 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).

For Members Participating in DROP

If a member passes away while participating in the DROP, survivor benefits will be paid according to the RETIRED MEMBERS section above and the member's accumulated DROP will be transferred into an account established on behalf of the deceased member in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP) currently administered by Nationwide Retirement Solutions. A.R.S. §§ 38-844.06(C) and 38-844.07.

Disabilities

After January 1, 2022, the Board of Trustees is provided authority to seek Uniform Medical Review of a Disability determination by a Local Board. A.R.S. § 38-847.03.

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.

Up until the member reaches normal retirement, the Local Board may require periodic medical re-evaluations of the continuation of the accidental disability. If the Local Board finds the retired member no longer meets the requirements for the disability benefit and refuses an offer of employment by an employer in the System, the disability benefits will cease. A.R.S. §§ 38-844 and 38-845.

Tier 1 DB Members:

- Less than 20 years of credited service: average monthly benefit compensation x 50% = monthly benefit.
- 20 or more years of credited service, the monthly benefit is calculated based on normal retirement.
- The accidental disability pension shall equal not less than fifty percent of a member's average monthly benefit compensation.

Tier 2 DB Members:

- Less than 25 years of credited service: average monthly benefit compensation x 62.5% less 4% reduction for each year of credited service under 25 = monthly benefit.
- 25 or more years of service, the monthly benefit is calculated based on normal retirement.
- The accidental disability pension shall equal not less than fifty percent of a member's average monthly benefit compensation.

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. The accidental disability pension shall equal not less than fifty percent of a member's average monthly benefit compensation. A.R.S. § 38-870.06(B).

Taxability for Tier 1 and Tier 2 DB Members: 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), 38-844 and Section 11. (H.B. 2542, Laws 2004, Ch. 325).

Eligibility for a catastrophic disability will be determined by the Local Board upon an independent medical examination. The monthly benefit is 90% of the 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. The 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 the member's required credited service for the applicable normal retirement date. 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. The 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. The 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 divided with a member's former spouse, a Domestic Relations Order (DRO) is legally required and will need to be prepared. To ensure that the language in the DRO is acceptable, it is recommended that a draft of the DRO be provided to PSPRS for review and approval prior to submitting it to the court. A.R.S. § 38-860.

DROP (Deferred Retirement Option Plan)

Tier 1 DB Members: At any time after a member achieves 20 years of credited years of service, a member may elect to participate in the Deferred Retirement Option Plan (DROP), which is a voluntary and irrevocable benefit program that offers members the opportunity to receive a one-time lump sum payment, at the time of retirement, in addition to their monthly retirement benefit.

The process to enter into DROP is that at the time a member elects to participate, their monthly retirement benefit is calculated based on the salary and service at the time of DROP participation. Then, that monthly amount is deferred each month, plus interest (subject to change each fiscal year), while the member remains as a full-time employee. 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 member's employment and exiting DROP, the member will begin receiving the monthly retirement payments (which is the same amount that was calculated at the beginning of DROP). 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, visit our website.

At the time the member exits DROP and officially retires, PSPRS automatically issues ALL DROP benefits, with interest, into the 401(a) Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP) currently administered by Nationwide Retirement Solutions. A.R.S. § 38-844.08.

Members presently in the DROP who want to extend their DROP participation past sixty (60) months must seek their employers' approval. Future DROP members wanting to extend DROP participation up to eighty-four (84) months must be at least 51 years old and have twenty-four and half (24.5) years of credited service upon entering the DROP. A.R.S. § 38-844.03.

For a member who extends their DROP participation plan past sixty (60) months, the system shall transfer the accumulated balance of a member's DROP account to an account created for the member in the 401(a) Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). For the subsequent twenty-four (24) month DROP period, all accrued DROP benefits shall be deposited in the member's 401(a) Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP) account. A member may not withdraw his or her DROP benefits until the member terminates employment. A.R.S. § 38-844.05(D).

IMPORTANT: If the member's account is required to be divided with an alternate payee pursuant to a Domestic Relations Order (DRO), or other court Order, since the **taxable and non-taxable** portions of the DROP benefit are required to be sent to Nationwide, PSPRS will direct the **taxable and non-taxable DROP benefits** to Nationwide – and will advise Nationwide of the amounts awarded to each party. A.R.S. §§ 38-844.08 and 38-860.

Tier 2 and Tier 3 DB/DC 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 member’s retirement (or disability) benefit for child support payments, Domestic Relation Orders and/or Tax Levy from the State of Arizona or Internal Revenue Service (IRS). However, if we receive any other garnishment or judgment, or receive any garnishment or judgment for a member who is currently active and contributing, we will take it under advisement with the PSPRS General Counsel and/or 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 Department of Economic Security (DES) or county 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 Tax Levy is expected to stop, it is required that we receive a Release of Levy from the State of Arizona or IRS.

Please note that child support and tax 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” on the PSPRS website here: [Divorce & Legal Topics | PSPRS](#).

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

Health Insurance

As a new retiree, retired member, or as an eligible surviving spouse of the System, you may elect group health insurance and/or accident insurance coverage through Arizona State Retirement System (ASRS), Arizona Department of Administration (ADOA), or a group plan through an employer of the PSPRS, as applicable. A.R.S. §§ 38-857, 38-651.01 and 38-782.

Tier 1, 2 or 3 DB Members: By selecting one of the above-stated group insurance plans, you may be entitled to a Premium Benefit (subsidy) to help offset your medical and/or dental premium costs. (If you elect insurance coverage through a private entity, we cannot apply the subsidy to the private insurance coverage.) Based on your elections and coverage level, the System may pay up to the following subsidy amount, not to exceed your total monthly premium cost(s) for medical and/or dental:

Without Medicare		With Medicare A & B		Retiree & Dependents	
Retiree Only	Retiree & Dependent(s)	Retiree Only	Retiree & Dependent(s)	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 prior to September 13, 2013 who meet the “Returning to Work after Retirement” qualifications and who are re-employed by a participating PSPRS employer or who 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 a 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.

Tier 3 DC Only Members: As a retired member or disability recipient of the DC Plan, you may elect group insurance from ASRS, or ADOA if eligible, but you will be responsible for the full cost of the premium(s) under these plans. By selecting one of the above-stated group insurance plans and if you elected (while an active contributing member) to participate in the group health benefit plan you may be entitled to a Premium Benefit (subsidy), to help offset your medical and/or dental premium costs as shown in the table above. PSPRS cannot apply the subsidy to the private insurance coverage should you elect insurance coverage through a private entity. (For more information, see “Contributions” section.) A.R.S. §§ 38-857, 38-651.01, 38-782 and 38-869.

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 who participates in PSPRS is required to be vested in a 5-person board who determines PSPRS eligibility for membership and disability and in the line of duty death benefits pursuant to statutes. A.R.S. § 38-847.

A Local Board may enter into an intergovernmental agreement with other Local Boards to consolidate the boards for the respective employers. The consolidated Local Board shall work with the PSPRS to ensure that the new board’s composition is consistent with the representation outlined in section 38-847, subsection A and that all appointments or elections for Local Board members are completed in a timely manner. The consolidated Local Board shall decide eligibility for membership and disability and in the line of duty death benefits and have all of the duties and responsibilities of a Local Board pursuant to A.R.S. § 38-847.02.

The PSPRS can assist members seeking contact information for the Local Board Secretary or representative.

Refund

Tier 1 DB 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 Only Members: 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, the member shall receive a lump-sum payment, plus interest at a rate determined by the board (currently 3%), of only their accumulated contributions (does not include employers share), less any benefits paid or any amounts owed to the System. Electing a refund will forfeit all membership rights and credited service in the System.

Tier 3 DC Only Members: Employee contributions and earnings are immediately vested. A.R.S. § 38-867(H) And 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 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. A.R.S. § 38-843(C).

Retirement and Deferred Annuity

Tier 1 DB Members - Retirement

Pursuant to A.R.S. §§ 38-842 (7, 12, 13, 32 and 45), 38-844 and 38-845, retirement benefits will commence the first day of the 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).

Tier 1 DB Members – Deferred Annuity

Inactive members (not making contributions) who 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 DB Members - Retirement

Pursuant to A.R.S. §§ 38-842 (7, 12, 32 and 45), 38-844 and 38-845, retirement benefits will commence the first day of the month following termination of employment and based upon the following:

Age	Service	Calculation
52.5	15 years of service	Average monthly benefit compensation x credited service x multiplier (see table 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).

Tier 2 DB Members – Deferred Annuity

Deferred Annuity is 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 - Retirement

Pursuant to A.R.S. §§ 38-842 (7, 12, 32 and 45), 38-844 and 38-845, retirement benefits will commence the first day of the 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 retirement payment based on the average monthly benefit compensation x credited service x multiplier (see table 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 2 and Tier 3

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%

Tier 3 DB Members – Deferred Annuity

Deferred Annuity is 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 A.R.S. §§ 38-849, 38-844 and 38-859: 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. For you to continue to receive your retirement benefits, you cannot return to work **in any capacity** (except for items 3, 4, 5 and 6 below) from the employer in which you retired **for a minimum of six (6) months** from the effective date of your retirement. Doing so may result in a suspension of your retirement and overpayment of 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 and overpayment of benefits.
3. You may return to work with the employer from which you retired and continue to receive your retirement benefits if 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 and new-hire process.
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 subsequently become an elected official by election or appointment, it is not considered reemployed by the same employer and retirement benefits will not be suspended.
7. If you are receiving an accidental or ordinary disability retirement and have not reached normal retirement, to return to work with a participating employer in a PSPRS covered position, the following conditions apply:

- The Local Board from the employer in which you are receiving the disability benefit will need to review and determine your return to work eligibility through an independent medical examination (IME). If approved to return to work, your pension will be terminated.
 - During your reemployment in a PSPRS position, you will be required to contribute to the Plan.
 - 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.
 - 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.
8. 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.
 9. 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 from your current employer 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. 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)

Tier 2 and 3 DB Members with at least five years of service with the System may purchase up to sixty months of credited service for periods of active military service performed before employment with their current employer (even if the member receives a military pension). For Tier 1 DB Members, there is no service requirement or maximum purchase. A.R.S. § 38-858(A).

Any active DB or DC Members may also receive credited service limited to sixty 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 months pursuant to A.R.S. §§ 38-858(G) and 38-868.01. For more information, contact your employer.

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

Active Tier 2 and 3 DB Members with at least five years of service with the System who 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 months of any part of the prior service if the prior service is not on account with any other retirement system. For Tier 1 DB Members, there is no service requirement or maximum purchase. 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 year from the date of re-employment. A.R.S. § 38-849(C). (Form 1B)

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 2)

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

Members of any of the four Arizona retirement System/Plans who 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 Tier 2 and 3 DB Members with at least five years of service with the System may purchase up to sixty months of 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. For Tier 1 Members, there is no service requirement or maximum purchase, but may be 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 Pre-Joinder)

Active Tier 2 and 3 DB Members of the System who have at least five years of service with the System who had previous service in this state as an employee with an employer now covered by the System as a full-time paid firefighter or full-time paid certified peace officer may elect to redeem up to sixty months of any part of the prior service by paying into the System any amounts required under subsection B if the prior service is not on account with any other retirement System. For Tier 1 DB Members, there is no service requirement or maximum purchase. 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 Credited Service between PSPRS Employers

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 U2)

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 Section 55 (S.B. 1609, Laws of 2011, Ch. 357).

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.