Assigned to RRD FOR COMMITTEE

ARIZONA STATE SENATE

Forty-ninth Legislature, First Regular Session

PROGRAM PRESENTATION

Public Safety Personnel Retirement System

Background

The state administers three retirement systems in addition to the Arizona State Retirement System that deal specifically with public safety personnel, corrections officers and elected officials. The Public Safety Personnel Retirement System (PSPRS), Corrections Officer Retirement Plan (CORP) and Elected Officials' Retirement Plan (EORP) are each defined benefit plans with separate nonappropriated funds administered by the PSPRS Fund Manager. The following represents a brief overview of the three systems and the fiscal impact they have on certain state employers and employees.

Fiscal Information

Public Safety Personnel Retirement System

PSPRS is a retirement system created by the Legislature in 1968 to provide a uniform, consistent and equitable statewide retirement program for certain public safety personnel and full-time firefighters who are regularly assigned to hazardous duty of the type expected of peace officers or firefighters.

PSPRS Fund monies consist of member and employer contributions as well as investment income and monies and other assets generated by the operation of the retirement plan. Under PSPRS, the employee contribution rate is fixed by statute at 7.65 percent of salary on pretax basis. The employer contribution rates are different for each employer in the system and change every fiscal year, based upon an actuarial valuation.

If investment returns are better than expected or if benefit payments are lower than expected, the employer rate will generally decrease. Conversely, if investment returns are not as good as expected or if more benefits are paid than expected, the employer rate will generally increase. Laws 2005, Chapter 208, sets the minimum employer contribution rate at five percent of the employee's salary.

PSPRS normal retirement is the first day of the calendar month following a member's completion of 20 years of service or the member's 62^{nd} birthday if the member has at least 15 years of service. Pension amounts are determined as follows:

- 50 percent of average monthly compensation for the first 20 years, plus 2 percent of average monthly compensation for each credited service year between 20 and 25. The pension is reduced by 4 percent per year for each credited service year under 20 years.

- 50 percent of average monthly compensation for the first 20 years of service, plus 2.5 percent of average monthly compensation for each year above 20 years up to a maximum of 80 percent of average monthly compensation for members retiring with more than 25 years of service.

Corrections Officer Retirement Plan

CORP was created in 1986 for certain full-time state and county detention officers. CORP provides a uniform, consistent and equitable statewide retirement program to correctional officers and is designed to meet the special needs of personnel engaged in the prison environment. Correctional officers employed by the Arizona Department of Corrections (ADC) or youth correctional officers employed by the Arizona Department of Juvenile Corrections (ADJC), and certain other designated positions within ADC or ADJC and many county detention officers are members of CORP.

CORP Fund monies consist of member and employer contributions as well as investment income and monies and other assets generated by the operation of the retirement plan. The employee contribution rate is fixed by statute at 8.41 percent of salary on a pretax basis. The employer contribution rate is different for each employer and changes every fiscal year, based upon an actuarial valuation.

Like PSPRS, if investment returns are better than expected or if benefit payments are lower than expected, the employer rate will generally decrease. Conversely, if investment returns are not as good as expected or if more benefits are paid than expected, the employer rate will generally increase. The minimum employer contribution rate is set at six percent of the employee's salary for CORP.

CORP normal retirement is the first day of the calendar month following a member's completion of 20 years of service, the date at which the member attains age 62 with ten or more years of service or when the sum of the member's age and years of credited service equals at least 80. Pension payments begin on the last day of the retirement month. A member's monthly pension amount is determined as follows:

- For retirement with 20 years of credited service but less than 25 years of credited service: 50 percent of average monthly salary for the first 20 years of credited service, plus 2 percent of average monthly salary for each year of credited service between 20 and 25.

- For retirement with less than 20 years of credited service: 2.5 percent of average monthly salary times the member's years of credited service.

- For retirement with 25 or more years of credited service: 50 percent of average monthly salary for the first 20 years of credited service, plus 2.5 percent of average monthly salary for each year of credited service above 20 years, up to a maximum of 80 percent of average monthly salary.

Elected Officials' Retirement Plan

EORP was established in 1985 to provide a uniform, consistent and equitable statewide program for eligible elected officials. All elected officials are members of EORP. Elected official means every elected official of this state, every elected official of each county of this state, every justice of the Supreme Court, every judge of the court of appeals, every judge of the superior court, every full-time superior court commissioner and each elected official of an incorporated city or town whose employer has executed a proper joinder agreement for coverage of its elected officials. However, a state elected official who is subject to term limits may elect not to participate in EORP for that specific term of office.

EORP Fund monies consist of member and employer contributions as well as investment income and monies and other assets generated by the operation of the retirement plan. The EORP Fund receives a percentage of monies collected from Supreme Court, court of appeals and superior court fees, as provided by statute. These monies are used to reduce the contributions required of state and county employers. This means that although EORP is an employer sharing plan, state and county employers pay a lower contribution than city and town employers.

Each EORP member must contribute seven percent of his or her salary on a pretax basis. Each employer must contribute the following:

- for state and county employers, a designated portion of certain fees collected by the clerks of the superior court, the court of appeals and the Supreme Court, plus additional contributions as determined by actuarial valuation to ensure proper funding, but not less than five percent of salary.

- for incorporated city or town employers, a level percent of salary as determined by actuarial valuation to ensure proper funding, but not less than five percent of salary.

An elected official is eligible for normal retirement upon reaching age 65 with five or more years of credited service, age 62 with ten or more years of credited service or achieving 20 or more years of credited service regardless of age. A member's monthly pension is determined as one-twelfth of the following amount:

(Total Credited Service x 4% of Average Yearly
Compensation= Defined Benefit)

<u>Attachments</u>

FY 2008 Year-end Presentation
FY 2009-to-Date Presentation

Prepared by Senate Research
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