

## History of Arizona's Public Pension Programs

### **ASRS**

The Arizona State Retirement System (ASRS) is a state agency that administers a public pension program for qualified employees, including the State of Arizona, three state universities, community college districts, public school districts, charter schools, all 15 counties, most cities and towns, and a variety of special districts. The system also offers health insurance programs, long term disability, and defined contribution plans.

There are 213,530 active contributors and 101,307 current beneficiaries in the ASRS. ASRS is funded by employee and employer contributions and is the only system in Arizona with a 50/50 match. The pension formula multiplies total credited service, a graded multiplier, and average monthly compensation. Currently, the graded multiplier is set between 2.10-2.30%. Contributions are currently at 9.01%, though they hovered around 2-3% before 2003. The ASRS defined benefit trust is currently funded at 76.1%, which is below the recommended funding status of 80%.

### **PSPRS and Other Plans**

The Public Safety Personnel Retirement System (PSPRS) is a retirement system created by the state legislature for full-time peace officers and firefighters in the state of Arizona. The Corrections Officer Retirement Plan (CORP) was created by the state legislature for full-time state and county detention officers. Correctional officers employed by the State Department of Corrections and the State Department of Juvenile Corrections are members of the plan. Most county detention officers are also included in the plan. The Elected Officials Retirement Plan (EORP) was created by the state legislature for all elected officials in 21 cities and towns, all 15 counties, and state government.

In the PSPRS, CORP, and EORP systems, employee contribution rates are set by statute. Currently, this fixed contribution rate for PSPRS members is 7.65% of pre-tax earnings. Employers are the variable in this formula, since their contributions are dictated by the status of the fund and market conditions. In 2002, PSPRS employer contribution rates were 3.75%. Employer contribution rates are expected to reach 22.68% by July 1, 2011. For the CORP system, employer contribution rates have grown steadily from 3.95% in 2004 to 9.50% in 2012. Employer contribution rates in the EORP have, in the same period, grown from 13.49% to 32.99%.

In 2005, the PSPRS program was funded at 82.1%. Funding has since decreased to 65.8%. During the same time period, the CORP plan has fallen from 96.4% funded to 80.3% and the EORP plan has dropped from 95.5% funded to 66.7%. The average funding ratio of the three plans has dropped from 127.0% to 68.2% since 2000.



Pension Reform Comparison

Current Law	HB 2726 (Adams)	SB 1609 (Yarbrough)
ASRS		
<p><b>ASRS Return to Work</b>            &gt;20 hrs/20 wks Rule – Resume active status            True change in position in another system – Collect pension            Terminated employment for 12 months and return – Collect pension            Returns to work as teacher after 12 months – Collect pension</p>	<p><b>ASRS Return to Work</b>            Alternate contribution rate (ACR) charged to ASRS employer when hiring retired ASRS member, after 12 months</p>	
<p><b>ASRS Normal Retirement Eligibility</b>            Age 65            Age 62 and 10 years service            Any combination of age and service totaling 80 points or 85, if hired after July 2011</p>	<p><b>ASRS Normal Retirement Eligibility (Hired after July 2011)</b>            Age 65            Age 62 and 10 years service            *Remove point system</p>	
<p><b>ASRS COLA</b>            If achieved a 10-year smooth average, up to a 4% increase contingent on excess earnings</p>	<p><b>ASRS COLA (Effective June 15, 2011)</b>            COLA Overlay            Up to a 4% increase if:            &lt;70% Market Value of Assets = 0            70-79.99% Market Value of Assets = 25% of excess earnings            &gt;80% Market Value of Assets = 50% of excess earnings</p>	
<p><b>ASRS Plan Eligibility</b>            Includes all employees the state, who are paid wholly by the state monies, and who are employed beyond six successive months, except those participating in PSPRS, CORP, or EORP, who are employed in postgraduate training by a university, and/or are an elected official who is eligible for ASRS, but elects not to participate in EORP.</p>		<p><b>ASRS Plan Eligibility</b>            Adds full-time Superior Court Commissioners who are appointed after July 1 of the first fiscal year after Social Security Administration approval.</p>



PSPRS		
<p><b>DROP</b> After member attains 20 years of service, the member can elect to DROP up to 5 years. No member or employer contributions are paid to the system during that period; member's benefit goes to member account plus interest.</p>	<p><b>DROP</b> Repeal DROP. If you are not in DROP by July 2011, you cannot DROP. Members in DROP may continue to DROP.</p>	<p><b>DROP</b> DROP unavailable to members hired after Jan 2012.</p>
<p><b>PSPRS Employee/Employer Contributions</b> Members Fixed = 7.65% Employer = 20.89% average</p>	<p><b>PSPRS Employee/Employer Contributions</b> Increase member contribution rates by 1% each year for 4 years with corresponding employer decreases until matching contribution rate is achieved in 5<sup>th</sup> year.</p>	<p><b>PSPRS Employee Contributions (Hired before Jan 2012)</b> 2011-2012 = 9.65% 2012-2013 = 10.65% 2013-14 and after = 11.65% or 33.3% of sum of the contribution rate from preceding fiscal year <b>(Hired after Jan 2012)</b> Through June 30, 2012 = 10.65% 2012-2013 = 12.15% 2013-14 and after = 13.65% or 33.3% of sum of the contribution rate from preceding fiscal year</p>
<p><b>Salary Calculation</b> Highest average salary paid during 3 consecutive years within the last 20 years of service.</p>	<p><b>Salary Calculation (Hired after Jan 2012)</b> Highest average salary paid during 5 consecutive years within the last 20 years of service.</p>	
<p><b>Refund of Contributions</b> Members are refunded their accumulated contributions and from 5 to 10 years of service, a graduated portion of deducted contributions up to 100%.</p>	<p><b>Refund of Contributions (Hired after Jan 2012)</b> Terminated members will no longer receive double their contributions</p>	<p><b>Refund of Contributions (Hired after Jan 2012)</b> Terminated members receive lump sum payment equal to accumulated contributions plus interest determined by the Board.</p>
<p><b>PSPRS Normal Retirement Eligibility</b> 20 years of service at any age Age 62 and 15 years of service</p>	<p><b>PSPRS Normal Retirement Eligibility (Hired after Jan 2012)</b> 25 years of service Age 62 and 15 years of service</p>	<p><b>PSPRS Normal Retirement Eligibility (Hired after Jan 2012)</b> Age 52.5 and 25 years of service Age 62 and 15 years of service</p>
<p><b>PSPRS Return to Work</b> No ACR</p>		<p><b>PSPRS Return to Work</b> Employer pays ACR Not less than 8%</p>



<p><b>PSPRS COLA</b> Up to a 4% increase contingent on excess earnings</p>	<p><b>PSPRS COLA (Effective June 15, 2011)</b> COLA Overlay Up to a 4% increase if: &lt;70% Market Value of Assets = 0 70-79.99% Market Value of Assets = 25% of excess earnings &gt;80% Market Value of Assets = 50% of excess earnings</p>	<p><b>PSPRS COLA (Effective June 30, 2011)</b> COLA Overlay If achieved 7-year smooth: &lt;70% Market Value of Assets = 0 70-79.99% Market Value of Assets = 25% of excess earnings &gt;80% Market Value of Assets = 50% of excess earnings</p>
<p><b>PSPRS Pension Calculation</b> 20 years of service = 50% of member's average monthly compensation &lt;20 years of service = 4% reduction for each year of service under 20 &gt;20 years of service = 2% increase for each year of service over 20 &gt;25 years of service = 2.5% increase for each year of service over 25, retro to 20 years</p>		<p><b>PSPRS Pension Calculation (Hired after Jan 2012)</b> 25 years of service = 62.5% average monthly compensation &lt;25 years of service = 4% reduction for each year of service under 25 &gt;25 years of service = 2.5% increase for each year of service after 25</p>
<p><b>PSPRS Compensation Definition</b> Includes third party contracts between public agencies for law enforcement, criminal, traffic and crime suppression activities training, wildfire, emergency medical or emergency management activities or where the employer supervises the employee's performance of law enforcement, criminal, traffic and crime suppression activities training or fire, wildfire, emergency medical or emergency management.</p>		<p><b>PSPRS Compensation Definition</b> Removes third party contracts between public agencies for law enforcement, criminal, traffic and crime suppression activities training, wildfire, emergency medical or emergency management activities or where the employer supervises the employee's performance of law enforcement, criminal, traffic and crime suppression activities training or fire, wildfire, emergency medical or emergency management.</p>



CORP		
<p><b>CORP Employee/Employer Contributions</b> Members Fixed = 7.96% Dispatcher Fixed = 8.41% Employer = 8.75% average</p>	<p><b>CORP Employee/Employer Contributions</b> Increase member contribution rates by 1% each year for 4 years with corresponding employer decreases until matching contribution rate is achieved in the 5<sup>th</sup> year.</p>	<p><b>CORP Employee Contributions</b> Through June 30, 2011 = 7.96% 2011-2012 = 8.91%, Dispatcher 8.46% 2012-2013 and after = 8.91% or 50% of the sum of the member's contribution rate from the preceding fiscal year. A full-time dispatcher is 45 basis points less than the member contribution, unless the aggregate ratio of the funding is 100%</p>
<p><b>Salary Calculation</b> Highest average salary paid during 3 consecutive years within the last 10 years of service.</p>	<p><b>Salary Calculation (Hired after Jan 2012)</b> Highest average salary paid during 5 consecutive years within the last 10 years of service.</p>	
<p><b>Refund of Contributions</b> Members are refunded their accumulated contributions and from 5 to 10 years of service, a graduated portion of deducted contributions up to 100%.</p>	<p><b>Refund of Contributions (Hired after Jan 2012)</b> Terminated members will no longer receive double their contributions</p>	<p><b>Refund of Contributions (Hired after Jan 2012)</b> Terminated members receive lump sum payment equal to accumulated contributions plus interest determined by the Board.</p>
<p><b>CORP Normal Retirement Eligibility</b> 20 years of service at any age Age 62 and 10 years of service Any combination of age and service totaling 80 points. If dispatcher, 25 years at any age.</p>	<p><b>CORP Normal Retirement Eligibility (Hired after Jan 2012)</b> 25 years of service Age 62 and 10 years of service *Remove point system</p>	<p><b>CORP Normal Retirement Eligibility (Hired after Jan 2012)</b> Age 52.5 and 25 years of service Age 62 and 10 years of service</p>
<p><b>CORP COLA</b> Up to a 4% increase contingent on excess earnings</p>	<p><b>CORP COLA</b> COLA Overlay Up to a 4% increase if: &lt;70% Market Value of Assets = 0 70-79.99% Market Value of Assets = 25% of excess earnings &gt;80% Market Value of Assets = 50% of excess earnings</p>	<p><b>CORP COLA</b> If achieved a 7-year smooth COLA Overlay &lt;70% Market Value of Assets = 0 70-79.99% Market Value of Assets = 25% of excess earnings &gt;80% Market Value of Assets = 50% of excess earnings</p>



<p><b>CORP Return to Work</b> No ACR</p>		<p><b>CORP Return to Work</b> Employer pays ACR Not less than 6%</p>
<p><b>CORP Pension Calculation</b> 20 years of service = 50% of member's average monthly compensation &lt;20 years of service = 4% reduction for each year of service under 20 &gt;20 years of service = 2% increase for each year of service over 20 &gt;25 years of service = 2.5% increase for each year of service over 25, retro to 20 years</p>		<p><b>CORP Pension Calculation</b> 25 years of service = 62.5% average monthly compensation &lt;25 years of service = 4% reduction for year of service under 25 &gt;25 years of service = 2.5% increase for each year of service after 25</p>
<p><b>CORP Normal Retirement Eligibility</b> 20 years of service at any age Age 62 and 10 years of service Any combination of age and service totaling 80 points. If dispatcher, 25 years at any age.</p>	<p><b>CORP Normal Retirement Eligibility (Hired after Jan 2012)</b> 25 years of service Age 62 and 10 years of service *Remove point system</p>	<p><b>CORP Normal Retirement Eligibility (Hired after Jan 2012)</b> Age 52.5 and 25 years of service Age 62 and 10 years of service</p>
<p><b>CORP COLA</b> Up to a 4% increase contingent on excess earnings</p>	<p><b>CORP COLA</b> COLA Overlay Up to a 4% increase if: &lt;70% Market Value of Assets = 0 70-79.99% Market Value of Assets = 25% of excess earnings &gt;80% Market Value of Assets = 50% of excess earnings</p>	<p><b>CORP COLA</b> If achieved a 7-year smooth COLA Overlay &lt;70% Market Value of Assets = 0 70-79.99% Market Value of Assets = 25% of excess earnings &gt;80% Market Value of Assets = 50% of excess earnings</p>
<p><b>CORP Forfeiture of Benefits</b> If member is convicted of theft, embezzlement, fraud or misappropriation of an employer's property, the member is subject or restitution and fines.</p>		<p><b>CORP Forfeiture of Benefits</b> Adds that if a member is convicted of a felony, member is entitled to receive a lump sum payment of member's accumulated contributions but forfeits any future compensation and benefits.</p>



EORP		
<p><b>EORP Normal Retirement Eligibility</b> Age 65 and 5 years of service Age 62 and 10 years of service 20 or more years of service regardless of age</p>	<p><b>EORP Normal Retirement Eligibility (Elected after Jan 2012)</b> Age 65 and 5 years of service Age 62 and 10 years of service</p>	<p><b>EORP Normal Retirement Eligibility (Elected after Jan 2012)</b> Age 65 and 5 years of service Age 62 and 10 years of service</p>
<p><b>EORP Early Retirement Eligibility</b> Any age and 5 years of service</p>	<p><b>No Early Retirement (Elected after Jan 2012)</b></p>	<p><b>EORP Early Retirement Eligibility (Elected after Jan 2012)</b> Age 60 and 10 years of service, 6% reduction per year under 62 years of age</p>
<p><b>EORP Pension Calculation</b> 4% x member's average yearly salary x years of service, not to exceed 80% of salary</p>	<p><b>EORP Retirement Calculation (Elected after Jan 2012)</b> 10 to 19.99 years = 2.1% 20 to 24.99 years = 2.15% 25 to 29.99 years = 2.2% 30+ years = 2.3%</p>	<p><b>EORP Retirement Calculation (Elected after Jan 2012)</b> 3% with 75% retirement benefit cap: 3% of member's average yearly salary multiplied by: 25 if member has &gt;10 years of service 12.5 if member has 5-9.99 years of service 6.25 if member has &lt;5 years of service</p>
<p><b>EORP Employee/Employer Contributions</b> Members Fixed = 7% Employer = 17.42% (st/county) 29.79% (city)</p>	<p><b>EORP Employee/Employer Contributions</b> Increase member contribution rates by 1% each year for 4 years with corresponding employer decreases until matching contribution rate is achieved in 5<sup>th</sup> year.</p>	<p><b>EORP Employee/Employer Contributions (Elected before Jan 2012)</b> Through June 30, 2011 = 7% 2011-2012 = 9% 2012-2013 = 10% 2013-2014 and after = 11% or 33.3% of the sum of the member's contribution rate from the preceding fiscal year. <b>(Elected after Jan 2012)</b> Through June 30, 2012 = 10% 2012-2013 = 11.5% 2013-2014 and after = 13% or 33.3% of the sum of the member's contribution rate from the preceding fiscal year.</p>



<p><b>Salary Calculation</b> Highest average salary paid during 3 consecutive years within the last 10 years of service.</p>	<p><b>Salary Calculation (Elected after Jan 2012)</b> Highest average salary paid during 5 consecutive years within the last 10 years of service.</p>	<p><b>Salary Benefit Calculation (Elected after Jan 2012)</b> Highest average salary paid during 5 consecutive years within the last 10 years of service</p>
<p><b>Refund of Contributions</b> Members are refunded accumulated contributions and from 5 to 10 years of service, a graduated portion of deducted contributions up to 100%.</p>	<p><b>Refund of Contributions (Elected after Jan 2012)</b> Terminated members will no longer receive double their contributions</p>	<p><b>Refund of Contributions (Elected after Jan 2012)</b> Within 20 days of termination, members may withdraw accumulated contributions plus interest</p>
<p><b>EORP COLA</b> Up to a 4% increase contingent on excess earnings</p>	<p><b>EORP COLA</b> COLA Overlay Up to a 4% increase: &lt;70% Market Value of Assets = 0 70-79.99% Market Value of Assets = 25% of excess earnings &gt;80% Market Value of Assets = 50% of excess earnings</p>	<p><b>EORP COLA</b> If achieved 7-year smooth average, up to a 4% increase: COLA Overlay &lt;70% Market Value of Assets = 0 70-79.99% Market Value of Assets = 25% of excess earnings &gt;80% Market Value of Assets = 50% excess earnings</p>
<p><b>EORP Survivor Pensions</b> Pension paid to surviving spouse = 75% of the amount of the deceased retired member's pension at the time of death.</p>		<p><b>EORP Survivor Pensions (Elected before Jan 2012)</b> Pension paid to surviving spouse = 75% of the amount of the deceased retired member's pension at the time of death <b>(Elected after Jan 2012)</b> Pension paid to surviving spouse = 50% of the deceased retired member's pension at the time of death.</p>
<p><b>EORP Return to Work</b> No employer ACR</p>		<p><b>EORP Return to Work</b> Employer pays ACR Not less than 10%</p>
<p><b>EORP Forfeiture of Benefits</b> If member is convicted of theft, embezzlement, fraud or misappropriation of an employer's property, the member is subject or restitution and fines.</p>		<p><b>EORP Forfeiture of Benefits</b> Adds that if a member is convicted of a felony, member is entitled to receive a lump sum payment of member's accumulated contributions but forfeits any future compensation and benefits.</p>