Assigned to FIN FOR COMMITTEE

ARIZONA STATE SENATE

Fiftieth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1120

retirement plans; benefit increases

Purpose

Accelerates the effective date of the cost of living allowance (COLA) mechanism to 2012.

Background

The Corrections Officer Retirement Program (CORP) and Elected Officials Retirement Program (EORP) are defined benefits plans with separate non-appropriated funds managed by the Public Safety Personnel Retirement System's (PSPRS) board of trustees.

These systems underwent major revision in 2011, with some legacy programs funded by reserves. Current statute allows qualified retirees of CORP and EORP as well as their survivors to receive a permanent benefit increase (PBI) based on excess investment earnings on the fund's net assets and account balance. The reserve funds allocated to this program presently have a zero balance.

Under the revised structure, which becomes effective on July 1, 2013, retirees or their survivors covered by CORP and EORP receive an annual PBI, contingent on the availability of funds and the fund's attainment of a return of greater than 10.5% for the fiscal year.

Individuals who were members of CORP or EORP prior to 2012 receive a PBI if they received benefits for two previous years or are 55 or older and received benefits in the year prior. Members who join CORP or EORP after 2012 receive PBI after retiring at age 55. The magnitude of the PBI is determined by the fund's ratio of liability to assets (funded status).

Funded Status	PBI
60-65%	2.5%
70-75%	3%
75-80%	3.5%
80%+	4%

There is no direct impact to the general fund expected as a result of this legislation.

Provisions

1. Changes the effective date of EORP and CORP PBI programs from 2013 to 2012.

2. Becomes effective, retroactively on June 30, 2012.

Prepared by Senate Research
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