

House Engrossed Senate Bill
correctional officers; supplemental contributions

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SENATE BILL 1270

AN ACT

AMENDING SECTION 38-867, ARIZONA REVISED STATUTES; RELATING TO THE PUBLIC SAFETY PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-867, Arizona Revised Statutes, is amended to
3 read:

4 38-867. Contributions; member; employer; pickup

5 A. Each participant in the defined contribution plan shall
6 contribute the following percentage of the participant's gross pensionable
7 compensation by salary reduction that shall be deposited in the
8 participant's annuity account:

9 1. For a participant as defined in section 38-865, paragraph 7,
10 subdivision (a), item (ii), three percent.

11 2. For a participant as defined in section 38-865, paragraph 7,
12 subdivision (a), item (i), nine percent.

13 3. For a participant as defined in section 38-865, paragraph 7,
14 subdivision (b), seven percent.

15 B. A participant as defined in section 38-865 may make a onetime
16 irrevocable election, before the participant is eligible to participate in
17 any qualified plan of the employer, to contribute more than the percentage
18 of the participant's gross pensionable compensation specified in this
19 section, up to the amount allowable under section 415(c) of the internal
20 revenue code. A participant as defined in section 38-865, paragraph 7,
21 subdivision (b) may make a onetime irrevocable election, before the
22 participant is eligible to participate in any qualified plan of the
23 employer, to contribute less than the percentage of the participant's
24 gross pensionable compensation specified in this section but may not elect
25 to contribute less than five percent of the participant's gross
26 pensionable compensation. The election made pursuant to this subsection
27 shall be the participant's contribution rate for the remainder of the
28 participant's employment.

29 C. Although designated as employee contributions, all participant
30 contributions made to the defined contribution plan shall be picked up and
31 paid by the employer in lieu of contributions by the employee. The
32 contributions picked up by an employer may be made through a reduction in
33 the participant's compensation. A participant in the defined contribution
34 plan may not choose to receive the contributed amounts directly instead of
35 the employer paying the amounts to the defined contribution plan. All
36 participant contributions that are picked up by the employer as provided
37 in this subsection shall be treated as employer contributions under
38 section 414(h) of the internal revenue code, shall be excluded from the
39 participant's gross income for federal and state income tax purposes and
40 are includable in the gross income of the participant or the participant's
41 beneficiaries only in the taxable year in which they are distributed.

42 D. Each employer shall annually make a contribution equal to the
43 following percentages of each participant's gross pensionable
44 compensation:

1 1. For a participant as defined in section 38-865, paragraph 7,
2 subdivision (a), item (ii), three percent.

3 2. For a participant as defined in section 38-865, paragraph 7,
4 subdivision (a), item (i), nine percent.

5 3. For a participant as defined in section 38-865, paragraph 7,
6 subdivision (b), five and one-half percent.

7 E. The pro rata share of the amount paid in subsection D of this
8 section shall be paid on each date that a participant contribution is made
9 and shall be credited to the participant's annuity account.

10 F. Each participant as defined in section 38-865, paragraph 7,
11 subdivision (a), item (i) and subdivision (b) and each employer shall
12 contribute:

13 1. To the public safety personnel defined contribution retirement
14 plan disability program established by article 4.2 of this chapter.

15 2. For participants who make an election pursuant to section
16 38-869, an equal amount for the group health benefits plan payments as
17 specified in section 38-869 as determined by actuarial valuations reported
18 by the board to the employer and local board, which shall be deposited in
19 a separate account established pursuant to section 38-869.

20 G. A participant's contributions and earnings on those
21 contributions are immediately vested.

22 H. A participant as defined in section 38-865, paragraph 7,
23 subdivision (a) or section 38-865.01 is fully vested in the defined
24 contribution plan after ten years of service, with employer contributions
25 vesting at a rate of ten percent per year. If a participant described in
26 this subsection dies or is determined to be eligible for an accidental or
27 catastrophic disability pension pursuant to section 38-844 before
28 completing ten years of service, the employer contributions are
29 immediately fully vested.

30 I. A participant as defined in section 38-865, paragraph 7,
31 subdivision (b) is fully vested in the defined contribution plan after
32 three years of service, with the employer contributions vesting at the
33 following rates:

34 1. Twenty-five percent after the first year of service.

35 2. Fifty percent after the second year of service.

36 3. One hundred percent after the third year of service.

37 J. If a participant as defined in section 38-865, paragraph 7,
38 subdivision (b) dies or is determined to be eligible for an accidental or
39 total and permanent disability pension pursuant to section 38-886 before
40 completing three years of service, the employer contributions are
41 immediately fully vested.

42 K. IN ADDITION TO ANY EMPLOYER CONTRIBUTION REQUIRED PURSUANT TO
43 THIS SECTION, AN EMPLOYER OF A PARTICIPANT AS DEFINED IN SECTION 38-865,
44 PARAGRAPH 7, SUBDIVISION (b) MAY MAKE A SUPPLEMENTAL CONTRIBUTION

1 INCENTIVE PAYMENT TO THE PARTICIPANT'S DEFINED CONTRIBUTION PLAN ACCOUNT
2 IF THE SUPPLEMENTAL CONTRIBUTION MEETS ALL OF THE FOLLOWING:

3 1. DOES NOT EXCEED \$5,000 PER PARTICIPANT PER EMPLOYMENT OR SERVICE
4 INTERVAL AS DESCRIBED IN THIS SUBSECTION WITH A FIVE-YEAR GRADED VESTING
5 SCHEDULE.

6 2. IS MADE ONLY ON A SPECIFIED YEARS OF EMPLOYMENT OR YEARS OF
7 SERVICE INTERVAL.

8 3. IS MADE EQUALLY AS AN AMOUNT OR AS A RATE OF PENSIONABLE
9 COMPENSATION AT EACH INTERVAL AS SPECIFIED IN THIS SUBSECTION TO ALL
10 PARTICIPANTS OF THE EMPLOYER AS DESCRIBED IN THIS SUBSECTION WHO MEET THE
11 EMPLOYMENT OR SERVICE REQUIREMENT AND REQUIREMENTS OUTLINED BY THE
12 EMPLOYER'S POLICY ADOPTED PURSUANT TO SUBSECTION M OF THIS SECTION.

13 4. DOES NOT REQUIRE THE PARTICIPANT AS DESCRIBED IN THIS SUBSECTION
14 TO MAKE ANY ADDITIONAL MONETARY CONTRIBUTION TO RECEIVE THE EMPLOYER'S
15 SUPPLEMENTAL CONTRIBUTION.

16 L. A SUPPLEMENTAL CONTRIBUTION MADE PURSUANT TO SUBSECTION K OF
17 THIS SECTION DOES NOT AFFECT ANY OTHER EMPLOYER OR ANY OTHER PARTICIPANT
18 WHO IS EMPLOYED BY THE EMPLOYER THAT MADE THE SUPPLEMENTAL CONTRIBUTION.
19 AN EMPLOYER WHO MAKES A SUPPLEMENTAL CONTRIBUTION PURSUANT TO SUBSECTION K
20 OF THIS SECTION IS NOT OBLIGATED TO MAKE ADDITIONAL SUPPLEMENTAL
21 CONTRIBUTIONS TO A PARTICIPANT AS DESCRIBED IN SUBSECTION K OF THIS
22 SECTION WHO HAS RECEIVED A PREVIOUS SUPPLEMENTAL CONTRIBUTION. AN
23 EMPLOYER MAY DISCONTINUE SUPPLEMENTAL CONTRIBUTION INCENTIVE PAYMENTS
24 PURSUANT TO SUBSECTION K OF THIS SECTION AT ANY TIME.

25 M. BEFORE IMPLEMENTING A SUPPLEMENTAL CONTRIBUTION INCENTIVE
26 PAYMENT UNDER SUBSECTION K OF THIS SECTION, EACH EMPLOYER SHALL ADOPT A
27 POLICY THAT DETAILS THE REQUIREMENTS AND AMOUNTS OF THE SUPPLEMENTAL
28 CONTRIBUTION INCENTIVE PAYMENTS OUTLINED IN SUBSECTION K OF THIS SECTION.