

Senate Engrossed

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.

1 D. Each employer shall annually make a contribution equal to the  
2 following percentages of each participant's gross pensionable  
3 compensation:

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

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

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

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

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

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

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

23 G. A participant's contributions and earnings on those  
24 contributions are immediately vested.

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

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

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

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

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

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

1           K. IN ADDITION TO ANY EMPLOYER CONTRIBUTION REQUIRED PURSUANT TO  
2 THIS SECTION, AN EMPLOYER OF A PARTICIPANT AS DEFINED IN SECTION 38-865,  
3 PARAGRAPH 7, SUBDIVISION (b) MAY MAKE A SUPPLEMENTAL CONTRIBUTION  
4 INCENTIVE PAYMENT TO THE PARTICIPANT'S DEFINED CONTRIBUTION PLAN ACCOUNT  
5 IF THE SUPPLEMENTAL CONTRIBUTION MEETS ALL OF THE FOLLOWING:  
6           1. DOES NOT EXCEED \$5,000 PER PARTICIPANT AS DESCRIBED IN THIS  
7 SUBSECTION.  
8           2. IS MADE ONLY ON A SPECIFIED SERVICE INTERVAL SUCH AS FIVE, TEN  
9 OR FIFTEEN YEARS OF SERVICE.  
10          3. IS MADE EQUALLY TO ALL PARTICIPANTS OF THE EMPLOYER AS DESCRIBED  
11 IN THIS SUBSECTION WHO MEET THE SERVICE REQUIREMENT.  
12          4. DOES NOT REQUIRE THE PARTICIPANT AS DESCRIBED IN THIS SUBSECTION  
13 TO MAKE ANY ADDITIONAL MONETARY CONTRIBUTION TO RECEIVE THE EMPLOYER'S  
14 SUPPLEMENTAL CONTRIBUTION.  
15          L. A SUPPLEMENTAL CONTRIBUTION MADE PURSUANT TO SUBSECTION K OF  
16 THIS SECTION DOES NOT AFFECT ANY OTHER EMPLOYER OR ANY OTHER PARTICIPANT  
17 WHO IS EMPLOYED BY THE EMPLOYER THAT MADE THE SUPPLEMENTAL CONTRIBUTION.  
18 AN EMPLOYER WHO MAKES A SUPPLEMENTAL CONTRIBUTION PURSUANT TO SUBSECTION K  
19 OF THIS SECTION IS NOT OBLIGATED TO MAKE ADDITIONAL SUPPLEMENTAL  
20 CONTRIBUTIONS TO A PARTICIPANT AS DESCRIBED IN SUBSECTION K OF THIS  
21 SECTION WHO HAS RECEIVED A PREVIOUS SUPPLEMENTAL CONTRIBUTION. AN  
22 EMPLOYER MAY DISCONTINUE SUPPLEMENTAL CONTRIBUTION INCENTIVE PAYMENTS  
23 PURSUANT TO SUBSECTION K OF THIS SECTION AT ANY TIME.