

# MEMBER HANDBOOK

Arizona State Retirement System



Your Guide to One of the Best Public  
Retirement Plans in the Country

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Revised - July 2004



# **WELCOME TO THE ARIZONA STATE RETIREMENT SYSTEM**

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Dear Member:

You are now one of nearly 400,000 active, inactive and retired members of the Arizona State Retirement System (ASRS). This Member Handbook summarizes your benefits, rights and obligations under the ASRS. We hope you will share this information with your family and that you find it helpful in your retirement planning.

We at the ASRS are proud of the performance of your retirement fund. In fact, we make the bold statement on the cover that the ASRS is one of the best public retirement plans in the country. The facts support the claim. The ASRS consistently places among the top performers in investment returns, and the financial condition of the retirement fund is one of the healthiest in the country. Finally, the ASRS contribution rates remain among the lowest in the country. We think the combination of investment performance, high level of benefits and low contribution rates cannot be matched.

The ASRS will continue to improve services to our membership. This handbook is an example of our efforts and will be revised as necessary.

In addition to the handbook, there is a separate Long-Term Disability (LTD) booklet that explains the LTD program in depth; see your employer for a copy. The ASRS also sends quarterly newsletters with updated information to active and retired ASRS members at their home addresses.

If you need further assistance, please call (602) 240-2000 in metro Phoenix, (520) 239-3100 in metro Tucson or toll-free at 1 (800) 621-3778 outside metro Phoenix and Tucson.

You can also write to: **Arizona State Retirement System**  
**P.O. Box 33910**  
**Phoenix, AZ 85067-3910**

Sincerely,

Paul Matson  
Director

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## FREQUENTLY DIALED NUMBERS

<b>Phoenix ASRS Office</b>	602-240-2000
<b>Tucson ASRS Office</b>	520-239-3100
<b>Toll -Free outside Phoenix &amp; Tucson</b>	800-621-3778

<b>VPA, Inc. (LTD Administrator)</b>	800-495-9301
<b>Medicare</b>	800-633-4227
<b>Social Security</b>	800-772-1213

### Health Insurance Carriers

<b>PacifiCare</b>	800-245-4347
<b>Fortis Dental Indemnity</b>	800-866-5020
<b>Fortis Dental Pre-Paid</b>	800-443-2995

### ASRS Americans with Disabilities Act (ADA) Coordinator

Phoenix	602-240-5378
Tucson	520-239-3100 ext. 5378
Toll-Free outside Phoenix & Tucson	800-621-3778 ext. 5378

### Helpful websites

ASRS website	<a href="http://www.asrs.state.az.us">www.asrs.state.az.us</a>
State of Arizona	<a href="http://www.az.gov">www.az.gov</a>
Arizona Legislature	<a href="http://www.azleg.state.az.us">www.azleg.state.az.us</a>
Social Security Online	<a href="http://www.ssa.gov">www.ssa.gov</a>
Internal Revenue Service	<a href="http://www.irs.gov">www.irs.gov</a>
Medicare	<a href="http://www.medicare.gov">www.medicare.gov</a>

## INTRODUCTION

This Member Handbook is a plan description to provide you with information about the Arizona State Retirement System (ASRS) benefit program. The material contained in this handbook is based on 2003 rules and statutes. New legislation and interpretive changes may modify it. We recommend you read over the table of contents in order to familiarize yourself with the handbook's layout and contents.

The law governing ASRS operations is contained in Title 38, Chapter 5, Articles 2 and 2.1 of the Arizona Revised Statutes. The ASRS is also controlled in many technical respects by rules adopted by the ASRS Board. These rules are published by the Secretary of State in the official compilation of administrative rules. Information in this publication is only a guide. If a conflict arises between this handbook and the law, **THE LAW TAKES PRECEDENCE.**

This handbook is available in an alternate format upon request. Contact the Human Resources/ADA Coordinator, at (602) 240-5378 in metro Phoenix, (520) 239-3100 extension 5378 in metro Tucson or 1 (800) 621-3778 extension 5378 outside metro Phoenix and Tucson.

As the ASRS provides benefits to two types of members, this handbook will only discuss "Plan" benefits. "System" members should refer to the ASRS website at [www.asrs.state.az.us](http://www.asrs.state.az.us).

## BRIEF HISTORY

In 1912, Arizona's first year of statehood, the first teacher retired with an Arizona State teacher's pension. From 1912 until 1943, Arizona teachers were granted pensions by the State Legislature if they had at least 30 years of service in Arizona schools and were 65 years of age or older. All teachers' pensions were \$50 per month; there were no member deposits or survivor benefits.

The legislature created the Teachers' Retirement System, effective July 1, 1943. All certified, full-time teachers were members, contributing to the retirement plan with a fixed benefit formula.

In 1953, the ASRS defined contribution plan (called the System) was created to provide retirement and other benefits for state employees, including university faculty and employees of the state's political subdivisions that signed a membership contract. Members of the teachers retirement plan voted to join the ASRS in 1954, and transferred to the ASRS on January 1, 1955. The Teachers' Retirement System continued to pay retirement benefits to retired teacher members who were ineligible to join the ASRS.

In 1970, the legislature agreed to enact the current Arizona State Retirement System Fixed Benefit Plan (called the Plan) if 70 percent or more of state employees and teachers voted to transfer to the new plan. More than 80 percent of eligible members voted for the new plan, which became effective July 1, 1971. Most political subdivisions subsequently voted to join. The ASRS now encompasses the state, including all state agencies, the 3 state universities, all 10 community colleges, 14 out of 15 counties (all except La Paz), most cities and towns, most school districts and other political subdivisions.

## PURPOSE OF THE ASRS

Employers participate in the ASRS to attract and retain qualified employees. The retirement plan contributes toward providing a total compensation package that is comparable to employment in other public and private organizations in the state.



## What does the ASRS mean to me?

**Your membership in the ASRS will provide you with a life-long pension upon retirement.** However, the benefit provided is not intended to fully meet your income needs after retirement. Although you also may receive Social Security, you are encouraged to supplement your retirement benefit with personal savings, the ASRS defined contribution plan called the SRSP, deferred compensation or a tax-sheltered annuity provided through your employer.

## What kind of retirement plan is the ASRS?

- ❑ **Cost sharing** - Both the employee and the employer contribute to the member's retirement at an equal percentage of pay.
- ❑ **Public employee** - Only employees of the state and its political subdivisions, including public schools, may be members. Employees of private employers are not eligible for ASRS membership.
- ❑ **Multiple employer** - More than 700 employers are members of the ASRS, including the state, most Arizona counties and local governments, public school districts, state universities and colleges, and other political subdivisions.
- ❑ **Tax qualified** - The ASRS is tax qualified under section 401(a) of the Internal Revenue Code. Member contributions to the ASRS are exempt from federal income tax withholding under section 401(h) of the Code. Tax on benefits and contributions is deferred until payment is made to the member as a benefit or a refund.
- ❑ **A defined benefit plan** - The ASRS provides a fixed monthly benefit upon retirement, determined by a formula. The benefit formula is the employee's length of service (credited service) under the ASRS multiplied by a percentage of the average monthly amount of earnings (compensation).

**Defined Benefit = Total Credited Service X Multiplier X Average Monthly Compensation**



## How is the ASRS Administered?

The ASRS is administered in accordance with Title 38, Chapter 5 of the Arizona Revised Statutes. A nine-member board, appointed for three-year terms by the Governor and confirmed by the Senate, administers the ASRS. The ASRS Board is made up of one educator, one political subdivision member, one state employee, one retired member, one member-at-large and four non-ASRS members to represent the public. Board members must have five or more years of administrative management experience.

Four of the board members shall have a least ten years substantial experience as any one or a combination of the following:

- ❑ A portfolio manager acting in a fiduciary capacity
- ❑ A securities analyst
- ❑ An employee or principal of a trust institution, investment organization or endowment fund acting either in a management or an investment related capacity
- ❑ A chartered financial analyst in good standing
- ❑ A professor at the university level teaching economics or investment related subjects
- ❑ An economist
- ❑ Any other professional engaged in the field of public or private finances

## Who currently administers the ASRS?

### ASRS Retirement Board

Ms. Charlotte Borchert, Retirees representative

Mr. Jim Bruner, Public representative  
Mr. Jaime Gutierrez, Educators representative  
Ms. Anne Mariucci, Public representative  
Dr. Keith Meredith, Member at Large  
Mr. Karl Polen Jr., Public representative  
Mr. Michael Townsend, Political Subdivisions representative  
Mr. Lawrence Trachtenberg, Public representative  
Mr. Steven Zeman, State employees representative

#### **Administration**

Mr. Paul Matson, Director  
Mr. Anthony Guarino, Chief Operations Officer, Deputy Director Internal Operations  
Mr. Gary Dokes, Chief Investment Officer  
Mr. Richard Stephenson, Deputy Director External Affairs

A list of current ASRS Board members and administrators is also provided in each issue of *Financial Horizons*, the quarterly member newsletter.

## **MEMBERSHIP AND CONTRIBUTIONS**

### **Am I required to be a member of the ASRS?**

Yes, if you meet the membership criteria, membership is mandatory.

### **What are the criteria that need to be met to become a member?**

You become a member and start making contributions to the ASRS if:

- You work for an ASRS employer for 20 or more hours per week for 20 or more weeks in a fiscal year, *and*
- You contribute to Social Security, Section 218.

### **When would I not be required to contribute to the ASRS, even though I am working for an ASRS employer?**

You do not become a member and cannot make contributions to the ASRS under the following conditions:

- You work for an ASRS employer for 20 or more hours per week for less than 20 weeks in a fiscal year.
- You work for an ASRS employer for less than 20 hours per week for the entire fiscal year.
- You work for an ASRS employer for 20 or more hours per week for up to 19 weeks and less than 20 hours per week for the remainder of the fiscal year.
- You work for a maximum of six months at the legislature or are in a position that is excluded.
- You do not contribute to Social Security, Section 218.
- If you have been a covered member and then your work schedule is reduced to less than 20 hours a week, you no longer can contribute to the ASRS. However, you cannot receive a refund of your account balance until you leave employment.

### **How do I enroll in the ASRS?**

All new employees who qualify for ASRS membership must complete an Enrollment Form, which is obtained from your employer. If you leave one ASRS employer and go to another, you must complete a new Enrollment Form.

### **What is vesting?**

Vesting is the right to receive a retirement benefit.

## When do I become vested in the benefits of the ASRS?

You become vested in the ASRS on the day you start contributing. When and how much you receive for your benefits depend on the policies of the ASRS.

## Can I contribute additional amounts to my retirement account?

No. ASRS rules do not permit voluntary contributions except for credited service purchases. Additional contributions would not affect your retirement benefit because the ASRS is a defined benefit plan; your benefit is based on your credited service and salary history, not the amount of contributions. The dollar amount in your account does not affect your retirement benefit.

## Who pays for my benefits?

Employee and employer contributions fund your future benefits. The contribution rate is determined every 2 years by a study of the fund conducted by the ASRS actuary to assure that the ASRS receives enough contributions to pay future benefits. Your personal contributions fund only a relatively small part of your benefit. When you retire, you will recover your own contributions within approximately 3-1/2 years of the start of your benefit payments. If you have purchased service years you will recover those monies in 5 1/2 to 6 years depending upon the number of years purchased. Employer contributions and earnings on the investment of ASRS Assets fund the remainder of your retirement benefit payments. Separate contributions fund the long-term disability (LTD) program, discussed later in this handbook.

## CAN I WORK FOR AN ASRS EMPLOYER AFTER RETIREMENT?

Under federal and state law, employment after retirement by a retired ASRS member is subject to the same 20 week/20 hour membership qualification test that applies to any new employee. The result of returning to work in a status that meets ASRS membership qualification is the loss of retirement benefits while the retired member remains in active membership status. Employment that does not meet the 20 week/20 hour test does not affect entitlement to ASRS retirement benefits.

## When May a Retired Member Return to Employment?

Arizona statutes and federal age discrimination laws require the ASRS to treat rehired annuitants under the same membership rules as any new employee. The membership status of a retired member returning to work with an ASRS employer shall be determined according to the same criteria applied to any employee of the employer. There are several definitions that are important in applying the correct standards to members who return to work after retirement.

**Rehired Annuitants:** A retired ASRS member who continues or returns to covered employment with **any** ASRS employer. The position must meet member requirements.

**Normal Retirement:** Member retires at age 65, at age 62 with at least 10 years of service credit or at 80 points.

Rehired annuitants who begin to receive retirement benefits **at normal retirement** or later, may continue employment or return to employment with an ASRS employer under the following circumstances:

1. The member may work less than 20 hours per week for any length of time and remain eligible to continue to receive pension benefits.
2. The member may work 20 hours or more per week for 19 weeks in any fiscal year, and, starting the 20th week, may work no more than 19.5 hours per week for the remainder of that fiscal year and remain eligible to continue to receive pension benefits.

If the member continues working 20 hours or more per week, the member will resume active membership, the ASRS will suspend the member's pension benefit and the member's employer will withhold retirement contributions from the member's pay. The member will have to repay the ASRS for any pension payments and health

insurance premium benefit payments they received while working 20 or more hours per week starting with the 20th week.

3. A member who has been retired for 12 months (not meeting conditions for ASRS active membership) may return to work or continue to work any amount of time and continue to receive pension benefits. Such members must acknowledge the conditions of their work and notify their employer in writing of their intent to work and that they understand retirement contributions are withheld from their pay and have accrued additional credited service or LTD benefits.

4. At any time, rehired annuitants can suspend their retirement benefit and resume active member status. While the member remains in active status, the member will earn additional credited service and can re-retire with a higher benefit.

Rehired annuitants who have elected to receive retirement benefits **before normal retirement** (with a reduced benefit at early retirement) must have terminated employment and may return to employment with an ASRS employer **no earlier than 60 calendar days** after the date of termination of employment. The termination must have been a severance of any employment relationship with all ASRS employers. A member retired at early retirement who returns to work with any ASRS employer before the expiration of 60 days following the date of termination shall be deemed not to have terminated employment and not eligible to receive pension benefits. Such members shall be required to repay any pension benefit received, regardless of the number of hours and length of the new employment.

**Early Retirement:** Retiring before eligibility for normal retirement and receiving a reduced benefit. The earliest a member can retire is age 50 with at least 5 years of service.

#### **Early retirement members may return to work under the following circumstances:**

1. The member may work less than 20 hours per week for any length of time and remain eligible to continue to receive pension benefits.

2. The member may work 20 hours or more per week for 19 weeks in any fiscal year, and, starting the 20th week, may work no more than 19.9 hours per week for the remainder of that fiscal year and remain eligible to continue to receive pension benefits.

If the member continues working 20 hours or more per week, the member will resume active membership, the ASRS will suspend the member's pension benefit and the member's employer will withhold retirement contributions from the member's pay. The member will have to repay the ASRS for any pension payments and health insurance premium benefit payments they received while working 20 or more hours per week starting with the 20th week.

3. A member who has been retired for 12 months (not meeting conditions for ASRS active membership), upon reaching normal retirement, may return to work any amount of time and continue to receive pension benefits. Such a member must acknowledge the conditions of their work and notify their employer **in writing** of their intent to work and understanding that no retirement contributions are withheld from their pay and have no accrual of additional credited service or LTD benefits.

4. At any time, rehired annuitants can suspend their retirement benefit and resume active member status. While the member remains in active status, the member will earn additional credited service and can re-retire with a higher benefit.

#### **Invalid Retirement**

Early retirement age: If the ASRS identifies that a rehired annuitant who retired before attaining normal retirement age has returned to **any** employment with **any** ASRS employer within 60 calendar days of the "termination" of employment, the ASRS will immediately void the member's pension status and take action to collect any benefits paid to the member during the invalid period of retirement.

## Valid Retirement

Active member status:

1. If a rehired annuitant is engaged to work 20 or more hours per week for at least 20 weeks in a fiscal year, the rehired annuitant resumes active membership.
2. The rehired annuitant must advise the ASRS that he/she has returned to active membership.
3. Upon identification of resumption of active member status, the ASRS immediately will suspend the rehired annuitant's benefit effective the month following the last month the rehired annuitant is entitled to ASRS pension benefits. The ASRS is required by law to collect any benefits paid to the rehired annuitant after the loss of benefit entitlement.
4. The rehired annuitant resumes retirement when the member again ends employment and provides notice to the ASRS, effective the day following termination of employment.
5. The benefit of the former retired member who resumes retirement status is recalculated:
  - The new benefit will be in the same payment option form as the original benefit, with the exception that a retired member who originally had chosen a joint and survivor benefit option may elect to rescind that option reverting to a straight life annuity or name a new beneficiary. If the member chooses a new beneficiary, the new benefit will be computed based on the age of the new contingent annuitant.
  - The recomputed benefit will be adjusted to include:
    - a. The additional service credited from the post-retirement covered service
    - b. A recomputation of the final average compensation, taking into consideration compensation paid during the post retirement service
    - c. Determination of normal retirement status or an early retirement reduction based on the member's attained age on the date resuming active status
  - If the retired member's original retirement occurred during a window period providing an increased retirement benefit, the new benefit shall be computed according to the existing provisions of law, **without** regard to the provisions of the window period.

## Rehired Annuitant Status

1. If a rehired annuitant returns to work with any ASRS employer after retirement, and is engaged to work for a period that does not meet ASRS active membership criteria, the rehired annuitant is entitled to continue to receive ASRS pension benefits.
2. A rehired annuitant does not resume active member status and avoids suspension of benefits when returning to work under the following circumstances:
  - a. Under 20 hours per week
  - b. Up to 19 weeks at 20 or more hours a week
  - c. Up to 19 weeks at 20 or more hours a week and under 20 hours for the remainder of the year.

If the circumstances of the employment are changed to an extent that the employment meets the ASRS membership criteria, the rehired annuitant resumes active membership and the rehired annuitant's benefit must be suspended as provided in the active member status from the previous page. If a rehired annuitant did not intend to resume active membership but unknowingly engages in activities that result in resumption of active membership, the member may be allowed a one time option to give up the service credit, receive their contributions back and keep their pension payments OR retain the service credit and have the pension recalculated upon resumption of retirement by reimbursing the ASRS for the pension paid while in active status.

- a. receive credit for service for the first 6 months of employment and establish membership in the ASRS as of the beginning of the current term of employment if both the employer and the employee contribute to the ASRS, within 45 days after the first 6 months of employment, the amount that would have been required to be contributed to the ASRS during the first 6 months of employment as if the employee had been a member of the ASRS during those 6 months.

b. establish membership in the ASRS as of the day following the completion of six months of employment.

4. A.R.S. § 38-764(J) authorizes a member who attains a normal retirement date to retire at any time without terminating employment if the member is employed for less than the hours required for active membership in the ASRS.

Chapter 327 does not authorize an active participant in a Board of Regents optional retirement program to retire under the ASRS while continuing to work and actively participate in an optional retirement program.

A.R.S. § 38-764(J) does not authorize a member of the ASRS who has attained a normal retirement date to receive retirement benefits from the ASRS while continuing to work the number of hours that require active membership in the ASRS.

A member's election to participate in an optional retirement program in a position that, in the absence of the member's election to participate in the optional program, is covered by the ASRS does not obviate the requirements of the ASRS respecting eligibility to receive ASRS benefits. The fact that a member may have elected to participate in an optional retirement program rather than to continue to accrue credited service in the ASRS is not relevant to the member's eligibility to receive retirement benefits from the ASRS. The relevant inquiry is whether the member meets the requirements of the ASRS to receive retirement benefits. IF the member is continuing to work full-time, he/she is not eligible to receive ASRS retirement benefits.

## WHAT ARE MY RESPONSIBILITIES AS A MEMBER?

### Reviewing your annual statement

You should carefully review your annual benefit statement. The statement is distributed in the fall of each year. Take special care to verify your credited service, your beneficiary designation and your birth date.

### Advising the ASRS of personal changes

It is crucial that you keep the ASRS informed of any changes to your name, address or beneficiary.

#### How do I change my address?

You may obtain a "Change of Address" form from your employer's personnel office. If you have Internet access, you may download this form from the "Electronic Library" on the ASRS Web site ([www.asrs.state.az.us](http://www.asrs.state.az.us)) or request the form via e-mail at our Web site. Complete the form and return it to the Phoenix office. *You are also responsible for informing your employer of any changes.*

#### How do I change my name?

You may obtain an ASRS "Change of Name" form from your employer's personnel office. If you have Internet access, you may download this form from the "Electronic Library" on the ASRS Web site ([www.asrs.state.az.us](http://www.asrs.state.az.us)) or request the form via e-mail at our Web site. Complete the form and return it to the Phoenix office. *You are also responsible for informing your employer of any changes.*

#### How do I change my beneficiary?

You may obtain an ASRS "Change of Beneficiary" form from your employer's personnel office. If you have Internet access, you may download this form from the "Electronic Library" on the ASRS Web site ([www.asrs.state.az.us](http://www.asrs.state.az.us)) or request the form via e-mail at our Web site. Complete the form and return it to the Phoenix office.

#### Where should I send changes to my information?

All changes to my information should be forwarded to the ASRS Phoenix office at:

**Arizona State Retirement System**



Attn: Records Management  
PO Box 33910  
Phoenix, AZ 85067-3910

## How do I notify the ASRS of a change or correction to my Social Security number?

You must contact the ASRS in writing, providing documentation of your new or correct Social Security number (SSN). Acceptable documentation includes a copy of your Social Security card or correspondence from the Social Security Administration, showing your correct SSN. You also should verify that your employer is reporting your contributions by the correct SSN. Forward this documentation to the ASRS Membership Accounting Division at the above address.

## WHAT BENEFITS ARE OFFERED TO ME BY THE ASRS?

**Long-term disability (LTD) program** provides benefits to you as an *active* ASRS member in case you become disabled before retirement. There is a six-month waiting period, and the LTD administrator must approve the disability claim before you receive disability compensation.

**Survivor Benefits** are payable upon your death whether you are an active **or** retired member. As an active member, your beneficiary is entitled to your account balance **TIMES** two. As a retired member, the benefits paid to your survivor are determined by the retirement option chosen. Your survivor is also entitled to health insurance benefits whether you are an active or retired member.

**Retirement benefits** are available to you in a reduced amount as early as age 50 with five or more years of credited service. You may retire before age 50 if you have at least 80 points (age plus credited service).

**Group health insurance coverage** is available to you as a retired or disabled ASRS member if you do not select your former ASRS employer's group health insurance plan.

**Health insurance premium benefits** help you cover the cost of health insurance premiums as a retired or disabled ASRS member if you have five or more years of credited service. You must be insured through the ASRS or an ASRS employer's group health insurance program.

## DISABILITY

### What if I become disabled?

The ASRS administers a long-term disability (LTD) program funded by separate employee and employer contributions to the LTD trust fund. The LTD program is designed to partially replace your income lost during periods of total disability resulting from injury or sickness. Our contract administrator makes all decisions concerning your LTD claim. There is an appeal process available to you should you disagree with a decision made by the LTD administration.

### When would I be considered totally disabled?

You are considered totally disabled if you are under the care of a licensed physician and are unable to perform some of the essential duties of the job you held when you became disabled. This definition applies to you during the first 24 months of a disability after the six-month waiting period.

After receiving disability benefits for 24 continuous months, you are considered totally disabled if you are unable to perform any work for compensation for which you are reasonably qualified by education, training or experience.

### Who is eligible for a benefit under the LTD program?

All active members of the ASRS are covered by the LTD program and are eligible to apply for the benefit. However, members who were disabled before July 1, 1988, are not eligible for a benefit under the long-term disability program.

**NOTE:** If you receive a refund, you waive any future rights to ASRS membership benefits, including eligibility for long-term disability. If you are receiving LTD benefits and request a refund, the ASRS will stop your LTD payments. A cancellation letter of LTD benefits must be on file with the ASRS before your refund application will be processed.

### How much will I receive from my LTD benefit?

Your LTD benefit will pay 66-2/3 percent of your monthly earnings as of the date the disability begins. Monthly earnings are determined under the definition of “compensation” in statute. *Compensation means the gross amount paid to a member by an employer for services rendered.*

If you work for an ASRS employer and are paid on a less than 12-month schedule, (for example, a school teacher), your monthly earnings will be one-twelfth (1/12) of the annual compensation on the date disability begins.

Your LTD benefit may be reduced if you are receiving other payments such as Social Security Disability, Workers Compensation or other payments, while disabled.

### Is there a minimum to my LTD benefit?

If your LTD application is approved, you will receive a minimum monthly payment of \$50, no matter how much income you receive from other sources.

### When do my LTD payments begin?

You must have been totally disabled for six consecutive months before payments begin. After you have submitted all properly completed forms and the application, and after the LTD administrator approves your LTD claim, you will be issued a check which will pay you up-to-current on your LTD benefits. Thereafter, LTD benefits will be paid to you monthly on a schedule based on your date of disability.

If you have been disabled for longer than six months, but have not completed the necessary paperwork within this time, you still may file for long-term disability. Payments *may* be retroactive depending on the date you became disabled.

### When do my LTD payments end?

Long-term disability payments end at the *earliest* of the following:

- The date you are no longer totally disabled.
- The date you are no longer under the direct care of a licensed physician or refuse to undergo any medical exam requested by the LTD administrator.
- The date you withdraw contributions (refund) and are no longer a member of the ASRS.
- Upon your earliest normal retirement date, however, payments will continue through a specified number of payments, depending on your age when you became disabled.

**You cannot receive LTD benefits and retirement benefits at the same time.** In most cases, once you become eligible for benefits at normal retirement, the LTD benefits will stop. Also, you cannot apply for disability benefits if you already are receiving retirement benefits.

### How is my date of disability determined?

Your date of disability is determined by your physician and is usually the last day that you worked.

### Do I receive credited service during the long-term disability period?

When receiving LTD benefits, you will continue to accrue credited service during the disability period until you reach a total of 30 years of credited service or until the LTD benefits end, whichever occurs first.

*Example: Susan Doe is 40 years old with 20 years of credited service when she becomes disabled. She is eligible to receive LTD benefits until she reaches her first normal retirement date. Because Susan already has 20 years of credited service, she can earn only 10 more years of credit under ASRS rules while receiving LTD benefits. (The maximum allowable for LTD is 30 years of credited service.) Under the points system, a member with 30 years of credited service reaches normal retirement at age 50 (30 + 50 = 80). Therefore if she*



remains disabled, Susan will continue to receive LTD benefits for 10 years to age 50, her earliest normal retirement date.

### **Is there a short-term disability program?**

No, the ASRS does not have a short-time disability program. However, many ASRS employers do offer this benefit to their employees. Private insurance companies also have short-term disability programs. You may receive short-term disability payments during the six-month LTD waiting period. If you receive short-term disability from an ASRS employer at the same time you receive LTD benefits from the ASRS, the LTD payment is reduced by the amount of the short-term disability benefit.

Contact your employer for a copy of the Long-Term Disability Income Plan booklet.

## **SURVIVOR BENEFITS**

The death of a member should be reported to the ASRS and the death certificate provided as soon as possible. The ASRS will forward information regarding payment options to the beneficiary (ies) on file with the ASRS. If the beneficiary is a minor or benefits are payable to an estate or trust, legal documentation appointing the guardian, representative or conservator must be provided to the ASRS. Benefits will be paid under the name and Social Security number of the beneficiary (ies).

### **What if I die before I retire?**

If you die before becoming eligible for a retirement benefit, your beneficiary will receive a survivor benefit that is two times your account balance and accumulated interest plus payments made for service purchase. The benefit may be paid as follows:

- If the survivor benefit is less than \$5,000, the ASRS will pay the benefit in a lump sum.
- If the survivor benefit is \$5,000 or more, the beneficiary may elect a one-time lump-sum payment or a monthly annuity.
- If you are eligible for retirement or have 15 years of service when you die, your spouse or minor or handicapped child is eligible for a monthly annuity.

### **What if my beneficiary dies while I am an active member?**

If you are an active member and your beneficiary dies, you may name a new beneficiary on a form provided by the ASRS.

### **What if I die after I retire (after my benefit begins)?**

If you die after you retire, any benefit remaining will be distributed according to the retirement option you chose.

Payments cannot continue under the deceased member's name and Social Security number. If payment continues, it will be paid to your named beneficiary under their social security number.

### **What if my beneficiary dies after I retire?**

You may name a new beneficiary. If you elect a Joint & Survivor option and your beneficiary dies before you, please contact our office as soon as possible so we may either recalculate your benefits with a newly named beneficiary or change your retirement option to the Life Annuity with refund provision.

### **What if I die without naming a beneficiary?**

Your survivor benefit will be paid according to the laws of the state. This may not be what you would want. Be sure to advise the ASRS of any changes to your beneficiary designation.

## How do I change my beneficiary?

You may obtain a "Change of Beneficiary" form from your employer's personnel, benefits office or from the ASRS website. Complete the form and return it to the ASRS Phoenix office.

## HOW CAN I GET INFORMATION ABOUT MY FUTURE RETIREMENT BENEFITS?

Each year, the ASRS will mail you an annual statement of your personal retirement benefits. Your statement contains important information about your retirement account, including an estimate of your future benefits at different retirement dates.

The ASRS conducts pre-retirement seminars for members who are one to five years from retiring in various locations around the state. As you approach retirement you will want to attend one of these seminars. These seminars cover the essentials for planning your retirement, including service purchase, details on health insurance coverage and other retirement benefits. In addition, the Member Services Division offers group meetings for members who are one year away from retiring. These group meetings provide an estimate of your potential monthly benefits, review of your retirement options and information on completing your retirement packet. Contact the ASRS offices for an appointment.

Though the annual statement provides benefit estimates at your various normal retirement dates, you should request a detailed estimate about one year before your planned retirement.

*Financial Horizons*, the ASRS newsletter, is sent to all active, inactive and retired members to inform them of ASRS issues, such as legislative changes, health insurance open enrollment and other items of interest. *Employer Update* is the newsletter sent periodically to ASRS employers to keep them aware of issues that affect both the employees and the employers.

To receive any of the above publications, call the ASRS at 602-240-2048 in metro Phoenix, 520-239-3109 in metro Tucson or 1-800-621-3778 extension 2048 outside metro Phoenix and Tucson or visit our website at [www.asrs.state.az.us](http://www.asrs.state.az.us).

## RETIREMENT BENEFIT CALCULATION

### How is my benefit determined?

As a defined benefit retirement plan, the ASRS pays your retirement based on a set formula:

**Defined Benefit = Total Credited Service X Multiplier\* X Average Monthly Compensation**

\*The *graded multiplier factor* is a percentage set by statute. It is based on your total years of service at retirement. The following is the current effective schedule will provide you with your factor.

0.00 to 19.99 years of service	2.10%	.0210
20.0 to 24.99 years of service	2.15%	.0215
25.0 to 29.99 years of service	2.20%	.0220
30.0 or more years of service	2.30%	.0230

*Total credited service* is the period of your employment during which you are a member making the required contributions to the ASRS plus any service purchase credited to your account.

*Your average compensation* is determined by dividing the 36 consecutive months of your highest earnings

within the last 10 years of service by 36. (For members on a contract for at least 9 months, the contract period counts as 12 months for averaging compensation.) Lump-sum payments for vacation or sick leave, compensatory time or any other pay that you receive when you leave employment are NOT considered compensation.

**For members who began contributing before January 1, 1984**

If your membership began before January 1, 1984, you may choose to have your compensation for the highest 60-months earnings during the last 120 months of contributing membership service. Members who began contributing before January 1, 1984, automatically receive the 36-month or the 60-month calculation, whichever provides the larger benefit amount. Lump sum payments for vacation, sick leave (except for state & county employees) compensation time or any other pay that is received at the time of termination for retirement must be used as part of the 60-consecutive months of salary.

Payments for work-related expenses, such as automobile and clothing allowances, are not considered compensation for retirement purposes under either method.

**Is the 60-month average to my advantage?**

The advantage of the 60-month method is that lump-sum payments when you leave your job are included in your compensation for retirement. These payments must be a part of the 60-consecutive month period. Lump-sum payments include payoffs of accrued vacation and sick leave. The 60-month average, with the lump-sum termination payments included, provides a better benefit only when the lump-sum payments are large enough to overcome the use of two additional years (24 months) of lower salaries in determining your average compensation. State and county employees may not use sick leave in the 60-month calculation.

	<b>Sample Amounts</b>	<b>Your Amounts</b>
Total Credited Service	24.5 years	_____
X Multiplier	.0215	_____
X Average Monthly Compensation =	<u>\$3000.00</u>	_____
Monthly Pension Benefit	\$1580.25	_____

**Is there a minimum retirement benefit?**

Yes. Though your benefit is determined by the above formula, retired ASRS members who are age 75 or older and who have 20 or more years of credited service are entitled to a minimum benefit of **\$600 per month**. Beneficiaries at least 75 years old who receive a benefit for a deceased retired ASRS member who had 20 or more years of service are entitled to a minimum of **\$600, reduced according to the option chosen at retirement**.

**Are there limits on the amount of compensation used for retirement?**

Yes. The Internal Revenue Code (IRC) and *Arizona Revised Statutes* limit the total amount of annual compensation that may count for your retirement. If you became a member *on or after July 1, 1996*, the maximum reportable compensation is \$200,000. If you became an ASRS member before July 1, 1996, you are subject to a maximum of \$300,000 a year. The IRC limit is indexed, that is, the limit will increase based on changes in the Consumer Price Index (CPI). The ASRS will advise you and your employer when the maximum amount is increased. Your employer should not withhold contributions on amounts paid over the maximums.

## Is there a limit to how much I can receive in pension benefits?

Yes. If your original enrollment in the ASRS is on or after August 9, 2001, then your pension benefits cannot exceed 80% of the average monthly salary used to calculate your pension benefits. If your original enrollment date was before August 09, 2001, there is no cap.

## Are there post-retirement increases to my retirement benefit?

Yes, if the ASRS investments perform with excess earnings, a Permanent Benefit Increase (PBI) can be paid on July 1 of each fiscal year. To be eligible, you or your beneficiary must be receiving benefits on or before July 31 of the previous calendar year. If you are a Long-term disability (LTD) participant, who was receiving LTD benefits before July 1, 1995, you are also eligible for this benefit increase. The increase is based on the earnings of the ASRS and is limited by the annual percentage change in the Consumer Price Index or four percent of the total benefits of the eligible group, whichever is less.

## HOW CAN I MAXIMIZE MY RETIREMENT BENEFIT?

You can maximize your retirement benefit by considering each component of the benefit formula. The following ideas may help:

- ❑ The most common and easiest way to increase your benefit is to work a longer period of time. The more credited service accrued to your account, the larger your benefit.
- ❑ If you forfeited ASRS credited service for previous employment by getting a refund of your contributions, you may want to “buy back” your credited service. You must weigh the cost of purchasing credited service against the benefits of the additional service.
- ❑ If you had service in another public retirement plan or in the active-duty military, it may be to your advantage to purchase ASRS credited service for this time. To purchase service, you must not be receiving or be eligible to receive a retirement benefit for the service in any other retirement plan (except for military retirement). As with buying forfeited credited service, you must carefully consider the cost of the purchase against the added benefit that you would receive. You also should consider what other uses you would have for the money or the earnings you could make on the money, if you invested it somewhere else.
- ❑ If you have service on account with another public retirement plan in Arizona, such as the Public Safety Personnel Retirement System, the Correctional Officer Retirement Plan, the Elected Officials’ Retirement Plan, City of Phoenix Employees Retirement System or the Tucson Supplemental Retirement System you may want to transfer your credit from the other plan to your ASRS account.
- ❑ As your compensation increases, so does your final average compensation. Promotions and other salary increases could result in a higher benefit amount. This is especially important for your highest, consecutive 3 years during your last 10 years of service.
- ❑ If you qualify for the 60-month averaging, lump-sum payments when you leave work may increase your average, and as a result, your monthly benefit. These payments include accrued annual and sick leave compensatory time and termination payments due to retirement that are paid at the time you leave employment. Be sure to include the anticipated amounts of such payments when you request your benefit estimate. State and county employees may not use sick leave in the 60-month calculation.

## WHAT IS CREDITED SERVICE?

Credited service is the amount of credit toward retirement that you earn by contributing to the ASRS. You earn credited service for each pay period for which you make the required contributions. You may earn only one year of credited service in any one year. If two or more ASRS employers employ you at the same time, you earn service from the longest standing employment, not both. The amount of credited service affects the amount of the member’s retirement-the more years of service, the greater the benefit.

### **Do I receive credited service on a contract basis?**

If you work under one or more consecutive contracts for a period of nine or more months per year you will receive one year of credited service, provided that the full term(s) of the contract is paid. If you work for less than the total term(s), you will receive credited service equal to the percentage of time worked within the contract period.

### **I am a temporary legislative employee, do I get credited service?**

If you are a temporary employee of the legislature, membership begins when you complete six months of employment. You may elect to earn credited service for the first six months by paying to the ASRS the employee contributions due. This election must be made within 45 days after the six-month period ends. You may choose instead to start service at the beginning of the seventh month without having to purchase service for the first six months.

### **Is my account subject to assignment, attachment and garnishment?**

No, your account cannot be subject to assignment, attachment or garnishment while working as an active employee. Court orders regarding divorce settlements and child support may be enforceable when you start receiving your benefit or obtain a refund. Your account also may be subject to a levy by the IRS.

### **Do I receive service credit for an Active Duty Military Call-up?**

Yes, if you are an active member you are eligible for ASRS credited service for an active duty military call-up. You must be a member of the Arizona National Guard or the reserves *and* volunteer or be ordered into active military service as part of a presidential call-up. The employer pays both the employer and employee contributions when you return to covered employment within 90 days of being discharged or released from active duty.

### **Do I receive credited service for overtime?**

No, overtime is not used to calculate credited service. However, contributions are based on your gross compensation, including any overtime payments received. These contributions may result in a higher retirement benefit by increasing your *average monthly compensation*.

### **Can I obtain credited service for leave of absence with pay?**

If you take an approved leave of absence, administrative, annual or sick leave and are paid by an ASRS employer, you will receive credited service for that period of time as long as you are paid for 20 hours or more per week for 20 or more weeks in a fiscal year, and the required contributions are paid to the ASRS. You can also earn credited service for sabbatical leaves, paid on full or partial basis. Contributions at the appropriate rate are required on amounts paid for the sabbatical leave. Leave or sabbatical time must be reported to the ASRS as the salary earned cannot be used in determining retirement benefits.

### **Can I obtain credited service for unpaid leave of absence?**

If you take an approved unpaid leave of absence, you do not receive credited service from the ASRS for that period of time. However, you may buy up to one year of credited service for a leave of absence without pay as long as:

- You return to work with the same employer, unless you could not return to work because you became disabled or a position was no longer available,
- You have not withdrawn your contributions (refund) from the ASRS, *and*
- The employer certifies that the leave of absence was in its best interest.

You may buy the service at any time after returning to work with your ASRS employer. The cost to purchase this type of service is equal to the amount of the employer and employee's contributions for the period of the absence up to one year, plus interest to the date of payment. The amount of contributions is based on the annual salary received when the leave of absence began. ***For members hired after July 1, 1999, this purchase may be limited under section 415 of the Internal Revenue Code.***

### **Can I buy credited service for time I spent in the military?**

Yes, you may buy ASRS credited service for any amount of active military duty if you were honorably discharged and have not received credit with the ASRS. The cost per year of credited service is your current annual salary multiplied by the current ASRS "normal cost" rate for employee and employer contributions. *The*

*normal cost is the total employee and employer contribution rate, as determined by the ASRS actuary.*

You must provide a copy of the military service record (DD-214) or its equivalent to document your service. If eligible, you may request the purchase of credit for military duty in writing, by calling the ASRS or by completing a service purchase request on our Web site ([www.asrs.state.az.us](http://www.asrs.state.az.us)). Include a copy of your military service record.

### **Can I buy credited service for other public employment?**

Yes. You may purchase credited service for *any amount* of service worked under another public employer in the United States but you must **not** be receiving or be eligible to receive a benefit from any other retirement plan based on the service to be purchased. The cost per year of credited service is your current annual salary multiplied by the current ASRS “normal cost” rate for employee and employer contributions at the time you buy the service. *The normal cost is the total employee and employer contribution rate, as determined by the ASRS actuary.*

If you have “current” service in the other retirement plan, you must forfeit your retirement eligibility under that plan (obtain a refund) before you can purchase ASRS credited service for the same employment. If you have already received a pension distribution from the previous retirement system, you are not eligible to purchase that service.

You must be an actively contributing ASRS member at the time you buy the service. If eligible, you may request the service purchase on a form provided by the ASRS. You will be sent an affidavit to verify the time of employment and to indicate if you participated in a retirement plan. The cost to purchase this time may be subject to the Internal Revenue Code Section 415(c) limits.

### **Can I buy previously forfeited ASRS credited service?**

Yes. If you resume employment with an ASRS employer and currently are contributing to the ASRS, you may reinstate previously forfeited ASRS credited service by paying an amount equal to the gross amount of the refund (including the amount of any taxes withheld) plus interest to the date of repayment. You may make this purchase at any time prior to retirement and may reinstate all or any portion of the forfeited credited service. Because interest accrues on the contributions, the longer you wait the greater the cost. The cost to reinstate credited service is not subject to Internal Revenue Code section 415(c) limits.

### **Can I transfer service between state retirement systems?**

Yes. If you work under one of the state retirement plans listed below, and then move to a new position under one of the other state retirement plans, you may transfer your credited service to the new retirement plan. This process may occur before or at the time of retirement. **You must not be receiving a benefit from the system if you are transferring.** You may transfer credited service *to* or *from* the ASRS and the following systems:

- The Elected Officials Retirement Plan (EORP)
- The Public Safety Personnel Retirement System (PSPRS)
- The Correctional Officer Retirement Plan (CORP)
- The City of Phoenix Employees Retirement System (COPERS)
- The City of Tucson Supplemental Retirement System (TSRS)

You may be required to pay an additional amount to transfer the full amount of credited service earned, **or** you may transfer a pro-rated amount of the service with no additional cost. For more information, contact the system **to** which service is being transferred.

### **How can I make payment for my service purchase?**

**Lump-Sum Payment** - The full cost of the purchase may be made in one payment, subject to IRC section 415(c) limits. The portion of the cost that cannot be paid for in one year because of the limits may be carried over to subsequent years.

**Payroll deduction agreement** - The purchase cost may be paid in installments over time, subject to an interest charge of 8 percent.



**Rollovers** - Certain funds may be transferred from another qualified retirement plan, a tax deferred annuity, a deferred compensation plan or an IRA.

Funds that can currently be rolled over:

- a qualified retirement plan 401[a] or 401[k]
- a tax deferred annuity 403(b)
- a deferred compensation plan (457)
- a qualified annuity plan 403(a)
- an IRA
- a simple IRA that has been established for at least two years.

The ASRS *cannot* accept a rollover from a Roth IRA, a Coverdell Education Savings Account or a simple IRA that has not been established for at least two years.

### **How is paying for my service purchase through a payroll deduction agreement beneficial to me?**

By setting up a payroll deduction agreement you can spread the purchase of the credited service over many years. You will lock in a lower purchase cost, before your salary increases. By using a payroll deduction agreement to pay for your service purchase, you will also be able to use pre-tax dollars. This may result in significant cost savings.

### **How is a rollover beneficial to me?**

A rollover can be beneficial to you for two reasons. First, you will keep the tax-deferred status of your retirement funds. This may result in significant cost savings. You will be taxed on these funds after retirement when you receive your monthly retirement benefit. Second, the portion of a credited service purchase made through a rollover is not subject to IRC section 415(c) limits. This will allow you to complete the full purchase sooner.

### **What type of information do I need to provide to the ASRS?**

You must provide information to the ASRS to demonstrate that your rollover contribution is a valid rollover contribution. Please call the ASRS Member Services Division for forms required for all rollovers. In order to complete your rollover contribution you must respond to all items to the satisfaction of the ASRS.



### **When may I retire?**

When you retire is up to you. The longer you work and contribute to the ASRS, the larger your retirement benefit will be. You may take an “early retirement” with a reduced benefit. Or, you can increase your benefit by working past your normal retirement date, also referred to as “late retirement.” These concepts are explained below:

#### **Normal Retirement**

Normal retirement is the earliest you may retire with a full benefit as calculated by the ASRS benefit formula. A normal retirement date occurs under the earliest of the following situations:

- At age 65,
- At age 62 with 10 or more years of credited service,
- At any combination of years of credited service and age, totaling 80 points.

Example: If you have 31 years of credited service and you are 49 years of age, you will be eligible for a normal retirement because you have 80 points (49 + 31 = 80).

## Early Retirement

If you are at least age 50 with 5 or more years of credited service, you may retire before you reach normal retirement. However, a reduction is applied to your benefit depending upon your age and your credited service. Your benefit stays at the reduced amount as long as you are receiving retirement benefits. The reduced amount is not increased except for permanent premium benefit increases or other supplements authorized by the state legislature.

### How does the ASRS calculate early retirement?

- ❑ If you are under age 65 when you retire and have at least 5 years of credited service, but less than 10 years, the ASRS will reduce your benefit for each year your age at retirement is under age 65-by 5 percent from ages **50 to 60**, and by 3 percent from ages **60 to 62**. (See examples that follow this section.)
- ❑ If you are under age 62 when you retire and have at least 10 or more years of service, the ASRS will reduce your benefit for each year your age at retirement is under age 62-by 5 percent from ages **50 to 60**, and by 3 percent from ages **60 to 62**. (See examples that follow this section).
- ❑ You also may take an early retirement if you have at least 77 points. Your benefit will be reduced by 3 percent for each point or fraction of a point under 80, down to a minimum of 77 points. If you have fewer than 77 points when you retire, you must follow the applicable reduction formula based on age, as shown above. If you are working, you earn two points each year—one for age and one for credited service (**See the reduction chart on page 35**).

The ASRS determines age and credited service to two decimal places. For example, age 60 and 3 months is 60.25 years: 60.25 years of age plus 19.50 years of service is 79.75 points, counted as 79 points for retirement. However, you would need .25 points to reach 80 points. You may gain the additional .25 points by age or service or both.

## Late Retirement

If you continue to work beyond your normal retirement date, otherwise known as late retirement, you accrue additional retirement benefits based on the appropriate multiplier applied to your average monthly salary for each additional year of work.

### Am I required to collect my retirement benefit?

If you no longer are actively contributing to the ASRS, you must begin collecting your benefit no later than April 1 of the year following the year when you reach age 70-1/2.

## Retirement Examples

- ❑ **Member A** is age 62 at retirement with 12 years of credited service. **Member A** is entitled to a normal retirement benefit based on age 62 with at least 10 years of service.
- ❑ **Member B** is age 55 at retirement with 25 years of credited service. **Member B** has 80 points (55 + 25) and qualifies for normal retirement based on points, even though the member is under age 62 and 65.
- ❑ **Member C** is age 63 with 4 years of credited service. **Member C** is not eligible to retire until **Member C** earns one additional year of credited service or until age 65. A member must have at least 5 years of credited service to retire before age 65.
- ❑ **Member D** is age 51 with 5 years of credited service. **Member D** may take early retirement with a benefit reduced by 60 percent from the normal (full) benefit (5 years at 3 percent [ages 60 to 65] and 9 years at 5 percent [ages 51 to 60]:  $[5 \times 3] + [9 \times 5] = 60\%$ ).
- ❑ **Member E** is age 58 at retirement with 18.5 years of credited service. Because this is only 76.5 points, if **Member E** retires at this time, early retirement will be based on age, not points. **Member E** will receive a benefit reduced from normal by 16 percent (2 years at 3 percent [ages 60 to 62] and 2 years at 5 percent [ages 58 to 60]).



- ❑ **Member F** is age 60 at retirement with 18.5 years of credited service. Member F has 78.5 points and receives a benefit reduced by 6 percent (2 points or fractions of points below 80 at 3 percent each). Again, points are rounded down to the nearest whole number.

### How do I apply for my retirement benefit?

You should request a benefit estimate at least one year prior to your planned retirement date, the ASRS website provides a basic estimator as well. Members requesting an estimate within a year of retirement will receive a retirement package along with their completed estimates. ***The figures provided are ONLY estimates; the actual benefit at retirement may be different.***

**IMPORTANT—Your retirement benefit cannot be paid UNTIL the ASRS receives your application.**

**You should submit your application to the ASRS three to six months prior to the planned retirement date.** On the application, you will enter your mailing address, your retirement date, the benefit option you have chosen, the name of your beneficiary or “contingent annuitant,” and the date completed. If married, your spouse should co-sign the application to acknowledge the retirement option chosen.

### Retirement Timeline

A timeline and some general items to consider before you retire.

#### One to Five Years Before Retirement

- ❑ Attend a pre-retirement seminar
- ❑ Re-examine your financial goals and adjust your savings and other investments to meet these goals  
Also, use this time to reduce your debt load and increase your financial nest egg
- ❑ Obtain the financial and legal advice you may need to plan your estate
- ❑ Use the ASRS retirement benefit estimate calculator on the ASRS website to estimate your retirement benefit
- ❑ Consider your health insurance and other insurance needs
- ❑ Consider where you want to live and the availability of health insurance
- ❑ Start verifying previous public employment for possible purchase of service credit and consider reinstating any forfeited ASRS service

#### Two to Four Years Before Retirement

- ❑ Request a benefit estimate from Social Security
- ❑ Explore any other retirement benefits for which you may be eligible

#### One Year Before Retirement

- ❑ Attend a group meeting and receive a benefit estimate
- ❑ Decide on the date you wish to retire
- ❑ Check with your employer’s Human Resources office about their retirement procedures
- ❑ Study options for health care insurance coverage after retirement-consider costs needs and availability
- ❑ Determine if there is additional service credit to purchase
- ❑ Determine what to do with the money in your voluntary tax-deferred retirement investment plans (if any)

#### Three Months Before Retirement

- ❑ Decide on the retirement option best suited to the needs of you and your family
- ❑ Submit Retirement Application and related forms to the ASRS
- ❑ Plan to pay off service purchase contracts

#### After Your Retirement Application is Approved

- ❑ Enroll in your former employer’s or the ASRS health insurance program within 31 days after your effective date of retirement, if you want coverage
- ❑ Receive and review your first benefit payment

## When does my retirement benefit start?

You are entitled to start receiving a benefit on the day after you leave employment with an ASRS employer. **You must terminate at least one day before the date you want to retire.** If your retirement application is received after your desired retirement date, your benefit will be payable from the date of receipt of the application. You also have the option of choosing a later retirement date. In this case, your benefit would start the day you choose, as long as the ASRS has received your application. You will receive your first retirement check within approximately 45 to 60 days after your retirement date, retroactive to your retirement date. All subsequent checks are issued on the first day of each month.

## What are the different ways my retirement benefit may be paid?

When you retire, you may choose one of the following seven forms of payment:

### Life Annuity

The ASRS will pay you a monthly benefit for the rest of your life. Payments will stop when you die. If you die prior to receiving all of the contributions in your account balance, the ASRS will pay the remaining balance to your designated beneficiary. This option is sometimes called the "straight life annuity."

### Life Annuity. Five Years Certain.

The ASRS will pay you a reduced monthly benefit for the rest of your life. If you die before getting a total of 60 monthly payments, the ASRS will pay the remaining payments to your beneficiary until all 60 monthly payments have been made. Payments stop at your death if you die after you have received 60 monthly payments. Members under the age of 103 at the time of retirement are eligible for this option.

### Life Annuity. Ten Years Certain.

The ASRS will pay you a reduced monthly benefit for the rest of your life. If you die before getting a total of 120 monthly payments, the ASRS will pay the remaining payments to your beneficiary until all 120 monthly payments have been made. Payments stop at your death if you die after you have received 120 monthly payments. Members under age 91 at the time of retirement are eligible for this option.

### Life Annuity. Fifteen Years Certain.

The ASRS will pay you a reduced monthly benefit for the rest of your life. If you die before getting a total of 180 monthly payments, the ASRS will pay the remaining payments to your beneficiary until all 180 monthly payments have been made. Payments will stop at your death if you die after you have received 180 monthly payments. Members under age 84 at the time of retirement are eligible for this option.

### Joint and Survivor-100 Percent

The ASRS will pay you a reduced monthly benefit for the rest of your life. The ASRS also will pay a benefit for the rest of your beneficiary's life after your death, if you die before your beneficiary. The payment to your beneficiary will be equal to 100 percent of your monthly benefit. You may choose this option if your beneficiary is your spouse. If your beneficiary is not your spouse, you may choose this option only if you are NOT more than 10 years older than your beneficiary.

### Joint and Survivor-66-2/3 Percent

The ASRS will pay you a reduced monthly benefit for the rest of your life. The ASRS also will pay a benefit for the rest of your beneficiary's life after your death, if you die before your beneficiary. The payment to your beneficiary will be equal to 66-2/3 percent of your monthly benefit. You may choose this option if your beneficiary is your spouse. If your beneficiary is not your spouse, you may choose this option only if you are NOT more than 24 years older than your beneficiary.

### Joint and Survivor-50 Percent

The ASRS will pay you a monthly benefit for the rest of your life. The ASRS also will pay a benefit for the rest of your beneficiary's life after death, if you die before your beneficiary. The payment to your beneficiary will be equal to **50 percent** of your monthly benefit. **All members may choose this option.**

## What retirement option is best for me?

As you can see, there are three different types of options: Life Annuity, Life Annuity with a Period Certain, and Joint and Survivor Annuity. Each of the types has positive and negative points depending on your situation. The following descriptions will help you decide which option is best for you:

### Life Annuity

This is a basic form of payment. The benefit is calculated by the ASRS benefit formula and will be reduced if you retire before reaching a normal retirement date. The Life Annuity option pays the highest monthly amount of all the options, but may provide no protection for your beneficiary after your death. You may name one or more persons as your beneficiary. You also may name an organization, trust, or your estate as your beneficiary.

**Refund Provision:** If the total of the payments made to you before your death is less than your account balance at retirement, the ASRS will pay (refund) the difference to your beneficiary. Your account balance is the total of your contributions and interest in your retirement account. (This does not include your employer contributions.) The payment can be made in a lump sum, or your beneficiary may choose instead to receive monthly payments until the account balance has been paid out.

You may want to choose this option if you want the highest possible monthly benefit amount or do not need to support someone after your death. This option also may be best for you if your beneficiary has a separate pension or other sources of income and will not need your benefit after your death.

**NOTE:** *You cannot change this option after you start receiving benefit payments.*

### Life Annuity with a Period Certain

The Period Certain options also pay you a lifetime benefit, but guarantees a minimum number of payments. The options are called “period certain” because you choose the minimum number of payments to be made-5, 10 or 15 years. You may name one or more persons as your beneficiary. You also may name an organization, trust, or your estate as your beneficiary.

If you die before the guaranteed number of payments have been made, the ASRS will continue payments at the same amount to your beneficiary until all the guaranteed payments have been made. Payments stop after the guaranteed number of payments have been made.

If you retire on or after August 9, 2001, and elect a 5, 10 or 15 year period certain annuity, you are allowed to rescind that election of the period certain annuity and thereafter receive a straight life annuity, calculated as provided in A.R.S. § 38-760(B)(2).

This statute also authorizes you, if you retired on or after August 9, 2001, to revert from a term certain annuity to a straight life annuity to elect again, at any time during the period certain annuity to revert to the original term certain annuity.

If you elect to rescind a period certain annuity during the original term and, while receiving a straight life annuity, again elect to receive a period certain annuity for the remainder of the original term of the certain annuity, the ASRS should restore your retirement benefit amount to the amount that you were receiving under the original term certain annuity at the time of the rescission, plus any increases that you would have accrued during the time that you were receiving a straight life annuity. You will receive the amount until you again elect to rescind the term certain annuity, in which case, you will again revert to straight life annuity, calculated as provided in A.R.S. § 38-760(B)(2).

Because the ASRS provides a minimum number of payments that may continue after you die, the ASRS must reduce the benefit payment from the amount payable for the Life Annuity option. The 5-year certain option will pay a larger monthly amount than the 10-year certain option. The 10-year certain option will pay a larger amount than the 15-year certain option.

**Refund Provision:** If the total of the guaranteed payments made to you before your death and to your beneficiary after your death is less than your account balance at retirement, the ASRS will pay (refund) the difference to your beneficiary. Your account balance is the total of your contributions and interest in your retirement account. (This does not include your employer contributions.) The payment will be made in a lump sum. Your beneficiary may choose instead to receive monthly payments until the account balance has been paid out.

### **Joint and Survivor Annuity Options**

There are three Joint and Survivor options. They pay a benefit to your beneficiary equal to 100 percent, 66-2/3 percent or 50 percent of the benefit paid to you in your lifetime. If you choose a Joint and Survivor option, the ASRS will pay you a monthly benefit for the rest of your life. When you die, the ASRS will continue payment to your beneficiary at the chosen percentage of your benefit amount. The beneficiary of a Joint and Survivor option is called a contingent, or joint annuitant. You can name only one person as your contingent annuitant; you **cannot** name an organization or your estate. If you choose a Joint and Survivor option, you must submit proof of your contingent annuitant's date of birth.

Because the ASRS pays a benefit for the rest of your life and also your contingent annuitant's life after your death, the ASRS must reduce the benefit amount from the amount payable for the Life Annuity option. The higher the percentage of your benefit to be paid to your contingent annuitant after your death, the lower the dollar amount of your benefit. The 50-percent Joint and Survivor option pays you a larger monthly pension amount than the 66-2/3-percent option. The 66-2/3-percent option pays you more than the 100-percent option.

**Refund Provision:** If the total of the payments made to you before your death and to your contingent annuitant after your death is less than your account balance at retirement, the ASRS will pay (refund) the difference by the laws of the state. Your account balance is the total of your contributions and interest in your account. (This does not include your employer contributions.) The payment will be made in a lump sum. Or, your estate may receive monthly payments until the account balance has been paid out.

At any time after your Joint and Survivor benefits have started, you may **name a new contingent annuitant or change your benefit option** to the Life Annuity option. If you name a new contingent annuitant, the ASRS will change the benefit amount based on the age of the new contingent annuitant. You must provide proof of the new contingent annuitant's date of birth. If you want to change your benefit option, the ASRS will increase your benefit to the Life Annuity option amount. If you want to name a new contingent annuitant or to change to the Life Annuity option, you must request the change **in writing**.

### **Partial Lump Sum distribution**

The new legislation allows a member to take a portion of their retirement income in a lump sum. A member may elect a partial lump sum payment at retirement equal to up to 36 months of the member's calculated straight life annuity benefit. The dollar amount of the lump sum is not affected by the retirement option that is chosen. The life annuity amount will be actuarially adjusted to a reduced amount to offset the lump sum payment. This payment is subject to federal and state tax unless the money is rolled to another qualified retirement plan. If the member retires prior to age 59.5 and elects a partial lump sum option but does not roll the distribution to another qualified plan, the distribution may be subject to a federal excise tax for early withdrawal of a retirement account. This is a decision made at the time of retirement and cannot be rescinded.

### **What else should I consider before making my decision?**

Choosing a retirement option is a personal decision. The following questions should be considered before making a decision. As you gather the information to help answer these questions, do not overlook any other benefits you or your survivor will receive from other employment or Social Security.

- Will your survivors need the continuation of your benefit if you die? Do you have enough life insurance or income-producing assets to provide your survivors with financial security? Does your spouse have a separate retirement income?
- If additional income is needed, can you provide it in a different way? For example, can you find other employment with a non-ASRS employer?

- ❑ Have you considered your health status and that of your designated beneficiary? What about the longevity of your family members versus your designated beneficiary's family?

Alternatives to consider may include re-evaluating the amount of life insurance needed or establishing a deferred compensation account or a tax-sheltered annuity. The ASRS pension is not a life insurance policy, many members overlook the impact of health-insurance premiums in their budget. Your employer pays the major portion of the total health insurance premiums while you are an employee. After retirement, you normally will be required to pay the entire premium yourself, with the assistance of the ASRS health insurance premium benefit. Any savings and/or investments also should be considered as additional sources of retirement income.

- ❑ All employees who are members of the ASRS also are covered under the federal Old Age and Survivors Insurance system (Social Security) under section 218 of the Social Security Act. The federal government provides the Social Security benefits, which are separate from ASRS benefits.
- ❑ Monthly Social Security benefits may be paid to you or your dependents when you retire, become disabled or die. For information about the benefits, visit the Social Security website at [www.ssa.gov](http://www.ssa.gov) or call toll-free 1 (800) 772-1213.

### When will I receive payment of my benefit?

Normally you will receive your first pension payment within the first 15 working days of the month after your first full month of retirement. If you are purchasing service time, the first check may be delayed for a month. This check will be a retroactive payment to the effective date of retirement. Subsequent monthly pension checks are mailed at the beginning of each month. **Please remember you must keep the ASRS informed of any address changes in writing.**

***Example:** A member retires on June 15. The first full month of retirement is July. The member will receive the first pension check during the first 15 days of August. This check will be for the period from June 15 through August 31. The next check will be issued the first of September for the September payment.*

If your monthly benefit is less than \$20 per month, you will receive a one-time lump sum payment that is based on the present value of the benefit if paid over your expected lifetime. No additional payment will be made.

### Can I have my monthly benefit sent directly to my bank?

Yes. At retirement or anytime after, you may choose to have the ASRS deposit your payment directly into your bank account. It is a convenient and worry-free process. Through direct deposit, your monthly benefit check is deposited electronically into your account with any bank, savings and loan, or any credit union in the continental United States. To receive this service, you must fill out a Direct Deposit Form, available through the ASRS. Members with direct deposit receive a payment within the first three-(3) working days of the month.

## LEVEL INCOME PROVISION

### Level Income provision for members under Age 62 at retirement

This provision is for members who retire **through age 61**, and who wish to receive a higher benefit in the early years of retirement in exchange for a reduced benefit when they become eligible for Social Security at age 62. The Level Income provision is not a separate option for disbursement of the retirement benefit, but it can be used in conjunction with any of the seven-retirement benefit options. (See **Appendix F** for Level Income example.)

Under the Level Income provision, the ASRS pays an amount in addition to the member's regular retirement benefit until age 62. The additional amount is equal to a portion of the member's estimated Social Security benefit. Once the member reaches age 62 and is eligible to receive Social Security benefits, whether or not the member actually starts receiving Social Security benefits, the ASRS reduces the member's *combined* benefit

by an amount equal to **the total estimated Social Security benefit**. The reduction in the member's *combined* benefit begins at age 62 and **stays** at the reduced amount for the remainder of the member's lifetime.

The Level Income provision is neither a special formula nor a bonus of any kind. The total of what is added to the benefit in the monthly payments before age 62 will be collected back through the reduction in the benefit over the rest of the member's lifetime. This can be a costly decision for members with a long life expectancy.

***You are ineligible for this option if your combined benefit, regular retirement benefit plus the Level Income amount, is less than the amount of the total Social Security benefit estimate.*** The Level Income provision is for members only and will not continue if the member dies. Instead, the member's benefit will either stop or be recalculated, depending on the original option chosen. This is an option that must be chosen at the time of retirement. The retiree can rescind this option within the first 6 months of retirement by returning all monies paid based on this option.

### Requesting the Level Income provision

You must provide the ASRS with a current Social Security benefit estimate, assuming you will not work after retirement. (Be sure to enter \$0.00 wages as future average yearly earnings on your Social Security estimate requests.) If an estimate is based on continued employment, the estimate will be higher, and the reduction in your combined benefit at age 62 will be greater. To receive a Social Security estimate request form, contact the Social Security office toll-free at 1-800-772-1213 or go to the Social Security website ([www.ssa.gov](http://www.ssa.gov)).

## SOCIAL SECURITY BENEFITS

All employees who are members of the ASRS also are covered under the federal Old Age and Survivors Insurance system (Social Security) under section 218 of the Social Security Act. The federal government provides the Social Security benefits, which are separate from the ASRS benefits.

Monthly Social Security benefits may be paid to you or your dependents when you retire, become disabled or die. For information about the benefits, visit the Social Security website at [www.ssa.gov](http://www.ssa.gov) or call 1 (800) 772-1213.

## HEALTH INSURANCE

The ASRS administers a group health insurance program for retired and disabled members who do not participate in their former employer's group health insurance plan. The ASRS provides members with health care options with private insurance companies on an annual basis. The insurance companies may change from year to year.

### If I have a pre-existing condition, am I eligible for health insurance?

Yes. You are eligible to enroll in the ASRS group health insurance program with pre-existing conditions as long as:

- You enroll at the time of retirement, receipt of LTD benefits or at termination of your ASRS employer's coverage, and there is no lapse in coverage, or
- You enroll during the annual open enrollment period and there is no lapse in coverage, or
- You are eligible for Medicare parts A and B.

If you are not Medicare eligible and you have a lapse in health insurance coverage when you enroll in the ASRS health insurance program, your pre-existing condition(s) will not be covered for a period of 12 months from the effective date of coverage.



## What is open enrollment?

Open enrollment is an annual period when retired and disabled members of the ASRS have the opportunity to change their chosen medical and dental carriers or to add dependents to their coverage. Open enrollment also allows those members who have not enrolled previously in one of the group medical or dental plans to join the ASRS program. Dependents may be enrolled at birth, adoption, marriage or other specific situations throughout the year (See “Qualifying Events” below.)

## What is a qualifying event?

A “qualifying event” permits members to make certain mid-year changes to their benefits coverage that are consistent with the qualifying event. If you have a qualifying event and want to enroll or are required to make a change in your coverage (i.e. add or delete dependents or are required to change your benefit plan), **you must notify the ASRS Member Services Division, in writing, within 31 days of the event to request a change.** The following is a list of eligible qualifying events:

- Change in member’s marital status-marriage, divorce, legal separation, annulment, death of spouse
- Change in dependent status-birth, adoption, placement for adoption, death, or dependent eligibility due to age, marriage, student status
- Change in member’s primary residence causing a change in benefit plan availability
- Eligibility for Medicare-member, spouse, dependent child
- Significant change in spouse’s group benefits plan cost or coverage
- Significant change in participating employer’s group benefits plan cost or coverage
- Termination of COBRA coverage-member, spouse, dependent child

## When should I apply for coverage?

Qualified members should apply at least 90 days prior to the last day of coverage under their current health insurance program. This helps ensure that there is no lapse in coverage during the transfer.

## My current coverage will continue to be provided by my participating employer and I do not want to change. What do I need to do?

Review with your participating employer your continuing eligibility for their health care plans. While some employers do not permit retirees to continue to be covered by their plans, other employers allow retirees to be covered, but only for a specific period of time. It is important that you understand how long you may continue with your employer so that you know when you will be eligible to enroll with the ASRS. If you will be continuing your health care plans with your employer, you will complete a health insurance application with them

## What will happen if I don’t submit my Enrollment Form when I retire?

If you wish to enroll for health care coverage with the ASRS and you fail to submit your completed Enrollment Form within the 31-day grace period, you will not have health care coverage with the ASRS.

Consequently, you will **not** be eligible to enroll in the retiree health insurance program until the next open enrollment, which takes place in the fall. However, should you experience a “qualifying event,” as defined by law, during the course of the year, you may enroll in a retiree medical and/or dental plan at that time.

## Does the ASRS provide assistance with health insurance premiums?

Yes. The ASRS offers a Health Insurance Premium Benefit program to assist eligible ASRS retired and disabled members with health insurance premium costs. Members must be covered by their former employer’s group health insurance plan or the ASRS group health insurance plan. The premium benefit is applied to the member’s health insurance cost, and the member is responsible for the remaining balance, if any.

## Am I eligible for the health insurance premium benefit?

If you are retired or disabled with at least 10 years of credited service, you are eligible to receive the full health insurance premium benefit **only** with coverage through the ASRS or an ASRS employer. Members who have private coverage are not eligible to receive a premium benefit. The premium benefit is only applicable to retired and disabled members and **not** a surviving spouse or surviving designated beneficiaries.

If you have fewer than 10 years of credited service, the premium benefit payment is reduced by 10 percent for each year of credited service under 10, until reaching 5 years of service. If you have fewer than 5 years of credited service, you are not entitled to a health insurance premium benefit. (See **Appendix H** for more on premium benefits.)

**Examples:** *Jim Jones retires at age 66 with 6 years of credited service. His full premium benefit is \$100; it will be reduced to 60 percent (10 percent for each year of service); therefore, he will get \$60.*

*Jane Johnson has 3 years of credited service at retirement. She is not entitled to a health insurance premium benefit because she has less than 5 years of service.*

## MONTHLY PENSION DEDUCTIONS & TAXES

### Is my retirement benefit subject to federal and state taxes?

#### Federal Income Taxes

All or part of your benefit is subject to federal income tax withholding. Retirement benefits based on “after-tax” dollars are not taxed at retirement. “After-tax” dollars include member contributions before July 1, 1986, and lump sum amounts paid to buy credited service. Retirement benefits based on “pre-tax” dollars are taxable at retirement. “Pre-tax” dollars are member contributions including service payroll deductions and/or rollovers to purchase service time toward retirement benefits.

#### State Income Taxes

Your retirement benefit also will be taxable income for Arizona State income tax purposes if you reside in Arizona after your retirement. Retired members living in a state other than Arizona do not have to pay Arizona State taxes, but may pay taxes in the state where they live.

All members have a \$2,500 per year exclusion from state taxable income. Retirees whose taxable income exceeds \$2,500 per year will pay taxes on the amount above \$2,500.

### How do I report my taxes?

All ASRS retirees are required to report their retirement benefits on both the federal and state income tax returns. There are two ways you can report federal income taxes on your retirement:

- You may claim federal and state exemptions or have a set amount withheld from each pension check. (A tax withholding form will be sent to you along with the retirement applications.)
- If you do not elect to have income tax withheld from your retirement payment, you must make other arrangements with the IRS and the Arizona Department of Revenue.
- According to Internal Revenue Service requirements, members who fail to complete a withholding form will automatically have federal taxes withheld as married with three exemptions.

By January 31 of each year, the ASRS will send you a Form 1099-R, “Distributions from Pensions.” This form is similar to the Form W-2, “Wage and Tax Statement,” that your employer provides to report your taxable income from earnings. The 1099-R statement gives the following information:

- The total gross amount of retirement benefit paid to you during the previous year.
- Amount of taxable income for the year. In most cases, the ASRS determines any amount to be excluded from total payments for the year according to the “Safe Harbor” exclusion rules of the Internal Revenue Code. You may find it to your advantage to use a different method called the “General Exclusion Rule”



when reporting your taxes. Consult your tax advisor.

- Deductions taken out of your pension checks for federal and state income tax withholdings.

**IMPORTANT-Members having tax withheld from their benefit payments may see a change in their check at the beginning of each calendar year as new tax tables may be used to determine the amount of withholdings. The amount of tax withheld and your net benefit check usually change each year.**

### What other deductions may be taken out of my retirement benefit?

Your retirement benefit also may be subject to other specific monthly deductions, such as medical and dental insurance premiums and voluntary association dues.

## IN THE EVENT OF A DIVORCE

### Is my account or retirement benefit subject to assignment if I divorce?

Yes. Your account is subject to assignment to your ex-spouse in the event of a divorce because your retirement benefit is considered marital property. Arizona is a community property state. This means that property acquired during a marriage belongs to the “community” of the marriage, not to an individual as that person’s separate property. All or a portion of your ASRS account or benefits may be a community property asset.

If you are married during any time that you are an actively contributing member of the ASRS, your spouse may be entitled to a portion of your account or retirement benefit if you divorce.

If you were married the entire time of your covered service, the entire account or benefit is community property. If you were married for only a part of the period of membership, the account and benefit accumulated **only during that period** is a community property asset. The account or benefit accumulated during a period that you were not married is your separate property.

You should provide a Qualified Domestic Relations Order (QDRO), a court document that explains exactly how your account or benefit will be divided. Any division must meet ASRS plan provisions.

## LEAVING EMPLOYMENT BEFORE RETIREMENT

### What are my options if I leave my current employment?

When you leave employment before retirement, you may choose to do one of the following:

- Leave your account on deposit with the ASRS
- Request a refund of your employee contributions plus interest
- Rollover your account to another qualified retirement program

### What does the ASRS consider “separated”?

There must be 21 days between the last day of employment and the beginning of new employment with an ASRS employer before the ASRS considers you to be “separated” for refund or rollover purposes. If you are hired with another ASRS employer within 21 days of leaving employment, the ASRS will not refund your contributions.

## What happens if I leave my contributions on account with the ASRS?

If you leave employment, you may leave your contributions and credited service on account with the ASRS. You become an “inactive,” non-contributing member of the ASRS with the following provisions:

- ❑ Your account will continue to be tax deferred.
- ❑ Your account will continue to earn interest, currently at eight percent (8%) compounded annually.
- ❑ You may obtain a refund at a later date.
- ❑ In the event of your death, your beneficiary will be entitled to a survivor’s benefit. The benefit is equal to twice your contributions, including service purchase payments, and accrued interest.
- ❑ If you return to work with an ASRS employer, the ASRS will reopen your account with the addition of the new contributions and service.
- ❑ You may retire at a later date when retirement eligibility is met.
- ❑ You must take a distribution no later than April 1 of the year following the year you reach age 70 ½, unless you return to employment with an ASRS employer and are making contributions.

## Can I continue contributing to my account after I leave employment?

No. The ASRS is a matching employer contribution plan which does not allow the employee to make contributions after termination. You can leave your account on deposit, but you cannot pay additional contributions.

## How do I apply for a refund?

To receive a refund, you must complete an “Application for Return or Transfer of Contributions” from the ASRS. Your employer must verify the form if you request the refund within six months after termination. Then, send the form to the ASRS to be processed. Members who receive a refund of contributions waive any present or future rights to ASRS benefits, including all credited service accrued up to this point. An application can be downloaded from the ASRS website.

## Have I met eligibility for a refund of my employer contributions?

If you have at least five years of ASRS credited service, you are eligible for a percentage of your employer contributions plus interest depending on the years of credited service you have upon termination.

## How is the refund of my employer contributions determined?

0.00 to 4.99 years of ASRS credited service	0% of employer contributions
5.00 to 5.99 years of ASRS credited service	25% of employer contributions
6.00 to 6.99 years of ASRS credited service	40% of employer contributions
7.00 to 7.99 years of ASRS credited service	55% of employer contributions
8.00 to 8.99 years of ASRS credited service	70% of employer contributions
9.00 to 9.99 years of ASRS credited service	85% of employer contributions
10.00 or more years of ASRS credited service	100% of employer contributions

## Are federal and state taxes withheld from my refund of contributions?

Yes. The ASRS is required to withhold 20 percent of the taxable portion of your refund for federal income taxes. The taxable portion includes your retirement contributions made on or after July 1, 1986, and all the interest posted to your retirement account. Your contributions **since** July 1, 1986 have been tax deferred and are called “pre-tax.” These contributions are not included in taxable income while you are working, and therefore, are subject to tax withholding when you receive a refund or retirement benefit. Member contributions paid **before** July 1, 1986, and amounts paid to buy additional ASRS credited service were included in taxable income and are **not** taxable again when you receive a payment. These amounts are said to be paid from “after-tax” dollars.

The ASRS also withholds five percent of the entire refund for state income taxes, including the amounts before July 1, 1986. Though the pre-1986 contributions were included in taxable state income, members were entitled to take an income tax deduction for the contributions on their state tax return. Taxes are not withheld on amounts rolled over by a direct transfer to another qualified retirement plan or IRA.

## Are there any other tax consequences for obtaining a refund?

In addition to the federal tax withholding, if you are under age 59-1/2, you also may be subject to a 10 percent early withdrawal penalty on your federal tax return.

### **When will I receive the refund?**

You will receive a refund check approximately 60-90 days after a properly completed application is received in the ASRS office. This check will have all of your contributions and interest on deposit at that time, minus necessary tax withholding amounts. Normally, a second check is paid for contributions posted to your account and any employer contributions after the refund date. If you are planning to move within 90 days of your termination date, note the new address and the effective date of the move on the application.

Included with the refund application is a notice required by the Internal Revenue Service. The notice fully informs you of the consequences of refunding and your right to roll over the taxable portion of the refund to another tax-qualified retirement plan. The IRS rules require a 30-day waiting period for you to consider your rollover options. This accounts for the time required for the first check to be sent. You may waive the 30-day waiting period on a form obtained from the ASRS. If you request a waiver, your check normally will be issued 30-60 days after receipt of the application and waiver.

### **What if I want to rollover my account to another qualified plan?**

You may apply to “roll over” your account by direct transfer to another qualified retirement system upon leaving ASRS-covered employment by filling out an Application for Return or Transfer of Contributions. The advantage of a rollover is that you continue to defer tax on the retirement funds, and the ASRS does not withhold state and federal income taxes. A section is provided on the refund form for those who would like to obtain information from the other retirement program to receive the rollover. Send the application to your employer if your request is within six months after leaving employment. Upon approval, the ASRS will transfer your taxable account balance directly to your new retirement plan or IRA. This includes contributions and interest made on or after July 1, 1986, and any service time paid with pre-tax dollars. Contributions made prior to July 1, 1986, and any service time paid with after-tax dollars can also be accepted. Contact the ASRS Member Services Division for more information regarding eligible rollover plans and IRS limitations.

If you receive a refund payment, you still can rollover the taxable portion of the refund on your own within IRS limitations. Consult your tax advisor or financial institution.

### **Do I lose my rights under the ASRS if I receive a refund or rollover?**

Yes. If you leave employment and receive a refund or rollover, you waive any and all rights to ASRS membership benefits.

## **ARE THERE OTHER SERVICES AVAILABLE TO ME THROUGH THE ASRS?**

### **Can I borrow from my retirement account for emergency purposes?**

No. The *Arizona Revised Statutes* and Internal Revenue Code do not allow the ASRS to lend you money from your account. Funds can be paid out (refunded) only when you leave work with your ASRS employer. Transferring from one employer to another does not entitle you to a refund unless there is a 21-day gap between leaving one employer and starting employment with the new ASRS employer.

## APPEAL RIGHTS

### **If my claim for a benefit is denied, how do I file an appeal?**

If your claim regarding a retirement benefit is denied, you may appeal the decision to the ASRS Director. Your claim may involve your eligibility for a benefit, the amount of the benefit or any other matter regarding the application of ASRS rules. If you disagree with the decision of the Director, you may appeal to the ASRS Board. You also may request a re-hearing of an unfavorable decision by the Board. If you remain dissatisfied, you then may seek resolution through the courts. Specific appeals procedures may be obtained from the Member Services Division or the Director's office.

## GENERAL INFORMATION

### **Can I lose any of my benefits from the ASRS?**

Yes. If you leave employment and receive a refund or rollover, you waive any present or future rights to ASRS membership benefits, including all credited service accrued up to the point of departure. You can keep your rights if you leave your contributions on account with the ASRS when you leave employment.

### **Can I get back any benefits if I lose them?**

Yes. If you resume employment with an ASRS employer, you may reinstate (recover) previously forfeited credited service by paying an amount equal to the amount of withdrawn contributions plus interest.

### **How can I obtain information about the financial condition of the ASRS?**

An annual audited financial report of the fiscal year's operations is available for review at the Phoenix and Tucson offices. The ASRS distributes a copy to each ASRS employer. Financial information is summarized in the winter issue of *Financial Horizons*, the quarterly member newsletter.

### **How can I get information about my future retirement benefits?**

Each year, the ASRS mails an annual statement of your personal retirement benefits to all non-retired members. Your statement contains important information about your retirement account, including an estimate of your future benefits at different retirement dates. You can also utilize one of the retirement estimators available on the ASRS website ([www.asrs.state.az.us](http://www.asrs.state.az.us)).

For members who are three to five years from retirement, the ASRS conducts pre-retirement seminars in various locations around the state. These seminars cover the essentials for planning your retirement, including service purchase, details on health insurance coverage and other retirement benefits. In addition, the Member Services Division offers group meetings for members who are one to two years from retiring. These group meetings provide an estimate of your potential monthly benefits, review of your retirement options and information on completing your retirement packet. Contact the ASRS offices for an appointment. You also can receive this service on a "walk-in" basis without an appointment, but you may have to wait an extended period of time, depending on the number of members waiting to see Member Services staff.

Though the annual statement provides benefit estimates at your various normal retirement dates, you should request a detailed estimate about six months to one year before your planned retirement.

*Financial Horizons*, our member newsletter, is sent to all active, inactive and retired members to inform them of ASRS issues, such as legislative changes, health insurance open enrollment and other items of interest to our members. *Employer Update* is the newsletter sent periodically to ASRS employers to keep them aware of issues that affect both the employees and the employers.

To receive any of the above publications, call the ASRS at 602-240-2000 in metro Phoenix, 520-239-3100 in metro Tucson or 1-800-621-3778 outside metro Phoenix and Tucson.

### **Is my account subject to assignment, attachment and garnishment?**

No, your account cannot be subject to assignment, attachment or garnishment while working as an active employee. Court orders regarding divorce settlements and child support may be enforceable when you start receiving your benefit or obtain a refund. Your account also may be subject to a levy by the IRS.

### **How do I change my address?**

You may obtain a "Change of Address" form from your employer's personnel office or call our member service center. If you have Internet access, you may download this form from the ASRS website ([www.asrs.state.az.us](http://www.asrs.state.az.us)) or request the form via e-mail at our website. Complete the form and return it to the Phoenix office. *You also are responsible for informing your employer of any changes.*

### **How do I change my name?**

You may obtain an ASRS "Change of Name" form from your employer's personnel office or call our member service center. If you have Internet access, you may download this form from the ASRS website ([www.asrs.state.az.us](http://www.asrs.state.az.us)) or request the form via e-mail at our website. Complete the form and return it to the Phoenix office. *You also are responsible for informing your employer of any changes.*

### **How do I change my beneficiary?**

You may obtain an ASRS "Change of Beneficiary" form from your employer's personnel office or call our member service center. If you have Internet access, you may download this form from the ASRS website ([www.asrs.state.az.us](http://www.asrs.state.az.us)) or request the form via e-mail at our website. Complete the form and return it to the Phoenix office.

### **Where should I send changes to my information?**

All change information should be forwarded to the ASRS Phoenix office at:

**Arizona State Retirement System**  
Attn: Records Management  
PO Box 33910  
Phoenix, AZ 85067-3910

### **How do I change or correct my Social Security number?**

You must contact the ASRS in writing, providing documentation of your new or correct Social Security number (SSN). Acceptable documentation includes a copy of your Social Security card or correspondence from the Social Security Administration, showing your correct SSN. You also should verify that your employer is reporting your contributions by the correct SSN. Forward to the ASRS Membership Accounting Division at the above address.



## **MODIFIED DEFERRED RETIREMENT OPTION PROGRAM**

## **SUPPLEMENTAL RETIREMENT SAVINGS PLAN**

The Arizona State Retirement System, under the authority of legislation passed in 2001, has been studying the creation of two new benefit programs - a Modified Deferred Retirement Option Plan (DROP) and a Supplemental Retirement Savings Plan (SRSP).

Each would be an optional program for employers to offer their employees. The plans offer unique opportunities to bolster retirement savings or add years of service to the participant's current Defined Benefit Plan pension, thus increasing the monthly benefit.

The ASRS, in conjunction with a private financial planning services firm, and under the direction of the ASRS Board of Trustees, is finalizing the structure of the two programs. Due to implementation costs, federal tax laws and guidelines, and other factors, the Modified DROP and SRSP programs originally envisioned continue to evolve.

Once finalized, additional information will be forthcoming to members and employers.

## APPENDIX A-Recommended Retirement Planning Checklist

<p><b>Review your annual benefit statement for the latest year of service to verify that all of the information is correct</b> (Check this when you receive it)</p>	
<p><b>Call the ASRS to request a benefit estimate</b> (One to five years before retirement)</p>	
<p><b>Attend an ASRS-sponsored retirement planning seminar</b> (One to five years before retirement)</p>	
<p><b>Determine your monthly living expenses. Does your benefit estimate and other sources of income cover your projected expenses at retirement?</b> (Check this every 2 to 3 years while active with the ASRS, before retiring.)</p>	
<p><b>Evaluate the cost of health insurance coverage. What health programs are available through your employer? the ASRS? Can you afford coverage?</b> (One to three years before retirement)</p>	
<p><b>Attend a group meeting to determine your retirement benefit and options</b> (One to two years before retirement)</p>	
<p><b>Request a final benefit estimate and retirement application packet</b> (Six months to one year before retirement)</p>	

**Review the materials provided in the retirement application packet:**

- ✓ Retirement Application
- ✓ Direct Deposit Request
- ✓ Federal/State Tax Withholding Preference Form
- ✓ Health Insurance Application (You will only receive this form if you request it. You need this application if you want health insurance coverage through the ASRS.)
- ✓ Partial Lump Sum Election Form

**Ask yourself the following questions:**

(Six months before retirement)

- ✓ Do I have other service that I can purchase for ASRS retirement?
- ✓ What are my health insurance options?
- ✓ How will federal and state income tax affect my retirement benefit?
- ✓ What is the level income option?

**Contact your local Social Security office for an estimate to determine when you will be eligible for Social Security benefits.**

(Three months before retirement)

**Complete and return your retirement application forms. Don't forget to choose your retirement option.**

## APPENDIX B-Credited Service Cost Calculation

You may buy ASRS credited service for any amount of service you worked for another public retirement plan in the United States and for active duty military. The cost per year of credited service for each is the same-your current annual compensation multiplied by the current normal cost rate at the time you buy the service. *The normal cost is the total employee and employer contribution rate, as determined by the ASRS actuary-not the rate withheld from your pay.*

**CURRENT ANNUAL COMPENSATION X NORMAL COST RATE =**

**COST PER YEAR OF CREDITED SERVICE**

To find your total purchase cost, multiply your cost per year of credited service by your total years of credited service. (See example below.)

	<b>EXAMPLE</b>	<b>YOUR CALCULATION</b>
CURRENT ANNUAL COMPENSATION-Enter your current yearly salary on Line 1.	1. \$27,000	1. _____
NORMAL COST RATE-Multiply Line 1 by the current normal cost rate. The normal cost rate for the 2003-04 year is 11.9%. This number will vary from year to year. (See above for definition of normal cost.)	2. \$27,000 X .1072	2. _____
COST PER YEAR OF CREDITED SERVICE-Enter the result from Line 1 X Line 2 on Line 3. This is the cost per year of credited service.	3. \$3,213	3. _____
TOTAL YEARS OF CREDITED SERVICE-Enter your total years available to be purchased.	4. 5 years	4. _____
COST-Multiply Line 4 by Line 3 to determine your total cost for the credited service purchase. Enter on Line 5.	5. \$3,313 X 5	5. _____
TOTAL PURCHASE COST-Enter the result from Line 5. This is the total cost you will have to pay for the additional ASRS credited service.	6. \$16,065	6. _____

**NOTE:** For any member who first participated in the ASRS before July 1, 1999, there are essentially no limits on after-tax contributions to purchase permissive service credits.

For any member who first participated in the ASRS on or after July 1, 1999, the limits on after-tax contributions to the ASRS to purchase permissive service credits is limited to \$40,000 during a fiscal year. Due to legislation passed by the Arizona Legislature, the Normal Cost rate will be replaced Aug. 25, 2004 with a new formula using Actuarial Present Value. This will impact the cost for purchasing service.



## APPENDIX C-Average Monthly Compensation Formula

Your average monthly compensation is the average of your highest earnings for 36 consecutive months within the last 10 years of work with an ASRS employer. You may calculate your average monthly compensation by using the example below. Members who began contributing to the ASRS before January 1, 1984, may choose to determine their compensation by using the 36-month and 60-month average, whichever provides the larger benefit amount.

### 36-MONTH CALCULATION-ALL MEMBERS

### EXAMPLE

### YOUR CALCULATION

CURRENT ANNUAL SALARIES-Enter your highest 3 consecutive annual salaries within the last 10 years.

1. \$25,000  
\$24,000  
\$23,000

1. \_\_\_\_\_

SUM-Add the three years together. Enter the result on Line 2.

2. \$72,000

2. \_\_\_\_\_

36-MONTHS-Divide the result on Line 2 by 36.

3. \$72,000 ÷ 36

3. \_\_\_\_\_

AVERAGE MONTHLY COMPENSATION-Enter the result from Line 3. This is your average amount of monthly compensation.

4. \$2,000

4. \_\_\_\_\_

### 60-MONTH CALCULATION- FOR MEMBERS BEFORE JANUARY 1, 1984

### EXAMPLE

### YOUR CALCULATION

CURRENT ANNUAL SALARIES-Enter your highest 5 consecutive annual salaries within the last 10 years.

1. \$27,000  
\$26,000  
\$25,000  
\$24,000  
\$23,000

1. \_\_\_\_\_

LUMP-SUM PAYMENTS-Enter the total payoff for your accrued leave hours and other special payments when you retire on Line 2.

2. \$10,000

2. \_\_\_\_\_

SUM-Add together the 5 years and the lump-sum payments. Enter the result on Line 3.

3. \$135,000

3. \_\_\_\_\_

60 MONTHS-Divide the result on Line 3 by 60.

4. \$135,000 ÷ 60

4. \_\_\_\_\_

AVERAGE MONTHLY COMPENSATION- Enter the result from Line 4. This is your average amount of monthly compensation.

5. \$2,250

5. \_\_\_\_\_

## APPENDIX D-Normal Retirement Benefit Formula

The following formula is used to compute a retirement benefit for members who retire at a normal retirement date. *Normal retirement is the earliest you may retire with a full benefit as calculated by the ASRS benefit formula.*

$$\text{TOTAL CREDITED SERVICE} \times \text{APPROPRIATE MULTIPLIER} \times \text{AVERAGE MONTHLY COMPENSATION} = \text{RETIREMENT BENEFIT}$$

	<i><b>EXAMPLE</b></i>	<i><b>YOUR CALCULATION</b></i>								
<p>TOTAL CREDITED SERVICE- Enter the total number of years that you will have when you retire. (Your current service can be found on your latest member statement.)</p>	1. 20 years	1. _____								
<p>APPROPRIATE MULTIPLIER-Multiply the multiplier factor by your total credited service on Line 1. (See chart below)</p> <table style="margin-left: 20px; border: none;"> <tr> <td style="padding-right: 20px;">0-19.99 years of credited service</td> <td>2.1%</td> </tr> <tr> <td>20-24.99 years of credited service</td> <td>2.15%</td> </tr> <tr> <td>25-29.99 years of credited service</td> <td>2.20%</td> </tr> <tr> <td>30 or more years of credited service</td> <td>2.30%</td> </tr> </table>	0-19.99 years of credited service	2.1%	20-24.99 years of credited service	2.15%	25-29.99 years of credited service	2.20%	30 or more years of credited service	2.30%	2. 20 X .0215	2. _____
0-19.99 years of credited service	2.1%									
20-24.99 years of credited service	2.15%									
25-29.99 years of credited service	2.20%									
30 or more years of credited service	2.30%									
<p>TOTAL- Enter the result from Line 1 X Line 2 on Line 3.</p>	3. .43	3. _____								
<p>AVERAGE MONTHLY COMPENSATION-Enter your average monthly compensation on Line 4. To find this number, use the average monthly compensation formula in Appendix C. (If you were eligible to use both calculations, enter the larger amount of the 36-month or 60-month averaging. The 60-month calculation was used in the example.)</p>	4. \$2,250	4. _____								
<p>RETIREMENT BENEFIT-Multiply Line 4 by Line 3 to determine your benefit.</p>	5. \$2,250 X .43	5. _____								
<p>NORMAL RETIREMENT BENEFIT-Enter the result from Line 5. This is the appropriate benefit you will receive at retirement.</p>	6. \$967.50	6. _____								

# APPENDIX E-Early Retirement Benefit Formula and Percentage Chart

If you are at least age 50 with 5 or more years of credited service, you may retire before your normal retirement date. However, a reduction is applied to your benefit depending upon your age and credited service. Use the chart below to find what percent of the full retirement benefit you will receive if you retire early. You then will be able to determine your early retirement benefit.

### EXAMPLE

### YOUR CALCULATION

**NORMAL RETIREMENT BENEFIT-** Enter the benefit amount you will receive at normal retirement. To find this number, use the normal retirement benefit formula in Appendix D.

1. \$900

1. \_\_\_\_\_

**PERCENTAGE OF RETIREMENT BENEFIT-** Use the chart below to find the percentage of retirement benefit received. Start with your age and move across the grid until you find the column for your total years of service. Enter the percentage on Line 2.

2. 50% (age 50 with 20 years of svc)

2. \_\_\_\_\_

**RETIREMENT BENEFIT-** Multiply Line 1 by Line 2 to determine your benefit. (Note: Enter the percentage as a decimal figure, i.e. 50% will be .50)

3. \$900 X .50

3. \_\_\_\_\_

**EARLY RETIREMENT BENEFIT-** Enter the result from Line 3. This is the appropriate benefit you will receive at early retirement.

4. \$450

4. \_\_\_\_\_

## PERCENTAGE OF RETIREMENT BENEFIT

Age	Years of Credited Service																	
	5 mos.-4.9 yrs	5-9.9 yrs	10-17 yrs	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32+
48	Not Eligible	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E
49	Not Eligible	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E
50	Not Eligible	35%	44%	44%	44%	50%	50%	50%	50%	50%	50%	50%	50%	91%	94%	97%		
51	Not Eligible	40%	49%	49%	49%	55%	55%	55%	55%	55%	55%	55%	91%	94%	97%			
52	Not Eligible	45%	54%	54%	54%	60%	60%	60%	60%	60%	60%	91%	94%	97%				
53	Not Eligible	50%	59%	59%	59%	65%	65%	65%	65%	65%	91%	94%	97%					
54	Not Eligible	55%	64%	64%	64%	70%	70%	70%	70%	91%	94%	97%						
55	Not Eligible	60%	69%	69%	69%	75%	75%	91%	94%	97%								
56	Not Eligible	65%	74%	74%	74%	80%	91%	94%	97%									
57	Not Eligible	70%	79%	79%	79%	91%	94%	97%										
58	Not Eligible	75%	84%	84%	91%	94%	97%											
59	Not Eligible	80%	89%	91%	94%	97%												
60	Not Eligible	85%	94%	94%	97%													
61	Not Eligible	88%	97%	97%														
62	Not Eligible	91%																
63	Not Eligible	94%																
64	Not Eligible	97%																
65																		

**100% of Retirement Benefit**

## APPENDIX F-Level Income Alternative

This provision is for members who retire between the ages of 50 through 61, and who wish to receive a higher benefit in the early years of retirement in exchange for a reduced ASRS benefit when they become eligible for Social Security at age 62. The Level Income Alternative (LIA) provision is not a separate option for disbursement of the retirement benefit; it is an alternative that may be chosen with any of the seven retirement benefit options.

Under the Level Income provision, the ASRS pays an amount in addition to the member's regular retirement benefit until age 62. The additional amount is equal to a portion of the member's estimated Social Security benefit. Once the member reaches age 62 and is eligible to receive Social Security benefits, whether or not the member actually starts receiving Social Security benefits, the ASRS reduces the members' combined benefit by an amount equal to the total estimated Social Security benefit.

The reduction in the member's combined benefit begins at age 62 and stays at the reduced amount for the remainder of the member's lifetime.

You are ineligible for this option if your combined benefit, regular retirement benefit plus the Level Income amount, is less than the amount of the total Social Security benefit estimate.

The Level Income provision is for members only and will not continue if the member dies. Instead, the member's benefit will either stop or be recalculated, depending on the original option chosen.

You must provide the ASRS with a current Social Security benefit estimate assuming you will not work after retirement. (Be sure to enter \$0.00 wages as future average yearly earnings on your Social Security estimate requests.) If an estimate is based on continued employment, the estimate will be higher and the reduction in your combined benefit at age 62 will be greater.

*Example: Mary Jones retired at age 57. She would like to receive a higher benefit until she is eligible for Social Security benefits at age 62. Below is a **sample** if Mary took advantage of the Level Income provision, her ASRS retirement benefit would be as follows:*

<b>WITHOUT LEVEL INCOME-AGE 55</b>	
ASRS Annuity	\$1, 290
SSA	+ 0
<b>TOTAL at age 55</b>	<b>\$1, 290</b>
At age 62 SSA	+ 900
<b>TOTAL at age 62 WITHOUT LIA</b>	<b>\$2, 190</b>

<b>WITH LEVEL INCOME-AGE 55</b>	
ASRS Annuity	\$1, 290
LIA	+ 450
<b>TOTAL at age 55</b>	<b>\$1, 740</b>
<b>AT AGE 62</b>	
At age 62 SSA	= 900
ASRS Benefit	840
<b>TOTAL at age 62 WITHOUT LIA</b>	<b>\$1, 740</b>

If a member retires and chooses the Level Income Option, they may rescind this option within the first six months of retirement. The retiree would be required to repay, in a lump sum, any increased amounts received under the Level Income. Otherwise the reduction in the member's combined benefit begins at age 62 and stays at the reduced amount for the remainder of the member's lifetime.

## APPENDIX G-Internal Revenue Service Safe Harbor Rule

The Safe Harbor/Simplified Tax Method calculates a specific amount of non-taxable income. This calculation is based on the option chosen and the age of the retiree and/or survivor at the time of retirement. The IRS designed a table that determines the number of months used to exclude from taxation the member's contributions made before July 1, 1986, and/or any service purchased with after-tax monies. This calculation can be used to estimate the amount of a retiree's non-taxable income before actual retirement.

Safe Harbor/Simplified Rule Formula: Total contributions made before July 1, 1986, plus any service purchase with after-tax dollars divided by the number of months of return equals the amount of the retiree's pension that is not taxable. Please refer to the IRS Safe Harbor Method table.

### IRS SAFE HARBOR METHOD (Exclusion Ratios Simplified)

Life Annuity Options Age at Retirement	Member Age + Survivor Months of Return	Joint & Survivor Options Age at Retirement	Months of Return
Age 55 and under	360 months (30 years)	110 years or under	410 months (34.16 years)
Age 56-60	310 months (25.84 years)	111-120 years	360 months (30.00 years)
Age 61-65	260 months (21.67 years)	121-130 years	310 months (25.84 years)
Age 66-70	210 months (17.50 years)	131-140 years	260 months (21.67 years)
Age 71 and over	160 months (13.34 years)	141 years or over	210 months (17.50 years)

**EXAMPLE:** You are 61 years old and your contributions before July 1, 1986 were \$13,503; your tax exclusion amount would be \$51.94 per month (\$13,503 divided by 260 = \$51.94).

Federal/State Withholding Preference Certificate (W-4) forms are available at the ASRS office. All retired members must complete a form even if they do not want to have taxes withheld from their monthly pension. According to Internal Revenue Service requirements, members who fail to complete a withholding form will automatically have federal taxes withheld as a married and three exemptions status.

## APPENDIX H-Health Insurance Premium Benefit Supplement Chart

The ASRS provides payment toward insurance premiums for eligible retired and disabled members and their dependents. The premium benefit is only applicable to retired and disabled members, **not** a surviving spouse or surviving designated beneficiaries. Members must be covered by their former employer's group health insurance plan or the ASRS group health insurance program.

A premium benefit is applied to the member's health insurance cost, and the member is responsible for the remaining balance, if any. If the premium cost is less than the amount of benefit, the ASRS will only pay for the amount of the premium cost. The remainder is not applied to the balance of a dependent's premium cost.

### Basic Premium Benefit Supplement

To determine your basic premium benefit, you need to know your years of credited service, your medical plan family coverage choice and which family members are eligible for Medicare.

Monthly Premium Benefit Supplement Effective July 1, 2004	Years of Service	Percent	Without Medicare		With Medicare A & B		Combinations	
			Retiree Only	Retiree & Dependents	Retiree Only	Retiree & Dependents	Retiree & Dependent one with Medicare, the other without	Retiree & Dependent one with Medicare, the other dependent without
<b>Arizona State Retirement System Members</b>								
5.0 - 5.9	50%	\$ 75.00	\$130.00	\$ 50.00	\$ 85.00	\$107.50	\$107.50	
6.0 - 6.9	60%	\$ 90.00	\$156.00	\$ 60.00	\$102.00	\$129.00	\$129.00	
7.0 - 7.9	70%	\$105.00	\$182.00	\$ 70.00	\$119.00	\$150.50	\$150.50	
8.0 - 8.9	80%	\$120.00	\$208.00	\$ 80.00	\$136.00	\$172.00	\$172.00	
9.0 - 9.9	90%	\$135.00	\$234.00	\$ 90.00	\$153.00	\$193.50	\$193.50	
10+	100%	\$150.00	\$260.00	\$100.00	\$170.00	\$215.00	\$215.00	

### Additional Temporary "Non-service Area" Premium Benefit Supplement

Qualified retirees who are participating in the medical program provided by the ASRS or an ASRS employer, and who live in areas of Arizona where no managed care (HMO) program is offered ("non-service areas"), are eligible for an additional increase listed in the table below. **Expires June 30, 2005.**

Monthly Premium Benefit Supplement Effective July 1, 2004	Years of Service	Percent	Without Medicare		With Medicare A & B		Combinations	
			Retiree Only	Retiree & Dependents	Retiree Only	Retiree & Dependents	Retiree & Dependent one with Medicare, the other without	Retiree & Dependent one with Medicare, the other dependent without
<b>Arizona State Retirement System Members</b>								
5.0 - 5.9	50%	\$150.00	\$300.00	\$ 85.00	\$175.00	\$235.00	\$235.00	
6.0 - 6.9	60%	\$180.00	\$360.00	\$102.00	\$210.00	\$282.00	\$282.00	
7.0 - 7.9	70%	\$210.00	\$420.00	\$119.00	\$245.00	\$329.00	\$329.00	
8.0 - 8.9	80%	\$240.00	\$480.00	\$136.00	\$280.00	\$376.00	\$376.00	
9.0 - 9.9	90%	\$270.00	\$540.00	\$153.00	\$315.00	\$423.00	\$423.00	
10+	100%	\$300.00	\$600.00	\$170.00	\$350.00	\$470.00	\$470.00	



## GLOSSARY

**Active Member** - An eligible employee who currently is employed with an ASRS employer to work 20 or more hours per week for at least 20 weeks in the fiscal year and who is contributing to the ASRS.

**Actuary** - The professional organization contracted by the ASRS to perform the statistical analysis of ASRS operations for financial reporting purposes and for determining the contribution rate necessary to pay future benefits of ASRS members.

**After-tax Contributions** - Amounts paid by members before July 1, 1986, or amounts paid by members to buy credited service. These amounts were or are paid from taxable income and are not taxed again when the ASRS pays a refund or benefit payment.

**Annuitant** - Member receiving a pension annuity.

**Beneficiary** - The person designated to receive the income of a member's benefits upon the member's death.

**Compensation** - All regular salary and wages paid for work completed for an ASRS employer, including overtime, compensatory time, vacation and sick leave and other special payments. It also means amounts that would have been paid except for an election or a legal requirement, such as a garnishment. Lump-sum payments on termination are not included as compensation for members.

**Contribution Rates** - The percentage of compensation paid by the employer and the employee to fund future retirement or long-term disability (LTD) benefits. Separate retirement and LTD rates are determined annually by the ASRS actuary.

**Cost Sharing** - Both the employee and the employer contribute to the member's retirement at an equal percentage of pay.

**Credited Service** - The amount of time that a member has worked for an ASRS employer and has contributed to the ASRS.

**Current Annual Salary** - The compensation for retirement purposes paid to a member during the 12 months before the member's request to purchase ASRS credited service. If a member has contributed to the ASRS for less than 12 months, the current annual salary is the total amount projected from the actual pay if the member had worked 12 months.

**Defined Benefit Plan** - A plan, such as the ASRS, that provides members with a fixed monthly benefit upon retirement, determined by a formula.

**Direct Transfer** - Occurs when the taxable portion of a retirement account is paid directly to another qualified plan or IRA. A direct transfer is not subject to tax withholding.

**Early Retirement** - Retirement before a member's normal retirement date. The member must be 50 years of age or older, and have at least 5 years of credited service before age 65. The member's benefit is reduced from the full benefit calculated by the ASRS benefit formula.

**Excess Contributions** - Employee and employer contributions on amounts that do not qualify as compensation for retirement or contributions on termination payments that are not used in a member's retirement benefit calculation.

**Fiscal Year** - An organization's operational year for accounting purposes. The ASRS fiscal year starts July 1 of any year and ends June 30 of the following year. Also referred to as the "plan year."



**Inactive Member**- A member who no longer works for an ASRS employer but who has left contributions on deposit with the ASRS. Also refers to a former active member who works for an ASRS employer, but works in a status that does not meet membership criteria.

**Internal Revenue Code (IRC) Section 415(c)** - The section of the federal Internal Revenue Service Code that limits the amount that a member may pay in any one year for the purchase of additional ASRS credited service.

**Lump-Sum Payment** - 1. Payment other than salary or wages made when the member leaves work. Includes payoffs of accrued vacation and sick leave and any other special payments made when a member leaves employment. 2. A one-time benefit payment to the member. 3. A single payment to purchase the full cost of credited service.

**Magnetic Media Reporting** - A report of required contributions in a computerized format on tape or diskette.

**Member** - 1. A person who currently is making contributions to the ASRS. Also referred to as "active." 2. A person who no longer is working for an ASRS employer, but has left contributions in the ASRS. Also referred to as "inactive." 3. A person who currently is receiving a retirement benefit from the ASRS. Also referred to as "retired."

**Multiplier Factor** - The percentage set by the legislature and used in the retirement benefit formula to determine the member's monthly retirement annuity.

**Non-retired Member** - Includes both active and inactive members as one group.

**Normal Cost** - The total employee and employer contribution rate, as determined by the ASRS actuary, to fund future retirement benefits.

**Normal Retirement** - The earliest age at which a member is first eligible to receive a full retirement benefit as calculated by the ASRS benefit formula. A member reaches normal retirement at age 65, or if the member had at least 10 years of credited service, normal retirement is at age 62. Normal retirement may be reached earlier when the member's age and years of credited service add up to 80 points.

**Pension** - A series of monthly benefits payable to ASRS retired members for life.

**Pre-tax Contributions** - Regular amounts contributed from payroll deduction on or after July 1, 1986. These amounts are "tax-deferred," that is, they are deducted from the member's pay before income tax withholding. The member is taxed on pre-tax contributions when the ASRS pays a refund or benefit.

**Pre-payroll Report** - A report of required retirement contributions on paper by a "turn-around" document between the employer and the ASRS.

**Previously Forfeited Service** - ASRS credited service forfeited by a member when the member obtained a refund on terminating prior employment with an ASRS employer.

**Qualified Domestic Relations Order (QDRO)** - A court order to dissolve a marriage and determine the split of marital assets, including retirement benefits.

**Retirement** - The receipt of retirement benefits after the member has made an application and has fulfilled all requirements for a pension.

**Return to Work** - Employment by an ASRS employer of an individual who is receiving ASRS retirement benefits from prior employment with the same or another ASRS employer.

**Rollover** - Occurs when funds from a retirement plan are paid to you, and you then put the funds, or "rollover,"

into another qualified retirement plan or IRA. A rollover is subject to tax withholding unless paid by a direct transfer from the old plan to the new plan.

**Section 218 of Social Security Act** - Social Security coverage provided to employees by government employers by an agreement with the state.

**Tax-Qualified Plan** - A retirement plan that satisfies the requirements of section 401(a) and other applicable provisions of the Internal Revenue Code and receives favorable tax treatment.

**Termination Pay** - Payment other than salary or wages made when the member leaves work. Includes payoffs of accrued vacation and sick leave and any other special payments made when a member leaves employment. Also referred to as a "lump-sum payment."

**Unenrolled Account** - 1. A temporary account established on the ASRS Master File of retirement accounts for contributions reported by a name and Social Security number that do not exist on the Master File. 2. An unenrolled account when a member does not submit an ASRS enrollment form or there is an error on the employer's contribution payroll report.

**Vesting** - The right to receive a retirement benefit.



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## THE ASRS MISSION

The mission of the ASRS is to contribute toward its members' long-term financial security by providing retirement, disability, survivors' and health insurance benefits, and by counseling and disseminating information to its members.

# ASRS Member Handbook

Arizona State Retirement System

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This handbook is published for members of the Arizona State Retirement System by the External Affairs Division. Questions about information not found in the handbook should be addressed to the Member Services Division, Arizona State Retirement System, P.O. Box 33910, Phoenix, AZ 85067-3910. Or call (602) 240-2000 in metro Phoenix, (520) 239-3100 in metro Tucson or 1 (800) 621-3778 outside metro Phoenix and Tucson.



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