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Policy Information

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HR-307

Reference:

Classified Staff Human Resources Policy Manual 222.1

University Handbook for Appointed Personnel 10.02

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Policy

1 Social Security and Federal Old Age Survivors Disability Insurance

The Federal Insurance Contributions Act (FICA) is a payroll tax withheld from paychecks for both Social Security (OASDI, Old Age Survivor and Disability Insurance) and Medicare (Hospital Insurance). Social Security (OASDI) is withheld on taxable gross income up to a certain wage limit each year, but there is no wage limit for Medicare withholding. Nonresident aliens may be exempt from paying FICA payroll tax.

2 Participation in a State of Arizona Retirement Program

Individuals who are employed at 20 hours per week (.50 FTE) or more for a period of twenty (20) weeks or longer within a fiscal year are required by Arizona law to participate in a recognized state of Arizona retirement plan. Participants and the University both contribute a percentage of gross earnings by pre-tax payroll deduction. Contribution rates are subject to change on a fiscal year basis. Each retirement plan includes [long-term disability insurance](#) [2].

Non-pharmacy clinical assistants, postdoctoral research associates, and nonresident aliens are ineligible to join these programs.

- Classified Staff participate in the Arizona State Retirement System [3] (ASRS), a defined benefits retirement plan.
- Certified Peace Officers participate in the Public Safety State Retirement System [4] (PSPRS), a defined benefits retirement plan.
- Administrators, Faculty, Academic Professionals, and Service Professionals may make a one-time, irrevocable election to join either the Arizona State Retirement System [3] (ASRS), a defined benefits retirement plan, OR the Optional Retirement Plan [5] (ORP), a defined contribution plan. **The retirement plan election must be made within 30 calendar days of the individual's eligibility date. If an individual fails to elect a plan within 30 days, his/her participation will permanently default to membership in the ASRS.**

3 Arizona State Retirement System (ASRS) and Long-Term Disability Insurance

ASRS [3] is a defined benefits retirement plan. Participation begins on the first day of the pay period following 183 days of employment. For individuals with prior ASRS membership and monies on account, the waiting period does not apply, and participation is effective on the first day of the pay period following date of hire.

Retirement benefit payments are based on years of service, age at time of retirement, and average earnings. Several payment options are available.

Normal retirement is the earliest an employee may retire with a full benefit. A Normal Retirement date occurs under the earliest of the following circumstances.

- ASRS membership date of June 30, 2011 or earlier:
 - At age 65; or
 - At age 62 with 10 or more years of credited service; or
 - At any combination of years of credited service and age totaling 80 points.
- ASRS membership date of July 1, 2011 or later:
 - At age 65; or
 - At age 62 with 10 or more years of credited service; or
 - At age 60 with 25 or more years of credited service; or
 - At age 55 with 30 or more years of credited service.

Participants are eligible for retirement benefits if they subsequently discontinue employment with the State of Arizona and leave their contributions on deposit in the plan.

Individuals who terminate employment before becoming eligible for a retirement annuity may withdraw their personal contributions with accrued interest. Employees hired before July 1, 2011, may withdraw a portion of the employer contributions after five years of service, and 100 percent of employer contributions after 10 years of service. Employees hired on or after July 1, 2011, without any prior ASRS membership are not eligible to receive employer contributions when withdrawing funds, unless separation is due to layoff. (Arizona Revised Statute §38-846.02 [6])

Long-term disability insurance [2] is a form of income protection that provides a portion of salary in the event of a disabling illness or injury. A six-month qualification period is required before benefits begin. The minimum monthly benefit is \$50.00, and both the ASRS participant and the University

pay taxable premiums for this benefit.

4 Public Safety Personnel Retirement System (PSPRS) and Long-Term Disability Insurance

PSPRS [4] is a defined benefits retirement plan. Participation begins on the first day of the pay period following date of hire.

Retirement benefit payments are based on years of service, age at time of retirement, and average earnings. Several payment options are available.

Normal retirement date is the earliest an employee may retire with a full benefit. A Normal Retirement date occurs under the earlier of

- completion of twenty years of credited service, or
- at age 62 with completion of 15 years of credited service.

Participants may have a vested right to some level of retirement income, based on the plan's rules, after accruing sufficient credited service years. Once vested, if the employee separates from employment prior to retirement, the employee is eligible to receive employer contributions plus interest. The PSPRS vesting schedule is defined in A.R.S. §38-954.

Long-term disability insurance [2] is a form of income protection that provides a portion of salary in the event of a disabling illness or injury. The minimum monthly benefit is \$100.00, and the University pays the entire premium for this benefit.

5 Optional Retirement Plan (ORP) and Long-Term Disability Insurance

The Arizona Board of Regents [7] ORP [5] is a defined contribution plan. Participation begins on the date of hire.

ORP participants select an authorized investment company and actively direct and manage contributions to their retirement accounts. Retirement benefit payments are based on the value of the accounts at the time a participant withdraws funds.

The University's matching contributions are held in escrow for five years. After five years of continuous service affecting ORP contributions, all monies held in escrow plus interest are sent to the participant's ORP investment company. Thereafter, both the participant's contributions and the University's matching contributions are sent to the participant's ORP investment company every payday.

Participants in the ORP who have an active membership (monies on deposit) in a qualified defined benefit or qualified defined contribution retirement plan from a college, university, or higher education organization located in a state other than Arizona, or in a similar type of retirement plan in any country other than the United States, or with the Arizona State University Foundation, the Northern Arizona University Foundation, or the University of Arizona Foundation shall be immediately vested in the Arizona ORP, upon verification of eligibility. Individuals leaving University employment may leave ORP funds on deposit, or request a distribution, transfer, or rollover of funds.

Long-term disability insurance [2] is a form of income protection that provides a portion of salary in the event of a disabling illness or injury. The minimum monthly benefit is \$100.00, and the University pays the entire premium for this benefit.

6 Voluntary Supplemental Retirement Saving Programs

All University employees are eligible to participate in the voluntary supplemental retirement savings programs [8]. Participant contributions are made by payroll deduction, and are taken before taxes are calculated, which reduces the participant's taxable income. Voluntary deductions such as these are deducted only from the first two paychecks of each month. The University does not contribute to these voluntary retirement savings programs.

Participants actively direct contributions to their retirement savings accounts and manage the investments. Contribution changes (start, stop, increase, or decrease) may be made at any time. Investment options are traditional annuity and mutual fund products. Retirement benefit payments are based on the value of the accounts at the time a participant withdraws funds.

Additional information, including enrollment instructions and plan comparisons, is available on the Human Resources website.

1. Voluntary 403(b) Plan [8] (Internal Revenue Code §403(b) [9]). This program is jointly offered to employees by the Arizona Board of Regents and the Arizona Universities, which authorize specific investment companies to help employees save for retirement.
2. Deferred Compensation 457(b) Plan [8] (Internal Revenue Code §457(b) [10]). This program is offered by the State of Arizona to all state and university employees; the state authorizes an investment company to help employees save for retirement.

7 Official University Retirement Benefits

To be eligible to receive official University retirement benefits, an individual must:

- Be considered in retirement status by receiving a distribution from any retirement program recognized by the State of Arizona.
- Be at least fifty (50) years of age;
- Have completed five (5) years of continuous, benefits-eligible employment in the Arizona University System (or approved leave of absence or long-term disability) immediately preceding retirement; and
- Have not been terminated for cause by the University.

Notwithstanding these provisions, university peace officers who retire before age fifty (50) pursuant to the provisions of the Arizona Public Safety Personnel Retirement System but have completed five (5) years of continuous, full-time employment in the Arizona University System (or approved leave of absence or long-term disability) immediately preceding retirement shall also be eligible for this benefit.

Retirees who meet these eligibility requirements have access to the following benefits:

- Free parking permit, for pre-defined locations
- Extension of UA e-mail privileges
- Discounts at UA Bookstores and season tickets for athletic events
- Campus Recreation Center membership
- University Library loan privileges

8 Retiree Accumulated Sick Leave Payment (RASL)

Under this program, a retiring benefits-eligible employee who has accrued at least 500 hours of unused sick time may receive cash payment for these hours. The maximum benefit is 1,500 hours of

sick time, up to a maximum of \$30,000. Benefits are paid out over a three-year period, and appropriate FICA, federal, and state income taxes are deducted prior to the payment of the benefit.

The State of Arizona General Accounting Office [11] (GAO) maintains and administers the Retiree Accumulated Sick Leave (RASL) program as defined by Arizona Revised Statutes §38-615 [12] and §38-616 [13], and outlined in section II-R [14] of the State of Arizona Accounting Manual. Eligibility, application and payment option information is available on the GAO's RASL website [15]. Eligible retirees may apply to the General Accounting Office, which has sole discretion to grant or deny payment under for the RASL program.

The RASL benefit value is calculated by multiplying the hourly pay rate at the time of retirement by the number of unused sick time hours (up to 1,500), as reported in the University's payroll system, and multiplied by the appropriate following percentage:

- At least 500 but less than 750 sick time hours: 25%
- At least 750 but less than 1,000 sick time hours: 33%
- At least 1,000 but less than 1,500 sick time hours: 50%

Sick time is not paid in the event of resignation or discharge.

If the employee is eligible for normal retirement at the time of death, the beneficiary will receive a one-time lump sum cash payout.

Persons who intend to retire should notify their department head, who in turn will submit the necessary documents to Workforce Systems. Prior to retirement employees should also consult the Benefits Department for an explanation of retiree benefits.

Related Information*

Official UA retirees are eligible for medical and dental insurance through the Arizona Department of Administration [16] or Arizona State Retirement System [17].

Official UA retirees retain Qualified Tuition Reduction and Domestic Partner Tuition Reduction Program educational benefits [18].

Arizona Board of Regents Policy 6-602. Optional Retirement Program [19]

Arizona Board of Regents Policy 6-603. Voluntary 403(b) Program [20]

Arizona Revised Statutes Title 38 [21]

Source URL:

<http://policy.arizona.edu/employmenthuman-resources/retirement-programs-and-long-term-disability>

Links

[1] <mailto:hradmin@email.arizona.edu>

[2] <http://hr.arizona.edu/employees-affiliates/benefits/insurance-benefits#hdr-3>

[3] <https://www.azasrs.gov/>

[4] <http://www.psprs.com/>

[5] <http://hr.arizona.edu/employees-affiliates/benefits/retirement-plans#hdr-6>

[6]

<http://www.azleg.state.az.us/FormatDocument.asp?inDoc=/ars/38/00846-02.htm&Title=38&DocType=ARS>

[7] <http://www.azregents.edu/board-committees/policy-manual>

[8] <http://hr.arizona.edu/employees-affiliates/benefits/retirement-plans#hdr-12>

[9] <http://www.irs.gov/publications/p571/index.html>

[10] <https://www.irs.gov/Retirement-Plans/IRC-457b-Deferred-Compensation-Plans>

[11] <http://www.gao.az.gov/>

[12]

<http://www.azleg.gov/FormatDocument.asp?inDoc=/ars/38/00615.htm&Title=38&DocType=ARS>

[13]

<http://www.azleg.gov/FormatDocument.asp?inDoc=/ars/38/00616.htm&Title=38&DocType=ARS>

[14] <http://www.gao.az.gov/publications/SAAM/SAAM-IIR-041610.pdf>

[15] <https://gao.az.gov/payroll/rasl>

[16] <http://benefitoptions.az.gov/bsd%20guides.html>

[17] <https://www.azasrs.gov/content/health-care>

[18] <http://hr.arizona.edu/employees-affiliates/benefits/educational-benefits>

[19] <https://public.azregents.edu/Policy%20Manual/6-602-Optional%20Retirement%20Program.pdf>

[20] <https://public.azregents.edu/Policy%20Manual/6-603-Voluntary%20403-b%20Program.pdf>

[21] <http://www.azleg.state.az.us/ArizonaRevisedStatutes.asp?Title=38>