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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

University Staff Manual 2-103

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Purpose and Summary

The University has mandatory retirement plans, to which both employee and employer contribute a percentage of gross wages. The retirement plan, or choice of retirement plans, available depends on the employee's position, and each plan includes long-term disability insurance.

Voluntary supplemental retirement plans are also available for employee-only contributions.

Retiring employees who meet length of service and other criteria qualify for Official University Retirement benefits, and those who retire with a qualifying sick leave balance may request a Retiree Accumulated Sick Leave (RASL) payout from the State of Arizona.

Scope

Arizona law requires anyone who is employed at 20 hours per week (.50 FTE) or more for a period of

20 weeks or more in a fiscal year to participate in a recognized State of Arizona retirement plan, with the exception of postdoctoral scholars and any employee exempt from FICA taxation.

Any employee who receives a paycheck through University Payroll may choose to participate in one or more voluntary retirement programs.

Definitions

Defined Benefit Retirement Plan provides a fixed, pre-established benefit for employees at retirement, calculated through a formula of salary and length of service.

Defined Contribution Retirement Plan does not guarantee a specific amount of benefits at retirement. The employee has an individual account and receives the balance of this account on retirement. Account balances are based on investment earnings.

Policy

State of Arizona Mandatory Retirement Programs

- Classified Staff participate in the Arizona State Retirement System (ASRS).
- Public Safety Personnel participate in the Public Safety State Retirement System (PSPRS).
- Employees not designated above may make a one-time, irrevocable election to join either the Arizona State Retirement System (ASRS) *or* the Optional Retirement Plan (ORP). **Eligible employees must elect a retirement plan within 30 calendar days of their eligibility date. An employee who fails to elect a plan within 30 days will permanently default to membership in the ASRS.**

Arizona State Retirement System (ASRS)

ASRS is a Defined Benefit Retirement Plan administered by the State of Arizona. Participation begins on the first day of the pay period following 183 days of employment. For employees with prior ASRS membership of at least 183 days and monies on account, the waiting period does not apply, and participation is effective on the date of hire. Contribution rates are adjusted annually by ASRS, and the University matches employees' contributions up to IRS limits.

Retirement benefit payments are calculated through a formula that includes years of service, age at time of retirement, and recent salary. Several payment options are available.

Participants who terminate employment remain eligible for retirement benefits if they leave their contributions on deposit in the plan. Separated employees who take a refund of their account automatically terminate their ASRS membership.

Long-term disability insurance is provided to active, contributing ASRS members. Both the employee and the University pay premiums for this benefit.

Optional Retirement Plan (ORP)

The ORP is a Defined Contribution Plan administered by the Arizona Board of Regents. Participation begins on the first day of the pay period following election. ORP participants select an authorized investment company and direct contributions to the investment options they select. Retirement benefit payments are based on the value of the account at the time funds are withdrawn.

The employee and the University each contribute 7% of gross salary. The University's matching contributions are held in escrow for five years, after which all monies held in escrow plus interest are sent to the employee's ORP investment company.

Employees who elect the ORP may qualify for immediate vesting upon verification of eligibility. To be eligible, they must have an active membership (monies on deposit) in a qualified Defined Benefit or Defined Contribution Retirement Plan from a college, university, higher education organization, or research organization located anywhere in the United States or in any country or territory outside the United States. Employees with retirement accounts at the Arizona State University Foundation, the Northern Arizona University Foundation, or the University of Arizona Foundation shall also be immediately vested in the ORP.

Individuals leaving Arizona University System employment may leave ORP funds on deposit, or request a distribution, transfer, or rollover of funds.

The ORP provides long-term disability insurance, for which the University pays 100% of the premium.

Public Safety Personnel Retirement System (PSPRS)

PSPRS offers Defined Benefit and Defined Contribution Retirement Plans; employees who do not make an election within the first 90 days after hire are automatically enrolled in the Defined Benefit option. Participation for new members begins after 90 days of employment. The employee and University both contribute to the plan, with the University's contribution adjusted each fiscal year. For the Defined Benefit Plan, retirement benefits are based on years of service and salary, with full vesting after 15 years of service. For the Defined Contribution Plan, retirement benefits are based on the employee's account balance; University contributions vest at 10% per year.

Voluntary Supplemental Retirement Programs

All University employees are eligible to participate in the voluntary supplemental retirement savings programs. Both 403(b) and 457(b) deferred compensation plans are available. Employee contributions are made by payroll deduction from two paychecks each month. The University does not contribute to voluntary retirement savings programs.

Employees actively direct contributions to their retirement savings accounts and the investment options they select. Contributions may be made on a traditional pre-tax or a post-tax (Roth) basis, or both. A variety of investment options are available.

Retirement Benefits

Official University Retirement Status

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

- Be considered in retirement status by receiving a distribution from a retirement program recognized by the State of Arizona;
- Be at least fifty (50) years of age (with exceptions for PSPRS participants);
- 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.

Retirees who qualify for Official Retirement Status have access to the following benefits:

- Free parking permit, for pre-defined locations;
- Extension of UA email privileges;
- Continuation of Qualified Tuition Reduction/Domestic Partner Tuition Program benefits for self and family;
- Discounts at UA BookStores and for season tickets for athletic events;
- Campus Recreation Center membership;
- University Library loan privileges.

Retiree Accumulated Sick Leave Payout (RASL)

Under this State of Arizona program, a fully benefits-eligible employee who retires within 31 days of separating from University employment and who has accrued at least 500 hours of unused sick time may receive cash payment for a portion of those hours. Sick time is paid only on retirement, not in the event of resignation or discharge.

Benefits are paid out over a three-year period, and appropriate FICA, federal, and state income taxes are deducted. If the employee is eligible for normal retirement at the time of death, the beneficiary will receive a one-time lump sum cash payout.

The maximum benefit amount and formula for calculation are delineated in ARS §38-616. The State of Arizona General Accounting Office (GAO) maintains and administers the RASL program as defined by ARS §38-616. GAO has sole discretion to grant or deny payment under the RASL program.

Continuation of Health Insurance

All University retirees are eligible for retiree medical, dental, and vision insurance through the Arizona Department of Administration or Arizona State Retirement System.

Related Information*

Internal Revenue Code §403(b) [2]

Internal Revenue Code §457(b) [3]

Arizona Revised Statutes, Title 38, Chapter 5, Article 2: Arizona State Retirement System [4]

Arizona Revised Statutes §15-1628: Optional Retirement Programs [5]

Arizona Revised Statutes **§38-615** [6] and **§38-616** [7]: Payment for Accumulated Sick Leave

Arizona State Retirement System website [8]

Public Safety State Retirement System [9] website

State of Arizona General Accounting Office **RASL Forms and Information** [10]

Arizona Department of Administration Retiree Benefits [11]

Arizona State Retirement System Health Benefits [12]

Arizona Board of Regents policies 6-601 Retirement and Benefit Plans [13], 6-602 Optional Retirement Program [14], and 6-603 Voluntary 403(b) Program [15] policies

Division of Human Resources Benefits website [16]

Source URL: <https://policy.arizona.edu/employment-human-resources/retirement-policy>

Links

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

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

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

[4] <https://www.azleg.gov/arsDetail/?title=38>

[5] <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/15/01628.htm>

[6] <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/38/00615.htm>

[7] <https://www.azleg.gov/viewdocument/?docName=https%3A%2F%2Fwww.azleg.gov%2Fars%2F38%2F00616.htm>

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

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

[10] <http://gao.az.gov/payroll/rasl>

[11] <https://benefitoptions.az.gov/retireesltd>

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

[13] <https://public.azregents.edu/Policy%20Manual/6-601-Retirement%20Plans.pdf>

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

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

[16] <https://hr.arizona.edu/employees-affiliates/benefits>