

Corrections / Detention Officer Retirement Benefits

Learnings the basics about your 401(a) plan
and additional benefits



PSPRS: Who we are/what we do

- PSPRS manages three public pensions and a defined benefit (DB) plan
 - Public safety (police/fire), CORP (correction-related), EORP (elected and judicial)
 - 59,000 members and retirees across all three plans
 - 250+ employers across all three plans
- Almost \$10 billion of assets under management
 - \$1 billion of investment returns last year
 - Distributed \$1 billion in benefits last year

Understanding your retirement benefits

- Corrections/detention officers hired on/after July 1, 2018 are “Tier 3”
- Tier 3 uses the Public Safety Defined Contribution [401\(a\) plan](#)
 - Plan is administered by Nationwide Retirement Solutions
 - Nationwide manages \$4.6 billion in Arizona retirement plans
 - Largest provider of retirement savings accounts in Arizona
- Nationwide hired by the PSPRS Defined Contribution Committee

What is a 401(a) and why do we use it?

- A 401(a) is a retirement savings account for public employees
 - About the same as 401(k) plans used by private businesses
 - About the same as 403(b) plans used by non-profit organizations
 - Must be 55 years old to withdraw savings without tax penalties
- 401(a) accounts are “tax-advantaged”
 - Your contributions come from your salary BEFORE taxes are taken out
 - **Increases your retirement savings AND lowers your taxes**

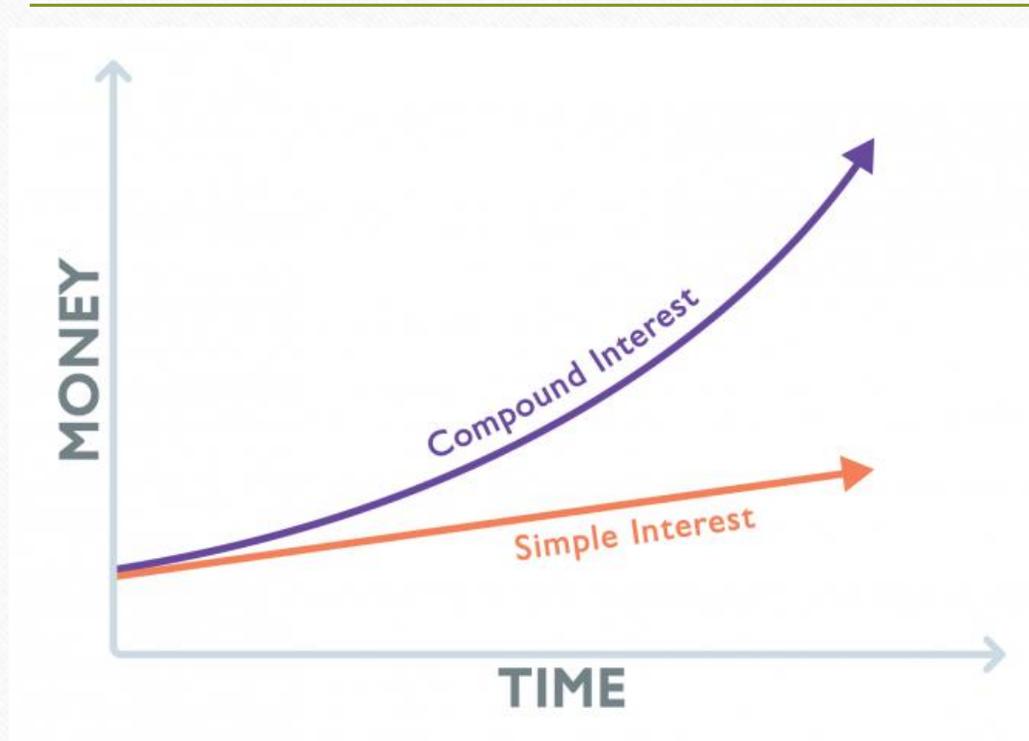
How does the 401(a) plan work?

- Each member is given their own account when hired
- Account is funded through member and employer contributions
- Members contribute 7 percent of their salary by default
 - Members can choose to contribute less (5 percent minimum) or more
- Employers contribute a full 5 percent of members' salary (pretax)

Why does the 401(a) work?

- Simple math of contribution formula
 - 7% member contribution + 5% employer contribution
 - Equals 12% of member's salary saved every pay period
- Money put into 401(a) account is invested to make more money
- Compound interest
 - Interest earned on the interest already earned

Thoughts on compound interest



Compound interest is a wonder of the world.

Those who understand it, earn it.

Those who don't, pay it.

If you understand compound interest,
you basically understand the universe.

My wealth came from living in America,
lucky genes, and compound interest.

What is “vesting” and why is it important?

- “Vesting” means ownership of employer contributions.
- Members do not immediately own all contributions made by their employer
 - Common across public employee retirement plans
- Corrections/Detention officers earn 25% vesting after one year, 50% after two years and 100% vesting after three years of service.
 - This is a fast vesting schedule for public employee 401(a) plans

Inside the 401(a): Your investment options

- Default option: Target date funds
 - Automatically adjust to lower risk as retirement nears; can include domestic stocks, international stocks, government and corporate bonds
 - “Rebalanced” when necessary to maintain desired ratio of investments
- Other included options
 - Index funds: Funds consisting of a large sample of publicly traded stocks
 - Equity funds: Funds consisting of selected stocks and other investments
 - Bond funds: Funds that lend to governments and/or companies to earn interest
 - Real estate funds: Funds consisting of domestic or international real estate ventures

Help available: PSF / Galloway

- PSPRS contracts with Public Safety Financial/Galloway to help members with retirement/financial decisions
 - Required under state law; fiduciary standard (advice in best interest of client) at no cost to members
 - Contracted through an open bidding process
- Can help with investment allocation questions, and other questions
- Contact: Call **480-325-8668** or visit **galloway911.com**
 - Members can always choose any advisors or asset managers they wish
 - PSPRS does not endorse any fee-based asset management services

Disability and Survivor Benefits

- Tier 3 members also have disability benefits:
 - Employers, employees contribute to disability benefits (less than 1% of salary)
- Disability benefits include accidental, total and permanent coverage
 - DC disability program does not cover ordinary (not related to work) disabilities
 - Benefits adjusted according to the balance of member's 401(a) account
- Surviving spouses, eligible children receive benefits if member does not survive injuries suffered in the line of duty
 - Benefit offset by participants' DC account.

Prepare for retirement NOW

- There is a **retirement savings crisis** in America
 - 24 percent of U.S. workers have saved less than \$1,000 for retirement*
 - Roughly half of U.S. workers have saved less than \$50,000 for retirement*
 - Average “older” (above 65 years of age) spends \$3,800 a month**
 - About 70 percent of Americans retire with DEBT***

Prepare for retirement NOW

- Don't depend on Social Security for retirement
 - Average retiree gets \$1,300 a month from Social Security BEFORE taxes
 - 23% of retired couples and 43% of unmarried retirees rely on Social Security for 90% or more of their income****
- Sources
 - *2017 Retirement Confidence Survey
 - **U.S. Bureau of Labor Statistics
 - ***American Economic Association
 - ****Social Security Administration

Questions?





Welcome to the Public Safety Personnel Defined Contribution Retirement Plan

All corrections and detention officers hired in Arizona on or after July 1, 2018, will be enrolled in the **Public Safety Personnel Defined Contribution Retirement Plan**.

Enrollment in this plan is automatic but applicants and members should familiarize themselves with the plan in order to take full advantage of their benefits.



Defined Contribution Plan

This is a...

401(a) retirement plan, which is about the same as 401(k) plans used by private businesses. It is funded from contributions from the member and their employer.

Investment choices are made by...

You. The default investment is a low-fee target date fund but members can choose their own investments from many options.

Your benefit is based on...

The final balance of your account. This includes member and vested employer contributions and earnings on investments.

You are fully vested after...

3 years of service. Members always own their contributions and investment earnings but a member has “vesting,” or ownership of employer contributions at a rate of 25% after year 1 and 50% after year 2. After 3 years, members are fully vested in their entire account balance, including all employer contributions and investment earnings.

When you retire, your benefit can be paid to you as...

Regular withdrawals from your account, a lump sum payout, a rollover to another retirement account, an annuity, or a combination of these options.

Tier 3 Plan Benefits Chart

Defined Contribution (DC) Plan

Member Contribution Rates

By default, members contribute 7% of their pre-tax salary towards their DC account. Members also help pay for disability insurance that becomes available if a member is no longer able to work due to injury or condition. The disability insurance is less than 1% of a member's salary.

Note: DC plan participants may elect to contribute as little as 5% or as much as 40% (instead of 7%) towards their 401(a), but that decision is final and will continue throughout your corrections/detention career.

Employer Contribution Rates

Employers contribute dollar-for-dollar matches equal to 5 percent of the member's salary. This means that almost every dollar contributed by a member to his/her 401(a) account is "matched" by a dollar from their employer.

Disability Benefits

You are entitled to the same work-related disability benefits (ordinary disability excluded) you would receive under the defined benefit plan although benefit amounts are offset by the balance of your 401(a) DC account.

Survivor Benefits

Your vested account balance transfers to your designated beneficiary after your death. Additional survivor benefits are available for members killed in the line of duty.

Investment Choices

The amount you receive at retirement is dependent on how well investments perform. You will determine how your contributions are invested by selecting from about two dozen available funds, including equity funds, bond funds, and target date funds.

This brochure is a summary of some of the retirement options available to new Tier 3 corrections/detention employees hired in fiscal year 2018-19. Additional details can be found on the PSPRS website (www.psprs.com) or in Arizona Revised Statutes Title 38, Chapter 5. In case of a conflict between the information in this brochure and the statutes, provisions of the statutes will control.

Still need help?

If you need help determining what is best for you, PSPRS contracted with Public Safety Financial/Galloway to provide experienced financial help at no cost. You can contact an advisor Monday through Friday between 8AM – 5PM by calling (480) 325-8668 or toll free (877) 778-2351. PSPRS does not endorse fee-based asset management providers.



Corrections Officer Retirement Plan Retirement Benefits



If you are hired on or after July 1, 2018, you are a **Tier 3 member** and you must make **important and immediate decisions** regarding the Public Safety Personnel Defined Contribution Retirement Plan 401(a) (PSPDCRP).

Your membership starts the first day of employment in your designated position.

1. Choose your employee contribution percentage

- Complete and give the Correction Officers Retirement Plan Enrollment Form to your employer.
- The default employee contribution rate is 7%. However, you can elect to contribute as low as 5% OR as high as the IRS limit. This decision is final and will remain in place throughout your career.
- Your decision is required during the first payroll period following your date of hire or the default contribution rate of 7% will be applied.
- Vesting schedule: 25% after 1 year of service; 50% after 2 years of service; 100% after 3 years of service.
- The matching employer contribution rate is 5%.

2. Select your investment choices (www.psprsdcplan.com)

- **Plan Default Fund:** Target date funds based on estimated retirement date of 65th birthday.
- You will receive a welcome letter and log-on instructions from the plan provider, Nationwide Retirement Services. After the set up, you can select your investment choices.
- Public Safety Financial/Galloway can help new members decide which investments are appropriate for their individual investment goals and risk tolerance. *Contact Public Safety Financial/Galloway for details.*
- Choose from more than 20 investment funds, including index funds, domestic and international funds, real estate funds, bond funds and a variety of large, mid and small-cap funds.
- The Nationwide Arizona Fixed Fund rate of return is approximately 2.75%.

Public Safety Personnel Retirement Plan (PSPRS) selected Public Safety Financial/Galloway to help, guide, advise, consult, and counsel all members on benefits, financial wellness, and investment advisory services. To RSVP for upcoming seminars or to speak with financial advisor, please go to <https://galloway911.com/seminars>.

Members are always free to seek counseling and advice from any person or firm they choose. PSPRS does not endorse any fee-based, asset management services offered by any person or member firm.