



GREATER PHOENIX CHAMBER

PUBLIC AFFAIRS

Proposition 125- Public Retirement Systems

In 2016, Arizona voters passed Proposition 124 regarding a cost-of-living adjustment for members of the Public Safety Personnel Retirement System (PSPRS). In addition to existing employees (Tiers 1 and 2) who were affected by that legislation, it added a third tier of benefits for employees hired on or after July 1, 2017 (Tier 3).

The provision was changed from the permanent benefit increase (PBI) to a cost-of-living adjustment (COLA) for members of PSPRS by an affirmative vote of the people in Proposition 124. This passage did not affect members of CORP or EORP.

Proposition 125 allows for the changes made in SB 1442 and HB 2545 of the 53rd Legislature, First Regular Session that adjusted certain benefits in the Corrections Officer Retirement Plan (CORP) and the Elected Officials Retirement Plan (EORP) systems to reflect similar standards set for PSPRS. Specifically the measure:

- Repeals current permanent benefit increase (PBI) statutes for CORP and EORP.
- Establishes a COLA for Tier 1 or 2 CORP members and EORP retired members or survivors of retired members. The first payment shall be made immediately following the first year after the member's retirement and shall be made on July 1 each year thereafter.
- Establishes a compounding COLA for CORP members hired on or after July 1, 2018.
- Awards the CORP COLA on July 1 each year that the funded ratio for members who are hired on or after July 1, 2018 is 70% or more.
- Bases the cost of living adjustment for probation and surveillance officers on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index, with the immediately preceding year as the base year for making the determination, not to exceed:

Percentage of Base Benefit	Funded Ratio as Reported in Most Recent Actuarial Valuation
2%	90% or more
1 ½%	80% - 90%
1%	70% - 80%

- States that the COLA shall be made on July 1 each year.
- Prorates the COLA in the first year of a member's retirement.
- Requires the PSPRS actuary to include the projected cost of providing the COLA in the calculation of normal cost and accrued liability.