



**ARIZONA STATE SENATE**  
*Fifty-Fifth Legislature, Second Regular Session*

**AMENDED**

FACT SHEET FOR S.B. 1268

PSPRS; deferred retirement option plan

Purpose

Extends, from 60 months to 84 months, the voluntary Deferred Retirement Option Plan (DROP) participation period. Prescribes payments to a DROP participants' account for the additional 24 months of voluntary participation.

Background

The Public Safety Personnel Retirement System Board of Trustees (PSPRS Board) must offer DROP participation to a Tier 1 member who has at least 20 years of credited service on a voluntary basis as an alternative method of benefit accrual. DROP provides Tier 1 members who elect to participate access to a lump sum benefit in addition to their normal monthly retirement benefit on actual retirement. A Tier 1 member who elects to participate in DROP must voluntarily and irrevocably designate a period of participation of up to 60 months (A.R.S. §§ [38-844.02](#) and [38-844.03](#)).

A DROP participants' account must be credited with: 1) a monthly amount computed in the same manner as a normal retirement benefit using the factors of credited service and average monthly benefit compensation in effect on the date of DROP participation; and 2) a monthly amount that represents interest on the deferred monthly benefit at a rate equal to the assumed rate of return (A.R.S. § [38-844.05](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Extends, from 60 months to 84 months, the voluntary DROP participation period.
2. Requires an amount that represents interest on a DROP participants' deferred monthly benefit at a rate between zero and nine percent, which equals the actual rate of return smoothed over a period of seven years, to be deposited into the DROP participants' account for the 24 months of additional voluntary participation.
3. Requires, by December 31, 2022, the PSPRS Board to report to the Governor and the Legislature on recommendations from stakeholders regarding measures that can improve retention for Tier 2 and Tier 3 members and also recruitment of Tier 3 members.
4. Becomes effective on the general effective date.

Amendments Adopted by Committee

1. Requires a prescribed amount of interest on a DROP participants' deferred monthly benefit to be deposited into the DROP participant's account for the 24 months of additional voluntary participation.
2. Requires, by December 31, 2022, the PSPRS Board to report recommendations to the Governor and the Legislature on measures that can improve retention for Tier 2 and Tier 3 members and recruitment for Tier 3 members.

Senate Action

FIN            2/9/22      DPA      6-3-1

Prepared by Senate Research

February 10, 2022

MG/slp