

July 7, 1949

Mr. Paul W. Paulson
Business Manager
Arizona State Industrial School
Fort Grant, Arizona

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ARIZONA ATTORNEY GENERAL

Dear Mr. Paulson:

We are in receipt of your letter of June 22, 1949 wherein you ask the following:

"If we pay in 10% of our wages towards retirement does the state match the 10% or is 5% the maximum that they will match?

What are the death benefits mentioned?

What are the disability benefits mentioned?"

Enclosed you will find a copy of the 1948 Initiative and Referendum Publicity Pamphlet, pages 19 through 41 comprising the Public Employees' Retirement Act. We are also enclosing a copy of a Retirement Informational Bulletin prepared by this office. Perhaps this material will aid you in answering questions which might arise concerning the effect and operation of the act.

Your first question must be answered in this manner. Section 23 of the act provides for contributions by members. The regular deduction is in the amount of 5% of compensation. The second paragraph of this section provides for additional member contributions in multiples of one-half of one per cent up to a total rate of ten per cent of compensation for both regular and additional contributions. Section 8 of the act deals with retirement benefits and sets out the method for determining the amount of such benefits. It provides:

- "a. A member's annuity which shall be actuarial equivalent of the accumulated contributions of the member at the time of retirement computed according to the actuarial table in use by the fund; and
- b. An employer's annuity equal to one one-hundred-twentieth of average final compensation for each completed year of membership service, not to exceed thirty-five years, plus the sum of one hundred twenty dollars; and
- c. A prior service annuity equal to one-sixtieth of average final compensation for each year of prior service for which the member shall have been allowed credit, not to exceed thirty-five years."

We see that the accumulated contributions (the sum of all amounts deducted from the compensation of a member and credited to his individual account in the Fund including regular interest thereon) of a member are one "part" of the total retirement benefit. The other

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two "parts" of such benefits as specified in Section 24 dealing with contributions by the State reads insofar as applicable here:

"Contributions by the state shall be made to meet the requirements of this act and shall consist of annual contributions to the fund of such amounts which, together with contributions made by members and regular interest accretions, will be sufficient to meet the cost of the various annuities and benefits to employees of the state, and the cost of administration, in accordance with the provisions of this act."

The State, then, contributes sufficient amounts to make up the difference between each member's accumulated contributions and the total benefits payable as provided in the act to which each member becomes entitled. The State does not "match" as you put it, the member's contributions but supplies whatever additional amounts are necessary to provide for his ultimate benefits. The only advantage in a member's contributing more than five per cent of his salary lies in his receiving back as benefits the amount of additional money contributed, it drawing interest in the Fund in the interim. In a sense, the member's contributions whether five per cent or more up to a total of ten per cent stand as a savings account which is returned to the member as retirement benefits in the form of a "member's annuity" along with the "employer's annuity" and the "prior service annuity", the latter two annuities (or "parts" of the retirement benefit) being computed without reference to the "member's annuity".

Death benefits are covered by Sections 11 and 14 of the act, and disability benefits are treated in Sections 12 and 13. We refer you to those sections rather than set them out at length herein, the provisions seeming rather definite and clear cut. If you desire an interpretation of a particular portion or phase of these sections as applied to a particular problem before you, we will be glad to give you such information in the form of an opinion upon your request.

We hope that we have here supplied the information you desire.

Sincerely yours,

FRED O. WILSON
Attorney General

RICHARD C. BRINEY
Assistant Attorney General

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