ASRS Employee and Employer Contributions (HB 2264) Questions and Answers

The Governor signed House Bill 2264 into law on May 7, 2012 with an immediate effective date. The law reverses last year's changes to the ratio of employer/employee contributions; effectively changing the 53/47 ratio back to an even 50/50 split. Furthermore, employees will be refunded their excess contributions above the 50% rate since the enactment of last year's legislation.

1. What is the new employee contribution rate?

The employee contribution rate has been decreased from 11.13% to the current rate of 10.50%. The employer contribution rate was increased from 9.87% to the current rate of 10.50%.

2. When will the new rates go into effect?

The new contribution rates were programmed into the payroll system on May 9, 2012. Paychecks processed after that date will be at the new rate.

3. Will these changes affect Long Term Disability (LTD)?

The contribution rates for the LTD were also modified, returning to a 50/50 split between employee and employer. The employee contribution rate has been decreased from 0.26% to the new rate of 0.24%. The employer contribution rate has been increased from 0.23% to the new rate of 0.24%.

4. When will employees receive a refund of excess contributions from last year?

The legislation directs that refunds be distributed by September 30, 2012. The General Accounting Office, however, is developing an implementation plan with the intent to provide refunds prior to the end of the fiscal year (June 30). Additional information will be provided as it becomes available.

5. Will the refund of excess contributions be provided in a lump sum?

Yes.

6. Will employees pay taxes on the excess contributions?

Employee contributions into the retirement system were pretax at the time of deduction. Therefore the refund of the excess contributions are considered taxable wages when paid. The excess contributions will be reported on W-2s for calendar year 2012.

Employee contributions into the LTD were taxed at the time of deduction. Therefore the refund of the excess contributions to LTD will not be taxable at the time of the refund.

For more information about the Retirement System, please refer to their website:

www.azasrs.gov

The information presented in this document reflects the most current information available. The information contained herein may be subject to change. Additional communications will be distributed as more information becomes available.