

Public Safety Personnel Retirement System

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
SPECIAL LINE ITEMS ^{1/}			
EORP Fund Deposit (Statutory Appropriation)	5,000,000	5,000,000	5,000,000
EORP Fund Deposit (Ch. 323)	0	0	60,000,000 ^{2/3/}
Prescott Fire Employer Group Deposit	1,000,000	1,000,000	1,000,000 ^{4/}
<u>One-Time PSPRS Employer Group Deposits ^{5/6/7/8/}</u>			
Attorney General Investigators (Ch. 325)	0	9,117,700	0
Department of Emergency and Military Affairs (Ch. 325)	0	8,542,800	0
Game and Fish Department (GAA)	0	97,243,000	0
Department of Liquor Licenses and Control (Ch. 325)	0	7,628,900	0
State Parks Board (Ch. 325)	0	8,820,600	0
Department of Public Safety (GAA)	500,000,000	420,559,600	0
Arizona State University Campus Police (Ch. 325)	0	23,565,000	0
Northern Arizona University Campus Police (Ch. 325)	0	7,725,600	0
University of Arizona Campus Police (Ch. 325)	0	15,645,900	0
<u>One-Time CORP Employer Group Deposits ^{5/6/7/8/}</u>			
Department of Corrections (GAA)	500,000,000	474,635,300	0
Department of Juvenile Corrections (GAA)	0	73,940,800	0
Department of Public Safety (Detention) (Ch. 325)	0	309,200	0
Department of Public Safety (Dispatchers) (Ch. 325)	0	6,352,000	0
AGENCY TOTAL	1,006,000,000	1,160,086,400	66,000,000
FUND SOURCES			
General Fund	1,006,000,000	1,145,086,400	66,000,000
Game and Fish Fund	0	15,000,000	0
SUBTOTAL - Appropriated Funds	1,006,000,000	1,160,086,400	66,000,000
Other Non-Appropriated Funds	18,746,400	25,626,200	25,626,200
TOTAL - ALL SOURCES	1,024,746,400	1,185,712,600	91,626,200

AGENCY DESCRIPTION — The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials Retirement Plan (EORP), which provide the same benefits to specified populations at the state and local level. PSPRS is not subject to appropriation. The EORP was closed to new enrollees as of January 1, 2014, at which time newly-elected officials are to be enrolled in the Elected Officials Defined Contribution Retirement System (EODC System).

FOOTNOTES

- ^{1/} The FY 2023 budget included retirement system deposits from the following bills: the General Appropriation Act (GAA); Laws 2022, Chapter 323; and Laws 2022, Chapter 325. Each deposit has the funding bill noted in the line item name.
- ^{2/} The board of trustees of the public safety personnel retirement system shall account for the appropriation made in subsection A of this section in the June 30, 2023 actuarial valuation of the elected officials' retirement plan. (Laws 2022, Chapter 323 footnote)
- ^{3/} Laws 2022, Chapter 323 appropriated \$60,000,000 from the General Fund to the EORP Fund for the EORP unfunded accrued liability.
- ^{4/} The FY 2020 General Appropriation Act appropriated \$1,000,000 from the state General Fund in each of FY 2020, FY 2021, FY 2022, FY 2023, FY 2024, FY 2025 and FY 2026 to the Public Safety Personnel Retirement System to be deposited in the employer account of the Prescott Fire Department Group to offset increased pension liability.
- ^{5/} The board of trustees of the public safety personnel retirement system shall account for the appropriations made in this section in the June 30, 2022 actuarial valuation of the public safety personnel retirement system and the corrections officer retirement plan. The board shall account for the appropriations when calculating the employee contribution rates and employer contribution rates pursuant to section 38-843, Arizona Revised Statutes, and section 38-891, Arizona Revised Statutes, during fiscal year 2023-2024. (General Appropriation Act footnote)

- 6/ The board of trustees of the public safety personnel retirement system shall account for the appropriations made in this section in the June 30, 2022 actuarial valuation of the public safety personnel retirement system groups listed in subsection A of this section and the corrections officer retirement plan groups listed in subsection B of this section. The board shall account for the appropriations when calculating the employee contribution rates and employer contribution rates, which the public safety personnel retirement system groups shall use when making contributions pursuant to section 38-843, Arizona Revised Statutes, and the corrections officer retirement plan groups shall use when making contributions pursuant to section 38-891, Arizona Revised Statutes, during fiscal year 2023-2024. (Laws 2022, Chapter 325 footnote)
- 7/ Within twelve months after receiving the appropriations made in this section, the board of trustees of the public safety personnel retirement system shall transmit to the joint legislative budget committee and the governor's office of strategic planning and budgeting a comprehensive report on the actuarial assumptions for the public safety personnel retirement system and corrections officer retirement plan. The report shall analyze the current policies and potential future changes for the following actuarial assumptions: investment returns, payroll growth, inflation, cost-of-living adjustments, actuarial asset smoothing method and member experience related to mortality, service and disability. The report shall also include a comparison of the board's current and potential future actuarial assumptions to other comparable public retirement systems and generally accepted actuarial funding policies. (General Appropriation Act footnote)
- 8/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

EORP Fund Deposit (Statutory Appropriation)

The budget includes \$5,000,000 from the General Fund in FY 2023 as part of the closure of the Elected Officials' Retirement Plan (EORP). This amount is unchanged from FY 2022. (See the FY 2017 Appropriations Report and the Consolidated Retirement Report section in the FY 2020 Appropriations Report for more information.)

The annual \$5,000,000 General Fund appropriation is authorized in permanent law through FY 2043 (A.R.S. § 38-810). As a result, monies in the line item will not be included in the General Appropriation Act.

EORP Fund Deposit (Chapter 323)

The budget includes \$60,000,000 from the General Fund in FY 2023 for deposit into the EORP Fund. FY 2023 adjustments are as follows:

EORP Early Retirement

Laws 2022, Chapter 323 appropriates \$60,000,000 from the General Fund in FY 2023 for deposit into the EORP Fund. This amount is intended to offset the increased actuarial liability from the early retirement benefit.

Chapter 323 makes a temporary exception to standard EORP provisions to allow a member to receive a normal retirement pension if they have either: 1) 55 years of age with 10 years of credited service; or 2) 59.5 years of age with 5 years of credited service. To qualify for this benefit, the member must make an irrevocable notice of resignation by July 29, 2022, with a date of resignation and retirement not later than September 30, 2022.

See the Consolidated Retirement Report section for more information on PSPRS membership and actuarial data.

Prescott Fire Employer Group Deposit

The budget includes \$1,000,000 from the General Fund in FY 2023 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2022.

The FY 2020 budget appropriated \$1,000,000 from the General Fund for deposit into the employer account of the Prescott Fire Department each year from FY 2020 through FY 2026 to offset increased pension liabilities associated with the Yarnell Hill Fire. Because these funds were already appropriated in the FY 2020 budget, monies in the line item will not be included in the General Appropriation Act.

In June 2013, 19 firefighters employed by the Prescott Fire Department died in the line of duty while fighting the Yarnell Hill Fire. The survivors of 10 firefighters ultimately qualified for PSPRS benefits. Their survivors qualify for ongoing payments equal to 100% of the employees' average monthly wages, including overtime. The increased liability resulting from these benefit payments is funded from the PSPRS employer account of the Prescott Fire Department through an increase in employer contribution rates. The funding in the FY 2015, FY 2019, and FY 2020 budgets were intended to offset these increased pension liabilities.

The original estimated liability resulting from the Yarnell Hill fire was \$5,200,000. As of June 2021, PSPRS re-estimated this liability to be \$11,162,000.

One-Time PSPRS Employer Group Deposits

The budget includes no funding in FY 2023 for the One-Time PSPRS Employer Group Deposits line items. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(598,849,100) in FY 2023 for the elimination of one-time funding for deposits to state PSPRS employer groups to eliminate the unfunded accrued liabilities. This amount consists of:

General Fund	(583,849,100)
Game and Fish Fund	(15,000,000)

The reduced unfunded pension liability from the FY 2022 deposits will be reflected in the June 30, 2022 PSPRS actuarial valuations, which impacts FY 2024 retirement contributions. The enacted budget's 3-year spending plan assumes that ongoing General Fund spending will be reduced by \$(41,671,800) beginning in FY 2024 due to lower PSPRS state employer contributions.

One-Time CORP Employer Group Deposits

The budget includes no funding in FY 2023 for the One-Time CORP Employer Group Deposits line items. FY 2023 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(555,237,300) from the General Fund in FY 2023 for the elimination of one-time funding for deposits to the state CORP employer groups to eliminate the unfunded accrued liabilities.

The reduced unfunded pension liability from the FY 2022 deposits will be reflected in the June 30, 2022 CORP actuarial valuations, which impacts FY 2024 retirement contributions. The enacted budget's 3-year spending assumes that ongoing General Fund spending will be reduced by \$(58,168,400) beginning in FY 2024 due to lower CORP state employer contributions.

Other Issues

FY 2022 Supplementals

The FY 2023 budget includes FY 2022 supplemental appropriations totaling \$1,139,086,400 from the General Fund and \$15,000,000 from the Game and Fish Fund to eliminate unfunded pension liabilities in certain retirement plans managed by the PSPRS Board of

Trustees. Of the \$1,154,086,400 funding amount, \$598,849,100 was allocated to eliminate PSPRS employer group unfunded liabilities and \$555,237,300 was allocated to eliminate CORP employer group unfunded liabilities. *(Please see the Employer Group Deposits sections for further details.)*