

CONSOLIDATED RETIREMENT REPORT

Summary

The Consolidated Retirement Report (CRR) provides financial information on the state’s retirement systems, including the total state cost of the retirement systems and estimated cost of annual changes in the employer contribution rates.

Most public employees in Arizona are enrolled in one of the 5 following state retirement systems.

- The Arizona State Retirement System (ASRS), which provides retirement, survivors, health, and disability benefits to employees of most public employers, including public schools, most local and county governments, and the State of Arizona.
- The Public Safety Personnel Retirement System (PSPRS), which provides similar benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters.
- The Corrections Officers Retirement Plan (CORP), which provides similar benefits to correctional officers at state-run facilities, detention officers at county jails, and certain public safety dispatcher positions.
- The Elected Officials' Retirement Plan (EORP), which provides similar benefits to elected officials. The population of elected officials includes state officials, county/city officials and judges. EORP is now closed to new enrollees. Elected officials who are elected after January 1, 2014 will be enrolled in the Elected Officials' Defined Contribution Retirement System (EODCRS), which provides a defined contribution retirement benefit.

- The University Optional Retirement Plan (UORP). Some university employees are eligible to choose between ASRS or UORP. Unlike ASRS, UORP is a defined contribution plan where the employee and employer each contribute 7% of gross earnings.

The PSPRS Board of Trustees manages the PSPRS, CORP and EORP plans. The Arizona Board of Regents (ABOR) separately oversees the UORP plan.

FY 2024 Impacts and Total Funding

Based on data provided by state agencies in their budget requests under A.R.S. § 35-115, JLBC estimates the General Fund cost associated with all retirement systems in FY 2024 is estimated to be \$183.9 million and the Total State Funds cost is \$513.9 million. *(Please see Table 1 for the total costs.)*

Employer contribution rate for the retirement systems change each year depending on the latest actuarial valuation. Some of the retirement costs may be covered by agencies’ non-appropriated funding sources.

ASRS

The General Fund cost associated with ASRS in FY 2024 is estimated to be \$97.9 million and the Total State Funds cost is \$352.4 million.

At its November 2022 meeting, the ASRS Board of Trustees increased the pension contribution rate to 12.14% of Personal Services in FY 2024. The FY 2023 rate was 12.03%. The employer contribution rate for disability

Table 1			
Arizona Public Retirement FY 2024 System Employer Cost			
	FY 2024 Total Cost 1/		
	General Fund	All Other Funds 2/	Total
Arizona State Retirement System	\$ 97,940,200	\$ 254,419,600	\$ 352,359,800
Public Safety Personnel Retirement System	20,819,800	9,735,400	30,555,200
Corrections Officer Retirement Plan	26,832,300	248,100	27,080,400
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	24,519,200	357,700	24,876,900
University Optional Retirement Plan	22,177,500	65,338,300	87,515,800
Grand Total	\$ 192,289,000	\$ 330,099,100	\$ 522,388,100

1/ Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2023 enacted budget changes in Personal Services costs. These estimates are based on Tier 1 and Tier 2 employer contribution rates, and do not include the impact of Tier 3 employer contribution rates.

2/ Includes both Other Appropriated Funds and Non-Appropriated Funds (including Federal Funds).

insurance increased from 0.14% to 0.15%, for a total overall employer contribution rate of 12.29% (compared to 12.17% last year).

PSPRS

The PSPRS system consists of numerous state and local subgroups, each with its own contribution rate.

The General Fund cost associated with PSPRS in FY 2024 is estimated to be \$20.8 million and the Total State Funds cost is \$30.6 million.

In aggregate, the Tier 1 and Tier 2 PSPRS employer contribution rate is (7.99)% lower in FY 2024 (see Table 4 below).

CORP

The General Fund cost associated with CORP is \$26.8 million in FY 2024 and the Total State Funds cost is \$27.1 million.

In aggregate, the Tier 1 and Tier 2 CORP employer contribution rate is (7.61)% lower in FY 2024 (see Table 4).

EORP and EODCRS System

The General Fund cost associated with EORP and the EODCRS in FY 2024 is estimated to be \$24.5 million and the Total State Funds cost is \$24.9 million. These amounts exclude court fees used to offset the cost of the system, as those fees are deposited directly into the EORP Fund.

For EODCRS members, the total employer contribution rate is the same as EORP, with 6.0% of the employer contribution rate is deposited into the individual employees’ retirement investment account and the remainder being deposited into the EORP Fund.

UORP

The General Fund cost associated with UORP in FY 2024 is estimated to be \$22.2 million and the Total State Funds cost is \$87.5 million.

While some university employees are members of ASRS, others participate in the optional retirement plan. In this latter plan, employees and their employers each contribute 7% of the employee’s gross earnings, which is then invested by the employee. These contribution rates are fixed in statute and do not change in FY 2024.

<u>Fiscal Year</u>	<u>Rate ^{1/}</u>	<u>Fiscal Year</u>	<u>Rate ^{1/}</u>
FY 1983	7.00	FY 2004	5.20
FY 1984	7.00	FY 2005	5.20
FY 1985	6.27	FY 2006	6.90
FY 1986	5.67	FY 2007	8.60
FY 1987	5.53	FY 2008	9.10
FY 1988	4.00	FY 2009	8.95
FY 1989	^{2/} 4.78	FY 2010	9.00
FY 1990	^{2/} 1.29	FY 2011	9.60
FY 1991	^{2/} 3.37	FY 2012	10.50
FY 1992	^{2/} 3.17	FY 2013	10.90
FY 1993	^{2/} 3.10	FY 2014	11.30
FY 1994	^{2/} 2.65	FY 2015	11.48
FY 1995	^{2/} 3.26	FY 2016	11.35
FY 1996	3.36	FY 2017	11.34
FY 1997	3.20	FY 2018	11.34
FY 1998	3.05	FY 2019	11.64
FY 1999	2.85	FY 2020	11.94
FY 2000	2.17	FY 2021	12.04
FY 2001	2.17	FY 2022	12.22
FY 2002	2.00	FY 2023	12.03
FY 2003	2.00	FY 2024	12.14

^{1/} As a percent of salary, employee and employer each pay this rate except for FY 2012, when employers paid 9.87% and employees 11.13%. This non-50/50 split was repealed by Laws 2012, Chapter 304, which refunded excess contributions to employees.

^{2/} Long Term Disability not broken out of the contribution rate from FY 1989 - FY 1995. Rates for these years reflect amounts estimated to be attributable solely to retirement component.

Retirement System	Employer				Employee		
	FY 2023		FY 2024		FY 2024		
	Tier 1 and 2	Tier 3 <u>1/</u>	Tier 1 and 2	Tier 3 <u>1/</u>	Tier 1	Tier 2	Tier 3 <u>1/</u>
<u>Public Safety Personnel Ret. System</u>							
Liquor License Investigators	115.93	110.35	11.66	11.06	7.65	11.65	9.94
Department of Public Safety <u>2/</u>	66.73	104.22	19.98	11.48	2.65	6.65	5.55
Northern Arizona University Police	63.74	48.57	13.81	13.64	7.65	11.65	9.94
University of Arizona Police	50.23	46.72	14.99	13.93	7.65	11.65	9.94
Arizona State University Police	50.71	47.02	16.48	12.18	7.65	11.65	9.94
Game and Fish Department	136.73	133.44	9.61	9.56	7.65	11.65	9.94
Attorney General Investigators	50.30	42.83	7.91	9.56	7.65	11.65	9.94
DEMA Firefighters	45.56	41.74	15.01	13.58	7.65	11.65	9.94
Parks Police	112.19	116.59	8.00	9.56	7.65	11.65	9.94
<u>Corrections Officer Ret. Plan</u>							
Corrections Officer - ADC	30.88	31.22	6.00	6.12	8.41	8.41	7.49
Corrections Officer - DJC	46.55	47.42	6.12	7.17	8.41	8.41	7.49
DPS Dispatchers <u>3/</u>	71.44	73.13	6.00	7.64	7.96	7.96	7.49
Probation Officers	35.97	36.66	39.43	41.94	8.41	8.41	7.49

1/ FY 2023 and 2024 rates for Tier 3 for PSPRS based on Defined Benefit Plan and based on Defined Contribution for CORP.
2/ The displayed rates reflect that 5% of the DPS member contribution is paid by the state for Tier 1/2 members.
3/ Dispatchers hired after November 24, 2009 are ASRS members.

Funded Status

As of June 30, 2022, there were 688,383 active, inactive, retired, and DROP members enrolled in ASRS, PSPRS, CORP, and EORP. Most employees (91%) are enrolled in ASRS (Please see Table 5 for more information.)

The funded status, or the market value of plan assets relative to the amount of liabilities, of each plan is:

- 75.1% for ASRS;
- 63.6% for PSPRS;
- 85.3% for CORP; and
- 32.0% for EORP.

The above percentages exclude the retiree health portion of the pension plan.

	PSPRS	CORP	EORP
FY 2023 Contribution Rate	54.14%	25.47%	70.42%
Asset (Gain)/Loss	0.12%	0.41%	0.12%
Payroll	-1.03%	0.41%	2.70%
Liability Experience	1.02%	0.66%	-0.85%
Additional Contribution	-9.61%	-9.71%	0.00%
Assumption Changes	2.54%	0.49%	6.23%
Other	<u>-1.03%</u>	<u>0.13%</u>	<u>-2.11%</u>
FY 2024 Contribution Rate	46.15%	17.86%	76.51%
Net Change	-7.99%	-7.61%	6.09%

1/ Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the contribution rates may vary for each employer group. This excludes the health portion of the contribution rate.

Table 5

Arizona Public Retirement System Valuation Data as of June 30, 2022

Membership	ASRS		PSPRS		CORP		EORP	
	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>
Active (working and contributing)	207,913	208,393	18,366	18,185	9,863	8,681	373	354
State Active Members	N/A	N/A	1,353	1,238	4,534	262	N/A	N/A
Other Active Members ^{1/}	N/A	N/A	17,013	16,947	5,329	8,419	N/A	N/A
Inactive	253,152	255,622	2,612	2,893	3,726	3,797	177	168
Retired Members, Disabled and Survivor Beneficiaries	160,215	164,753	14,564	15,299	6,417	6,791	1,315	1,303
Deferred Retirement Option Plan	N/A	N/A	2,131	2,144	N/A	N/A	N/A	N/A
Total	621,280	628,768	37,673	38,521	20,006	19,269	1,865	1,825
Funding Status (dollar values in millions) ^{2/}	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Market Value of Assets	\$50,300	\$40,872	\$11,455	\$13,043	\$3,216	\$3,713	\$346	\$318
Total Actuarial Liability	\$62,860	\$58,266	\$19,306	\$20,508	\$4,351	\$4,352	\$955	\$993
Unfunded Actuarial Liability ^{3/}	\$12,560	\$15,586	\$7,861	\$7,465	\$1,135	\$639	\$609	\$675
Funded Status ^{3/}	80.0%	75.1%	59.3%	63.6%	73.9%	85.3%	36.2%	32.0%

N/A=Not Available

^{1/} Includes city, county, political subdivision, higher education and other education active members.
^{2/} Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has its own actuarial status. As a result, the funded status may vary for each employer group.
^{3/} Calculated on market, not actuarial, value of assets. Excludes the funded status of the retiree health portion of the plan.

State Retirement Plan Summary										
	PSPRS			CORP			EORP		ASRS	
	Tier 1 Before 1/1/12	Tier 2 1/1/12 thru 7/1/17	Tier 3/DC After 7/1/17	Tier 1 Before 1/1/12	Tier 2 1/1/12 thru 7/1/18	Tier 3/DC 1/ After 7/1/18	Tier 1 Before 1/1/12	Tier 2 1/1/12 thru 1/1/14	DC Plan After 1/1/14	DB Plan Present
Hire Date										
Normal Retirement Age	None	52.5	55; 52.5 with reduced pension	25 years of Service with no age or: years of Service and Age must equal 80	52.5		None	62		Years of Service and Age must equal 80
Minimum Years of Service	20 years: 15 years if aged 62 or older	15 years	15 years		25 years		20 years	10 years		
Multiplier	50%+ <20 years: -4.00% 20 to <25 years: 2.00% 25+ years: 2.50%	62.5%+ <25 years: -4.00% 25+ years: 2.50% May use Tier 3 multiplier if better	15 to <17 years: 1.50% 17 to <19 years: 1.75% 19 to <22 years: 2.00% 22 to <25 years: 2.25% 25+ years: 2.50%	50%+ 20+ years: 2.50% If 80 point rule is used for hires prior to 8/9/2001: Avg. Salary X Yrs of svc X 2.5% years of service X 2.5%	62.5%+ 25+ years: 2.50% (Max 7 years) If less than 25 years: Avg. Salary X Yrs of svc X 2.5%		4% of average salary x years of service	3% of average salary x years of service		<20 years: 2.10% 20 to <25 years: 2.15% 25 to <30 years: 2.20% 30+ years: 2.30%
PBI or COLA	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	COLA eligible after 7 years or age 60; COLA dependent on plan funded status	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	Not Applicable	COLA based on Phoenix CPI, not to exceed 2%	COLA based on Phoenix CPI, not to exceed 2%	Not Applicable	PBI if fund exceeds growth estimate for 10 years, only for members hired before 9/13/13.
Benefit Cap	Adjusted by IRS	Adjusted by IRS	\$110,000	Adjusted by IRS	Adjusted by IRS		Adjusted by IRS	Adjusted by IRS		Adjusted by IRS
Normal Cost Split	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)	50/50; Employer Pays Legacy Cost Balance	Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)		Set Employee Rate (Employers pay remaining)	Set Employee Rate (Employers pay remaining)		50/50
Assumed Rate of Return	7.40%	7.40%	7.40%	7.40%	7.40%		7.40%	7.40%		7.50%
Employee Rate	7.65%	11.65%	9.85% DC: 9.00%	8.41%	8.41%	7.00%	7.00%	13.00%	8.00%	12.11%
Aggregate Employer Rate	52.47%	52.47%	DB 47.75% (Normal+Legacy Costs) DC: 9.00%+Legacy Costs	27.59%	27.59%	5%+Legacy Cost	61.43%	61.43%	61.43% (6.00% to employer account)	12.11%
1/ CORP includes a Tier 3 Defined Benefit plan, however essentially all state workers in CORP would only be eligible for the Defined Contribution Plan.										