

Public Safety Personnel Retirement System

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
SPECIAL LINE ITEMS			
EORP Fund Deposit (Statutory Appropriation)	5,000,000	5,000,000	5,000,000 ^{1/}
EORP Fund Deposit (Laws 2022, Ch. 323)	0	60,000,000	0
Prescott Fire Employer Group Deposit	1,000,000	1,000,000	1,000,000 ^{2/}
<u>One-Time PSPRS Employer Group Deposits</u>			
Attorney General Investigators	9,117,700	0	0
Department of Emergency and Military Affairs	8,542,800	0	0
Game and Fish Department	97,243,000	0	0
Department of Liquor Licenses and Control	7,628,900	0	0
State Parks Board	8,820,600	0	0
Department of Public Safety	420,559,600	0	0
Arizona State University Campus Police	23,565,000	0	0
Northern Arizona University Campus Police	7,725,600	0	0
University of Arizona Campus Police	15,645,900	0	0
<u>One-Time CORP Employer Group Deposits</u>			
Department of Corrections	474,635,300	0	0
Department of Juvenile Corrections	73,940,800	0	0
Department of Public Safety (Detention)	309,200	0	0
Department of Public Safety (Dispatchers)	6,352,000	0	0
AGENCY TOTAL	1,160,086,400	66,000,000	6,000,000
FUND SOURCES			
General Fund	1,145,086,400	66,000,000	6,000,000
<u>Other Appropriated Funds</u>			
Game and Fish Fund	15,000,000	0	0
SUBTOTAL - Other Appropriated Funds	15,000,000	0	0
SUBTOTAL - Appropriated Funds	1,160,086,400	66,000,000	6,000,000
Other Non-Appropriated Funds	18,226,800	22,548,800	22,548,800
TOTAL - ALL SOURCES	1,178,313,200	88,548,800	28,548,800

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/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- ^{2/} 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.

EORP Fund Deposit (Statutory Appropriation)

The Baseline includes \$5,000,000 from the General Fund in FY 2024 as part of the closure of the Elected Officials' Retirement Plan (EORP). This amount is unchanged from FY 2023. (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 (Laws 2022, Chapter 323)

The Baseline includes no funding from the General Fund in FY 2024 for deposit into the EORP Fund (under Laws 2022, Chapter 323). Adjustments are as follows:

Remove One-Time Funding for EORP Early Retirement

The Baseline includes a decrease of \$(60,000,000) from the General Fund in FY 2024 to remove one-time funding for deposit into the EORP Fund. Laws 2022, Chapter 323 appropriated \$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. PSPRS has reported that 3 EORP members utilized the early retirement provisions of Chapter 323.

Prescott Fire Employer Group Deposit

The Baseline includes \$1,000,000 from the General Fund in FY 2024 for deposit into the employer account of the

Prescott Fire Department group. This amount is unchanged from FY 2023.

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 2022, PSPRS re-estimated this liability to be \$11,431,000.

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

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Disability Program Trust Fund (No Fund Number/A.R.S. § 38-870.02)		Non-Appropriated
Source of Revenue: Employee and employer contributions for certain Tier 3 PSPRS and CORP members, abandoned Disability Program monies, and interest earnings.		
Purpose of Fund: Paying benefits and administration costs for the Defined Contribution Retirement Plan Disability Program established under Tier 3 of PSPRS and CORP. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Fire Fighter, Peace Officer, and Corrections Officer Cancer Insurance Policy Program		Non-Appropriated
Account (No Fund Number/A.R.S. § 38-643)		
Source of Revenue: Consists of employer contributions of \$50 per active employee participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year. Statute authorizes PSPRS to charge an employer premium of up to \$180 per active employee. Statute also authorizes Correctional Officers Retirement Plan (CORP) employer groups to opt-in to the plan.		
Purpose of Fund: The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters, peace officers, and correction officers for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS (or CORP). The plan benefits include an upfront cash payment upon diagnosis, along with coverage for various out-of-pocket medical expenses (after any primary insurance), with an overall maximum lifetime benefit limit of \$100,000. Insurance policy payouts are made from a separate fund. The plan is not a Worker's Compensation plan and does not satisfy any requirement for coverage by Worker's Compensation insurance. The displayed expenditures for this fund reflect PSPRS administrative expenses allocated to this fund. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses. The PSPRS estimate is adjusted to exclude \$1,900 of net fees applied to investments in FY 2022 and FY 2023.		
Funds Expended	133,900	169,800
Year-End Fund Balance	0	0
Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882; 38-840.02)		Non-Appropriated
Source of Revenue: Public Safety Personnel Retirement System Fund; Elected Officials Retirement Fund; Correctional Officer Retirement Fund; Elected Officials Defined Contribution Disability Program Trust Fund.		
Purpose of Fund: A 9-member governing board administers PSPRS, the Elected Officials Retirement Plan (EORP), the Elected Officials Defined Contribution Retirement System (EODC System), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute to spend monies from each fund to pay for necessary administration and investment expenses. The PSPRS estimate is adjusted to exclude \$24,565,200 of net fees applied to investments in FY 2021 and FY 2022.		
Funds Expended	18,092,900	22,379,000
Year-End Fund Balance	0	0
Retiree Pool Account (No Fund Number/A.R.S. § 38-846.05)		Non-Appropriated
Source of Revenue: PSPRS employee and employer contributions for members that were hired on or after July 1, 2017 if the employer has 250 or less active members. The account shall remain 100% funded. In any fiscal year that the account is not 100% funded as of June 30, the amount necessary to adjust the account up or down to 100% funded shall be transferred from or to the investment earnings of the fund before those earnings are distributed to each employer's account.		
Purpose of Fund: To share the actuarial liability costs for the employers of Tier 3 members (those hired on or after July 1, 2017) and are eligible for a normal retirement pension, a disability pension, or for survivors of Tier 3 members eligible for a death benefit pension. Expenditures for this fund are not displayed as PSPRS does not separately report administrative expenses allocated to this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0