

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 dispatchers.
- 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 are enrolled in the Elected Officials' Defined Contribution Retirement System (EODCRS), which provides a defined contribution retirement plan.

- 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 2025 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 state retirement systems in FY 2025 is \$201.9 million and the Total State Funds cost is \$647.6 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 \$101.5 million and the Total State Funds cost is \$470.5 million.

At its November 2023 meeting, the ASRS Board of Trustees decreased the pension contribution rate to 12.12% of Personal Services in FY 2025. The FY 2024 rate was 12.14%. The Board kept the employer contribution rate for disability insurance unchanged at 0.15%, for a total overall employer contribution rate of 12.27% (compared to 12.29% last year) *(Please see Table 2 for historical ASRS contribution rates.)*

Table 1

Arizona Public Retirement FY 2025 System Employer Cost

	<u>FY 2025 Total Cost 1/</u>		
	<u>General Fund</u>	<u>All Other Funds 2/</u>	<u>Total</u>
Arizona State Retirement System	\$ 101,452,100	\$ 369,018,400	\$ 470,470,500
Public Safety Personnel Retirement System	19,359,800	10,094,000	29,453,800
Corrections Officer Retirement Plan	36,259,700	608,000	36,867,700
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	23,611,800	333,500	23,945,300
University Optional Retirement Plan	<u>21,192,400</u>	<u>65,626,200</u>	<u>86,818,600</u>
Grand Total	\$ 201,875,800	\$ 445,680,100	\$ 647,555,900

^{1/} Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2025 change in Personal Services costs. The PSPRS/CORP estimates are based on the Tier 1 and Tier 2 employer contribution rates as applied to the entire PSPRS/CORP salary base.

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

Table 2

Historical ASRS Contribution Rates
(Includes Long-Term Disability)

<u>Fiscal Year</u>	<u>Rate</u>	<u>Fiscal Year</u>	<u>Rate</u>
FY 1989	5.09	FY 2008	9.60
FY 1990	2.00	FY 2009	9.45
FY 1991	3.82	FY 2010	9.40
FY 1992	3.60	FY 2011	9.85
FY 1993	3.59	FY 2012	10.74
FY 1994	3.14	FY 2013	11.14
FY 1995	3.75	FY 2014	11.54
FY 1996	3.85	FY 2015	11.60
FY 1997	3.69	FY 2016	11.47
FY 1998	3.54	FY 2017	11.48
FY 1999	3.34	FY 2018	11.50
FY 2000	2.66	FY 2019	11.80
FY 2001	2.66	FY 2020	12.11
FY 2002	2.49	FY 2021	12.22
FY 2003	2.49	FY 2022	12.41
FY 2004	5.70	FY 2023	12.17
FY 2005	5.70	FY 2024	12.29
FY 2006	7.40	FY 2025	12.27
FY 2007	9.10		

PSPRS

PSPRS consists of numerous state and local subgroups, each with its own contribution rate (see Table 4). The General Fund cost associated with PSPRS in FY 2025 is estimated to be \$19.4 million and the Total State Funds cost is \$29.5 million.

In aggregate, the FY 2025 Tier 1 and Tier 2 PSPRS employer contribution rate is 46.25%, or 0.78% higher than in FY 2024 (see Table 3).

CORP

CORP consists of numerous state and local subgroups, each with its own contribution rate (see Table 4). The General Fund cost associated with CORP is \$36.3 million in FY 2025 and the Total State Funds cost is \$36.9 million.

In aggregate, the FY 2025 Tier 1 and Tier 2 CORP employer contribution rate is 16.44%, or (1.42)% lower than in FY 2024 (see Table 3).

EORP and EODCRS System

The General Fund cost associated with EORP and the EODCRS in FY 2025 is estimated to be \$23.6 million and the Total State Funds cost is \$23.9 million. These amounts exclude court fees used to offset the cost of the system, as those fees are deposited directly into the EORP Fund.

The FY 2025 EORP employer contribution rate is 70.44%, or (6.07)% lower than in FY 2024 (see Table 3).

Laws 2022, Chapter 323 made a temporary exception to allow certain EORP members to receive a normal retirement pension prior to the date typically allowed under statute. Chapter 323 also appropriated \$60,000,000

from the General Fund in FY 2023 to offset the increased actuarial liability from the early retirement benefit. Because of limited use of this provision, the \$60,000,000 appropriation effectively served as an additional deposit to the EORP Fund, contributing to the decreased FY 2025 employer contribution rate.

Table 3

Reasons for Change in the Employer Contribution Rate ^{1/}
(Consolidated Valuation)

	<u>PSPRS</u>	<u>CORP</u>	<u>EORP</u>
FY 2024 Contribution Rate	45.47%	17.86%	76.51%
Asset (Gain)/Loss	0.21%	0.09%	0.00%
Payroll	(2.24%)	(1.22%)	0.82%
Liability Experience	1.87%	2.08%	(4.41%)
Additional Contribution	(1.67%)	(1.64%)	(7.43%)
Assumption Changes	0.89%	0.19%	2.95%
Actuarial Audit	1.24%	(0.22%)	1.41%
Other	<u>0.48%</u>	<u>(0.70%)</u>	<u>0.59%</u>
FY 2025 Contribution Rate	46.25%	16.44%	70.44%
Net Change	0.78%	(1.42%)	(6.07%)

^{1/} Represents aggregate information for PSPRS and CORP Tiers 1 and 2. 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.

For EODCRS members, the total employer contribution rate is the same as EORP, with 6.0% of the employer contribution rate 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 2025 is estimated to be \$21.2 million and the Total State Funds cost is \$86.8 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 7.0% 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 2025.

Funded Status

As of June 30, 2023, there were 713,138 active, inactive, retired, and DROP members enrolled in ASRS, PSPRS, CORP, and EORP. (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:

- 75.5% for ASRS (excluding the disability program);
- 66.4% for PSPRS;
- 84.1% for CORP; and
- 40.7% for EORP.

Table 4

PSPRS/CORP State Employer Group Retirement Rates

Retirement System	Employer				Employee	
	FY 2024		FY 2025		FY 2025	
	Tier 1 and 2	Tier 3 ^{1/}	Tier 1 and 2	Tier 3 ^{1/}	Tiers 1 and 2	Tier 3 ^{1/}
<u>Public Safety Personnel Ret. System</u>						
Liquor License Investigators	11.66%	11.06%	10.63%	10.30%	7.65%	8.89%
Department of Public Safety ^{2/}	19.18%	15.68%	20.51%	15.90%	2.65%	4.03%
Northern Arizona University Police	12.49%	12.32%	10.75%	9.68%	7.65%	8.89%
University of Arizona Police	13.90%	12.53%	15.51%	12.58%	7.65%	8.89%
Arizona State University Police	14.87%	10.57%	14.33%	9.21%	7.65%	8.89%
Game and Fish Department	9.72%	9.56%	9.88%	8.89%	7.65%	8.89%
Attorney General Investigators	7.91%	9.56%	7.56%	8.89%	7.65%	8.89%
DEMA Firefighters	13.24%	11.81%	12.19%	9.34%	7.65%	8.89%
Parks Police	3.87%	9.56%	2.84%	8.89%	7.65%	8.89%
<u>Corrections Officer Ret. Plan</u>						
Corrections Officer - ADC	6.00%	6.12%	6.94%	8.37%	7.65%	7.67%
Corrections Officer - DJC	6.12%	7.17%	6.00%	6.23%	7.65%	7.67%
DPS Dispatchers ^{3/}	8.38%	N/A	8.23%	N/A	7.65%	N/A
DPS Detention	7.27%	7.42%	10.84%	10.42%	8.41%	7.67%
Probation Officers	39.70%	41.94%	39.39%	42.39%	8.41%	7.67%

^{1/} FY 2024 and 2025 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.

^{3/} Dispatchers hired after November 24, 2009 are ASRS members.

Table 5

Arizona Public Retirement System Valuation Data as of June 30, 2023

Membership	ASRS		PSPRS		CORP		EORP	
	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025
Active (working and contributing)	208,393	219,830	18,185	18,425	8,681	7,974	354	296
State Active Members	N/A	N/A	1,321	1,304	4,907	4,456	N/A	N/A
Other Active Members	N/A	N/A	16,864	17,121	3,774	3,518	N/A	N/A
Inactive	255,622	256,590	2,893	3,081	3,797	3,781	168	176
Retired Members, Disabled and Survivor Beneficiaries	167,370	176,444	15,299	15,963	6,791	7,030	1,303	1,321
Deferred Retirement Option Plan	N/A	N/A	2,144	2,227	N/A	N/A	N/A	N/A
Total	631,385	652,864	38,521	39,696	19,269	18,785	1,825	1,793
Funding Status (dollar values in millions) 1/	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023
Market Value of Assets	\$49,124	\$49,779	\$13,584	\$14,965	\$3,864	\$4,235	\$344	\$421
Total Actuarial Liability	\$65,432	\$65,961	\$20,964	\$22,527	\$4,686	\$5,034	\$1,006	\$1,035
Unfunded Actuarial Liability 2/	\$16,308	\$16,181	\$7,380	\$7,562	\$822	\$799	\$662	\$614
Funded Status 2/	75.1%	75.5%	64.8%	66.4%	82.4%	84.1%	34.2%	40.7%

N/A=Not Available

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 funded status may vary for each employer group.

2/ Calculated on market, not actuarial, value of assets. ASRS funded status data excludes long-term disability program.

State Retirement Plan Summary											
	PSPRS			CORP			EORP			ASRS	
	Tier 1	Tier 2	Tier 3/DC	Tier 1	Tier 2	Tier 3/DC	Tier 1	Tier 2	Tier 3/DC	DC Plan	DB Plan
Hire Date	Before 1/1/12	1/1/12 thru 7/1/17	After 7/1/17	Before 1/1/12	1/1/12 thru 7/1/18	After 7/1/18	Before 1/1/12	1/1/12 thru 1/1/14	After 1/1/14		Present
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			
Multipplier	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: Average Salary X 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	Not Applicable	PBI if fund exceeds growth estimate for 10 years, only for members hired before 9/13/13.
Benefit Calculation Limit	Adjusted by IRS	Adjusted by IRS	\$140,952	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	7.20%	7.20%	7.00%	7.20%	7.20%		7.20%	7.20%			7.00%
Employee Rate	7.65%	7.65%	8.97% DC: 10.73%	7.96%	7.96%		7.00%	7.00%			12.27%
Aggregate Employer Rate	46.25%	46.25%	DB 40.94% (Normal+Legacy Costs) DC: 10.73%+Legacy Costs	16.44%	16.44%	5.67%+Legacy Cost	70.44%	70.44%	52.76% (6.00% to employer account)		12.27%

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.