

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 2026 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 2026 is \$192.9 million and the Total State Funds cost is \$660.8 million. *(Please see Table 1 for the total costs.)*

Employer contribution rates 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 2026 is estimated to be \$111.7 million and the Total State Funds cost is \$499.1 million.

At its November 2024 meeting, the ASRS Board of Trustees decreased the pension contribution rate to 11.86% of Personal Services in FY 2026. The FY 2025 rate was 12.12%. The Board decreased the employer contribution rate for disability insurance from 0.15% to 0.14%, for a total overall employer contribution rate of 12.00% (compared to 12.27% last year) *(Please see Table 2 for historical ASRS contribution rates.)*

Table 1

Arizona Public Retirement FY 2026 System Employer Cost

	FY 2026 Total Cost ^{1/}		
	General Fund	All Other Funds ^{2/}	Total
Arizona State Retirement System	\$ 111,708,200	\$ 387,439,900	\$ 499,148,100
Public Safety Personnel Retirement System	16,286,900	9,209,100	25,496,000
Corrections Officer Retirement Plan	30,220,600	654,400	30,875,000
Elected Officials' Retirement Plan/ Defined Contribution Retirement System	19,081,800	330,500	19,412,300
University Optional Retirement Plan	15,583,800	70,245,300	85,829,100
Grand Total	\$ 192,881,300	\$ 467,879,200	\$ 660,760,500

^{1/} Represents the JLBC estimate of the total cost of the system and does not reflect any FY 2026 change in Personal Services costs. In instances where salary data is limited, 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	FY 2026	12.00

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 2026 is estimated to be \$16.3 million and the Total State Funds cost is \$25.5 million.

In aggregate, the FY 2026 Tier 1 and Tier 2 PSPRS employer contribution rate is 45.79%, or (0.46)% lower than in FY 2025 (*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 \$30.2 million in FY 2026 and the Total State Funds cost is \$30.9 million.

In aggregate, the FY 2026 Tier 1 and Tier 2 CORP employer contribution rate is 14.38%, or (2.06)% lower than in FY 2025 (*see Table 3*).

EORP and EODCRS

The General Fund cost associated with EORP and the EODCRS in FY 2026 is estimated to be \$19.1 million and the Total State Funds cost is \$19.4 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 2026 EORP employer contribution rate is 70.70%, or 0.26% higher than in FY 2025 (*see Table 3*).

Table 3

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

	<u>PSPRS</u>	<u>CORP</u>	<u>EORP</u>
FY 2025 Contribution Rate	46.25%	16.44%	70.44%
Asset (Gain)/Loss	0.04%	(0.04%)	(0.04%)
Payroll	(2.15%)	(0.51%)	(8.73%)
Liability Experience	1.60%	0.27%	0.85%
Additional Contribution	(1.39%)	(1.49%)	-
Assumption Changes	0.76%	0.13%	12.05%
Other	<u>0.68%</u>	<u>(0.42%)</u>	<u>(3.87%)</u>
FY 2026 Contribution Rate	45.79%	14.38%	70.70%
Net Change	(0.46%)	(2.06%)	0.26%

^{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.

The EORP employer contribution rate of 70.70% consists of 17.09% for the normal cost of the member accruing additional service and 53.61% to amortize the unfunded EORP liability. For EODCRS members, the total employer contribution rate is 59.75%, which consists of a 6.0% contribution rate deposited into the individual employees' retirement investment account, 0.14% for disability coverage and the same 53.61% contribution rate allocated to amortize the unfunded EORP liability.

UORP

The General Fund cost associated with UORP in FY 2026 is estimated to be \$15.6 million and the Total State Funds cost is \$85.8 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 2026.

2025 Session Legislation

The retirement systems were affected by legislation relating to the following issues in the 2025 Regular Session:

Divestment of Public Funds from China

Laws 2025, Chapter 156 requires all publicly managed funds (including the investments of all state retirement systems) to divest from the People's Republic of China, including companies owned or controlled by China, within one year, or sooner if financially prudent.

PSPRS Part-Time Employment

Laws 2025, Chapter 183 allows a PSPRS employer group to opt into a program whereby a PSPRS employee affected by certain events—such as a child being born or major illness in the family—may choose to work part-time for up to 6 years over the lifetime of their employment with a PSPRS employer. Because the part-time PSPRS employee would only accrue credited service each year in a partial amount that is proportional to their part-time work, the policy is not expected to have an actuarial impact on the PSPRS system.

CORP Tier 3 Employer Contribution Rate Increase

For most Tier 3 CORP employees (those hired after 7/1/2018), the employer contribution rate consists of the following: 1) A fixed 5% deposited into the employee's defined contribution retirement account; 2) Actuarial rates associated with disability and post-retirement health coverage; and 3) An actuarial rate associated with paying down the Tier 1/Tier 2 unfunded liabilities.

The FY 2026 Criminal Justice Budget Reconciliation Bill (BRB) increases the fixed employer contribution rate for the CORP Tier 3 Defined Contribution plan from 5.0% to 5.5% beginning in FY 2027. The BRB states that the Legislature intends to fully cover the cost of this increase for both state agencies and local governments beginning in FY 2027, as the enacted budget's 3-year spending plan included a \$1,000,000 ongoing General Fund appropriation for these increased employer costs.

Funded Status

As of June 30, 2024, there were 727,733 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:

- 76.6% for ASRS (excluding the disability program);
- 70.2% for PSPRS;
- 89.4% for CORP; and
- 44.4% for EORP

Retirement System	Employer				Employee	
	FY 2025		FY 2026		FY 2026	
	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	10.63%	10.30%	9.22%	9.48%	7.65%	8.89%
Department of Public Safety 2/	20.51%	15.90%	21.20%	16.03%	2.65%	3.91%
Northern Arizona University Police	10.75%	9.68%	10.33%	8.69%	7.65%	8.69%
University of Arizona Police	15.51%	12.58%	19.01%	15.84%	7.65%	8.69%
Arizona State University Police	14.33%	9.21%	16.75%	11.90%	7.65%	8.69%
Game and Fish Department	9.88%	8.89%	9.98%	8.69%	7.65%	8.69%
Attorney General Investigators	7.56%	8.89%	7.52%	8.69%	7.65%	8.69%
DEMA Firefighters	12.19%	9.34%	13.02%	9.65%	7.65%	8.69%
Parks Police	2.84%	8.89%	2.91%	9.11%	7.65%	8.69%
<u>Corrections Officer Ret. Plan</u>						
Corrections Officer - ADC	6.94%	8.37%	6.66%	7.98%	7.65%	7.63%
Corrections Officer - DJC	6.00%	6.23%	6.00%	6.34%	7.65%	7.63%
DPS Dispatchers 3/	8.23%	N/A	8.42%	N/A	7.65%	N/A
DPS Detention	10.84%	10.42%	6.00%	6.00%	7.65%	7.63%
Probation Officers	39.39%	42.39%	37.71%	40.90%	8.41%	7.63%
1/ FY 2025 and 2026 rates for Tier 3 for PSPRS are based on Defined Benefit Plan and for CORP are based on Defined Contribution Plan.						
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, 2024

Membership	ASRS			PSPRS			CORP			EORP		
	FY 2025	FY 2026	FY 2025	FY 2025	FY 2026	FY 2025	FY 2025	FY 2026	FY 2025	FY 2025	FY 2026	FY 2026
Active (working and contributing)	219,830	224,989	18,425	18,748	7,312	296	285	N/A	N/A	N/A	N/A	N/A
State Active Members	N/A	N/A	1,304	1,266	3,942	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Active Members	N/A	N/A	17,121	17,482	3,370	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Inactive	256,590	259,127	3,081	3,289	3,858	176	167	1,321	1,315	1,321	1,315	1,315
Retired Members, Disabled and Survivor Beneficiaries	176,444	182,520	15,963	16,533	7,030	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Deferred Retirement Option Plan	N/A	N/A	2,227	2,269	18,785	1,793	1,767	N/A	N/A	N/A	N/A	N/A
Total	652,864	666,636	39,696	40,839	18,491	1,793	1,767	18,491	18,491	18,491	18,491	18,491

Funding Status (dollar values in millions) ^{1/}

	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024
Market Value of Assets	\$49,779	\$53,360	\$14,965	\$16,755	\$4,235	\$4,674	\$421	\$465	\$1,035	\$1,047
Total Actuarial Liability	\$65,961	\$69,631	\$22,527	\$23,868	\$5,034	\$5,226	\$614	\$582	\$614	\$582
Unfunded Actuarial Liability ^{2/}	\$16,181	\$16,272	\$7,562	\$7,113	\$799	\$553	40.7%	44.4%	40.7%	44.4%
Funded Status ^{2/}	75.5%	76.6%	66.4%	70.2%	84.1%	89.4%				

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	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	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	
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: 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%	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%	8.72% DC: 10.74%	7.98%	7.98%	7.63%	7.00%	7.00%	12.00%
Aggregate Employer Rate	45.79%	45.79%	DB 40.26% (Normal+Legacy Costs) DC:10.74%+Legacy Costs	14.38%	14.38%	5.63% + Legacy Cost	70.70%	70.70%	59.75% (6.00% to employer account)
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.									