

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN**

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Chief Investment Officer

December 1, 2021

The Honorable Doug Ducey, Governor
1700 West Washington
Phoenix, AZ 85007

The Honorable Karen Fann, President of the Senate
Arizona State Senate
1700 West Washington
Phoenix, AZ 85007

The Honorable Russell Bowers, Speaker of the House
Arizona House of Representatives
1700 West Washington
Phoenix, AZ 85007

RE: PSPRS Board of Trustees Annual Statutory Reporting Requirements

Governor Ducey, House Speaker Bowers and Senate President Fann:

In accordance with ARS § 38-848.02, please find herein the shared cost structure of employers and employees, the funding status as of June 30, 2021, and the rate of return for the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP). This letter also serves as notice, in accordance with ARS § 38-848, that the system's June 30, 2021, actuarial valuations, which contain contribution rates for next fiscal year, will soon be available on the PSPRS website at www.psprs.com. Each employer's funding ratio will also be posted to the PSPRS website. The system's annual comprehensive financial report is expected to be posted to the website by December 31, 2021.

Legislation passed in 2016 established a new tier of benefits for prospective PSPRS members. PSPRS members first hired on or after July 1, 2017, called Tier 3 members, are required to make an irrevocable choice to participate in either the PSPRS defined benefit (DB) plan, or in the new Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). Similarly, legislation passed in 2017 established a new tier of benefits for detention and corrections officers, effective July 1, 2018. Detention and corrections officers, other than judiciary probation and surveillance officers, first hired on or after July 1, 2018, are automatically enrolled in the PSPDCRP. Judiciary probation and surveillance officers are now required to make an irrevocable choice to participate in either the CORP defined benefit plan, or in the PSPDCRP.

The following two tables show the employee and employer contribution rates for all plans at the aggregate level:

Employee Contribution Rates – Fiscal Year 2022-23

	PSPRS	EORP	CORP
PSPRS members hired prior to 7/20/11	7.65%		
PSPRS members hired between 7/20/11 and 6/30/17**	11.65%		
PSPRS Tier 3 members who choose DB	10.09%		
PSPRS Tier 3 members who choose DC	10.85%		
EORP members hired prior to 7/20/11		7.00%	
EORP members hired between 7/20/11 and 12/31/13		13.00%	
CORP members hired prior to 7/1/18			Dispatchers 7.96%
			All Others 8.41%
CORP Tier 3 members – DB Plan			10.18%
CORP Tier 3 members – DC Plan			7.61%

Employer Contribution Rates – Fiscal Year 2022-23

	PSPRS	EORP	CORP
PSPRS Tier 1 and Tier 2 members	54.36%		
PSPRS Tier 1 and Tier 2 legacy*	40.57%		
PSPRS Tier 3 members who choose DB	10.09%		
PSPRS Tier 3 members who choose DC	10.85%		
EORP***		70.42%	
CORP Tier 1 and Tier 2			25.47%
CORP Tier 1 and Tier 2 legacy*			32.88%
CORP Tier 3 – DB Plan			5.09%
CORP Tier 3 – DC Plan			5.61%

*Pursuant to ARS § 38-843(B) and § 38-891(A), the Tier 1 and Tier 2 legacy rate is the amortization of the unfunded liability for those tiers that must be applied to the payroll of all tiers and is borne solely by the employer. It is already included in the Tier 1 and Tier 2 employer rate but must also be paid on both Tier 3 DB and DC payroll.

**Pursuant to ARS § 38-843(E)(6), for fiscal year 2015-2016 and thereafter, Tier 2 member rates for individual employers are calculated based on the lesser of 11.65 percent or 33.3 percent of the combined employer and previous year employee rates, but not lower than 7.65 percent.

***The EORP contribution rate assumes EORP will continue to receive \$5 million in appropriations from the State plus annual court fees of roughly \$11 million.

PSPRS and CORP are agent, multiple-employer plans where each employer has its own assets and liabilities. EORP is a cost-sharing plan, where assets and liabilities are shared among all employers. At the aggregate level, the funded status has improved for the plans as follows:

	PSPRS	EORP	CORP
Funded Status as of June 30, 2020	48.0%	34.3%	54.1%
Funded Status as of June 30, 2021	55.3%	35.4%	69.9%

The significant improvement in funding status, particularly for PSPRS and CORP, can be primarily attributed to the large amount of additional employer contributions – almost \$1.6 billion – and net-of-fee investment returns of 27.8 percent, which exceeds the plans' 7.3 percent assumed earnings rate (assets of all three plans, as well as the two defined contribution disability programs, are commingled for investment purposes). Legislative and voter-approved pension reforms and Board-adopted changes to actuarial assumptions and amortization methods also contribute to the plans' funding level improvements.

The corresponding consolidated actuarial valuations for each plan, along with a consolidated Annual Comprehensive Financial Report (ACFR) and individual actuarial valuations for each employer in PSPRS and CORP will be available on our website by December 31.

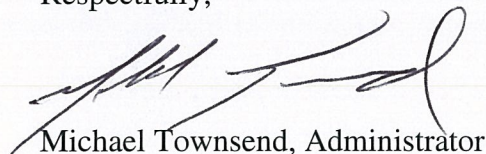
Finally, in accordance with ARS § 38-832(G) and § 38-866(H), the status of the Elected Officials' Defined Contribution Retirement System (EODCRS) and the PSPDCRP, respectively, are as follows along with the shared disability contribution rates for each plan:

Defined Contribution Plan & Disability Program Status – June 30, 2021

	EODC	PSPDCRP
Participants	357	11,3451
Defined Contribution Assets	\$13,454,423	\$411,947,879
Disability Program Assets	\$175,267	\$3,881,068
Disability Program Rates (employee & employer pay same rate)	0.165%	1.66% Public Safety Officers 0.44% Correction Officers
Health Subsidy Program Rates (employee & employer pay same rate)		0.19% Public Safety Officers 0.17% Correction Officers

Should you have any questions about this information, please do not hesitate to contact me.

Respectfully,



Michael Townsend, Administrator

cc: OSPB Director, Matthew Gress
Assistant Director, Bill Greeney
Budget Analyst, Charlotte Hallett
JLBC Director, Richard Stavneak,
Adrian Luth
Shannon Rivington