



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

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December 1, 2022

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 A.R.S. § 38-848.02, please find herein the shared cost structure of employers and employees, the funding status as of June 30, 2022, 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 A.R.S. § 38-848, that the system's June 30, 2022, actuarial valuations, which contain contribution rates for next fiscal year, will be available on the PSPRS website at [www.psprs.com](http://www.psprs.com). Each employer's funded ratio has also been posted on the PSPRS website. The system's annual comprehensive financial report is expected to be posted to the website by December 31, 2022.

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 2023-24**

	<b>PSPRS</b>	<b>EORP</b>	<b>CORP</b>
PSPRS members hired prior to 7/20/11 (Tier 1)	7.65%		
PSPRS members hired between 7/20/11 and 6/30/17 (Tier 2) **	7.65 to 11.65%		
PSPRS Tier 3 members who choose the DB plan	9.15 to 10.45%		
PSPRS Tier 3 members who choose the PSPDCRP	9.00%		
PSPRS Tier 3 members who choose the PSPDCRP, disability	1.43%		
PSPRS Tier 3 members who opt-in, HI subsidy	0.17%		
EORP members hired prior to 7/20/11 (Tier 1)		7.00%	
EORP members hired between 7/20/11 and 12/31/13 (Tier 2)		13.00%	
EODCRS - EORP members hired after 12/31/2013 (Tier 3)		8.00%	
EODCRS, Disability		0.15%	
CORP members hired prior to 7/1/18—Dispatchers (Tiers 1 & 2)			7.96%
CORP members hired prior to 7/1/18 – All Others (Tiers 1 & 2)			8.41%
CORP Tier 3 members – DB Plan (Administrative Office of the Court Probation and Surveillance Officers)			9.81%
CORP Tier 3 members – PSPDCRP			7.00%
CORP Tier 3 members – PSPDCRP, disability			0.45%
CORP Tier 3 members – PSPDCRP, who opt-in HI subsidy			0.17%

**Employer Contribution Rates – Fiscal Year 2023-24**

	<b>PSPRS</b>	<b>EORP</b>	<b>CORP</b>
PSPRS Tier 1 and Tier 2 members (Aggregated Rate)	46.42%		
PSPRS Tier 1 and Tier 2 legacy* (Paid as part of the Tier 3 Employer rate)	32.21%		
PSPRS Tier 3 members (Aggregated Rate)	41.82%		
PSPRS Tier 3 members who choose the PSPDCRP	9.00%		
PSPRS Tier 3 members who choose the PSPDCRP, disability	1.43%		
PSPRS Tier 3 members who opt-in, HI Subsidy	0.17%		
EORP Tier 1 and Tier 2 members ***		76.51%	
EORP Tier 1 and Tier 2 legacy* (Paid as part of the EODCRS and ASRS Employer rate)		76.51%	
EODCRS		6.00%	
EODCRS, Disability		0.15%	
CORP Tier 1 and Tier 2 members (Aggregated Rate)			17.86%
CORP Tier 1 and Tier 2 legacy* (Paid as part of the Tier 3 Employer DC Plan rate)			13.34%
CORP Tier 3 DB Plan (Administrative Office of the Courts – Probation and Surveillance Officers)			41.22%
CORP Tier 3 - PSPDCRP			5.00%
CORP Tier 3 – PSPDCRP, disability			0.45%
CORP Tier 3 – PSPDCRP, who opt-in HI Subsidy			0.17%

\*Pursuant to A.R.S. §§ 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 A.R.S. § 38-843(E)(6), for fiscal year 2015-2016 and thereafter, Tier 2 member rates for individual plans 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 of the plans is as follows:

	<b>PSPRS</b>	<b>EORP</b>	<b>CORP</b>
Funded Status as of June 30, 2021	55.3%	35.4%	69.9%
Funded Status as of June 30, 2022	66.2%	34.8%	84.8%

The significant improvement in funding status, particularly for PSPRS and CORP, can be primarily attributed to the large amount of additional employer contributions. Legislative and voter-approved pension reforms and Board-adopted changes to actuarial assumptions and amortization methods also contribute to the plans' funding level improvements.

PSPRS Tier 3 includes 19 agent multiple employer plans and a risk-sharing pooled plan for all other employers. CORP Tier 3, Defined Benefit Plan, is a risk-sharing pooled plan for Arizona Office of the Courts members. At the aggregate level, the funded status for these plans are as follows:

	<b>PSPRS</b>	<b>CORP</b>
Funded Status as of June 30, 2021	106.6%	118.4
Funded Status as of June 30, 2022	110.8%	110.3

The assets of all retirement plans administered by PSPRS are commingled for investment purposes. For the year ended June 30, 2022, the portfolio's market rate of return was -4.0%, net of fees, which was above the benchmark rate of -10.5%.

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 A.R.S. §§ 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, 2022**

	<b>EODCRS</b>	<b>PSPDCRP</b>
Participants	379	12,804
Defined Contribution Assets	\$13,614,938	\$485,983,462
Disability Program Assets	\$220,888	\$5,398,970
Disability Program Rates (employee & employer pay same rate)	0.165%	1.66% Public Safety Officers 0.44% Corrections Officers
Health Subsidy Program Rates (employee & employer pay same rate)		0.19% Public Safety Officers 0.17% Corrections Officers

Lastly, actions taken by the Legislature and governor's office in recent years, including appropriations passed the last two legislative sessions, can be considered a model for improving pension solvency and reducing expenses for taxpayers. These reforms and actions have contributed to the system's efforts to instill confidence in our pension plans among employers.

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

Respectfully,

*Michael F Townsend*

Michael Townsend,  
Administrator

cc: Daniel Ruiz, Chief of Staff, Office of the Governor  
Art Harding, Chief Operating Officer and Director of Government Affairs, Office of the Governor  
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