

EORP

How to Locate Employee and Employer Contribution Rates

The Goal of this guide is to provide step by step instructions on how to locate employer and employee contribution rates produced in the annual actuarial valuations.

Why is this important?

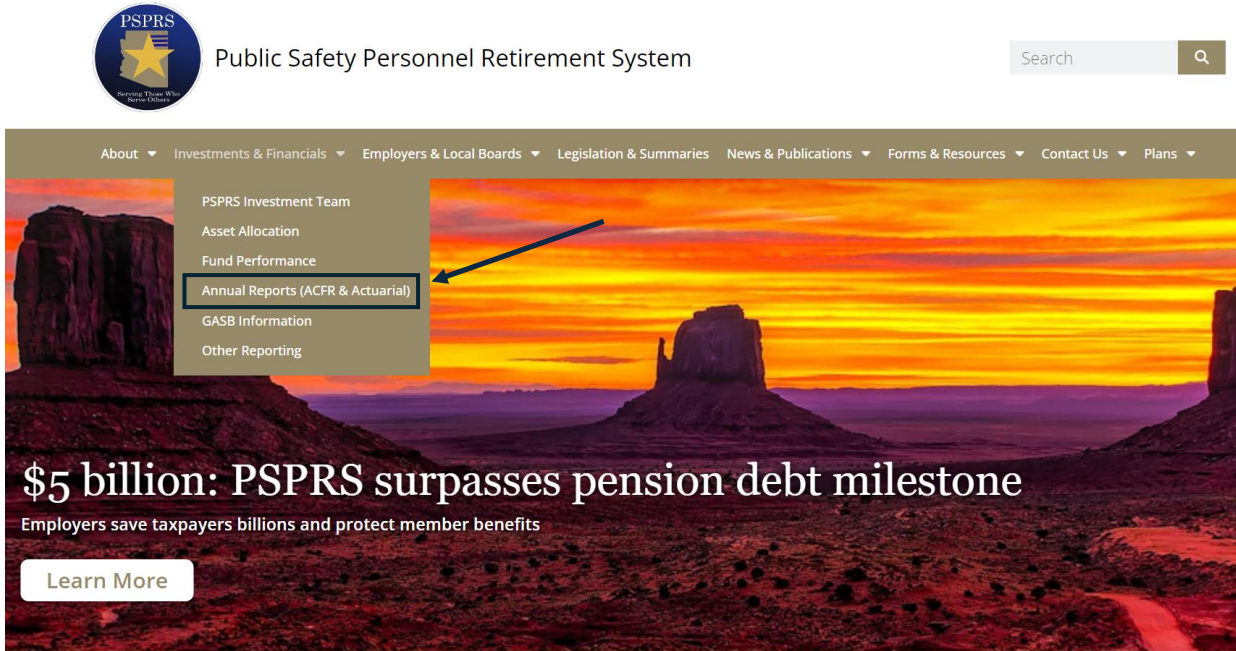
The basic statutory duty for PSPRS is to provide employers and local boards with actuarial valuations for the Elected Officials Retirement Plan (EORP). State law obligates employers to make actuarially determined contributions to cover the normal cost of members' accruing benefits plus the amount necessary to finance employers' unfunded pension obligations. Both normal cost and the unfunded liability contribution rate, known as the Unfunded Actuarial Liability payment, are expressed through a level percentage of member salaries.

When do rates change?

The PSPRS Board of Trustees approves its actuarially determined contribution rates by December 1 of each year. The rates become effective the following fiscal year beginning July 1. The EORP valuations contains employer and member contribution rates and is posted to the PSPRS website in December to allow employers to budget, and, if necessary, communicate any questions, potential errors or unique circumstances to PSPRS management. Unlike the individual valuations produced for PSPRS and CORP employers, the EORP valuation is a consolidated valuation that applies to every participating employer and member.

Finding EORP Contribution Rates

- 1) On the main page, <https://www.psprs.com/>, hover over the section titled **Investments & Financials** and select **Annual Reports (ACFR & Actuarial)**.



- 2) Scroll to section titled **Actuarial Valuations** and click on the link for the **EORP Consolidated Actuarial Valuation**



- 3) After opening and PDF, find the table of contents and go to the section titled **II. Contribution Results**

- 4) For **Tier 1 and Tier 2 EORP Members**, the employer contribution rate can be found in the table titled **Development of Employer Contributions – Tiers 1 & 2 Members** – below is a screenshot showing where to locate the rate.
- a. Note: The results in the “Total Statutory Contribution Rate” reflect the rate before an additional \$16 million in state funding is applied to the plan – the “Total Employer Cost (Pension)” reflects the employer cost after those sources have been applied.

Contribution Requirements

Development of Employer Contributions – Tiers 1 & 2 Members				
Valuation Date	June 30, 2023		June 30, 2022	
Applicable to Fiscal Year Ending	2025		2024	
	Rate	Dollar	Rate	Dollar
Pension				
Normal Cost				
Total Normal Cost	24.82%	\$ 7,595,271	24.94%	
Employee Cost	<u>(7.00%)</u>		<u>(7.00%)</u>	
Employer (Net) Normal Cost	17.82%		17.94%	
Amortization of Unfunded Liability	<u>75.25%</u>		<u>83.46%</u>	
Total Statutory Contribution Rate	93.07%	58,650,875	101.40%	\$ 59,628,104
Total Employer Cost (Pension)	70.44%	42,650,875	76.51%	43,628,880
Health				
Normal Cost				
	0.57%		0.57%	
Amortization of Unfunded Liability	<u>(0.57%)</u>		<u>(0.57%)</u>	
Total Employer Cost (Health)	0.00%	\$ 0	0.00%	\$ 0

“Normal Cost” is also referred to as “Defined Benefit” or “DBCN” in PSPRS contribution reporting.

The “Tier 1 & Tier 2 Legacy Cost” is also referred to as “Employer Legacy” or “EPSL” in PSPRS contribution reporting.

This is the total ER rate. For contribution reporting, Unfunded Liability (EPSL) contributions can be submitted separately or with normal cost (DBCN).

- 5) For **Tier 3 EORP Members who participate in the Arizona State Retirement System (ASRS)**, the employer contribution rate cannot be found directly in the EORP Consolidated Valuation as PSPRS does not produce the ASRS employer contribution rates. However, determining the employer rate for these members is relatively straightforward:
- Take the EORP Tier 1 and Tier 2 **Total Employer Cost (Pension)** from the previously referenced table (70.44% for FY 2025) and subtract the ASRS employer rate for the same fiscal year (12.12% in FY 2025).
 - Then add back the ASRS employer rate (12.12% in FY 2025) and the ASRS Long-term disability (LTD) rate for the same fiscal year (0.15% in FY 2025).
 - The sum of those figures is the total employer cost for this group of members (70.59% in FY 2025).
 - Note: while the calculation could have simply added the LTD rate to the EORP Tier 1 and Tier 2 rate to get the same result (70.44% + 0.15%), it is important to note that the employer submits contributions to PSPRS and ASRS separately and therefore should

follow the above steps to determine the amounts that need to be submitted to both organizations.

6) For **Tier 3 EORP Members who are enrolled in the defined-contribution plan**, the employer contribution rate can be found in the table titled **Development of Employer Contributions – Tier 3 EODCRS** – below is a screenshot showing where to locate these rates.

a. Note: Not all contributions are submitted to PSPRS – Nationwide Retirement Services is PSPRS’ current account manager for defined-contribution accounts. Please visit [PSPRS’ contribution reporting page](#) for further information.

Development of Employer Contributions – Tier 3 EODCRS		
	FYE 2025 Rate	FYE 2024 Rate
Employee		
Employee DC Cost	8.00%	8.00%
Employee Disability Program Cost	<u>0.14%</u>	<u>0.15%</u>
Total Employee Cost	8.14%	8.15%
Employer		
Employer DC Cost	6.00%	6.00%
Employer Disability Program Cost	0.14%	0.15%
Employer Legacy Cost	<u>46.62%</u>	<u>70.51%</u>
Total Employer Cost	52.76%	76.66%

Also referred to as DCCN or Defined Contribution in PSPRS contribution reporting.

Also referred to as DCDT or Defined Contribution Disability.

Also referred to as EEEL or Employer EODC EORP Legacy.

7) For **Return-to-Work Members**, the **Alternative Contribution Rate** is not currently listed as such in the actuarial valuation, but can be determined with the following steps:

- a. Take Tier 1 and Tier 2 Total Employer Cost (Pension) (70.44% in FY 2025).
- b. Subtract the Employer (Net) Normal Cost (17.82% in FY 2025).
- c. The sum of that process will result in the Alternative Contribution Rate (52.62% in FY 2025).