

PSPRS and CORP Plans

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 public safety and corrections plans. 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?

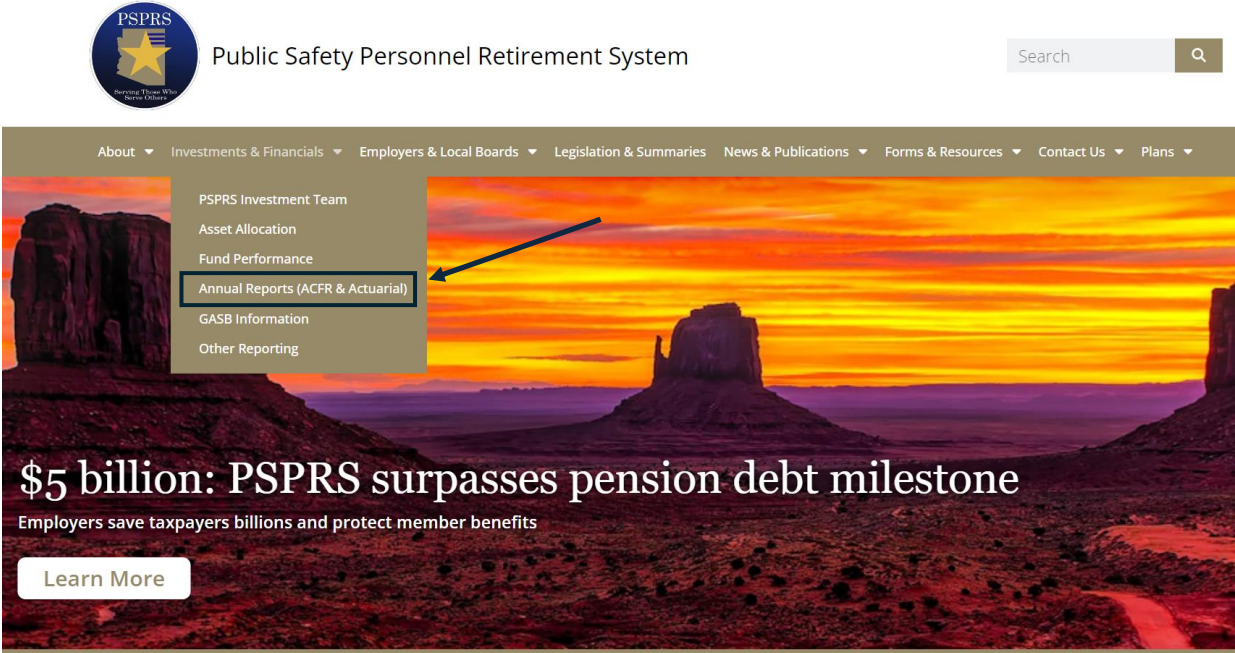
The PSPRS Board of Trustees approves its actuarially determined contribution rates by December 1 of each year. The rates become effective the following fiscal year beginning July 1. Individual employer valuations with employer and member contribution rates are also posted to the PSPRS website in December to allow employers to budget, and, if necessary, communicate any questions, potential errors or unique circumstances to PSPRS management.

Can the employer rates be changed?

PSPRS management, working with the system's actuaries, can adjust required contributions for employers in unique circumstances if that adjustment is necessary to be consistent with the actuarial funding policy, adopted assumptions and actuarial standards. Employers should not make any assumptions as to adjustments being made to required contributions outside the process of working with PSPRS management.

Finding PSPRS and CORP 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 **Employer Valuations** and after the sentence “to find current and archived PSPRS and CORP employer valuations...” select **click here**.



- 3) From the drop-down options, select your organization (organized alphabetically) and the applicable fiscal year.

- a. For the purposes of this page, fiscal year refers to the valuation year. The valuation for fiscal year 2023, which began July 1, 2022 and ended on June 30, 2023, will include employer contribution rates effective for fiscal year 2025, which begins July 1, 2024 and ends June 30, 2025.



Public Safety Personnel Retirement System

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Actuarial Valuations By Employer and Year

Choose an employer:

Choose a fiscal year:

- 4) From the table of contents go to the section titled **II. Contribution Results** and scroll down to the end of that section to the **Contribution Rate Summary** table – this table provides the summary of employee and employer rates for all membership tiers and Plans.
- a. Below is an example along with notes on a few key components of the rates.

Contribution Rate Summary

	Tier 1		Tier 2		Tier 3	
Membership Date On or After	7/1/1968		1/1/2012		7/1/2017	
Participates in Social Security	N/A		Yes	No	Yes	No
Available Retirement Plan ¹	DB Only	DB Only	Hybrid	DB Only	Hybrid	DC Only
Employee Contribution Rate						
PSPRS DB Rate	7.65%	7.65%	7.65%	8.89%	8.89%	
PSPRS DC Rate			3.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.23%
PSPDCRP Disability Program Rate						1.50%
Total EE Contribution Rate	7.65%	7.65%	10.65%	8.89%	11.89%	10.73%
Employer Contribution Rate						
PSPRS DB Normal Cost	10.37%	10.37%	10.37%	8.89%	8.89%	
PSPRS DB Tier 1 & 2 Legacy Cost ²	1.46%	1.46%	1.46%	1.63%	1.63%	1.63%
PSPRS DC Rate ³			4.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.23%
PSPDCRP Disability Program Rate						1.50%
Total ER Contribution Rate	11.83%	11.83%	15.83%	10.52%	13.52%	12.36%

“Normal Cost” is also referred to as “Defined Benefit” or “DBC” 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, contributions can be submitted separately by Normal Cost (DBC) and Unfunded Liability (EPSL) or can be combined.

¹ Employers that pay into Social Security on behalf of their members do not participate in the Hybrid Plan.

² Per statute (ARS § 38-843(B)), any positive unfunded liability for Tiers 1 and 2 is to be applied to all Tier 3 (DB and DC) payrolls.

³ The 4.00% employer match for Tier 2 Hybrid members is for a short period of time depending on the membership date of the employee at which point the rate will change to 3.00% (ARS § 38-868(C)).

Alternate Contribution Rate

- 5) Staying within the **II. Contribution Results** section, scroll up to the table titled **Contribution Requirements** with the subtitle **Development of Employer Contributions – Tiers 1 & 2 Members**.

- 6) Find the row titled **Alternate Contribution Rate (ACR)** under the column for the upcoming applicable fiscal year (FY 2025 in this example)
 - a. The alternate contribution rate is the *sum of the positive amortization for Tiers 1 & 2 Pension and Health* and is charged when retirees return to active status.
 - b. For PSPRS plans, there is an 8% minimum rate while for CORP plans there is a 6% minimum rate.
 - c. The **ACR** is also referred to as the **ALTN** or **Alternate Employer Contribution** in the contribution reporting process.

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	17.72%	\$ 1,000,867	17.62%	\$ 983,298
Employee Cost	<u>(7.65%)</u>	<u>(432,090)</u>	<u>(7.65%)</u>	<u>(426,914)</u>
Employer (Net) Normal Cost	10.07%	568,777	9.97%	556,384
Amortization of Unfunded Liability	<u>1.63%</u>	<u>92,066</u>	<u>0.00%</u>	<u>0</u>
Total Employer Cost (Pension)	11.70%	660,843	9.97%	556,384
Health				
Normal Cost	0.30%	16,945	0.33%	18,416
Amortization of Unfunded Liability	<u>(0.17%)</u>	<u>(9,602)</u>	<u>(0.17%)</u>	<u>(9,487)</u>
Total Employer Cost (Health)	0.13%	7,343	0.16%	8,929
Total Employer Cost (Pension + Health)	11.83%	668,186	10.13%	565,313
Alternate Contribution Rate (ACR) *	8.00%		8.00%	
Underlying Payroll (as of valuation date)		5,537,484		5,444,469

* The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to an 8% minimum) and is charged when retirees return to active status.

CORP Statutory Minimum Contribution

- 7) In addition to a minimum ACR, statute also requires a minimum contribution rate of 6% for Tier 1 & 2 CORP plans members – this minimum rate is in lieu of the calculated employer rate if the calculated rate is less than 6%.
- a. The table below shows an example of a calculated rate less than 6% as noted in the “Contribution Requirements” table.

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	10.35%	\$11,990	10.92%	\$10,944
Employee Cost	<u>(7.65%)</u>	<u>(8,865)</u>	<u>(7.65%)</u>	<u>(7,664)</u>
Employer (Net) Normal Cost	2.70%	3,125	3.27%	3,280
Amortization of Unfunded Liability	<u>0.00%</u>	<u>0</u>	<u>(1.33%)</u>	<u>(1,332)</u>
Total Employer Cost (Pension)	2.70%	3,125	1.94%	1,948
Health				
Normal Cost	0.37%	\$428	0.41%	\$413
Amortization of Unfunded Liability	<u>(0.37%)</u>	<u>(428)</u>	<u>(0.41%)</u>	<u>(413)</u>
Total Employer Cost (Health)	0.00%	0	0.00%	0
Total Employer Cost (Pension + Health)	2.70%	3,125	1.94%	1,948
Total Minimum Contribution Requirement (if applicable)	6.00%		1.94%	
Alternate Contribution Rate (ACR) *	6.00%		6.00%	
Underlying Payroll (as of valuation date)		115,885		100,183

In this instance, the calculated rate is less than the minimum required contribution rate.

** The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to a 6% minimum) and is charged when retirees return to active status.*

The results above are shown both prior to and after the application of the statutory minimum contribution requirement of 6% of payroll.