



PSPRS FY2024 Fourth Quarter Newsletter

## **PSPRS INVESTMENT RETURNS PUSH TRUST TO \$21.8 BILLION**



PSPRS investments generated a respectable 10.3 percent return in the 2024 fiscal year to produce about \$2 billion in value for trusts that provide pension benefits to plan members and survivors. Domestic and international stocks, along with private market lending investments, produced high returns for the trust, which held \$21.8 billion as of June 30, 2024.

PSPRS Investment Committee Chairman Harry Papp praised the agency’s investment operations for producing sizable returns while avoiding risk of major losses caused by market volatility.

“Generating more than 10 percent return while balancing risk is commendable on both short and long-term horizons,” said Papp, a chartered financial analyst and managing partner of investment firm L. Roy Papp & Associates.

The PSPRS investment portfolio was more than 60 percent less volatile over the 2024 fiscal year than the performance of the Standard & Poor 500 index, which tracks the performance of the 500 largest companies on the U.S. stock market. Peer comparisons to PSPRS were also favorable, as trust investments ranked within the top 38th percentile over the year and in the top 30th percentile over the seven-year actuarial cycle.

“We’ve committed to managing plan funds responsibly, recognizing hidden market risks and being careful with deploying the billions of dollars that employers have contributed over the past several years to pay down their pension debts,” said PSPRS Chief Investment Officer Mark Steed. “Our focus is on achieving stable, long-term investment returns and retirement security for our members.”

## **ADDITIONAL CONTRIBUTIONS IN FY 2024 REACH \$441 MILLION**

In fiscal year 2024, Arizona’s public safety and corrections employers contributed an additional \$441 million to pay down unfunded pension debts, bringing the grand total of additional contributions to just under \$5.5 billion over the last four fiscal years.

Higher federal interest rates made pension bonding more expensive in recent years, but many employers already contributed to reduce unfunded pension obligations. As of the June 30 end of the fiscal year, 118 of 241 public safety and 14 of 43 corrections employers – almost half of all employers – have contributed at least an extra million dollars to pay down unfunded pension liabilities.



“Every dollar of the 350 employer pension debt payments we’ve received is leveraging the opportunity for investment returns and it goes towards securing members’ retirement,” said PSPRS Administrator Townsend. “We’re at a point where the average employer is continuing to improve funding and the bulk of the unfunded liabilities are held by a small number of large employers.”

Employers continue to pay down their unfunded liabilities in the current fiscal year. From July through September, public safety and corrections employers contributed an extra \$174 million to increase funding levels.

Employer valuations for the fiscal year ending June 30, 2024, and the system’s consolidated annual reports for the public safety, corrections and elected officials plans will be completed and published before the end of 2024. To learn more about pension financing and employer contribution rates [click here](#).

## **RETIREE HEALTH INSURANCE OPEN ENROLLMENT**



Open enrollment guidebooks detailing changes for 2025 will be distributed to home addresses mid-October. Enrollment will be passive, meaning retirees wishing to continue their current insurance are not required to take any action.

A key retirement benefit, health insurance is provided to PSPRS-managed plan retirees and survivors through the Arizona State Retirement System, the Arizona Department of Administration or through former employers. Retirees should review, and, if necessary, update their contact information

and beneficiaries in the Members Only portal available at [www.psprs.com](http://www.psprs.com).

Retirees are encouraged to attend in-person or online open enrollment webinars hosted by ASRS/ADOA to learn about any potential changes to coverage or costs. If applicable, new health insurance costs will be applied January 1, 2025, and reflected in pension checks dated January 31.

If retirees wish to make changes, change request forms must be received in November for insurance through ASRS. Changes to insurance plans offered through ADOA must be submitted online from October 28 to November 15. PSPRS will also make guidebooks and forms available through its website and will continue to communicate with plan retirees and survivors.

## **PSPRS EXEC & INVESTMENT LEADERS HONORED BY PRESS**

The results of Administrator Townsend’s continued employer education campaign helped earn him the *Arizona Capitol Times*’ 2024 Leaders of the Year award. Among five nominees, Townsend was selected at a September luncheon attended by state lawmakers, state agency directors and local lobbyists.

The *Arizona Capitol Times* is a longstanding weekly news outlet that covers state government. The award, which Townsend also won in 2021, recognizes those “who advance the interest of the people of Arizona, work tirelessly and sincerely for the common good,” and “successfully navigated many challenges, persevered and collectively helped Arizona to move forward.”



Accolades for PSPRS pension administration were preceded in September by honors on the agency’s investment staff. Chief Investment Officer Mark Steed was named Public Pension Plan Chief Investment Officer of the Year by *Institutional Investor* magazine, which awarded Steed Innovator of the Year in 2023.

“Steed was nominated for his long-standing devotion to innovation. He uses machine learning, big data, and coding to inform his investment process and has consistently posted strong results at PSPRS,” wrote [Institutional Investor](#), who vetted finalists before putting the award up for voting by staff of pension funds, endowments, family offices, foundations, healthcare funds and sovereign wealth funds.

“We’re always pleased to share positive news with our membership and our employers,” said PSPRS Board of Trustees Chairman Scott McCarty. “Our staff at all levels is committed to sound pension and investment management and these nominations and awards reflect that.”

## **EMPLOYERS: SUBMIT FY25 PENSION FUNDING POLICIES**



This is a final notice for public safety and corrections employers to submit their funding policies to PSPRS to comply with financial reporting laws.

State law requires PSPRS to post employer funding policies to the agency website and mandates that employers publish their pension funding policies to their own websites.

PSPRS requests that employers email existing copies of their fiscal year 2025 pension funding policies to [employerservices@psprs.com](mailto:employerservices@psprs.com). Questions can be directed to PSPRS Employer Relations Manager Harold Greene at

[hgreene@psprs.com](mailto:hgreene@psprs.com).

The League of Arizona Cities & Towns developed a pension funding policy template that is available on the [organization's website](#).