



PSPRS FY2025 First Quarter Newsletter

RAISING ARIZONA: PENSIONS UP, COSTS DOWN FOR PSPRS PLANS



As the end of the year approaches, it's rewarding to look back at the progress we've made for members, retirees and beneficiaries of PSPRS-managed plans. Publishing fiscal year financial reports is among the last major tasks we perform as an agency, and, thankfully, one of the most satisfying.

Our business involves communicating complicated accounting terms and statistics, but our purpose is simple: We provide retirement security to first responders, corrections officers, elected officials, and judges who serve our communities and Arizona.

In the spirit of keeping things easy, we're now providing pensions to more retirees and beneficiaries every year, and delivering this benefit at a lower cost to taxpayers.

PSPRS-managed plans provided more than \$1.4 billion of well-earned benefits to almost 25,200 retirees and family members in the 2024 fiscal year. That's a record, but the projected annual employer cost for supporting Tier 1 and 2 pensions and active members' future pensions are roughly \$250 million a year lower than the \$1 billion projection made just five years ago. Public safety and corrections plans for Tier 3 members are also fully funded or close to it.

This is an enormous achievement made possible by two factors – employers and policymakers taking the initiative to pay down billions of dollars of costly unfunded pension debts and the high investment returns generated by the PSPRS investment team, which also keeps the risk against future losses in check. These occurrences have created massive financial improvements over the last five years, while our progress since last year was more modest and more likely to resemble the steady growth we'll see moving forward.

By last count, PSPRS plans provided pensions to retirees and beneficiaries in more than 280 Arizona cities, towns and tribal areas, 49 states and a handful of foreign countries. We're proud to support our membership and of the strengthened collaboration with state and local leaders that launched the comeback of PSPRS-managed plans. We'll continue to build upon this momentum in the new year and for years to come. Happy holidays from PSPRS!

TIER 3 CORP ELIGIBLE FOR INCREASED RETIREMENT SAVINGS

There's good news for Tier 3 members of CORP. The PSPRS Board of Trustees recently approved an increase in the wage index for Tier 3 corrections and detention officers, which determines the maximum salary considered for pension and 401(a) plan contributions.

Starting in January, the pensionable and matching eligible salary limit will be \$83,435, which marks a 14 percent increase from the current limit of \$72,947. This change will increase member and employer contributions to pensions and 401(a) plans for Tier 3 officers earning salaries greater than \$72,947.



Under law, the wage index for the Tier 3 public safety and corrections officers retirement plans are reviewed every three years. The wage index increase was based on the results of a member salary study of 15 employers conducted this year by PSPRS.

The wage index increase does not require additional action by employer payroll departments responsible for reporting and making member contributions to PSPRS. The limits will be applied automatically to the payroll reporting software that is maintained by PSPRS and used by employers. However, employers with internal contribution limitation settings on their payroll systems are encouraged to make adjustments that take the new wage index limit into account.

GOING, GOING, GONE: CANCER CLAIM TAXES EXPIRE IN 2025



Relief in the form of no taxes and reduced processing times is on the way to members and retirees filing Cancer Insurance Program diagnosis claims in 2025 and beyond.

The PSPRS Board of Trustees pushed for legislation in 2022 to pave the way to make cancer insurance diagnosis payments, which can reach as high as \$15,000, tax free. The changes required taxing the \$50 CIP premium payments made by employers and retirees, but IRS regulations mandated a three-year period to step the taxability of claim payments down to zero.

“This small but impactful change ensures that PSPRS members and retirees diagnosed with cancer can focus on their health and families,” said Administrator Townsend. “Instead of facing state and federal taxes on substantial claim payments, members and retirees only need to manage the tax on a modest \$50 annual premium.”

This change also benefits public safety active members and retirees by allowing them to receive claim payments directly from PSPRS, rather than having to go through their previous employer for payments and tax documentation. Please note that these changes do not impact CORP members and retirees who can elect to pay premiums through participating employers.

PSPRS DC PLAN BALANCES REACH \$1 BILLION

As the U.S. stock market nears an all-time record level, [PSPRS defined contribution plans](#) reached a significant milestone, surpassing \$1 billion in assets as of the end of September. The growth underscores the increasing role of these plans in securing the financial futures of members and retirees.

These plans include the 401(a) accounts used primarily by Tier 2 and 3 public safety and corrections members, the 401(a) plan for elected officials, and the optional 401(a) supplemental and 457 retirement accounts available to all plan members and retirees.



“Participation in DC plans has grown to include about two-thirds of our active membership,” said Phoenix Fire Department Captain and PSPRS Trustee Brian Moore. “Hitting \$1 billion in assets signals that these plans are becoming a key long-term resource for our members’ and retirees’ financial well-being.”

Almost 22,000 members hold DC plan accounts kept by Nationwide Retirement Solutions and managed by the PSPRS Defined Contribution Committee, which Moore chairs. Automatic member and employer matching contributions coupled with compounding interest have driven values higher.

Should the assets in the DC plans maintain a balance of \$1 billion or more for at least one financial quarter, all participants can look forward to declining administrative fees that, while minimal, are charged to DC plan participants. These fees are currently waived for public safety and corrections participants of the Public Safety Personnel Defined Contribution Retirement Plan.

DC plan growth was aided by increased use of the supplemental 401(a) and the 457 plans, the latter of which now includes 1,900 participants compared to just four members by the end of 2020.

A WORK IN PROGRESS: PSPRS WEBSITE UPDATES UNDERWAY



Keen-eyed and frequent visitors to the PSPRS website may have noticed new pages and features, as agency staff efforts to improve the site are underway. In total, there are about 25 new or otherwise improved pages with more to come over the next year.

“Years of legislative and policy changes to PSPRS-managed plans made a website refresh long overdue,” said Robert Ortega, PSPRS Member Services Director. “Our focus is making the website more intuitive, easier to understand and adding new features to help site visitors find the information they are looking for.”

The website includes upgrades to pages covering member benefits for all plans and tiers, new member enrollment and contribution reporting for employers, and new pages detailing local boards and employer duties and PSPRS DC plans. The new [contact us page](#), for example, now has answers to frequently asked questions as well as key contact information for PSPRS departments.

INTEGRITY HOTLINE PROTECTS PUBLIC PENSION FUNDS

Transparency and accountability are paramount for PSPRS as we are entrusted with managing public pension funds. PSPRS recently recognized Corporate Compliance & Ethics Week with campaigns reminding the public of our Integrity Hotline which is designed to combat fraud, waste, abuse and unethical behavior.

This proactive measure allows members and the public to confidentially report any suspicions regarding mismanagement or improper use of PSPRS-managed plan resources.

Since its inception in February 2022, the hotline has received more than 80 submissions addressing a wide range of reported concerns. Notably, one report led to the identification of an ineligible individual using the monthly pension benefits of a deceased plan retiree. Other submissions to the hotline have resulted in referrals to other agencies for further review.

More information about the [Integrity Hotline](#), which can receive submissions via phone, email and an online form, can be found on the PSPRS website.



EMPLOYERS: SUBMIT FY2025 PENSION FUNDING POLICIES



PSPRS appreciates plan employers submitting 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. Questions can be directed to PSPRS Employer Relations Manager Harold Greene at hgreene@psprs.com.

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