THEY'RE HERE: NEW EMPLOYER CONTRIBUTION RATES

With the fiscal year closing, employers should be aware that new contribution rates are effective July 1, 2025. Updated rates can be found in the fiscal year 2024 employer valuation reports.

Despite increasingly conservative actuarial assumptions, all three plans – PSPRS, CORP and EORP – increased aggregate funding levels. Aggregate contribution rates fell with the exception of EORP, which was the result of a planned process with the Advisory Committee. Funding levels and employer contribution rates vary for public safety and corrections employers, some of whom will see rising contribution rates due to larger than assumed salary increases for members.

"We were encouraged to see the ongoing trend of improving funding levels and reduced employer contribution rates continue through the 2024 fiscal year," said Administrator Mike Townsend. "On average, PSPRS and CORP employer contribution rates are about 30 percent lower than they were five years ago, delivering more than $250 million in annual savings. That kind of progress reflects real, sustained momentum for our pension system."

The overall funding level for the PSPRS Tier 1 and 2 plan as of June 30, 2024, increased to 68 from 66 percent. The funding level of the CORP Tier 1 and 2 plan rose to 87.1 from 84.3 percent. The EORP funding level increased to 41.6 from 39 percent.

Aggregate PSPRS Tier 1 and 2 employer contribution rates for the fiscal year ending in 2025 will be 45.59 percent, which marks a decrease of about half a percentage point. The aggregate CORP Tier 1 and 2 employer contribution rates fell to 16.44 percent from 17.86 percent, while EORP employer contribution rates rose to 70.7 from 70.4 percent.

LEGISLATIVE SESSION BRINGS NEW LAWS FOR PLANS, MEMBERS

The 2025 legislative session wrapped up with several bills impacting PSPRS signed into law by Governor Katie Hobbs. The laws become effective September 26, which is 90 days after the end of the legislative session.

New laws include those proposed by the PSPRS Board of Trustees as well as measures introduced by other stakeholders. HB2080, the annual technical PSPRS "admin bill," tweaks return-to-work laws to comply with IRS guidelines, while HB2013 enacts administrative revisions for managing the PSPRS Cancer Insurance Policy Program.

Public safety and corrections retirees should pay attention to coming changes to the cancer insurance program (HB2689). Meanwhile, law enforcement employers and officers should be aware of the coming, but conditional, availability of part-time pensionable employment (SB1287). Retirees can expect future guidance on the potential for extended cancer insurance. Both bills, proposals from PSPRS stakeholder groups, were signed into law.

Stakeholders, especially employers and local boards, are encouraged to read each law and not rely on summaries.

HB2013 (Laws 2025, Chapter 47) Public safety cancer insurance

- Changes the administrative fees cap calculation to total claims paid averaged over a five-year period (from money deposited into the plan) while keeping the 10% administrative fee limit.
- Changes the plan year ending date to match the fiscal year end date.
- Excludes the cost of processing claims from the administrative fees expense to align with guidelines for self-insured insurance plans.

HB2015 (Laws 2025, Chapter TBD) EORP; CORP; funded ratio

- Aligns definitions with PSPRS plans for stabilization reserves and targeted funding objectives.

HB2080 (Laws 2025, Chapter 192) Public retirement plans; administration

- Prevents retirees from immediately returning to work in covered positions through employer contracts or leasing agreements, which are not recognized as bonafide service separations by the IRS.
- Specifies that return-to-work laws do not apply when public safety retirees seek employment with a different employer (Note: This already applies to CORP retirees).
- Eliminates "same position" language in return-to-work statutes referencing the previous employers; allowing retirees to return to previous employers after six months of retirement to same position without having pension suspended; still prevents pre-arranged return-to-work agreements.
- Clarifies that unintentional pension overpayments made during a retiree's rehiring with a previous employer within the first six months of retirement are subject to repayment up to the amount received between the retired member's reemployment date and the six-month period expiration.
- Clarifies that active, inactive, retired, and those drawing disability benefits through the Elected Officials Retirement Plan may not receive disability benefits through the Elected Officials Defined Contribution Retirement System, as the IRS does not allow retirees to receive two pensions from the same plan.

SB1287 (Laws 2025, Chapter 183) PSPRS; part-time employment

- Effective July 1, 2026, allows municipal police, state highway patrol officers, county sheriffs and deputies to voluntarily work part-time with pensionable compensation under certain conditions.
- Employers must elect to allow employment of law enforcement officers on a part-time basis.
- Members must have at least three years of credited service in PSPRS, or the Public Safety Personnel Defined Contribution Retirement Plan before being hired in a part-time capacity.
- Members must enter into a written agreement with the employer prior to July 1, 2031, specifying qualifying event, including birth or adoption of child, care for serious health condition of immediate family member to begin part-time employment for up to three years.
- Part-time members must work between 20 and 30 hours a week on a consistent schedule.
- Part-time members cannot engage in off-duty law enforcement work with other employers.
- Part-time members must contribute towards PSPRS benefits.
- Requires part-time compensated employment to count as credited service on a pro rata basis.
- Part-time employment cannot exceed a total of six years.

- Adds school resource officers to the list of positions exempt from the minimum six months of retirement before returning to work; allows law enforcement officers to return to work as school resource officers after retirement from normal duty.

HB2689 (Laws 2025, Chapter 208) Cancer Insurance; retirees; public safety

- Effective January 1, 2026, extends PSPRS Cancer Insurance Policy Program coverage to eligible plan retirees who elect to pay premiums; applies to retirees who did not receive CIPP benefits and exhausted free coverage period.
- Allows eligible retirees (no previous cancer insurance diagnosis, exhausted free coverage period) until January 1, 2027, to elect to pay premiums and receive coverage.
- Retirees who elect to continue coverage may cancel and request a refund within 180 days but are prohibited from future cancer insurance coverage.
- Retirees who elect to continue coverage pay premiums through a pension deduction.
- Requires PSPRS Board of Trustees to set premiums based on actuarial rate for this expanded group of retirees and does not allow for the amounts of the underlying CIPP to be used to determine premiums.
- Requires the administrator to work with the Advisory Committee on recommendations to the board of trustees on language to update the CIPP governing documents and policies.

EXTENDED CANCER INSURANCE FOR RETIREES: WHAT'S NEXT

PSPRS will work with its Advisory Committee to prepare for the January 1, 2026, rollout of extended cancer insurance coverage for retirees, as authorized under legislation negotiated by member and employer groups.

Implementation will include defining eligible and ineligible groups of PSPRS and CORP plan retirees, outlining allowable claims, establishing actuarially determined premium rates, and providing guidance to the PSPRS Board of Trustees on updating the Cancer Insurance Policy Program plan document.

The PSPRS Advisory Committee, established through pension reforms passed in 2016, includes appointed members and retirees of all three PSPRS-managed plans, and representatives of state, county, city and town governments, fire districts and the legislature.

"The Advisory Committee, board of trustees, and staff will work this year to carry out the law and make cancer insurance available retirees who may be eligible for coverage," said Administrator Townsend. "Among the tasks ahead, we have to work on processes for offering extended cancer insurance to eligible retirees who exhaust their coverage period in the years to come."

EMPLOYERS: CANCER INSURANCE PREMIUMS DUE AUGUST 31

Cancer Insurance Policy Program premiums will be billed to all PSPRS and CORP employers in July. Payments are due no later than August 31, and penalties may apply for late payments.

Public safety members are taxed on this employer-paid benefit while corrections members pay their own premiums and are not taxed.

The process of making PSPRS cancer diagnosis claim payments tax free to public safety members required a phased-in reduction of taxes on claim payments. This process is governed by the IRS. PSPRS advises public safety members that cancer diagnosis claim payments are tax-free in 2025 and thereafter. Members have up to two years to submit cancer insurance claims to PSPRS.

More information is available on the Cancer Insurance Policy Program page on the PSPRS website, or by emailing cancerinsurance@psprs.com.

POLICY ADVISOR ALAN MAGUIRE RESIGNS FROM BOARD

The PSPRS Board of Trustees and staff bid farewell to Trustee Alan Maguire, who resigned in May after serving four years of his five-year term. Nominated by the County Supervisors Association and appointed by Governor Doug Ducey in 2021, Maguire brought decades of policy and financial expertise to the board.

“We were fortunate to have a trustee like Alan Maguire for the last four years,” said Board Chairman Scott McCarty. “He brought a wealth of pension and policy experience and a deep understanding of actuarial forecasting that helped make PSPRS more sustainable for members and retirees.”

Maguire previously served on the PSPRS Board from 2010 to 2012 and was a past chairman and director of the Arizona State Retirement System. Recognized as one of Arizona’s leading economists and public investment professionals, he has long advised state and local governments, community colleges, and development authorities on economic and fiscal policy.

His contributions also extended to Arizona’s civic and business communities, where he held leadership roles with the Arizona Economic Forum, Greater Phoenix Chamber of Commerce, Arizona Town Hall and numerous advisory panels.

“For the last 40 years, Alan Maguire has been a go-to source for public policy insight and someone always willing to help others,” said Administrator Townsend. “His contributions to the state, taxpayers and retirement system members in three of the defined benefit systems in the state, in multiple roles, are largely unknown as he worked tirelessly with little recognition to improve and protect the future for all of us.”

EMPLOYER REMINDER: SEND FY26 PENSION FUNDING POLICIES

This is a notice for public safety and corrections employers to submit their funding policies to assist PSPRS in complying 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 2026 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.