

Public Safety Personnel Retirement System

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 APPROVED
SPECIAL LINE ITEMS			
EORP Fund Deposit (Laws 2022, Ch. 323)	60,000,000	0	0
EORP Fund Deposit (Statutory Appropriation)	5,000,000	5,000,000	5,000,000 ^{1/}
Prescott Fire Employer Group Deposit	1,000,000	1,000,000	1,000,000 ^{2/}
AGENCY TOTAL	66,000,000	6,000,000	6,000,000
FUND SOURCES			
General Fund	66,000,000	6,000,000	6,000,000
SUBTOTAL - Appropriated Funds	66,000,000	6,000,000	6,000,000
Other Non-Appropriated Funds	18,454,800	23,595,700	23,595,700
TOTAL - ALL SOURCES	84,454,800	29,595,700	29,595,700

AGENCY DESCRIPTION — The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials Retirement Plan (EORP), which provide the same benefits to specified populations at the state and local level. PSPRS is not subject to appropriation. The EORP was closed to new enrollees as of January 1, 2014, at which time newly-elected officials are to be enrolled in the Elected Officials Defined Contribution Retirement System (EODC System).

FOOTNOTES

- ^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
- ^{2/} The FY 2020 General Appropriation Act appropriated \$1,000,000 from the state General Fund in each of FY 2020, FY 2021, FY 2022, FY 2023, FY 2024, FY 2025 and FY 2026 to the Public Safety Personnel Retirement System to be deposited in the employer account of the Prescott Fire Department Group to offset increased pension liability.

EORP Fund Deposit (Laws 2022, Chapter 323)

The budget includes no funding from the General Fund in FY 2025 for deposit into the EORP Fund (under Laws 2022, Chapter 323).

Chapter 323 made a temporary exception to standard EORP provisions to allow a member to receive a normal retirement pension if they have either: 1) 55 years of age with 10 years of credited service; or 2) 59.5 years of age with 5 years of credited service. To qualify for this benefit, the member was required to make an irrevocable notice of resignation by July 29, 2022, with a date of resignation and retirement not later than September 30, 2022. PSPRS has reported that 4 EORP members utilized the early retirement provisions of Chapter 323.

Because of the limited use of the early retirement provision, the \$60,000,000 appropriation will effectively serve as an additional deposit to the EORP Fund, reducing the EORP unfunded liability. The additional funding from Chapter 323 is reflected in the June 30, 2023 EORP actuarial valuation, which impacts the FY 2025 EORP contribution rate.

The official June 30, 2023 EORP valuation indicated a funded status of 39.0%, which represents an increase from the 32.6% funded status in the prior June 30, 2022 valuation. PSPRS actuaries noted this funded status increase was largely due to the Chapter 323 deposit.

EORP Fund Deposit (Statutory Appropriation)

The budget includes \$5,000,000 from the General Fund in FY 2025 as part of the closure of the Elected Officials' Retirement Plan (EORP). This amount is unchanged from FY 2024. *(Please see the FY 2017 Appropriations Report and the Consolidated Retirement Report section in the FY 2020 Appropriations Report for more information.)*

The annual \$5,000,000 General Fund appropriation is authorized in permanent law through FY 2043 (A.R.S. § 38-810). As a result, monies in the line item were not included in the General Appropriation Act.

Prescott Fire Employer Group Deposit

The budget includes \$1,000,000 from the General Fund in FY 2025 for deposit into the employer account of the Prescott Fire Department group. This amount is unchanged from FY 2024.

The FY 2020 budget appropriated \$1,000,000 from the General Fund for deposit into the employer account of the Prescott Fire Department each year from FY 2020 through FY 2026 to offset increased pension liabilities associated with the Yarnell Hill Fire. Because these funds were already appropriated in the FY 2020 budget, monies in the line item were not included in the General Appropriation Act.

In June 2013, 19 firefighters employed by the Prescott Fire Department died in the line of duty while fighting the Yarnell Hill Fire. The survivors of 10 firefighters ultimately qualified for PSPRS benefits. Their survivors qualify for ongoing payments equal to 100% of the employees' average monthly wages, including overtime. The increased liability resulting from these benefit payments is funded from the PSPRS employer account of the Prescott Fire Department through an increase in employer contribution rates. The funding in the FY 2015, FY 2019, and FY 2020 budgets were intended to offset these increased pension liabilities.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, PSPRS's General Fund costs would decrease by \$(1,000,000) in FY 2027 below FY 2026 following the end of the multi-year appropriation for the Prescott Fire Employer Group Deposit.

See the Consolidated Retirement Report section for more information on PSPRS membership and actuarial data.