

Public Safety Personnel Retirement System (System)

System and Legislature have taken various steps to improve pension plans' sustainability and ability of public safety and corrections officers' pension plans to meet retirement obligations for plan members, but despite these efforts, the elected officials' pension plan's status declined further, and System's former Administrator entered into business relationships with 2 former Board members and all 3 participated in decisions that could have been influenced by these relationships

Audit purpose

To provide information on the System's pension plans' funded status and factors affecting the funded status; efforts to improve the plans' long-term sustainability; how the funded status and investment returns compare to other plans; compliance with conflict-of-interest and open meeting laws; and to provide responses to the statutory sunset factors.

Key findings

- The System's statutory purpose is to provide a uniform, consistent, and equitable State-wide retirement program for public safety personnel and consists of 3 primary pension plans: the Public Safety Personnel Retirement Plan (PSPRS), Corrections Officer Retirement Plan (CORP), and Elected Officials' Retirement Plan (EORP).
- Our 2015 performance audit and sunset review reported steady declines in the System's 3 plans' funded statuses, which is a measure of a plan's assets compared to its liabilities. Since that time, the Legislature, voters, and System have taken several steps to improve the 3 plans' long-term sustainability, such as replacing permanent benefit increases with cost-of-living adjustments; revising eligibility, benefit, and payroll contribution requirements; and establishing an employer risk pool to help ensure that smaller PSPRS employers can pay for their members' pension benefits.
- Since 2015:
 - PSPRS' and CORP's funded statuses have improved as of June 2022, primarily due to legislative appropriations of approximately \$2.2 billion, employers' additional contributions, and the System's investment income.
 - EORP's funded status has continued to decline due to various factors, including a 2016 Arizona Supreme Court ruling requiring some statutorily increased member contribution payments to be returned to affected members.
- A former System Administrator entered business relationships with 2 former Board members and all 3 failed to disclose and refrain from participating in System decisions that could have been influenced by these relationships, such as a salary increase for the former Administrator.

Key recommendation

Develop and/or revise and implement conflict-of-interest policies and procedures to ensure it complies with State requirements and follows recommended practices.