



SB 1082: Prefunding ASRS Contributions

Prefunding Pensions is Prudent

- Unlike PSPRS, ASRS currently does not have the ability to accept additional payments from cities, school districts, or other participating employers to pay down unfunded liabilities faster in a way that provides a fiscal benefit to them, without cross-subsidizing every other employer in the system due to the cost-sharing nature of the plan's design.
- The proposed ASRS Contribution Prefunding Program would create a mechanism for employers to improve their fiscal position by paying down unfunded liabilities faster, while doing so in a way that does not negatively impact any other employer's funded status.

Supplemental Contributions Will Increase ASRS Funded Status

- Supplemental contributions from employers will be accounted for in the assets of the ASRS trust.
- Employers who choose to participate in the Contribution Prefunding Program may, as a byproduct, also help lower contributions for the rest of ASRS employers.

Supplemental Contributions Will Reduce Future Required Employer Appropriations

- An employer's prefunded contributions are expected to generate investment income from those assets.
- The returns and interest on those assets will reduce or offset future actuarially determined employer contributions.
- Each employer has the flexibility of how and when to use the assets in the Prefunding Program, and those assets are protected from future use for non-pension purposes.

The Prefunding Program Offers Investment Options

- Employers have differing options of how their prefunded contributions are invested.
- One option gives employers a less-risky investment path, giving them a guaranteed rate of return on their contributions.
- Any investment gains above that guaranteed rate are mixed into the assets of ASRS.

Takeaway: The expansion of contribution prefunding programs in Arizona will help ease the burden of rising pension costs on taxpayers.

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