NOTICE AND AGENDA

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM	**HYBRID MEETING**
FRIDAY	**MICROSOFT TEAMS MEETING**
JANUARY 23, 2026	**2:30 pm**

To pose a question regarding new business, prior to the meeting, email Jessica at jessica.vigorito@flagstaffaz.gov.

1. Call to Order

2. Roll Call

Mayor Becky Daggett
Patrick Staskey
Todd George
Dave Van Boxtaele
Bob Oberly

3. Routine Items

a. Beneficiary Form

Review the information related to beneficiaries for Active Members and Retirees. The local secretary confirmed that the Member Information Form was sent out to all members and shared with the Local president for retirees.

During the last PSPRS Local Board meeting, there was discussion around beneficiaries. Attached is a summary clarifying the questions that came from that discussion.

b. PSPRS Actuarial Valuation

Review the Flagstaff Fire Department Actuarial Valuation as of June 30, 2025. The Actuarial Valuation reports contributions applicable to the plan/fiscal year ending June 30, 2025.

c. Resignations

- Silas SPencer resigned on 12/10/2025.
- Aaron Corbiere resigned on 1/5/2026.

4. Action Items

a. Review and Approve Meeting Minutes

Review and approve meeting minutes from the December 8, 2025 meeting.

b. Independent Medical Examination/Evidence and PSPRS Attorney

Discuss and provide direction to the Local Board Secretary on the Independent Medical Examination and Local Board Attorney process.

5. New Business

6. Adjournment

CERTIFICATE OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted on the City of Flagstaff Website and at Flagstaff City Hall on ___________, at _______ a.m./p.m. in accordance with the statement filed with the City Clerk.

Dated this _______ day of ____________________, 2025.

____
Jessica Vigorito, Fire Administration Manager

For special accommodations, please notify Flagstaff Fire Department Administration (928) 213-2500 at least three business days prior to the scheduled meeting time.

Meeting Date: 01/23/2026

TITLE:
Beneficiary Form

STAFF RECOMMENDED ACTION

Review the information related to beneficiaries for Active Members and Retirees. The local secretary confirmed that the Member Information Form was sent out to all members and shared with the Local president for retirees.

Executive Summary:

During the last PSPRS Local Board meeting, there was discussion around beneficiaries. Attached is a summary clarifying the questions that came from that discussion.

Attachments

Beneficiary Information

Survivors have different statutory requirements than beneficiaries. Survivors and eligible child(ren) will be paid automatically before designated beneficiaries.

Retired members - - survivors require the spouse to be married for two consecutive years.

38-846. Death benefits
A. The surviving spouse of a deceased retired member shall be paid a surviving spouse's pension if the spouse was married to the member for a period of at least two consecutive years at the time of the member's death. Payment of a surviving spouse's pension shall commence as of the last day of the month following the retired member's date of death. The last payment shall be made as of the last day of the month in which the surviving spouse's death occurs.

After a member retires this is the requirement for the surviving spouse to be eligible for the benefit.

Active members - - survivors require marriage at the time of the member's death.

38-846. Death benefits
B. The surviving spouse of a deceased member shall be paid a surviving spouse's pension if the spouse was married to the member on the date of the member's death. Payment of a surviving spouse's pension commences as of the last day of the month following the member's date of death. The last payment shall be made as of the last day of the month in which the surviving spouse's death occurs.

We require a copy of the certified marriage certificate/license.

Eligible children are defined as unmarried under age 18 years or over 18 years and in school full-time. There is also more to the statute paragraph that includes benefits for disabled children.

38-842. Definitions
23. "Eligible child" means an unmarried child of a deceased member or retired member who meets one of the following qualifications:
(a) Is under eighteen years of age.
(b) Is at least eighteen years of age and under twenty-three years of age only during any period that the child is a full-time student.
(c) Is under a disability that began before the child attained twenty-three years of age and

remains a dependent of the surviving spouse or guardian.

38-846. Death benefits
F. If at least one eligible child is surviving at the death of a member or retired member, but no surviving spouse's pension then becomes payable, a guardian's or conservator's pension shall be payable to the person who is serving, or who is deemed by the local board to be serving, as the legally appointed guardian or custodian of the eligible child….

Beneficiaries come into the process only if there are no surviving eligible spouse or eligible child(ren) to pay a benefit to.

This is where we track contributions the member paid into the plan against benefits paid to the retiree or surviving eligible spouse or eligible child(ren). Any remaining contributions would be paid to the designated beneficiaries.

Beneficiaries will come into play if the member is not married and does not have any children - - then the beneficiary or beneficiaries are paid the contributions on record that the member paid into the plan.

38-846. Death benefits
I. If a member has accumulated contributions remaining in the system at the date of death of the last beneficiary, a lump sum refund of such accumulated contributions shall be payable to the person whom the member has designated to the local board as the member's refund beneficiary, or if the member's refund beneficiary is not then surviving, to the designated contingent refund beneficiary, or if the designated contingent refund beneficiary is not then surviving or if the surviving designated beneficiary does not apply for the benefit within twelve months from the date of the member’s death, at the election of the local board to the person’s nearest of kin as determined by the local board or to the estate of the deceased member. The amount of the lump sum refund shall be the remaining accumulated contributions. The beneficiary or person who is claiming to be the nearest of kin shall file a written application in order to receive the refund.

Also, there is this information in Section 2 on the Form 8 – Beneficiary Designation Form

Here is the information from the Beneficiary Form - -

SECTION 2 – IMPORTANT BENEFICIARY INFORMATION
· Pursuant to statute, an AUTOMATIC survivor benefit pays your:

o Eligible Spouse. Proof of recorded marriage license/certificate will be required. Failure to provide acceptable documentation may affect the surviving spouse benefits. If you are currently receiving a monthly benefit, statute requires two consecutive years of marriage.
o Eligible Child(ren) that is(are) unmarried, under the age of 18, and/or attending full-time school between the ages of 18 to 23, plus disabled child(ren) if disability occurred before the age of 23 and who is(are) a dependent of the member.
· If no eligible spouse or eligible child(ren), the balance of any applicable contributions, if any, will be paid to the named beneficiary(ies) indicated below.
· To update your beneficiary for your Deferred Retirement Option Plan (DROP) payment, complete a DROP Beneficiary Designation Form (P8DROP).
· Note: Divorce automatically terminates your ex-spouse for a surviving spouse pension; however, to maintain your ex-spouse as a beneficiary of any remaining contributions on account, you must complete a new Beneficiary Designation Form after the date of divorce.

PSPRS - Fire 3. b.
Meeting Date: 01/23/2026

TITLE:
PSPRS Actuarial Valuation

STAFF RECOMMENDED ACTION

Review the Flagstaff Fire Department Actuarial Valuation as of June 30, 2025. The Actuarial Valuation reports contributions applicable to the plan/fiscal year ending June 30, 2025.

Executive Summary:

Attachments

FY25 Actuarial Valuation
Reading Actuarials

Arizona Public Safety Personnel Retirement System

FLAGSTAFF FIRE DEPT. (010)

Actuarial Valuation

As of June 30, 2025
Contributions Applicable to the Plan/
Fiscal Year Ending June 30, 2027

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

November 2025

Board of Trustees
Arizona Public Safety Personnel Retirement System

Re: Actuarial Valuation as of June 30, 2025 for Flagstaff Fire Dept. (010)

Dear Members of the Board,

This report details the annual actuarial valuation of the Arizona Public Safety Personnel Retirement System (PSPRS) as of June 30, 2025. The valuation was performed to measure the plan's liability and funding levels and to determine the actuarially appropriate funding requirements for the applicable plan year. This report was prepared for use by the Board and those designated or approved by the Board. Use of the results for other purposes may not be applicable and could produce significantly different results.

DATA AND ASSUMPTIONS

In preparing this report, we have relied on personnel, plan design, and asset information supplied by PSPRS. In our opinion, the assumptions used in the valuation, as adopted by the Board, represent reasonable expectations of anticipated fund experience. Other sets of assumptions and methods could also be reasonable and could produce materially different results. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

DISCLOSURES AND LIMITATIONS

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

The computed contribution rates shown in the "Contribution Results" section should be considered minimum contribution rates that comply with the Board's funding policy and Arizona Statutes. Users of this report should be aware that contributions made at that rate do not guarantee benefit security. Given the importance of benefit security to any retirement system, we suggest that contributions to the System in excess of those presented in this report be considered.

The funding percentages and unfunded accrued liability as measured based on the actuarial value of assets will differ from similar measures based on the market value of assets. These measures, as provided, are appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of its liabilities.

This valuation assumes the continuing ability of the participating employers to make the contributions necessary to fund this plan. A determination regarding whether or not the participating employers are actually able to do so is outside our scope of expertise. Consequently, we did not perform such an analysis.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

ACTUARIAL CERTIFICATION

The valuation has been conducted in accordance with all applicable laws and regulations, as well as generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board; specifically No. 6 for Measuring Retiree Group Benefit Obligations/No. 4 for Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, No. 23 for Data Quality, No. 27 for Selection of Economic Assumptions for Measuring Pension Obligations, No. 35 for Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, No. 44, Selection and Use of Asset Valuation Methods for Pension Valuations, and No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations.

In our opinion, the Minimum Required Contribution set forth in this report constitutes a reasonable actuarially determined contribution under Actuarial Standard of Practice No. 4.

The undersigned are familiar with the immediate and long-term aspects of pension/OPEB valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on this report has any direct financial interest or indirect material interest in the Arizona Public Safety Personnel Retirement System, nor does anyone at Foster & Foster, Inc. act as a member of the PSPRS Board of Trustees. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

Respectfully submitted,
Foster & Foster, Inc.

Bradley R. Heinrichs, FSA, EA, MAAA

Paul M. Baugher, FSA, EA, MAAA

TABLE OF CONTENTS

SUMMARY

The regular annual actuarial valuation of the Arizona Public Safety Personnel Retirement System for the Flagstaff Fire Dept., performed as of June 30, 2025, has been completed and the results are presented in this Report. The purpose of this valuation is to:

- Compute the employers' recommended contribution rates for the fiscal year ending June 30, 2027. This information is contained in the section entitled "Contribution Results".
- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members and compare accumulated assets with the liabilities to assess the funded condition. This information is contained in the section entitled "Liability Support."

Valuation Date Applicable to Fiscal Year Ending	June 30, 2025 2027	June 30, 2024 2026
EMPLOYER CONTRIBUTION REQUIREMENTS (AS A PERCENTAGE OF PAYROLL)		
Tiers 1 & 2 Members		
Pension	12.46%	12.35%
Health	0.00%	0.00%
Total	12.46%	12.35%
Tier 3 Members [1]		
Pension	8.58%	8.41%
Health	0.11%	0.11%
Total	8.69%	8.52%
FUNDED STATUS		
Tiers 1 & 2 Members		
Pension	100.2%	100.4%
Health	261.1%	241.4%
Total	102.1%	102.1%
Tier 3 Members		
Pension	102.4%	107.9%
Health	198.3%	216.2%
Total	103.6%	109.5%

[1] The Tier 3 rates shown are the calculated rates as of the valuation date and do not reflect any Legacy costs that the employer must also contribute.

CHANGES FROM PRIOR YEAR

Changes in the results from the prior year's valuation can be illustrated in the following tables along with high-level explanations for the entire System below:

CONTRIBUTION RATE

	Tiers 1 & 2		Tier 3 Members	
	Pension	Health	Pension	Health
Contribution Rate Last Valuation	12.35%	0.00%	8.41%	0.11%
Asset Experience	(0.83%)	(0.04%)	(0.17%)	0.00%
Payroll Base	0.00%	0.02%	0.00%	0.00%
Liability Experience	1.60%	0.00%	(0.32%)	0.00%
Additional Contribution	(0.83%)	0.00%	0.00%	0.00%
Assumption/Method Change	0.00%	0.00%	0.00%	0.00%
Compensation Limit Update	0.00%	0.00%	0.67%	0.00%
Other	0.17%	0.02%	(0.01%)	0.00%
Contribution Rate This Valuation	12.46%	0.00%	8.58%	0.11%

FUNDED STATUS

	Tiers 1 & 2		Tier 3 Members	
	Pension	Health	Pension	Health
Funded Status Last Valuation	100.4%	241.4%	107.9%	216.2%
Asset Experience	0.7%	2.0%	1.9%	4.1%
Liability Experience	(1.3%)	13.9%	3.6%	0.7%
Additional Contribution	0.5%	0.0%	0.0%	0.0%
Assumption/Method Change	0.0%	0.0%	0.0%	0.0%
Compensation Limit Update	0.0%	0.0%	0.0%	0.0%
Other	(0.1%)	3.8%	(11.0%)	(22.7%)
Funded Status This Valuation	100.2%	261.1%	102.4%	198.3%

Asset Experience – Asset gains and losses (relative to the assumed earnings rate) are smoothed over seven years for Tiers 1 and 2 and over five years for Tier 3. The return on the market value of assets for the year ending June 30, 2025 was 11.0% for Tiers 1 and 2 and 12.5% for Tier 3. On a smoothed, actuarial value of assets basis, the average return was 7.9% for Tiers 1 and 2 and 9.2% for Tier 3. The returns exceeded the 2024 assumed earnings rate for Tiers 1 and 2 of 7.2% and the 2024 assumed earnings rate for Tier 3 of 7.0%.

Payroll Base – Under the current amortization policy for Tiers 1 and 2, the contribution rate is developed as a level percentage of payroll. Payroll for this purpose includes members of this plan and the defined contribution plan's members that would have been in this plan. To the extent that actual payroll is lower/greater than last year's projected payroll, the contribution rate will increase/decrease as a result.

Liability Experience – Experience overall was unfavorable, with key sources of loss coming from inactive mortality, actual COLAs, and other data changes.

Additional Contribution – Monies contributed in excess of the required contribution rate in order to pay down the unfunded liability.

Assumption / Method Change – The Board continued the decrease in the payroll growth assumption from 1.50% to 0.75%.

Compensation Limit Update – The Tier 3 compensation limit was updated, as scheduled, with a sizable increase over expectation.

Other – This is the combination of all other factors that could impact liabilities year-over-year, with the primary sources being changes in benefits for continuing inactives. Tier 3 members were also impacted by the increase in the compensation limit.

CONTRIBUTION RESULTS

DEVELOPMENT OF EMPLOYER CONTRIBUTIONS – TIERS 1 & 2 MEMBERS

Valuation Date	June 30, 2025		June 30, 2024	
Applicable to Fiscal Year Ending	2027		2026	
	Rate	Dollar	Rate	Dollar
PENSION				
Normal Cost				
Total Normal Cost	20.11%	$ 1,437,611	20.00%	$ 1,408,866
Employee Cost	(7.65%)	(546,878)	(7.65%)	(538,891)
Employer (Net) Normal Cost	12.46%	890,733	12.35%	869,975
Amortization of Unfunded Liability	0.00%	0	0.00%	0
Total Employer Cost (Pension)	12.46%	890,733	12.35%	869,975
HEALTH				
Normal Cost	0.33%	23,591	0.34%	23,951
Amortization of Unfunded Liability	(0.33%)	(23,591)	(0.34%)	(23,951)
Total Employer Cost (Health)	0.00%	0	0.00%	0
Total Employer Cost (Pension + Health)	**12.46%**	**890,733**	**12.35%**	**869,975**
Alternate Contribution Rate (ACR) [1]	8.00%		8.00%	
Underlying Payroll (as of valuation date)		7,095,520		6,940,229

The results above are based on the current amortization schedule approved by the Board of Trustees for your individual plan (see "Actuarial Assumptions and Methods").

[1] The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to an 8% minimum) and is charged when retirees return to active status.

DEVELOPMENT OF EMPLOYER CONTRIBUTIONS – TIER 3 DEFINED BENEFIT (DB) MEMBERS

Valuation Date	June 30, 2025		June 30, 2024	
Applicable to Fiscal Year Ending	2027		2026	
	Rate	Dollar	Rate	Dollar
PENSION				
Total Normal Cost	17.15%	$ 530,920	16.82%	$ 447,949
Amortization of Unfunded Liability	0.00%	0	0.00%	0
Total Pension Cost	17.15%	530,920	16.82%	447,949
HEALTH				
Total Normal Cost	0.21%	6,501	0.22%	5,859
Amortization of Unfunded Liability	0.00%	0	0.00%	0
Total Health Cost	0.21%	6,501	0.22%	5,859
TOTAL				
Calculated Tier 3 Required EE/ER Individual Cost	8.69%	268,711	8.52%	226,905
Funding Policy Tier 3 Required EE/ER Individual Cost [1]	8.66%	268,091	8.69%	231,432
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities [2]	0.00%	0	0.00%	0
Funding Policy Tier 3 ER Defined Benefit Cost	**8.66%**	**268,091**	**8.69%**	**231,432**
Underlying Payroll (as of valuation date)		3,072,697		2,623,836

[1] The "Funding Policy" cost was adopted in 2023 and first reflected in the June 30, 2023 valuation. This cost is a 3-year rolling average of the actual calculated costs. The total cost is split equally between employer and employee, in compliance with state statutes. Note that pension and health monies are split differently for the two parties based on IRS requirements. More information on this breakout is included in the "Historical Summary of Rates".

[2] Pursuant to ARS § 38-843(B), the amortization of positive unfunded liabilities for Tiers 1 & 2 shall be applied to all Tier 3 payroll on a level percent basis. However, while it is statutorily required to present the rates in this manner, these are the minimums where alternate methods for paying down that unfunded liability is at the discretion of each employer. Further, to understand the effects of reform in relation to Tier 3, compare the total rate of Tier 3 before application of those legacy costs.

DEVELOPMENT OF CONTRIBUTIONS – TIER 3 DEFINED CONTRIBUTION (DC) MEMBERS

Valuation Date	June 30, 2025		June 30, 2024	
Applicable to Fiscal Year Ending	2027		2026	
	Rate	Dollar	Rate	Dollar
TIER 2 & 3 DB / NON-SOCIAL SECURITY				
Employee Cost	3.00%		3.00%	
Employer Cost [1]	3.00%		3.00%	
TIER 3 DC ONLY				
Employee Cost	9.00%	$ 24,795	9.00%	$ 21,291
Employee Health Subsidy Program Cost	0.18%	496	0.20%	473
Employee Disability Program Cost	1.60%	4,408	1.54%	3,643
Total Employee Cost	**10.78%**	**29,699**	**10.74%**	**25,407**
Employer Cost	9.00%	24,795	9.00%	21,291
Employer Health Subsidy Program Cost	0.18%	496	0.20%	473
Employer Disability Program Cost	1.60%	4,408	1.54%	3,643
Total Employer Cost (before Legacy)	**10.78%**	**29,699**	**10.74%**	**25,407**
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities [2]	0.00%	0	0.00%	0
Total Employer Cost (with Legacy)	**10.78%**	**29,699**	**10.74%**	**25,407**
Underlying Payroll (as of valuation date)		273,447		233,072

[1] Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date.

[2] Pursuant to ARS § 38-843(B), the amortization of positive unfunded liabilities for Tiers 1 & 2 shall be applied to all Tier 3 payroll on a level percent basis. However, while it is statutorily required to present the rates in this manner, these are the minimums where alternate methods for paying down that unfunded liability is at the discretion of each employer. Further, to understand the effects of reform in relation to Tier 3, compare the total rate of Tier 3 before application of those legacy costs.

CONTRIBUTION RATE SUMMARY

	Tier 1	Tier 2		Tier 3		
Membership Date On or After	7/1/1968	1/1/2012		7/1/2017		
Participates in Social Security	N/A	Yes	No	Yes	No	N/A
Available Retirement Plan [1]	DB Only	DB Only	Hybrid	DB Only	Hybrid	DC Only
EMPLOYEE CONTRIBUTION RATE						
PSPRS DB Rate	7.65%	7.65%	7.65%	8.66%	8.66%	
PSPRS DC Rate			3.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.18%
PSPDCRP Disability Program Rate						1.60%
Total EE Contribution Rate	7.65%	7.65%	10.65%	8.66%	11.66%	10.78%
EMPLOYER CONTRIBUTION RATE						
PSPRS DB Normal Cost	12.79%	12.79%	12.79%	8.66%	8.66%	
PSPRS DB Tier 1 & 2 Legacy Cost [2]	(0.33%)	(0.33%)	(0.33%)	0.00%	0.00%	0.00%
PSPRS DC Rate			3.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.18%
PSPDCRP Disability Program Rate						1.60%
Total ER Contribution Rate	12.46%	12.46%	15.46%	8.66%	11.66%	10.78%
Employer Alternate Contribution Rate [3]	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Exhibit summarizes employee and employer contributions based on Statute and the results of June 30, 2025 actuarial valuation. Pension and health components are combined, where applicable.

[1] Employers that pay into Social Security on behalf of their members do not participate in the Hybrid Plan.

[2] Per statute (ARS § 38-843(B)), any positive unfunded liability for Tiers 1 and 2 is to be applied to all Tier 3 (DB and DC) payrolls

[3] The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to an 8% minimum) and is charged when retirees return to active status.

IMPACT OF ADDITIONAL CONTRIBUTIONS

	Additional Contribution (000s)										
Impact On	$0	$1,000	$2,000	$3,000	$4,000	$5,000	$6,000	$7,000	$8,000	$9,000	$10,000
Funded Status - June 30, 2025	100.2%	101.1%	101.9%	102.7%	103.5%	104.3%	105.1%	105.9%	106.7%	107.5%	108.3%
FYE 2027 Contribution Rate	12.46%	11.47%	10.49%	9.50%	8.52%	7.53%	6.54%	5.56%	4.57%	3.59%	2.60%

Table shows the hypothetical change in the funded status and contribution rate from the June 30, 2025 actuarial valuation results for Tiers 1 & 2 if an additional contribution of the amount shown had been made to the Fund on June 30, 2025. This illustration can help estimate the impact of contributing additional monies to the fund in the future.

HISTORICAL SUMMARY OF RATES

			Pension			Health		
	Valuation Date June 30	Fiscal Year Ending June 30	Normal Cost	Unfunded Amortization	Total	Normal Cost	Unfunded Amortization	Total
TIERS 1 & 2	2021	2023	12.78%	(4.43%)	8.35%	0.41%	(0.41%)	0.00%
(Employer)	2022	2024	12.86%	0.00%	12.86%	0.40%	(0.40%)	0.00%
	2023	2025	12.42%	0.00%	12.42%	0.37%	(0.37%)	0.00%
	2024	2026	12.35%	0.00%	12.35%	0.34%	(0.34%)	0.00%
	2025	2027	12.46%	0.00%	12.46%	0.33%	(0.33%)	0.00%
TIER 3 [1]	2021	2023	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
(Employer)	2022	2024	9.30%	0.00%	9.30%	0.26%	0.00%	0.26%
	2023	2025	8.77%	0.00%	8.77%	0.12%	0.00%	0.12%
	2024	2026	8.46%	0.00%	8.46%	0.23%	0.00%	0.23%
	2025	2027	8.43%	0.00%	8.43%	0.23%	0.00%	0.23%
TIER 3	2021	2023	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
(Employee)	2022	2024	9.30%	0.00%	9.30%	0.26%	0.00%	0.26%
	2023	2025	8.77%	0.00%	8.77%	0.12%	0.00%	0.12%
	2024	2026	8.69%	0.00%	8.69%	0.00%	0.00%	0.00%
	2025	2027	8.66%	0.00%	8.66%	0.00%	0.00%	0.00%

[1] All Tier 3 rates shown (employer and employee) are Board approved Funding Policy rates. Starting in 2023, these rates are a 3-year rolling average of calculated EE/ER rates. Does not reflect Legacy costs that the employer must also contribute.

LIABILITY SUPPORT

LIABILITIES AND FUNDED RATIOS BY BENEFIT - TIERS 1 & 2

	June 30, 2025	June 30, 2024
PENSION		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	$ 72,062,451	$ 71,329,732
DROP Members	12,545,640	11,153,643
Vested Members	810,453	641,170
Active Members	48,424,037	45,577,644
Total Actuarial Present Value of Benefits	133,842,581	128,702,189
Actuarial Accrued Liability (AAL)		
All Inactive Members	85,418,544	83,124,545
Active Members	38,594,554	35,582,629
Total Actuarial Accrued Liability	124,013,098	118,707,174
Actuarial Value of Assets (AVA)	124,317,333	119,139,390
Unfunded Actuarial Accrued Liability	(304,235)	(432,216)
PVB Funded Ratio (AVA / PVB)	92.9%	92.6%
AAL Funded Ratio (AVA / AAL)	100.2%	100.4%
HEALTH		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	$ 662,457	$ 732,816
DROP Members	191,863	169,845
Active Members	731,849	728,826
Total Present Value of Benefits	1,586,169	1,631,487
Actuarial Accrued Liability (AAL)		
All Inactive Members	854,320	902,661
Active Members	587,050	570,889
Total Actuarial Accrued Liability	1,441,370	1,473,550
Actuarial Value of Assets (AVA)	3,762,963	3,557,726
Unfunded Actuarial Accrued Liability	(2,321,593)	(2,084,176)
PVB Funded Ratio (AVA / PVB)	237.2%	218.1%
AAL Funded Ratio (AVA / AAL)	261.1%	241.4%

Pension liabilities were increased by $1,033,122 and health liabilities were increased by $13,990 under the lateral transfer methodology.

LIABILITIES AND FUNDED RATIOS BY BENEFIT - TIER 3

	June 30, 2025	June 30, 2024
PENSION		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	$ 7,291,337	$ 7,268,826
Vested Members	14,157,384	9,523,410
Active Members	986,667,595	710,626,649
Total Actuarial Present Value of Benefits	1,008,116,316	727,418,885
Actuarial Accrued Liability (AAL)		
All Inactive Members	21,448,721	16,792,236
Active Members	225,991,622	148,879,454
Total Actuarial Accrued Liability	247,440,343	165,671,690
Actuarial Value of Assets (AVA)	253,309,023	178,758,433
Unfunded Actuarial Accrued Liability	(5,868,680)	(13,086,743)
PVB Funded Ratio (AVA / PVB)	25.1%	24.6%
AAL Funded Ratio (AVA / AAL)	102.4%	107.9%
HEALTH		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	$ 33,666	$ 34,351
Active Members	12,076,315	9,825,773
Total Present Value of Benefits	12,109,981	9,860,124
Actuarial Accrued Liability (AAL)		
All Inactive Members	33,666	34,351
Active Members	3,279,150	2,398,606
Total Actuarial Accrued Liability	3,312,816	2,432,957
Actuarial Value of Assets (AVA)	6,568,894	5,259,235
Unfunded Actuarial Accrued Liability	(3,256,078)	(2,826,278)
PVB Funded Ratio (AVA / PVB)	54.2%	53.3%
AAL Funded Ratio (AVA / AAL)	198.3%	216.2%

The liabilities shown on this page are the liabilities for all Tier 3 members grouped together in the Risk Sharing group. These liabilities are NOT the liabilities solely for Flagstaff Fire Dept. Tier 3 members.

DERIVATION OF EXPERIENCE (GAIN)/LOSS

		Tiers 1 & 2		Tier 3	
		Pension	Health	Pension	Health
(1)	Unfunded Actuarial Accrued Liability as of June 30, 2024	(432,216)	(2,084,176)	(13,086,743)	(2,826,278)
(2)	Normal Cost Developed in Last Valuation	869,975	23,951	25,222,643	329,904
(3)	Actual Contributions	1,680,834	0	28,231,800	783,130
(4)	Expected Interest On (1), (2), and (3)	(27,940)	(148,336)	(124,896)	(207,442)
(5)	Expected Unfunded Actuarial Accrued Liability as of June 30, 2025: (1)+(2)-(3)+(4)	(1,271,015)	(2,208,561)	(16,220,796)	(3,486,946)
(6)	Changes to UAAL Due to Assumptions, Methods and Benefits	0	0	0	0
(7)	Change to UAAL Due to Actuarial (Gain)/Loss	966,780	(113,032)	10,352,116	230,868
(8)	Unfunded Actuarial Accrued Liability as of June 30, 2025	(304,235)	(2,321,593)	(5,868,680)	(3,256,078)

AMORTIZATION OF UNFUNDED LIABILITIES - TIERS 1 & 2

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate
PENSION	6/30/2019	0	11	0.00%
	6/30/2021	(3,056,394)	16	(2.93%)
	6/30/2022	(3,208,648)	12	(3.65%)
	6/30/2023	3,524,630	13	3.81%
	6/30/2024	2,318,407	14	2.40%
	6/30/2025	117,770	15	0.12%
	Total	(304,235)		(0.25%)
HEALTH	6/30/2019	0	10	0.00%
	6/30/2021	0	10	0.00%
	6/30/2022	0	10	0.00%
	6/30/2023	0	10	0.00%
	6/30/2024	0	10	0.00%
	6/30/2025	(2,176,794)	10	(2.79%)
	Total	(2,176,794)		(2.79%)

AMORTIZATION OF UNFUNDED LIABILITIES - TIER 3

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate [1]
PENSION	6/30/2018	73,371	3	0.01%
	6/30/2019	(738,175)	4	(0.06%)
	6/30/2020	538,283	5	0.03%
	6/30/2021	(1,923,660)	6	(0.10%)
	6/30/2022	(3,334,717)	7	(0.16%)
	6/30/2023	(1,260,287)	8	(0.05%)
	6/30/2024	(5,258,441)	9	(0.21%)
	6/30/2025	6,034,946	10	0.22%
	Total	(5,868,680)		0.00%
HEALTH	6/30/2018	(1,556)	3	0.00%
	6/30/2019	(67,490)	4	(0.01%)
	6/30/2020	(136,697)	5	(0.01%)
	6/30/2021	(277,936)	6	(0.01%)
	6/30/2022	(396,707)	7	(0.02%)
	6/30/2023	(639,631)	8	(0.03%)
	6/30/2024	(1,050,040)	9	(0.04%)
	6/30/2025	(686,021)	10	(0.02%)
	Total	(3,256,078)		0.00%

[1] By Statute, negative total amortization rates are not subtracted in Tier 3 rate calculations.

ASSET SUPPORT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR YEAR ENDED JUNE 30, 2025

	Tiers 1 & 2		Tier 3	
	Pension	Health	Pension	Health
ADDITIONS				
Contributions				
Member Contributions	$ 108,640,873	$ 0	$ 61,005,633	$ 0
Employer Contributions	1,069,823,308	0	59,252,766	0
Health Insurance Contributions	0	4,098,668	0	1,553,978
Total Contributions	1,178,464,181	4,098,668	120,258,399	1,553,978
Investment Income				
Net Increase in Fair Value	1,390,120,909	34,877,805	45,105,036	1,105,501
Interest and Dividends	259,062,270	6,499,811	8,405,753	206,021
Other Income	150,210,467	3,767,860	4,873,856	119,427
Less Investment Expenses	(35,364,426)	(728,394)	(1,147,464)	(23,087)
Net Investment Income	1,764,029,220	44,417,082	57,237,181	1,407,862
Non-investment Income	0	0	0	0
Transfers In	288,360	0	206,733	0
Total Additions	2,942,781,761	48,515,750	177,702,313	2,961,840
DEDUCTIONS				
Distributions to Members				
Benefit Payments	1,218,594,305	0	852,434	0
Health Insurance Subsidy	0	18,660,709	0	6,480
Refund of Contributions	12,178,168	0	2,803,612	0
Total Distributions	1,230,772,473	18,660,709	3,656,046	6,480
Administrative Expenses	7,838,369	201,658	254,475	6,392
Transfers Out	67,338	0	0	0
Other	0	0	0	0
Total Deductions	1,238,678,180	18,862,367	3,910,521	12,872
NET INCREASE / (DECREASE)	1,704,103,581	29,653,383	173,791,792	2,948,968
NET POSITION HELD IN TRUST				
Prior Valuation	15,933,751,686	411,840,936	398,698,171	11,044,818
Beginning of the Year Adjustment	0	0	0	0
End of the Year	17,637,855,267	441,494,319	572,489,963	13,993,786

Development of Pension Actuarial Value of Assets - Tiers 1 & 2

A. Investment Income	
A1. Actual Investment Income	$ 1,756,190,851
A2. Expected Amount for Immediate Recognition	1,145,387,569
A3. Amount Subject to Amortization	610,803,282

	Year Ended June 30						
B. Amortization Schedule	2025	2026	2027	2028	2029	2030	2031
2025 Experience (A3 / 7)	87,257,612	87,257,612	87,257,612	87,257,612	87,257,612	87,257,612	87,257,610
2024 Experience	62,439,795	62,439,795	62,439,795	62,439,795	62,439,795	62,439,792	
2023 Experience	10,197,720	10,197,720	10,197,720	10,197,720	10,197,717		
2022 Experience	(204,451,249)	(204,451,249)	(204,451,249)	(204,451,249)			
2021 Experience	238,978,744	238,978,744	238,978,745				
2020 Experience	(68,882,158)	(68,882,160)					
2019 Experience	(22,859,275)						
Total Amortization	102,681,189	125,540,462	194,422,623	(44,556,122)	159,895,124	149,697,404	87,257,610

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, June 30, 2024	15,769,616,678	
C2. Non-investment Net Cash Flow	(52,087,270)	
C3. Preliminary Actuarial Value of Assets, June 30, 2025: (A2 + B + C1 + C2)	16,965,598,166	
C4. Market Value of Assets, June 30, 2025	17,637,855,267	129,243,373
C5. Final Actuarial Value of Assets, June 30, 2025 (C3 Within 20% Corridor of C4)	16,965,598,166	124,317,333

D. Rates of Return	
D1. Market Value Rate of Return	11.0%
D2. Actuarial Value Rate of Return	7.9%

Development of Health Actuarial Value of Assets - Tiers 1 & 2

A. Investment Income	
A1. Actual Investment Income	$ 44,215,424
A2. Expected Amount for Immediate Recognition	29,137,425
A3. Amount Subject to Amortization	15,077,999

	Year Ended June 30						
B. Amortization Schedule	2025	2026	2027	2028	2029	2030	2031
2025 Experience (A3 / 7)	2,154,000	2,154,000	2,154,000	2,154,000	2,154,000	2,154,000	2,153,999
2024 Experience	1,556,610	1,556,610	1,556,610	1,556,610	1,556,610	1,556,608	
2023 Experience	193,035	193,035	193,035	193,035	193,036		
2022 Experience	(6,416,469)	(6,416,469)	(6,416,469)	(6,416,471)			
2021 Experience	9,257,478	9,257,478	9,257,481				
2020 Experience	(2,898,713)	(2,898,716)					
2019 Experience	(1,075,572)						
Total Amortization	2,770,369	3,845,938	6,744,657	(2,512,826)	3,903,646	3,710,608	2,153,999

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, June 30, 2024	406,302,544	
C2. Non-investment Net Cash Flow	(14,562,041)	
C3. Preliminary Actuarial Value of Assets, June 30, 2025: (A2 + B + C1 + C2)	423,648,297	
C4. Market Value of Assets, June 30, 2025	441,494,319	3,921,476
C5. Final Actuarial Value of Assets, June 30, 2025 (C3 Within 20% Corridor of C4)	423,648,297	3,762,963

D. Rates of Return	
D1. Market Value Rate of Return	10.9%
D2. Actuarial Value Rate of Return	8.0%

DEVELOPMENT OF PENSION ACTUARIAL VALUE OF ASSETS - TIERS 3

A. Investment Income	
A1. Actual Investment Income	$ 56,982,706
A2. Expected Amount for Immediate Recognition	31,928,044
A3. Amount Subject to Amortization	25,054,662

	Year Ended June 30				
B. Amortization Schedule	2025	2026	2027	2028	2029
2025 Experience (A3 / 5)	5,010,932	5,010,932	5,010,932	5,010,932	5,010,934
2024 Experience	3,027,823	3,027,823	3,027,823	3,027,823	
2023 Experience	885,521	885,521	885,520		
2022 Experience	(3,259,379)	(3,259,381)			
2021 Experience	3,551,938				
Total Amortization	9,216,835	5,664,895	8,924,275	8,038,755	5,010,934

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, June 30, 2024	386,897,139	
C2. Non-investment Net Cash Flow	116,809,086	
C3. Preliminary Actuarial Value of Assets, June 30, 2025: (A2 + B + C1 + C2)	544,851,104	
C4. Market Value of Assets, June 30, 2025	572,489,963	266,158,721
C5. Final Actuarial Value of Assets, June 30, 2025 (C3 Within 20% Corridor of C4)	544,851,104	253,309,023

D. Rates of Return	
D1. Market Value Rate of Return	12.5%
D2. Actuarial Value Rate of Return	9.2%

DEVELOPMENT OF HEALTH ACTUARIAL VALUE OF ASSETS - TIERS 3

A. Investment Income	
A1. Actual Investment Income	$ 1,401,470
A2. Expected Amount for Immediate Recognition	826,384
A3. Amount Subject to Amortization	575,086

	Year Ended June 30				
B. Amortization Schedule	2025	2026	2027	2028	2029
2025 Experience (A3 / 5)	115,017	115,017	115,017	115,017	115,018
2024 Experience	84,292	84,292	84,292	84,290	
2023 Experience	23,872	23,872	23,870		
2022 Experience	(101,792)	(101,790)			
2021 Experience	128,961				
Total Amortization	250,350	121,391	223,179	199,307	115,018

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, June 30, 2024	10,710,659	
C2. Non-investment Net Cash Flow	1,547,498	
C3. Preliminary Actuarial Value of Assets, June 30, 2025: (A2 + B + C1 + C2)	13,334,891	
C4. Market Value of Assets, June 30, 2025	13,993,786	6,893,472
C5. Final Actuarial Value of Assets, June 30, 2025 (C3 Within 20% Corridor of C4)	13,334,891	6,568,894

D. Rates of Return	
D1. Market Value Rate of Return	11.9%
D2. Actuarial Value Rate of Return	9.4%

MEMBER STATISTICS

STATISTICAL DATA – ACTIVE MEMBERS

	June 30, 2025		June 30, 2024	
	Tiers 1 & 2	Tier 3	Tiers 1 & 2	Tier 3
ACTIVES				
Number	48	32	50	31
Average Current Age	44.3	33.4	43.4	32.5
Average Age at Employment	26.6	29.7	26.5	29.5
Average Past Service	17.7	3.7	16.9	3.0
Average Annual Salary	$121,743	$81,022	$113,605	$72,961
ACTIVES (TRANSFERRED)				
Number	10	4	11	3
Average Current Age	37.9	31.3	38.1	30.8
Average Age at Employment	27.0	26.4	26.8	26.2
Average Past Service	10.9	4.9	11.3	4.7
Average Annual Salary	$94,863	$74,340	$86,973	$68,927
Total Number (Active)	58	36	61	34

STATISTICAL DATA – INACTIVE MEMBERS

	June 30, 2025		June 30, 2024	
	Tiers 1 & 2	Tier 3	Tiers 1 & 2	Tier 3
RETIREES				
Number	83	0	82	0
Average Current Age	69.3	N/A	68.5	N/A
Average Annual Benefit	\$60,138	N/A	\$59,036	N/A
DROP RETIREES				
Number	12	N/A	10	N/A
Average Current Age	54.3	N/A	54.9	N/A
Average Annual Benefit	\$57,742	N/A	\$63,477	N/A
BENEFICIARIES				
Number	12	0	12	0
Average Current Age	74.4	N/A	73.4	N/A
Average Annual Benefit	\$48,882	N/A	\$47,924	N/A
DISABILITY RETIREES				
Number	8	0	8	0
Average Current Age	78.2	N/A	77.2	N/A
Average Annual Benefit	\$53,595	N/A	\$52,544	N/A
INACTIVE / VESTED				
Number	8	7	8	5
Average Current Age	46.7	31.4	45.7	32.5
Average Accumulated Contributions	\$35,214	\$9,491	\$35,214	\$8,965
TOTAL NUMBER (INACTIVE)	123	7	120	5
FORMER MEMBERS (TRANSFERRED)	5	5	5	4

ACTIVE AGE, SERVICE AND PAY DISTRIBUTIONS – TIERS 1 & 2

	Past Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total Count	Total Pay	Average Pay
<20	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	0	0	0	0	0	0	0
30 - 34	0	4	3	0	0	0	0	7	688,935	98,419
35 - 39	0	4	4	1	0	0	0	9	884,883	98,320
40 - 44	0	2	3	15	1	0	0	21	2,540,070	120,956
45 - 49	0	1	0	5	5	1	0	12	1,580,778	131,732
50 - 54	0	0	0	4	4	0	0	8	918,217	114,777
55 - 59	0	0	0	0	0	0	1	1	179,423	179,423
60 - 64	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0
Total	0	11	10	25	10	1	1	58	6,792,306	117,109

ACTIVE AGE, SERVICE AND PAY DISTRIBUTIONS – TIER 3

	Past Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total Count	Total Pay	Average Pay
<20	0	0	0	0	0	0	0	0	0	0
20 - 24	5	0	0	0	0	0	0	5	370,509	74,102
25 - 29	7	2	0	0	0	0	0	9	715,951	79,550
30 - 34	2	6	0	0	0	0	0	8	662,325	82,791
35 - 39	7	3	0	0	0	0	0	10	790,770	79,077
40 - 44	2	0	0	0	0	0	0	2	151,369	75,685
45 - 49	1	1	0	0	0	0	0	2	199,145	99,573
50 - 54	0	0	0	0	0	0	0	0	0	0
55 - 59	0	0	0	0	0	0	0	0	0	0
60 - 64	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0
Total	24	12	0	0	0	0	0	36	2,890,069	80,280

AGE DISTRIBUTIONS – INACTIVE MEMBERS

	Retirees, Disableds and Beneficiaries	
Age	Count	Average Annual Pensions
<40	0	0
40-45	1	43,996
45-49	3	48,369
50-54	4	49,937
55-59	6	53,284
60-64	13	64,364
65-69	23	61,917
70-74	21	58,922
75-79	13	57,409
80-84	11	60,000
85-89	5	50,557
90-94	1	47,634
95-99	2	46,665
100+	0	0
Total	103	58,319

ACTUARIAL ASSUMPTIONS AND METHODS

Interest Rate	This is the assumed earnings rate on System assets, compounded annually, net of investment and administrative expenses. • **Tiers 1 & 2**: 7.20% per year. • **Tier 3**: 7.00% per year.
Mortality Rate	***Active Lives:*** PubS-2010 Employee mortality, adjusted by a factor of 1.03 for male members and 1.08 for female members, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021). 100% of active deaths are assumed to be in the line of duty. ***Inactive Lives:*** PubS-2010 Healthy Retiree mortality, adjusted by a factor of 1.03 for male retirees and 1.11 for female retirees, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021). ***Beneficiaries:*** PubS-2010 Survivor mortality, adjusted by a factor of 0.98 for male beneficiaries and adjusted by a factor of 1.06 for female beneficiaries, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021). ***Disabled Lives:*** PubS-2010 Disabled mortality, adjusted by a factor of 1.08 for male disabled members and 1.01 for female disabled members, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021). The mortality assumptions sufficiently accommodate anticipated future mortality improvements.
Retirement / DROP Rates	These rates are used to project future decrements from the active population due to retirement. The rates below are based on a 2022 experience study using actual plan experience. **Tier 1 – reaching age 62 before attaining 20 years of service:** Age-related rates based on age at retirement:

Police - 40% assumed at age 62 and 63, 35% assumed at age 64, 25% assumed at ages 65 and 66, 50% assumed at ages 67 – 69, and 100% assumed at age 70.

Fire - 25% assumed at age 62 and 63, 35% assumed at age 64, 25% assumed at ages 65 and 66, 50% assumed at ages 67 – 69, and 100% assumed at age 70.

Tier 1 – reaching age 62 after attaining 20 years of service:
Service-related rates based on service at retirement. See complete tables at the end of this section.

65% are assumed to enter the DROP program while the remaining 35% are assumed to retire and commence benefits immediately. DROP periods are assumed to be 5 years in length for future DROP elections.

Tiers 2 & 3:
Age-related rates based on age at retirement. 50% assumed at age 53, 30% assumed at ages 54 – 59, 60% assumed at ages 60 – 63, and 100% assumed at age 64.

Disability Rate	These rates are used to project future decrements from the active population due to disability. Complete table of rates based on age at disability are provided at the end of this section. These rates are based on a 2022 experience study using actual plan experience. 90% of disablements are assumed to be duty-related.
Termination Rate	These rates are used to project future decrements from the active population due to termination. Complete table of rates based on service at termination are provided at the end of this section. The rates apply to members prior to retirement eligibility and are based on a 2022 experience study using actual plan experience.
Inflation	2.50%.
Tier 3 Compensation Limit	$140,952 for calendar 2024. Assumed increases of 2.00% per year thereafter.
Cost-of-Living Adjustment	1.85%.

Salary Increases	See table at the end of this section. This is an annual increase for individual member's salary. These rates are based on a 2022 experience study using actual plan experience.
Marital Status	For active members, 85% of males and 60% of females are assumed to be married. Actual marital status is used, where applicable, for inactive members.
Spouse's Age	Males are assumed to be three years older than females.
Benefit Commencement	Deferred members are assumed to commence benefits as follows: • Tier 1: immediate refund of contributions • Tiers 2 & 3 (less than 15 years service): immediate refund of contributions • Tier 2 (15+ years service): life annuity payable at age 52.5 • Tier 3 (15+ years service): life annuity payable at age 55
Health Care Utilization	For active members, 70% of retirees are expected to utilize retiree health care. Actual utilization is used for inactive members.
Funding Method	Entry Age Normal Cost Method.
Lateral Transfers	When active members transfer between employers, the new employer's liability starts from their new date of hire with no past service liability (i.e., all liability is accrued through normal cost). Per PSPRS administrative decision, once the new employer's liability is fully funded, the liability will reflect all past service liability.
Actuarial Asset Method	Each year the assumed investment income is recognized in full while the difference between actual and assumed investment income are smoothed over a fixed period (7 years for Tiers 1 & 2; 5 years for Tier 3). Actuarial Assets shall not be less than 80% nor greater than 120% of the Market Value of Assets. Note that during periods when investment performance exceeds (falls short) of the assumed rate, the actuarial value of assets will tend to be less (greater) than the market value of assets.

Amortization Method	See Funding Policy for complete details. In short: **Tiers 1 & 2:** • Any positive UAAL (assets less than funding policy targets) is amortized using a layered approach according to a Level Dollar method over a closed period of 15 years (phased into from current period). • Any negative UAAL (assets greater than funding policy targets) is amortized according to a Level Dollar method over an open period of 10 years. **Tier 3:** • Any positive UAAL (assets less than liabilities) is amortized according to a Level Dollar method over a closed period of 10 years. • No amortization is made of any negative UAAL (assets greater than liabilities).
Payroll Growth	0.75% per year. This is the annual increase expected on total employer payroll.

CHANGES SINCE THE PRIOR VALUATION

The payroll growth assumption was lowered from 1.50% to 0.75%.

There were no method changes since the prior valuation.

SALARY INCREASE RATES

Age	Maricopa Police	Pima Police	Other Police	Maricopa Fire	Pima Fire	Other Fire
20	15.00%	12.00%	14.00%	15.00%	12.00%	13.00%
21	14.00%	6.00%	12.00%	14.00%	11.00%	12.00%
22	13.00%	6.00%	10.00%	13.00%	10.00%	11.00%
23	12.00%	6.00%	9.00%	12.00%	9.50%	10.00%
24	11.00%	6.00%	8.00%	11.00%	9.00%	9.00%
25	10.00%	6.00%	7.00%	10.00%	8.50%	8.00%
26	9.00%	5.50%	6.50%	9.50%	7.50%	7.50%
27	8.00%	5.50%	6.25%	9.00%	6.50%	7.50%
28	7.50%	5.50%	6.00%	8.50%	5.75%	7.00%
29	7.00%	5.50%	5.80%	8.00%	5.75%	6.50%
30	6.50%	5.25%	5.60%	8.00%	5.50%	6.50%
31	6.00%	5.25%	5.40%	7.50%	5.50%	6.00%
32	5.50%	5.00%	5.20%	7.00%	5.00%	5.50%
33	5.10%	5.00%	5.00%	6.50%	5.00%	5.50%
34	4.90%	5.00%	4.90%	6.50%	5.00%	5.50%
35	4.70%	4.50%	4.80%	6.00%	5.00%	5.50%
36	4.50%	4.50%	4.70%	5.50%	5.00%	5.50%
37	4.30%	4.50%	4.60%	5.25%	4.50%	5.00%
38	4.10%	4.00%	4.50%	5.00%	4.50%	5.00%
39	4.00%	4.00%	4.40%	4.75%	4.50%	5.00%
40	3.90%	4.00%	4.30%	4.75%	4.50%	5.00%
41	3.80%	3.80%	4.20%	4.50%	4.50%	4.50%
42	3.70%	3.60%	4.10%	4.50%	4.00%	4.50%
43	3.60%	3.40%	4.00%	4.50%	4.00%	4.50%
44	3.50%	3.20%	3.90%	4.50%	4.00%	4.00%
45	3.50%	3.00%	3.80%	4.25%	4.00%	4.00%
46	3.50%	3.00%	3.70%	4.25%	3.75%	4.00%
47	3.50%	3.00%	3.60%	4.25%	3.75%	3.75%
48	3.50%	3.00%	3.50%	4.00%	3.75%	3.75%
49	3.50%	3.00%	3.50%	4.00%	3.50%	3.75%
50	3.25%	3.00%	3.50%	3.75%	3.50%	3.75%
51	3.25%	3.00%	3.50%	3.75%	3.50%	3.75%
52	3.25%	2.75%	3.50%	3.75%	3.50%	3.75%
53+	3.25%	2.75%	3.50%	3.75%	3.25%	3.75%

TIER 1 RETIREMENT RATES– REACHING AGE 62 AFTER ATTAINING 20 YEARS OF SERVICE

Service	Maricopa Police	Pima Police	Other Police	Maricopa Fire	Pima Fire	Other Fire
20	28%	28%	35%	14%	20%	20%
21	25%	25%	35%	17%	20%	25%
22	15%	16%	22%	7%	13%	15%
23	12%	12%	12%	7%	7%	10%
24	8%	9%	12%	7%	7%	10%
25	30%	22%	25%	17%	22%	30%
26	42%	42%	40%	30%	26%	30%
27	32%	30%	28%	23%	30%	30%
28	32%	30%	28%	30%	30%	30%
29	32%	20%	28%	30%	30%	30%
30	35%	25%	35%	30%	30%	35%
31	35%	33%	30%	40%	30%	35%
32	60%	50%	70%	55%	30%	35%
33	60%	50%	70%	55%	60%	60%
34+	100%	100%	100%	100%	100%	100%

TERMINATION RATES

Service	Maricopa Police	Pima Police	Other Police	Maricopa Fire	Pima Fire	Other Fire
0	13.0%	14.0%	13.5%	4.5%	10.0%	10.5%
1	8.0%	9.0%	11.5%	3.5%	6.0%	8.5%
2	6.0%	7.5%	10.5%	2.5%	4.5%	8.0%
3	4.5%	7.0%	9.5%	2.0%	4.0%	8.0%
4	3.6%	6.5%	9.0%	1.5%	4.0%	7.0%
5	3.3%	5.0%	8.0%	1.5%	4.0%	5.0%
6	3.3%	5.0%	7.0%	1.5%	4.0%	5.0%
7	3.3%	4.0%	6.5%	1.5%	3.0%	4.0%
8	2.4%	4.0%	6.5%	1.5%	3.0%	4.0%
9	2.4%	4.0%	6.0%	1.5%	3.0%	3.5%
10	2.4%	4.0%	5.0%	1.0%	2.0%	3.0%
11	1.8%	3.0%	4.0%	1.0%	2.0%	2.5%
12	1.8%	3.0%	4.0%	1.0%	1.5%	2.0%
13	1.3%	2.0%	3.5%	1.0%	1.0%	1.5%
14	1.3%	2.0%	3.0%	0.5%	1.0%	1.4%
15	0.8%	1.5%	2.5%	0.5%	1.0%	1.4%
16	0.8%	1.5%	2.0%	0.5%	0.5%	1.4%
17	0.8%	1.0%	2.0%	0.5%	0.5%	1.4%
18	0.8%	1.0%	1.8%	0.5%	0.5%	1.4%
19	0.8%	1.0%	1.8%	0.5%	0.5%	0.5%
20+	0.5%	1.0%	1.8%	0.4%	0.5%	0.5%

Disability Rates

Age	Maricopa Police	Pima Police	Other Police	Maricopa Fire	Pima Fire	Other Fire
20	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
21	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
22	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
23	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
24	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
25	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
26	0.100%	0.100%	0.160%	0.035%	0.020%	0.020%
27	0.100%	0.100%	0.160%	0.035%	0.020%	0.020%
28	0.100%	0.100%	0.160%	0.035%	0.020%	0.020%
29	0.100%	0.100%	0.160%	0.035%	0.020%	0.020%
30	0.100%	0.100%	0.160%	0.035%	0.020%	0.020%
31	0.230%	0.180%	0.240%	0.090%	0.100%	0.060%
32	0.230%	0.180%	0.240%	0.090%	0.100%	0.060%
33	0.230%	0.180%	0.240%	0.090%	0.100%	0.060%
34	0.230%	0.180%	0.240%	0.090%	0.100%	0.060%
35	0.230%	0.180%	0.240%	0.090%	0.100%	0.060%
36	0.450%	0.350%	0.320%	0.150%	0.150%	0.140%
37	0.450%	0.350%	0.320%	0.150%	0.150%	0.140%
38	0.450%	0.350%	0.320%	0.150%	0.150%	0.140%
39	0.450%	0.350%	0.320%	0.150%	0.150%	0.140%
40	0.450%	0.350%	0.320%	0.150%	0.150%	0.140%
41	0.520%	0.650%	0.550%	0.170%	0.300%	0.250%
42	0.520%	0.650%	0.550%	0.170%	0.300%	0.250%
43	0.520%	0.650%	0.550%	0.170%	0.300%	0.250%
44	0.520%	0.650%	0.550%	0.170%	0.300%	0.250%
45	0.520%	0.650%	0.550%	0.170%	0.300%	0.250%
46	0.650%	0.750%	0.750%	0.300%	0.420%	0.420%
47	0.650%	0.750%	0.750%	0.300%	0.420%	0.420%
48	0.650%	0.750%	0.750%	0.300%	0.420%	0.420%
49	0.650%	0.750%	0.750%	0.300%	0.420%	0.420%
50	0.650%	0.750%	0.750%	0.300%	0.420%	0.420%
51	0.800%	0.800%	0.800%	0.700%	0.750%	0.750%
52	0.800%	0.800%	0.800%	0.700%	0.750%	0.750%
53	0.800%	0.800%	0.800%	0.700%	0.750%	0.750%
54	0.800%	0.800%	0.800%	0.700%	0.750%	0.750%
55	0.800%	0.800%	0.800%	0.700%	0.750%	0.750%
56+	1.000%	0.850%	0.900%	1.100%	0.800%	1.000%

PLAN PROVISIONS

The following is a summary of the benefit provisions provided in Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes.

Membership	Full-time employees of an eligible group, prior to attaining age 65, who are engaged to work for more than six months in a calendar year. Tier 3 Defined Contribution members are able to elect participation in post-retirement health insurance subsidy.
Benefit Tiers	Benefits differ for members based on their hire date: **Tier 1:** Hired before January 1, 2012 **Tier 2:** Hired on or after January 1, 2012 but before July 1, 2017 **Tier 3:** Hired on or after July 1, 2017
Compensation	Compensation is the amount including base salary, overtime pay, shift and military differential pay, compensatory time used in lieu of overtime pay, and holiday pay, paid to an employee on a regular payroll basis and longevity pay paid at least every six months for which contributions are made to the System. For Tier 3 members, compensation is limited by statutory cap ($110,000 with adjustments by the Board).
Average Monthly Benefit Compensation	**Tier 1:** The highest compensation paid to member during three consecutive years out of the last 20 years of Credited Service, divided by months. **Tier 2:** The highest compensation paid to member during five consecutive years out of the last 20 years of Credited Service, divided by months. **Tier 3:** The highest compensation paid to member during five consecutive years out of the last 15 years of Credited Service, divided by months.
Credited Service	Total periods of service, both before and after the member's date of participation, for which the member made contributions to the fund.

Normal Retirement

Date

Tier 1: First day of month following attainment of 1) 20 years of service or 2) 62nd birthday and completion of 15 years of service.

Tier 2: First day of month following the attainment of age 52.5 and completion of 15 years of service.

Tier 3: First day of month following the attainment of age 55 and completion of 15 years of service.

Benefit

Tier 1: 50% of Average Monthly Benefit Compensation, adjusted based on Credited Service as follows (maximum benefit of 80% of Average Monthly Benefit Compensation):

Credited Service	Benefit Adjustment
15 years, but less than 20	Reduced 4% per year less than 20
20 years, but less than 25	Plus 2% per year between 20 and 25
25+ years	Plus 2.5% per year above 20

Tier 2: Benefit multiplier (below) times Average Monthly Benefit Compensation times Credited Service (maximum benefit of 80% of Average Monthly Benefit Compensation):

Credited Service	Benefit Multiplier
15 years, but less than 17	1.50%
17 years, but less than 19	1.75%
19 years, but less than 22	2.00%
22 years, but less than 25	2.25%
25+ years	2.50%

Tier 3: Benefit multiplier (below) times Average Monthly Benefit Compensation times Credited Service (maximum benefit of 80% of Average Monthly Benefit Compensation):

Credited Service	Benefit Multiplier
15 years, but less than 17	1.50%
17 years, but less than 19	1.75%
19 years, but less than 22	2.00%
22 years, but less than 25	2.25%
25+ years	2.50%

Form of Benefit	For married retirees, an annuity payable for the life of the member with 80% continuing to the eligible spouse upon death. For unmarried retirees, the normal form is a single life annuity.

Early Retirement — ***Only applicable to Tier 3 members***

Date	Attainment of age 52.5 and 15 years of Credited Service.
Benefit	Actuarial equivalent of Normal Retirement benefit.
Form of Benefit	Same as Normal Retirement

Disability Benefit – Accidental (duty-related)

Eligibility	Total and permanent disability incurred in performance of duty.
Benefit Amount	A maximum of: a.) 50% of Average Monthly Benefit Compensation, and; b.) The monthly retirement pension that the Member is entitled to receive if he or she retired immediately.

Disability Benefit – Ordinary (not duty-related)

Eligibility	Total and permanent disability not incurred in performance of duty.
Benefit Amount	Normal Retirement pension that the member is entitled to receive, prorated based on Credited Service earned over the required Credited Service for Normal Retirement (maximum ratio of 1).

Disability Benefit – Other

Temporary	Benefit equals 1/12 of 50% of compensation during year preceding date of disability. Payments terminate after 12 months.
Catastrophic	Benefit equals 90% of Average Monthly Benefit Compensation. After 60 months member receives greater of 62.5% Average Monthly Benefit Compensation and accrued normal pension.

Pre-Retirement Death Benefit — ***Payable following death of active member***

Service Incurred	100% of Average Monthly Benefit Compensation, reduced by child's pension.

Non-Service Incurred	80% of benefit based on calculation for accidental disability retirement.
Child's Pension	10% of pension for each child (maximum 20% paid) based on calculation for accidental disability retirement. Payable to dependent child under age 18 (23 if full-time student).
Guardian's Pension	Same as spouse's pension. Payable (along with child's pension) when no spouse is being paid and there is at least one child under 18 (23, if full-time student).
Accumulated Contributions	Any contributions remaining upon the death of the last beneficiary shall be paid as a lump sum.

Vesting (Termination)

Vesting Service Requirement

Tier 1: 10 years.

Tiers 2 & 3: 15 years.

Non-Vested Benefit

Tier 1: Lump sum payment of accumulated contributions, plus additional amount based on years of Credited Service.

Service	Additional % of Contributions
Less than 5 years	0%
5 years	25%
6 years	40%
7 years	55%
8 years	70%
9 years	85%
10+ years	100%

Tiers 2 & 3: Lump sum payment of accumulated contributions, with interest at rate determined by the Board.

Vested Benefit

Tier 1: Deferred retirement annuity based on two times member's accumulated contributions, deferred to age 62. Member is not entitled to survivor benefits, benefit increases, or group health insurance subsidy.

Tiers 2 & 3: Calculated same as normal retirement pension. Payable if contributions left in fund until reach age requirement. Member is entitled to survivor benefits, benefit increases, and group health insurance subsidy.

Cost-of-Living Adjustment

Payable to retired member or survivor of retired member

Tiers 1 & 2: Compound cost-of-living adjustment on base benefit. First payment is made on July 1, 2018, with annual adjustments effective every July 1 thereafter. Adjustment does not apply while in DROP.

Cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. Maximum increase of 2%.

Tier 3: Compound cost-of-living adjustment on base benefit beginning earlier of first calendar year after the 7th anniversary of retirement or when the retired member reaches 60 years of age.

A cost-of-living adjustment shall be paid on July 1 each year that the funded ratio for members hired on or after July 1, 2017 is 70% or more.

The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. The cost-of-living adjustment will not exceed:

- 2%, if funded ratio for members who are hired on or after July 1, 2017 is 90% or more;
- 1.5%, if funded ratio for members who are hired on or after July 1, 2017 is 80-90%;
- 1%, if funded ratio for members who are hired on or after July 1, 2017 is 70-80%.

Deferred Retirement Option Plan (DROP)

Eligibility: Tier 1 and 20 years of Credited Service.

DROP Period: Maximum 84 months.

Member Contributions: Cease upon DROP entry.

Benefit Amount: Calculated based on Credited Service and average monthly compensation as of the beginning of the DROP period, credited to DROP participation account for DROP period.

Interest on DROP Participation Account:

Beginning Year	Interest Rate
July 1, 2016	7.40%
July 1, 2018	7.30%
July 1, 2022	7.20%

Payment of DROP Participation Account	Payable as lump sum distribution to Public Safety Personnel Defined Contribution Retirement Plan at earlier of 1) end of DROP period, 2) at termination, or 3) five years.
Payment Monthly Benefit	System commences payment of benefit amount at the earlier of 1) the end of the DROP period and 2) at termination

Post-Retirement Health Insurance Subsidy

Eligibility — Retired member or survivor who elect health coverage provided by the state or participating employer.

Maximum Subsidy Amounts (monthly)

	Member Only	With Dependents
Medicare Eligible	$100	$170
One w/ Medicare	N/A	$215
Not Medicare Eligible	$150	$260

Contributions

Employee	**Tiers 1 & 2:** 7.65% (effective July 1, 2023). **Tier 3:** 50% of total contribution, which is Normal Cost plus a level-dollar amortization of unfunded actuarial accrued liability over a closed period not to exceed 10 years.
Employer	**Tiers 1 & 2:** Normal Cost plus amortization of unfunded actuarial accrued liability over a closed period not to exceed 20 years (subject to one-time election to extend to closed period not to exceed 30 years). **Tier 3:** 50% of total contribution, which is Normal Cost plus a level-dollar amortization of unfunded actuarial accrued liability over a closed period not to exceed 10 years.

CHANGES SINCE THE PRIOR VALUATION

None.

ACTUARIAL FUNDING POLICY

A pension plan funding policy describes how pension funding will improve for underfunded plans or maintain funded benefits for funded plans over time for those benefits defined in Arizona Revised Statutes (ARS). Those benefits defined in ARS are to be equitably managed and administered by the Arizona Public Safety Personnel Retirement System (PSPRS agency).

This Actuarial Funding Policy identifies the funding objectives and elements of the actuarial funding policy set by the Board for the PSPRS agency. The Board adopted this Funding Policy to help ensure the systematic funding of future benefit payments for members of the retirement systems as established by the legislature.

This policy covers all retirements systems administered by the Board: The Public Safety Personnel Retirement System (PSPRS); the Correction Officers Retirement Plan (CORP); and the Elected Officials Retirement Plan (EORP).

To achieve the systematic funding of future benefits, metrics are identified to measure the progress, or the lack of progress, over time to identify trends. These trends inform the continuation of the current policies or identify areas of needed research for consideration.

This funding policy is reviewed annually and adopted by the Board in accordance with ARS 38-863.02. This policy was reviewed and adopted by the Board in September 2025.

PSPRS STATEMENT OF PURPOSE

The Purpose of the Public Safety Personnel Retirement System is to provide uniform, consistent, and equitable statewide retirement programs for those who have been entrusted to our care.

FUNDING OBJECTIVES

1. Maintain adequate assets so that current plan assets, plus future contributions and investment earnings, are sufficient to fund all benefits expected to be paid to members and their beneficiaries.
    a. Corollary 1a: Current and future contributions should be calculated based upon assumptions that reflect the Board's best estimate of future experience and methods that appropriately allocate costs to address generational equity.
    b. Corollary 1b: While the shorter-term objective is to fully fund the Actuarial Accrued Liability (AAL) that estimates benefits earned as of the valuation date, contributions should target the long-term Present Value of Benefits (PVB) to fund all benefits and help offset risks.
    c. As closed plans mature, the target funding should be 110% of AAL or 100% of PVB, whichever is greater.

2. Maintain public policy goals of accountability and transparency through stakeholder communication and education. Each policy element is clear in intent and effect, and each should be considered in a balanced approach to determine how and when the funding requirements of the plan will be met.
    a. Corollary 2a: Board shall provide stakeholders with separate reports and tools to help explain current results as well as to help model future funding requirements.

3. Promote intergenerational equity. Defined benefit pensions are designed with a long-term perspective and designed to minimize contribution volatility that cannot avoid some level of generational cost shift. However, the goal is that each generation of members and employers (taxpayers) should, to the extent possible, incur the cost of benefits for the employees who provide services to them, rather than shifting those costs to other generations of members and employers (taxpayers).
    a. Corollary 3a: A systematic reduction of the Unfunded Actuarial Accrued Liability (UAAL) over a reasonable time period is paramount to achieving this objective.

Consideration can be given to reduce volatility, to the extent possible, of employer and employee contribution rates as long as the integrity of the objectives listed above is not compromised.

ELEMENTS OF ACTUARIAL FUNDING POLICY

1. Actuarial Cost Method
    a. The Entry Age Normal level percent of pay actuarial cost method of valuation shall be used in determining the AAL and Normal Cost. Differences in the past between assumed experience and actual experience ("actuarial gains and losses") shall become part of the AAL. The Normal Cost shall be determined on an individual basis for each active member.

2. Asset Smoothing Method
    a. The investment gains or losses of each valuation period, resulting from the difference between the actual investment return and assumed investment return, shall be recognized annually in level amounts over five years (Tier 3) or seven years (Tiers 1 and 2) in calculating the Actuarial Value of Assets (AVA).
    b. The AVA so determined shall be subject to a 20% corridor relative to the Market Value of Assets (MVA).

3. Amortization Method (Unfunded Amounts)
    a. The AVA is subtracted from the computed AAL. Any unfunded amount is amortized as a level percent of payroll over a closed period.
    b. The unfunded liabilities, for EORP and Tiers 1 & 2 for both PSPRS and CORP, determined in the 6/30/2019 actuarial valuation will become the initial layer for each employer beginning with the 6/30/2020 actuarial valuation and amortized using the current closed year period for that employer and continue to decrease each year.
        i. The payroll growth rate assumption used to amortize the PSPRS Unfunded Liability will be decreased by 0.75% each year with the intention of ultimately achieving 0.0%.

ii. The payroll growth rate used to amortize the Correction Officers Retirement Plan (CORP) Unfunded Liability will be reduced by 0.5% until 0.0% is reached.

iii. The payroll growth rate used to amortize the Elected Officials Retirement Plan (EORP) Unfunded Liability will be 0.0%.

c. Gains and losses, for EORP and Tiers 1 & 2 for both PSPRS and CORP, for each employer beginning with the 6/30/2020 actuarial valuation will be amortized as a new layer over the same amortization period as the regular unfunded liability to a minimum of 15 years. Once the amortization period for each employer decreases to 15 years, each subsequent year's gains and losses will be amortized as a new 15-year closed layer.

i. The payroll growth rate used to amortize the unfunded liability for all Plans under this paragraph will be 0.0% (i.e. level-dollar amortization).

d. Tier 3 amortization methods are established in ARS 38-843.G and ARS 38-891.K.

4. Amortization Method (Overfunded Amounts)

a. The AVA is subtracted from the target funding level (greater of 110% of AAL or 100% of PVB). Any overfunded amount is amortized as a level dollar amount over an open 10-year period.

5. Tier 3 Rate Calculation

a. Tier 3 is distinct from Tiers 1 & 2 in PSPRS and CORP as the contributions are a shared percentage (50/50 split for PSPRS: for CORP, employer 1/3 and member 2/3 of the normal cost plus 50 percent each, member and employer, of the UAAL amortization) for employers and members based on the actuarially calculated rate. To reduce the impact of volatility to rates, the Tier 3 rates will be smoothed over a 3-year rolling period based on the actuarially calculated rates for each year's actuarial valuation.

i. Beginning with the 6/30/2023 valuation, the prospective Tier 3 rates set by the Board of Trustees are planned to be a rolling average of the actuarial calculated Tier 3 rates using the 6/30/2023, 6/30/2022 and 6/30/2021 rates in the initial process.

ii. As assumptions may be updated year-to-year, the prior calculated rates are not updated for those changes, the prior calculated rates are used to smooth in the new rates.

b. At the May 2023 Board Meeting, the Board changed the assumed rate of return for CORP Tier 3, which was at 7.2%, to match the 7.0% assumed rate of return for PSPRS Tier 3. The Board committed to continue to monitor market conditions and directions with the intent to ultimately adopt a single assumed rate of return for all investments for retirement systems/plans administered by PSPRS agency.

6. Assumed Rate of Return (ARR)
    a. At the May 2023 Board Meeting, the Board changed the assumed rate of return for CORP Tier 3, which was at 7.2%, to match the 7.0% assumed rate of return for PSPRS Tier 3. The Board will continue to monitor market conditions and directions with the intent to ultimately adopt a single assumed rate of return for all investments for retirement systems/plans administered by PSPRS agency.

7. EORP Floor Considerations
    a. Establish a “floor” for EORP based on the immediately previous valuation by adjusting payroll growth, amortization periods of the original layer or other possible options, to improve funding in maintaining contribution levels opposed to reducing employer contributions.

METRICS TO MONITOR FUNDING OBJECTIVES

1. Appropriateness of Assumptions – Gain/Loss Experience (Corollary 1a)
    a. Metric: Do the cumulative gain/loss layers over the prior five years exceed 8% of plan assets?
    b. Measurement: History of annual gain/loss (split by asset and liability experience) and five-year cumulative results will be tracked.
    c. Action Plan: This metric assumes that a full experience study is performed at least every five years so objective of measurement is to monitor interim experience. If the metric answer is yes, a review of the sources or causes of gains and losses should be analyzed and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if assumption changes are warranted between full experience studies.

2. Funding Targets (Corollary 1b)
    a. Metric: Has the funded status, on both an AAL and PVB basis when compared to the MVA, increased over a five-year period?
    b. Measurement: History of funded status measures will be tracked.
    c. Action Plan: If the answer is no and not readily explainable (e.g., significant assumption change), a review of the reason(s) for the decrease should be researched and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if changes to assumptions and/or methods are warranted between full experience studies.

3. Communication with Stakeholders (Corollary 2a)
    a. Metric: Have reports and budgeting tools been provided to stakeholders in a timely fashion?
    b. Measurement: Yes/No answer based on input from PSPRS administrator. (An annual standard survey of stakeholders – 3 to 5 questions.)
    c. Action Plan: If the answer is no, and periodically regardless (e.g., every three years), PSPRS staff will revisit this metric to report to the Advisory Committee to provide a recommendation to the Board of Trustees if current reports / tools are sufficient and if the delivery timing is appropriate.

4. Timely Recognition of Costs (Corollary 3a)
   a. Metric: Has the percentage of unfunded liability subject to negative amortization decreased over a five-year lookback period?
   b. Measurement: History of unfunded liability subject to negative amortization as a percentage of total unfunded liability will be tracked.
   c. Action Plan: If the answer is no, and not readily explainable (e.g., adopted assumption changes being phased in are anticipated to address negative amortization), a review of the reason(s) for negative amortization should be researched and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if changes to assumptions and/or methods are warranted between full experience studies.

SUPPLEMENTARY INFORMATION

GLOSSARY

Accrued Benefit	The benefit earned as of a specific date based on the provisions of the plan and the member's age, service, and salary as of that date.
Actuarial Accrued Liability	The portion of the anticipated future benefits allocated to years prior to the valuation date determined according to the plan's Actuarial Cost Method.
Actuarial Value of Assets	The asset value used in the valuation to determine contribution requirements. It represents the plan's Market Value of Assets (see below), with adjustments according to the plan's Actuarial Asset Method. These adjustments produce a "smoothed" value that is likely to be less volatile from year to year than the Market Value of Assets.
Actuarial Assumptions	Assumptions regarding the occurrence of future events affecting plan costs. These assumptions include rates of investment earnings, changes in compensation, rates of mortality, withdrawal, disablement, and retirement as well as statistics related to marriage and family composition.
Actuarial Cost Method	A method of determining the portion of the cost of a plan to be allocated to each year; sometimes referred to as the "actuarial funding method." Each cost method allocates a certain portion of the actuarial present value of benefits between the Actuarial Accrued Liability and future normal costs to ensure the plan is adequately and systematically funded.
Actuarial Gain or Loss	The change in Unfunded Actuarial Accrued Liability resulting from experience different from Actuarial Assumptions. Gains decrease the Unfunded Actuarial Accrued Liability and losses increase the Unfunded Actuarial Accrued Liability.

Actuarial Present Value	The estimated amount of funds required as of a specified date to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payments between the specified date and the expected date of payment.
Amortization Payment	The portion of the plan contribution designated to pay interest and reduce the outstanding principal balance of Unfunded Actuarial Accrued Liability. If the amortization payment is less than the accrued interest on the Unfunded Actuarial Accrued Liability the outstanding principal balance will increase.
Decrements	Events which result in the termination of membership in the system such as retirement, disability, withdrawal, or death.
Entry Age Normal Cost Method	Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation. The normal cost accrual rate equals: (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age. In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation. The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's

	attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets. Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.
Funded Ratio	A measure of the ratio of the plan assets to liabilities of the system. Typically, the assets used in the measure are the Actuarial Value of Assets as determined by the asset valuation method. The Funded Ratio depends not only on the financial strength of the plan but also on the asset valuation method used to determine the assets and on the Actuarial Cost Method used to determine the liabilities.
Interest Rate	The assumed long-term rate of return on plan assets.
Market Value of Assets	The fair market value of plan assets as of the valuation date.
Normal Cost	The current year's cost for benefits yet to be funded. Under the Entry Age Normal cost method, it is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.
Present Value of Benefits	The single sum value on the valuation date of all future benefits to be paid to current plan participants.
Projected Annual Payroll	The projected annual rate of pay for the fiscal year following the fiscal year beginning on the valuation date of all covered Members.
Projected Benefits	The benefits expected to be paid in the future based on the provisions of the plan and the Actuarial Assumptions. The projected values are based on anticipated future advancement in age and accrual of service as well as increases in salary paid to the participant.

Total Annual Payroll	The projected annual rate of pay for the fiscal year beginning on the valuation date of all covered Members.
Ultimate Cost	The total cost to the plan once the last benefit has been paid. The Ultimate Cost equals Benefit Payments Plus: Expenses Less: Investment Income The Ultimate Cost is independent of the Actuarial Cost Method selected.
Unfunded Actuarial Accrued Liability	The difference between the Actuarial Accrued Liability and the Actuarial Value of Assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

DISCUSSION OF RISK

ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, states that the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition.

Throughout this report, actuarial results are determined using various actuarial assumptions. These results are based on the premise that all future plan experience will align with the plan's actuarial assumptions; however, there is no guarantee that actual plan experience will align with the plan's assumptions. It is possible that actual plan experience will differ from anticipated experience in an unfavorable manner that will negatively impact the plan's funded position.

Below are examples of ways in which plan experience can deviate from assumptions and the potential impact of that deviation. Typically, this results in an actuarial gain or loss representing the current-year financial impact on the plan's unfunded liability of the experience differing from assumptions; this gain or loss is amortized over a period of time determined by the plan's amortization method. When assumptions are selected that adequately reflect plan experience, gains and losses typically offset one another in the long term, resulting in a relatively low impact on the plan's contribution requirements associated with plan experience. When assumptions are too optimistic, losses can accumulate over time and the plan's amortization payment could potentially grow to an unmanageable level.

- Investment Return: When the rate of return on the Actuarial Value of Assets falls short of the assumption, this produces a loss representing assumed investment earnings that were not realized. Further, it is unlikely that the plan will experience a scenario that matches the assumed return in each year as capital markets can be volatile from year to year. Therefore, contribution amounts can vary in the future.
- Salary Increases: When a plan participant experiences a salary increase that was greater than assumed, this produces a loss representing the cost of an increase in anticipated plan benefits for the participant as compared to the previous year. The total gain or loss associated with salary increases for the plan is the sum of salary gains and losses for all active participants.
- Payroll Growth: The plan's payroll growth assumption, if one is used, causes a predictable annual increase in the plan's amortization payment in order to produce an amortization payment that remains constant as a percentage of payroll if all assumptions are realized. If payroll increases less than the plan's payroll growth assumption, the plan's amortization payment can increase significantly as a percentage of payroll even if all assumptions other than the payroll growth assumption are realized.
- Demographic Assumptions: Actuarial results take into account various potential events that could happen to a plan participant, such as retirement, termination, disability, and death. Each of these potential events is assigned a liability based on the likelihood of the event and the financial consequence of the event for the plan. Accordingly, actuarial liabilities reflect a blend of financial

consequences associated with various possible outcomes (such as retirement at one of various possible ages). Once the outcome is known (e.g. the participant retires) the liability is adjusted to reflect the known outcome. This adjustment produces a gain or loss depending on whether the outcome was more or less favorable than other outcomes that could have occurred.

- Contribution risk: This risk results from the potential that actual employer contributions may deviate from actuarially determined contributions, which are determined in accordance with the Board's funding policy. The funding policy is intended to result in contribution requirements that if paid when due, will result in a reasonable expectation that assets will accumulate to be sufficient to pay plan benefits when due. Contribution deficits, particularly large deficits and those that occur repeatedly, increase future contribution requirements and put the plan at risk for not being able to pay plan benefits when due.

IMPACT OF PLAN MATURITY ON RISK

For newer pension plans, most of the participants and associated liabilities are related to active members who have not yet reached retirement age. As pension plans continue in operation and active members reach retirement ages, liabilities begin to shift from being primarily related to active members to being shared amongst active and retired members. Plan maturity is a measure of the extent to which this shift has occurred. It is important to understand that plan maturity can have an impact on risk tolerance and the overall risk characteristics of the plan. For example, closed plans with a large amount of retired liability do not have as long of a time horizon to recover from losses (such as losses on investments due to lower than expected investment returns) as plans where the majority of the liability is attributable to active members. For this reason, less tolerance for investment risk may be warranted for highly mature closed plans with a substantial inactive liability. Similarly, mature closed plans paying substantial retirement benefits resulting in a small positive or net negative cash flow can be more sensitive to near term investment volatility, particularly if the size of the fund is shrinking, which can result in less assets being available for investment in the market.

To assist with determining the maturity of the plan, we have provided some relevant metrics in the table following titled "Plan Maturity Measures and Other Risk Metrics". For a better understanding of the overall Plan and the impact of these risks, please refer to the consolidated PSPRS valuation report.

LOW DEFAULT RISK OBLIGATION MEASURE

ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, was revised as of December 2021 to include a "low-default-risk obligation measure" (LDROM). This liability measure is consistent with the determination of the actuarial accrued liability shown on page 8 in terms of member data, plan provisions, and assumptions/methods, including the use of the Entry Age Normal Cost Method, except that the interest rate is tied to low-default-risk fixed income securities. The S&P Municipal Bond 20 Year High Grade Rate Index (daily rate closest to, but not later than, the measurement date) was selected to represent a current market rate of low risk but longer-term investments that could be included in a low-risk asset portfolio. The interest rate used in this valuation was 4.81%, resulting in an LDROM of $166,262,234 for Tiers 1 and 2 and $496,952,639 for Tier 3. The LDROM should not be considered the "correct" liability measurement; it simply shows a possible outcome if the Board elected to hold a very low risk asset portfolio. The Board actually invests the pension plan's contributions in a diversified portfolio of stocks and bonds and other investments with the objective of maximizing investment returns at a reasonable level of risk. Consequently, the difference between the plan's Actuarial Accrued Liability disclosed earlier in this section and the LDROM can be thought of as representing the expected taxpayer savings from investing in the plan's diversified portfolio compared to investing only in high quality bonds.

The actuarial valuation reports the funded status and develops contributions based on the expected return of the plan's investment portfolio. If instead, the plan switched to investing exclusively in high quality bonds, the LDROM illustrates that reported funded status would be lower (which also implies that the Actuarially Determined Contributions would be higher), perhaps significantly. Unnecessarily high contribution requirements in the near term may not be affordable and could imperil plan sustainability and benefit security.

PLAN MATURITY MEASURES AND OTHER RISK METRICS – TIERS 1 & 2

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
SUPPORT RATIO					
Total Actives	58	61	64	66	65
Total Inactives	123	120	119	113	113
Actives / Inactives	47.2%	50.8%	53.8%	58.4%	57.5%
ASSET VOLATILITY RATIO					
Market Value of Assets (MVA)	129,243,373	120,379,429	113,204,040	110,730,311	118,890,097
Total Annual Payroll	6,792,306	6,636,975	6,277,670	6,109,308	5,646,127
MVA / Total Annual Payroll	1,902.8%	1,813.8%	1,803.3%	1,812.5%	2,105.7%
ACCRUED LIABILITY (AL) RATIO					
Inactive Accrued Liability	85,418,544	83,124,545	79,895,850	75,361,804	74,295,518
Total Accrued Liability	124,013,098	118,707,174	112,347,871	106,734,412	101,853,546
Inactive AL / Total AL	68.9%	70.0%	71.1%	70.6%	72.9%
FUNDED RATIO					
Actuarial Value of Assets (AVA)	124,317,333	119,139,390	115,290,775	113,744,796	108,691,395
Total Accrued Liability	124,013,098	118,707,174	112,347,871	106,734,412	101,853,546
AVA / Total Accrued Liability	100.2%	100.4%	102.6%	106.6%	106.7%
NET CASH FLOW RATIO					
Net Cash Flow [1]	(4,217,947)	(4,158,708)	(5,710,643)	(3,384,470)	58,512,612
Market Value of Assets (MVA)	129,243,373	120,379,429	113,204,040	110,730,311	118,890,097
Net Cash Flow / MVA	(3.3%)	(3.5%)	(5.0%)	(3.1%)	49.2%

[1] Determined as total contributions minus benefit payments. Administrative expenses are typically included but are considered part of the net interest rate assumption for this plan.

PLAN MATURITY MEASURES AND OTHER RISK METRICS - TIER 3 [2]

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
SUPPORT RATIO					
Total Actives	4,241	3,661	3,052	2,417	2,560
Total Inactives	728	570	450	327	307
Actives / Inactives	582.6%	642.3%	678.2%	739.1%	833.9%
ASSET VOLATILITY RATIO					
Market Value of Assets (MVA)	266,158,721	184,210,874	119,338,352	74,774,123	51,992,240
Total Annual Payroll	367,097,197	295,480,312	226,680,964	165,151,543	115,883,115
MVA / Total Annual Payroll	72.5%	62.3%	52.6%	45.3%	44.9%
ACCRUED LIABILITY (AL) RATIO					
Inactive Accrued Liability	21,448,721	16,792,236	9,349,377	4,598,114	2,290,610
Total Accrued Liability	247,440,343	165,671,690	110,961,191	68,939,204	42,733,537
Inactive AL / Total AL	8.7%	10.1%	8.4%	6.7%	5.4%
FUNDED RATIO					
Actuarial Value of Assets (AVA)	253,309,023	178,758,433	119,101,476	76,171,857	45,863,401
Total Accrued Liability	247,440,343	165,671,690	110,961,191	68,939,204	42,733,537
AVA / Total Accrued Liability	102.4%	107.9%	107.3%	110.5%	107.3%
NET CASH FLOW RATIO					
Net Cash Flow [1]	55,470,509	47,922,185	36,208,171	25,802,686	18,607,209
Market Value of Assets (MVA)	266,158,721	184,210,874	119,338,352	74,774,123	51,992,240
Net Cash Flow / MVA	20.8%	26.0%	30.3%	34.5%	35.8%

[1] Determined as total contributions minus benefit payments. Administrative expenses are typically included but are considered part of the net interest rate assumption for this plan.
[2] Tier 3 results are shown for the Risk Sharing group, where applicable.

Reading Actuarials and the Employer Modelers

Senior Executive Clark Partridge

Senior Executive Fletcher Montzingo

What do the Actuaries do for PSPRS?

- Estimate future cash flow using lots of assumptions about the future
- Discount that estimated cash flow back to a present value
- Determine the contributions needed to finance that cash flow
- 'Actuarial valuations' aggregate this information at a point in time (as of June 30 each year) and tell you:
  - Contributions that you need to budget for
  - What to incorporate in financial statements for GASB
  - How you can manage your pension liabilities
- Let's dive in…

Summary of Report

Snapshot of contribution rates, funded status, and change from prior year

1. **Key Valuation Results**

The funded status as of June 30, 2023 and the employer contribution amounts applicable to the plan/fiscal year ending June 30, 2025 are as follows:

	Tier 1 & Tier 2 Members			Tier 3 Members *		
	Pension	Health	Total	Pension	Health	Total
Employer Contribution Rate	46.01%	0.24%	46.25%	8.62%	0.11%	8.73%
Funded Status	66.3%	130.4%	67.2%	106.8%	217.5%	108.3%

2. **Comparison of Key Results to Prior Year**

The chart below compares the results from this valuation with the results of the prior year's valuation (as of June 30, 2022):

Contribution Rate

	Tier 1 & Tier 2 Members			Tier 3 Members *		
Valuation Date	Pension	Health	Total	Pension	Health	Total
June 30, 2022	45.20%	0.27%	45.47%	8.75%	0.12%	8.87%
June 30, 2023	46.01%	0.24%	46.25%	8.62%	0.11%	8.73%

Funded Status

	Tier 1 & Tier 2 Members			Tier 3 Members		
Valuation Date	Pension	Health	Total	Pension	Health	Total
June 30, 2022	65.3%	126.0%	66.2%	109.2%	223.5%	110.8%
June 30, 2023	66.3%	130.4%	67.2%	106.8%	217.5%	108.3%

** The Tier 3 rates shown are the calculated rates as of the valuation date and do not reflect any Legacy costs that the employer must also contribute.*

Reasons for Change

Relative to assumed earnings rate, smoothed over set years

Typically has a significant impact on rates

Primarily driven by salaries, relative to expectations

Contributions in excess of actuarially determined

Decrease in payroll assumption from 2.5% to 2%

Changes in methodologies/assumptions based on actuarial audit

All other

Payroll assumption does not impact funded status

Contribution Rate

	Tier 1 & Tier 2		Tier 3 Members	
	Pension	**Health**	**Pension**	**Health**
Contribution Rate Last Valuation	45.20%	0.27%	8.75%	0.12%
Asset Experience	0.21%	0.00%	(0.02%)	0.00%
Payroll Base	(2.25%)	0.01%	0.00%	0.00%
Liability Experience	1.99%	(0.12%)	0.03%	0.00%
Additional Contribution	(1.67%)	0.00%	0.00%	0.00%
Assumption/Method Change	0.89%	0.00%	0.00%	0.00%
Actuarial Audit	1.24%	0.00%	0.33%	0.00%
Other	0.40%	0.08%	(0.47%)	(0.01%)
Contribution Rate This Valuation	46.01%	0.24%	8.62%	0.11%

Funded Status

	Tier 1 & Tier 2		Tier 3 Members	
	Pension	**Health**	**Pension**	**Health**
Funded Status Last Valuation	65.3%	126.0%	109.2%	223.5%
Asset Experience	(0.2%)	0.0%	0.3%	1.1%
Liability Experience	(1.3%)	7.3%	(0.5%)	1.6%
Additional Contribution	1.8%	0.0%	0.0%	0.0%
Assumption/Method Change	0.0%	0.0%	0.0%	0.0%
Actuarial Audit	(0.7%)	(0.2%)	(1.7%)	(0.8%)
Other	1.4%	(2.7%)	(0.5%)	(7.9%)
Funded Status This Valuation	66.3%	130.4%	106.8%	217.5%

Contribution Results

The amount needed next year to fund the cost of the benefit

The amount need to fund all liabilities accrued to date

Same for health, but normal cost is reduced due to over-funding

Total amount collected and total rate on payroll

ACR rate is same as Unfunded Liability

Contribution Requirements

Development of Employer Contributions - Tiers 1 & 2 Members				
Valuation Date	June 30, 2023		June 30, 2022	
Applicable to Fiscal Year Ending	2025		2024	
	Rate	**Dollar**	**Rate**	**Dollar**
Pension				
Normal Cost				
Total Normal Cost	21.69%	$ 316,933,644	21.59%	$ 307,587,749
Employee Cost	(7.65%)	(111,784,945)	(7.65%)	(109,006,453)
Employer (Net) Normal Cost	14.04%	205,148,699	13.94%	198,581,296
Amortization of Unfunded Liability	31.97%	467,118,625	31.26%	445,445,498
Total Employer Cost (Pension)	46.01%	672,267,324	45.20%	644,026,794
Health				
Normal Cost	0.36%	5,247,779	0.39%	5,587,168
Amortization of Unfunded Liability	(0.12%)	(1,748,893)	(0.12%)	(1,735,455)
Total Employer Cost (Health)	0.24%	3,498,886	0.27%	3,851,713
Total Employer Cost (Pension + Health)	**46.25%**	**675,766,210**	**45.47%**	**647,878,507**
Alternate Contribution Rate (ACR) *	31.97%		31.26%	
Underlying Payroll (as of valuation date)		1,432,589,319		1,390,166,784

** The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to an 8% minimum) and is charged when retirees return to active status.*

The results above are based on the current amortization schedule approved by the Board of Trustees for your individual plan (see "Actuarial Assumptions and Methods").

Contribution Results – Tier 3

Normal cost split 50/50

Amortization of unfunded liability

Development of Employer Contributions – Tier 3 Members

Valuation Date	June 30, 2023	June 30, 2022
Applicable to Fiscal Year Ending	2025	2024

Defined Benefit (DB) Retirement Plan

	Rate	Dollar	Rate	Dollar
Pension				
Total Normal Cost	17.20%	$ 84,048,807	17.48%	$ 62,102,500
Amortization of Unfunded Liability	0.03%	124,947	0.01%	41,737
Total Pension Cost	17.23%	84,173,754	17.49%	62,144,237
Employee (EE) Pension Cost	8.62%	42,086,877	8.75%	31,072,119
Employer (ER) Pension Cost	8.62%	42,086,877	8.75%	31,072,119
Health				
Total Normal Cost	0.22%	1,055,290	0.23%	817,157
Amortization of Unfunded Liability	0.00%	0	0.00%	0
Total Health Cost	0.22%	1,055,290	0.23%	817,157
Employee (EE) Health Cost	0.11%	527,645	0.12%	408,579
Employer (ER) Health Cost	0.11%	527,645	0.12%	408,579
Total				
Total Calculated Tier 3 Required EE/ER Individual Cost	8.73%	42,614,522	8.87%	31,480,698
Funding Policy Tier 3 Required EE/ER Individual Cost [1]	8.97%	43,834,307	9.61%	34,164,618
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities [2]	31.97%	143,275,248	31.26%	111,076,381
Total Funding Policy Tier 3 Required ER Defined Benefit Cost	**40.94%**	**187,109,555**	**40.87%**	**145,240,999**
Underlying Payroll (as of valuation date)		479,094,883		346,664,109

[1] *The "Funding Policy" cost was adopted in 2023 and first reflected in the June 30, 2023 valuation.*

[2] *Pursuant to ARS § 38-843(B), the amortization of positive unfunded liabilities for Tiers 1 & 2 shall be applied to all Tier 3 payroll on a level percent basis. However, while it is statutorily required to present the rates in this manner, these are the minimums where alternate methods for paying down that unfunded liability is at the discretion of each employer. Further, to understand the effects of reform in relation to Tier 3, compare the total rate of Tier 3 before application of those legacy costs.*

Liability Support

Liabilities and Funded Ratios by Benefit - Tiers 1 & 2

	June 30, 2023	June 30, 2022
Pension		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	$ 12,407,480,799	$ 11,614,472,518
DROP Members	2,669,007,775	2,484,182,768
Vested Members	166,681,806	152,009,070
Active Members	9,080,638,348	8,588,470,348
Total Actuarial Present Value of Benefits	24,323,808,728	22,839,134,704
Actuarial Accrued Liability (AAL)		
All Inactive Members	15,243,170,380	14,250,664,356
Active Members	6,736,659,601	6,257,682,592
Total Actuarial Accrued Liability	21,979,829,981	20,508,346,948
Actuarial Value of Assets (AVA)	14,574,029,063	13,397,869,480
Unfunded Actuarial Accrued Liability	7,405,800,918	7,110,477,468
PVB Funded Ratio (AVA / PVB)	59.9%	58.7%
AAL Funded Ratio (AVA / AAL)	66.3%	65.3%

Liabilities accrued to date + normal cost + expected liabilities in the future

Liabilities accrued as of the valuation date

UAAL = AAL - AVA

Two measures of funding - what's the difference?

Asset Support

Development of Pension Actuarial Value of Assets - Tiers 1 & 2

A. Investment Income	
A1. Actual Investment Income	$ 1,019,245,332
A2. Expected Amount for Immediate Recognition	947,861,295
A3. Amount Subject to Amortization	71,384,037

Plan investment income, not specific to employer

This is then 'smoothed' over 7 years

	Year Ended June 30						
B. Amortization Schedule	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
2023 Experience (A3 / 7)	10,197,720	10,197,720	10,197,720	10,197,720	10,197,720	10,197,720	10,197,717
2022 Experience	(204,451,249)	(204,451,249)	(204,451,249)	(204,451,249)	(204,451,249)	(204,451,249)	
2021 Experience	238,978,744	238,978,744	238,978,744	238,978,744	238,978,745		
2020 Experience	(68,882,158)	(68,882,158)	(68,882,158)	(68,882,160)			
2019 Experience	(22,859,275)	(22,859,275)	(22,859,275)				
2018 Experience	(6,266,349)	(6,266,351)					
2017 Experience	33,380,148						
Total Amortization	(19,902,419)	(53,282,569)	(47,016,218)	(24,156,945)	44,725,216	(194,253,529)	10,197,717

Sums to $71.4 million

This is the amortization schedule for future years

C. Actuarial Value of Assets	**Total**	**Employer**
C1. Actuarial Value of Assets, June 30, 2022	13,397,869,480	
C2. Non-investment Net Cash Flow	248,200,707	
C3. Preliminary Actuarial Value of Assets, June 30, 2023 (A2 + B + C1 + C2)	14,574,029,063	
C4. Market Value of Assets, June 30, 2023	14,310,242,735	14,310,242,735
C5. Final Actuarial Value of Assets, June 30, 2023 (C3 Within 20% Corridor of C4)	14,574,029,063	14,574,029,063

This is where you will find the AVA for your employer and can find your proportionate share for gains/losses

D. Rates of Return	
D1. Market Value Rate of Return	7.7%
D2. Actuarial Value Rate of Return	6.9%

Member Statistics

- Member data can inform directional movements in liabilities

Composition of employees

Valuation Data Summary

	June 30, 2023		June 30, 2022	
	Tiers 1 & 2	Tier 3	Tiers 1 & 2	Tier 3
Actives				
Number	11,369	5,536	12,423	4,524
Average Current Age	43.3	30.7	42.7	30.4
Average Age at Employment	28.0	28.2	28.0	28.2
Average Past Service	15.3	2.5	14.7	2.2
Average Annual Salary	$113,803	$73,614	$102,036	$65,978
Actives (transferred)				
Number	940	580	851	387
Average Current Age	38.2	31.5	37.5	31.0
Average Age at Employment	27.7	28.1	27.9	28.1
Average Past Service	10.6	3.4	9.7	2.9
Average Annual Salary	$86,596	$70,359	$76,993	$64,495
Retirees				
Number	11,856	0	11,336	0
Average Current Age	65.0	N/A	64.9	N/A
Average Annual Benefit	$62,869	N/A	$62,047	N/A
DROP Retirees				
Number	2,227	N/A	2,144	N/A
Average Current Age	54.2	N/A	53.9	N/A
Average Annual Benefit	$67,181	N/A	$65,616	N/A
Beneficiaries				
Number	2,059	7	1,990	3
Average Current Age	71.2	35.6	70.7	31.2
Average Annual Benefit	$49,671	$22,101	$48,627	$31,729
Disability Retirees				
Number	2,032	9	1,965	5
Average Current Age	59.4	39.9	59.2	38.2
Average Annual Benefit	$48,917	$31,583	$47,800	$28,886
Inactive / Vested				
Number	2,125	956	2,152	741
Average Current Age	43.1	32.5	42.2	31.8
Average Accumulated Contributions	$19,913	$6,932	$18,429	$5,751
Total Number	32,608	7,088	32,861	5,660
Former Members (transferred)	N/A	N/A	N/A	N/A

Greater/lower than expected salary increases?

More/less disability retirees than anticipated?

Actuarial Assumptions and Methods

Assumptions inform projections of liabilities and assets

Interest Rate

This is the assumed earnings rate on System assets, compounded annually, net of investment and administrative expenses.

Assumed rate of return – if lower, increases PV of liabilities

Tiers 1 & 2:
7.20% per year.

Tier 3:
7.00% per year.

Is 7.2% (or even 7%) too high?

"...the three, five and ten year returns continue to be greater than 7.1% and near the actuarial assumed rate of return."

Salary Increases

See table at the end of this section. This is an annual increase for individual member's salary. These rates are based on a 2022 experience study using actual plan experience.

Inflation

2.50%.

Tier 3 Compensation Limit

$115,868 for calendar 2023. Assumed increases of 2.00% per year thereafter.

Cost-of-Living Adjustment

1.85%.

Salary Increase Rates

Age	Maricopa Police	Pima Police	Other Police	Maricopa Fire	Pima Fire	Other Fire
20	15.00%	12.00%	14.00%	15.00%	12.00%	13.00%
21	14.00%	6.00%	12.00%	14.00%	11.00%	12.00%
22	13.00%	6.00%	10.00%	13.00%	10.00%	11.00%
23	12.00%	6.00%	9.00%	12.00%	9.50%	10.00%
24	11.00%	6.00%	8.00%	11.00%	9.00%	9.00%
25	10.00%	6.00%	7.00%	10.00%	8.50%	8.00%
26	9.00%	5.50%	6.50%	9.50%	7.50%	7.50%
27	8.00%	5.50%	6.25%	9.00%	6.50%	7.50%
28	7.50%	5.50%	6.00%	8.50%	5.75%	7.00%
29	7.00%	5.50%	5.80%	8.00%	5.75%	6.50%
30	6.50%	5.25%	5.60%	8.00%	5.50%	6.50%
31	6.00%	5.25%	5.40%	7.50%	5.50%	6.00%
32	5.50%	5.00%	5.20%	7.00%	5.00%	5.50%
33	5.10%	5.00%	5.00%	6.50%	5.00%	5.50%
34	4.90%	5.00%	4.90%	6.50%	5.00%	5.50%
35	4.70%	4.50%	4.80%	6.00%	5.00%	5.50%
36	4.50%	4.50%	4.70%	5.50%	5.00%	5.50%
37	4.30%	4.50%	4.60%	5.25%	4.50%	5.00%
38	4.10%	4.00%	4.50%	5.00%	4.50%	5.00%
39	4.00%	4.00%	4.40%	4.75%	4.50%	5.00%
40	3.90%	4.00%	4.30%	4.75%	4.50%	5.00%
41	3.80%	3.80%	4.20%	4.50%	4.50%	4.50%
42	3.70%	3.60%	4.10%	4.50%	4.00%	4.50%
43	3.60%	3.40%	4.00%	4.50%	4.00%	4.50%
44	3.50%	3.20%	3.90%	4.50%	4.00%	4.00%
45	3.50%	3.00%	3.80%	4.25%	4.00%	4.00%
46	3.50%	3.00%	3.70%	4.25%	3.75%	4.00%
47	3.50%	3.00%	3.60%	4.25%	3.75%	3.75%
48	3.50%	3.00%	3.50%	4.00%	3.75%	3.75%
49	3.50%	3.00%	3.50%	4.00%	3.50%	3.75%
50	3.25%	3.00%	3.50%	3.75%	3.50%	3.75%
51	3.25%	3.00%	3.50%	3.75%	3.50%	3.75%
52	3.25%	2.75%	3.50%	3.75%	3.50%	3.75%
53+	3.25%	2.75%	3.50%	3.75%	3.25%	3.75%

Plan Maturity and Other Risk Metrics

	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Funded Ratio				
Actuarial Value of Assets (AVA)	14,574,029,063	13,397,869,480	10,462,717,622	8,675,448,922
Total Accrued Liability	21,979,829,981	20,508,346,948	19,306,428,824	18,511,955,838
AVA / Total Accrued Liability	66.3%	65.3%	54.2%	46.9%

Funded Ratio over time

Discussions about Actuarial Assumption

- Payroll growth assumption
- Assumed rate of return

Modeler Demonstration

Questions, comments and discussion

What questions do you have?

How can we help you?

PSPRS - Fire **4. a.**
Meeting Date: 01/23/2026

TITLE:
Review and Approve Meeting Minutes

STAFF RECOMMENDED ACTION

Review and approve meeting minutes from the December 8, 2025 meeting.

Executive Summary:

Attachments

12/8/2025 Draft meeting minutes

DRAFT MINUTES

1. Call to Order

Mayor Daggett called the meeting to order at 3:06 p.m.

2. Roll Call

Mayor Becky Daggett	PRESENT
Patrick Staskey	PRESENT
Todd George	NOT PRESENT
Bob Oberly	PRESENT
Dave Van Boxtaele	NOT PRESENT

Others Present: Jessica Vigorito

3. Routine Items

a. Moment of Silence

The Board took a 30-second moment of silence for Captain Paramedic Paul Sanders and Deputy Chief Jerry Bills.

b. Common Law and PSPRS

PSPRS Legal Department: Arizona, like most states, does not recognize common-law marriage, including domestic partnerships. PSPRS requires a certified marriage certificate from the county clerk’s office for proof of lawful marriage.

The board discussed recommendations to send the beneficiary form more regularly, so members can update it. The board secretary informed the board that the administration is implementing an automated new form that will notify members yearly of PSPRS forms, in addition to all other forms and websites that need to be reviewed. Board member Oberly noted that a spouse must be married for two years before the spouse benefits can be distributed. The Board Secretary is going to follow up with PSPRS to get more clarification on how the beneficiary form is used for death benefits.

c. Summit Fire & Medical and Flagstaff Fire Department IGA Update

Summit Fire & Medical and Flagstaff Fire Department's Administrative IGA ended September 30, 2025. Greater Flagstaff Region Trainings, response models and joint efforts will remain in place to provide better service to the community and surrounding region. FFD Battalion Chief Earl Callander has been selected as the new Fire Chief for Summit Fire and Medical.

Board member Pat Staskey asked how this impacts the PSPRS Local Board and the Board Secretary clarified that the Boards for Summit Fire and Medical and Flagstaff Fire Department were already separate prior to the ending of the IGA.

4. Action Items

a. Review and Approve Minutes

Board Member Bob Oberly motioned to approve the minutes for the August 28th, 2025, meetings. Mayor Daggett seconded the motion. The motion was approved unanimously.

b. New Hires

- Tanor Loosle - Preexisting condition noted
    - Date of Hire: 7/21/2025
    - Position: Firefighter
    - PSPRS eligible: Yes
    - ACR eligible: No
- Noah Baker
    - Original Date of Hire: 9/16/2024
        - Date eligible for PSPRS: 9/14/2025
    - Position: Wildland Community Risk Reduction Specialist
    - PSPRS eligible: Yes
    - ACR eligible: No

Board Member Pat Staskey motioned to approve the new hire application with the pre-existing condition noted. Mayor Daggett seconded the motion. Board member Bob Oberly seconded the motion. The motion was approved unanimously.

Board Member Bob Oberly motioned to approve the new hire application . Mayor Daggett seconded the motion. Board Member Bob Oberly seconded the motion. The motion was approved unanimously.

c. Hearing of the Application for a Line of Duty Death for Gerald "Jerry" Bills

The board discussed the impacts of the Line of Duty Death application process. Board Member Bob Oberly motioned to have the medical paperwork reviewed by an M.D. Mayor Daggett seconded the motion. The motion passed unanimously.

5. New Business

6. Adjournment

Mayor Daggett adjourned the meeting at 3:38 p.m.