



# **Council Workshop Public Safety Personnel Retirement System (PSPRS) Funding Policy**

June 22, 2021





# Overview

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- Background
- Pension Funding Policy
- Council Feedback & Next Steps



# Background

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- Arizona House Bill 2019 passed into law on April 3, 2018
  - Codified into Arizona Revised Statutes section 38-863.01
  - Required municipalities to adopt a pension funding policy for PSPRS
  - Policy must be adopted on or before July 1, 2019, and annually each year thereafter
  - Policy must be posted on the city's public website



# Background

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- The pension funding policy must include funding objectives that address:
  - How stability will be maintained for the required employer contributions
  - How and when funding requirements will be met
  - Define the funded ratio target and a timeline for reaching the target



# Pension Funding Policy

- Funding ratio goal is 100%(fully funded) by June 30, 2037
  - Based on the June 30, 2020 actuarial valuation
  - Council plans on using the 20-year amortization period
  - Maintain required contribution payment from operating funds
  - Formally accepts assets, liabilities, and current funding ratio
    - Assets of \$326 million
    - Unfunded accrued liability of \$290 million
    - Funded ratio of 53%



# Pension Funding Policy

- The Council will issue Certificates of Participation in FY22
  - One-time payment to PSRS to pay down unfunded liability
  - Achieve an estimated 90% funded level
- The Council will establish a Pension Stabilization Reserve Fund
  - Restricted Fund
  - Used only for addressing future pension and unfunded liability needs
  - \$20M from savings over two to three-year period
- Does not preclude the City from making additional contributions



# Council Feedback & Next Steps

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- Council Feedback
- Next Steps
  - Resolution to adopt funding policy
    - June 22, 2021