



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

June 28, 2022





Overview

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



Background

- 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

- 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, 2021 actuarial valuation updated after issuance of COPS.
 - 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 \$616 million
 - Unfunded accrued liability of \$33 million
 - Funded ratio of 94.9%



Pension Funding Policy

- The Council issued Certificates of Participation in FY22
 - One-time payment to PSPRS to pay down unfunded liability
 - Achieved a 94.9% funded level as determined through an updated actuarial report by the PSPRS actuaries.
- The Council established 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
 - Current ending balance for FY22 is estimated at \$6.7M
- Does not preclude the City from making additional contributions



Council Feedback & Next Steps

- Council Feedback
- Next Steps
 - Resolution to adopt funding policy
 - June 28, 2022