



**PICTURE ROCKS
FIRE & MEDICAL DISTRICT**
HONOR • COMMITMENT • SERVICE

12121 W. Picture Rocks Rd.
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RESOLUTION NUMBER: 2022-07-201filml

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PICTURE ROCKS FIRE AND MEDICAL DISTRICT, TUCSON, AZ, ADOPTING THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING POLICY AND ACCEPTING THE DISTRICT’S SHARE OF ASSETS AND LIABILITIES UNDER THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM ACTUARIAL VALUATION REPORT.

WHEREAS, Arizona Revised Statute § 38-38-863.01 requires the governing body all Public Safety Personnel Retirement System (PSPRS) employers to adopt a pension funding policy and formally accept their share of the assets and liabilities based on the PSPRS actuarial valuation report by July 1, 2023 and annually thereafter;

WHEREAS, the Board of Directors desires to adopt a PSPRS pension funding policy to clearly communicate the District's pension funding objectives and its commitment to District employees and sound financial management of the District and to comply with the statutory requirements; and

NOW, THEREFORE, BE IT RESOLVED by the Picture Rocks Fire and Medical District Board of Directors as follows:

Section 1. The Board of Directors hereby adopts the PSPRS Pension Funding Policy attached hereto as Fiscal Policy 133 - PSPRS Pension Funding Policy and incorporated herein by this reference.

Section 2. The Board of Directors hereby accepts, as set forth in the Policy, the District's share of assets and liabilities based on the PSPRS actuarial valuation report.

APPROVED AND ADOPTED on this ___ day of _____ 2022 by the Picture Rocks Fire and Medical District Board of Directors

ATTEST:

Chairperson of the Board

Clerk of the Board

Board Member

Board Member

Board Member

FISCAL POLICY GUIDELINES

TITLE: FY 2022 PSPRS Pension Funding Policy

ORIGINATED BY: Legal Counsel

NUMBER: 133

BOARD APPROVED: _____



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I. PURPOSE

The intent of this policy is to clearly communicate the Board's pension funding objectives and its commitment to our employees and the financial management of the Public Safety Personnel Retirement System (PSPRS) and to comply with the statutory requirements of ARS 38-863.01.

II. SCOPE

This policy applies to District financial management personnel that manage pension funding for PSPRS personnel.

III. DEFINITIONS.

- A. **Unfunded Actuarial Accrued Liability (UAAL)** - Is the difference between a pension fund's assets and projected pension benefit payments promised to employees.
- B. **Annual Required Contribution (ARC)** - Is the annual amount an employer is required to contribute into a pension fund, as determined through annual actuarial valuations. It is comprised of two primary components: normal pension cost, which is the estimated cost of pension benefits earned by employees in the current year; and amortization of UAAL, which is the estimated cost to cover the unfunded portion of pension benefits earned by employees in the past. Payments towards reducing the UAAL are collected over a period of time referred to as the amortization period. The ARC is often expressed as a percentage of the current payroll.
- C. **Funded Ratio** - Is the ratio of fund assets to actuarial accrued liability, which is the net present value of future projected benefits minus the net present value of future projected Normal Cost. A pension that is fully funded has 100% funded ratio.
- D. **Intergenerational Equity** - Ensures that no generation is burdened by substantially more or less pension costs than past or future generations.
- E. **Contingency Reserve Fund (CRF)** - Is a reserve fund dedicated to managing the District's pension liabilities and maintaining as near to a 100% funded ratio as possible despite adverse market and/or actuarial events.

IV. POLICY GUIDELINES

- A. Full-time fire operations employees participate in PSPRS. PSPRS is administered as an agent multiple-employer pension plan. An agent multiple-employer plan has two main functions: 1) to commingle assets of all plans under its administration, thus achieving economy of scale for more cost-efficient investments, and invest those assets for the benefit of all members under its administration and 2) serve as the statewide uniform administrator for the distribution of benefits.
- B. Under an agent multiple-employer plan each agency participating in the Tiers 1 & 2 plan have



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individual trust fund reflecting that agencies' assets and liabilities. Under this plan all contributions are deposited to and distributions are made from that fund's assets, each fund has its own funded ratio and contribution rate, and each fund has a unique annual actuarial valuation.

- C. The District maintains trust funds for Tier 1 & 2, and Tier 3 fire operations employees. Pursuant to A.R.S. 38-863.01, the Board must formally accept the assets, liabilities, and current funding ratio of the District's PSPRS trust funds from the **June 30, 2022** actuarial valuation, which are detailed below:

Trust Fund	AVA (Assets)	AAL (Liability)	UAAL (Unfunded)	Funded Ratio
Tiers 1 & 2	\$5,008,347	\$6,779,726	\$1,771,379	73.90%
Tier 3	\$76,171,857	\$68,939,204	(\$7,232,653)	110.50%

Actuarial Value of
Assets (AVA) Actuarial
Accrued Liability (AAL)
Unfunded Actuarial Accrued Liability (UAAL)
Funded Ratio- (AVA/ AAL)

D. PENSION FUNDING ACCOMPLISHMENTS AND GOALS

Pensions that are less than fully funded place the cost of service provided in earlier periods (amortization of UAAL) on the current taxpayers. Fully funded pension plans are the best way to achieve taxpayer and member intergenerational equity. Most funds in PSPRS are significantly underfunded and falling well short of the goal of intergenerational equity.

The Board's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2036. The Board established this goal for the following reasons:

- The PSPRS trust funds represent only the Picture Rocks Fire District of Arizona's liability
- The fluctuating cost of an UAAL causes strain on the Picture Rocks Fire District's budget, affecting our ability to provide services
- A fully funded pension is the best way to achieve taxpayer and member intergenerational equity

The Board has taken the following actions to achieve this goal:

- Maintain ARC payment from operating revenues – The Board is committed to maintaining the full annual required contribution (ARC) payment (normal cost) from operating funds.
- When additional funds are available they will be paid towards the UAAL amortization without diminishing Picture Rocks Fire District Services.

Based on these actions the Board plans to achieve its goal of 100% funding by June 30, 2036, in accordance with the amortization timeline set forth by the PSPRS June 30, 2022 Actuarial Valuation.