

RESOLUTION NUMBER R19-025

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAFFORD, ARIZONA, ADOPTING A PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING POLICY

BE IT RESOLVED BY THE MAYOR AND COMMON COUNCIL OF THE CITY OF SAFFORD, ARIZONA:

WHEREAS, new reporting requirements issued by the Governmental Accounting Standards Board (GASB) necessitate the creation and adoption by the City of Safford a Public Safety Personnel Retirement System Pension Funding Policy (“Policy”); and

WHEREAS, the Government Finance Officers Association (“GFOA”) and the League of Arizona Cities and Towns recommend the adoption of such policy as a best practice; and

WHEREAS, House Bill 2097 requires all governing bodies participating in the Public Safety Personnel Retirement System to adopt such a policy; and

WHEREAS, bond rating agencies encourage pension funding policies to improve the management of pension plans; and

WHEREAS, the adoption of such a policy will contribute to the improvement of fund management and the reduction of City contribution volatility; and

WHEREAS, the adoption of such a policy will contribute to intergenerational equity through the allocation of costs across generations of taxpayers

NOW, THEREFORE BE IT RESOLVED by the Mayor and Council of the City of Safford:

That the City’s Public Safety Personnel Retirement System Pension Funding Policy is hereby adopted and attached hereto as Exhibit A.

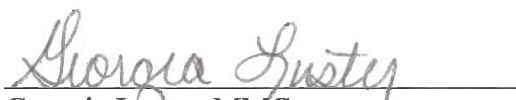
APPROVED AND ADOPTED by the Mayor and City Council of the City of Safford, Arizona, this 24 day of June 2019.



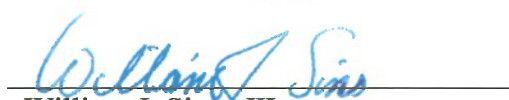
Jason Kouts, Mayor

APPROVED AS TO FORM:

ATTEST:



Georgia Luster, MMC
City Clerk



William J. Sims, III
City Attorney

CERTIFICATION

State of Arizona)
) ss
County of Graham)

I HEREBY CERTIFY, that the foregoing Resolution Number R19-025 was duly passed and adopted by the Mayor and City Council of the City of Safford, Graham County, Arizona, at a regular council meeting held June 24, 2019. A quorum of the Council was present at the meeting.

June 24, 2019
Date



Georgia Luster, MMC, City Clerk



City of Safford Public Safety Personnel Retirement System Pension Funding Policy (2019)

The intent of this policy is to clearly communicate the Council's pension funding objectives and its commitment to our employees and the sound financial management of the City and to comply with new statutory requirements of Laws 2018, Chapter 112 (A.R.S. 38-863.01).

I. Definitions

Unfunded Actuarial Accrued Liability (UAAL) – Is the difference between trust assets and the estimated future cost of pensions earned by employees. This UAAL results from actual results (interest earnings, member mortality, disability rates, etc.) being different from the assumptions used in previous actuarial valuations.

Annual Required Contribution (ARC) – Is the annual amount required to pay into the pension funds, 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 cost needed to cover the unfunded portion of pensions earned by employees in previous years. The UAAL is collected over a period of time referred to as the amortization period. The ARC is a percentage of the current payroll.

Funded Ratio – Is a ratio of fund assets to actuarial accrued liability. The higher the ratio the better funded the pension is with 100% being fully funded.

Intergenerational equity – Ensures that no generation is burdened by substantially more or less pension costs than past or future generations.

The City's police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS).

II. Public Safety Personnel Retirement System (PSPRS)

PSPRS is administered as an agent multiple-employer pension plan. An agent multiple-employer plan has two main functions: 1) to comingle 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.

Under an agent multiple-employer plan each agency participating in the plan has an 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. The City of Safford has one trust fund for police employees.

Council formally accepts the assets, liabilities, and current funding ratio of the City's PSPRS trust funds from the June 30, 2018 actuarial valuation, which are detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Safford Police	5,205,622	16,196,261	10,990,639	32.1%

Note: assets and liabilities listed for pension plans only (does not include health plans)

III. PSPRS Funding Goal

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 Council's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2048.

Council established this goal for the following reasons:

- The PSPRS trust fund represents only the City of Safford's liability
- A fully funded pension is the best way to achieve taxpayer and member intergenerational equity

Council has taken the following actions to achieve this goal:

- Maintain ARC payment from operating revenues – Council is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY20 is \$833,647 and will be able to be paid from operating funds without diminishing City services.

Based on these actions the Council plans to achieve its goal of 100% funding by June 30, 2048, in accordance with the amortization timeline set forth by the PSPRS June 30, 2018 Actuarial Valuation.