

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY

Resolution No. 2023-03

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING
POLICY**

A FORMAL RESOLUTION OF THE GOVERNING BOARD OF THE CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY (“CAFMA” or the “Authority”) TO ADOPT A PUBLIC SAFETY PERSONNEL RETIRMENT SYSTEM PENSION FUNDING POLICY

WHEREAS, House Bill 2019, approved by the Governor on April 3, 2018, requires that each governing body of an employer shall annually adopt a pension funding policy that includes funding objectives that address

- How to maintain stability of the governing body’s contributions to the system,
- How and when the governing body’s funding requirements of the system will be met,
- Define the governing body’s funding ration target under the system and the timeline for reaching the targeted funded ratio; and

WHEREAS, the policy must also formally accept the employer’s share of the assets and liabilities under the system based on the system’s actuarial valuation report; and

WHEREAS, the policy must be annually posted on the Authority’s website,

THEREFORE IT IS HEREBY RESOLVED, APPROVED, ADOPTED, AND DIRECTED AS FOLLOWS:

RESOLVED, that the Governing Board of the Central Arizona Fire and Medical Authority, hereby adopts the Pension Funding Policy attached hereto.

APPROVED AND ADOPTED this 26th day of June, 2023.

Board Chairman
Central Arizona Fire and Medical Authority

ATTEST:

Board Clerk
Central Arizona Fire and Medical Authority

Signatures indicating approval on last page.

Central Arizona Fire and Medical Authority Public Safety Personnel Retirement System Pension Funding Policy

The intent of this policy is to clearly communicate the Authority's pension funding objectives and its commitment to our employees and the sound financial management of the Central Arizona Fire and Medical Authority (CAFMA) and to comply with new statutory requirements of Laws 2018, Chapter 112.

Several terms are used throughout this policy:

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 Central Arizona Fire and Medical Authority's employees who are eligible or regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS).

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 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.

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 Central Arizona Fire and Medical Authority has one trust fund for fire employees.

The Authority Board formally accepts the assets, liabilities, and current funding ratio of the Central Arizona Fire and Medical Authority's PSPRS trust funds from the June 30, 2022, actuarial valuation, which are detailed below.

| Trust Fund | Assets | Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio |
|---------------------|----------------------|--------------------------|---|---------------------|
| Tier 1 & 2 | \$ 99,003,580 | \$109,388,728 | \$10,385,148 | 90.5% |
| Tier 3 | \$76,171,857 | \$68,939,204 | (\$7,232,653) | 110.5% |
| CAFMA Totals | \$175,175,437 | \$178,327,932 | \$ 3,152,495 | 98.2% |

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

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

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

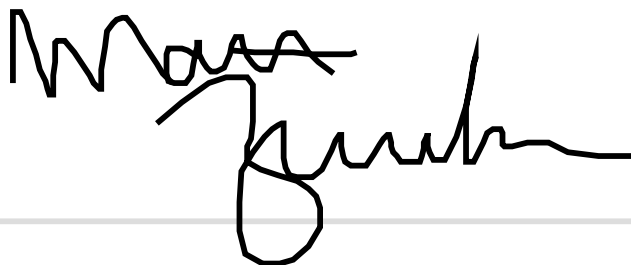
- Maintain ARC payment from operating revenues – The Board is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY24 is \$ 2,727,215 and will be able to be paid from operating funds without diminishing Central Arizona Fire and Medical Authority services.
- Due to additional payments above the ARC in Fiscal Year 2022 (\$42,178,028) on September 16, 2021, the new ARC requirement for FY24 is \$2,727,215 and the funding level is 98.2%

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

Signature Page For: For Signature Res 2023-03 CEA PSPRS Funding - Central Arizona Fire and Medical Authority Board of Directors - CA Regular Meeting - 6/26/2023



Dave Dobbs , Clerk 06/29/2023



Matt Zurcher 06/27/2023