



Public Safety Personnel Retirement System

March 14, 2024

Background

- The City of Sierra Vista joined the Public Safety Retirement System in 1972
- Once a city joins, it cannot leave
- Each year an actuarial calculates the actuarial liability of each participant in the System
- The Police and Fire departments are separate participants and each has its own valuation
- Every five years the System updates its actuarial assumptions
- In 2016, public passed Proposition 124, changing how annual retiree increases are determined
- In 2019 PSPRS changed the company it uses for its annual actuarial valuations

What is this actuarial liability?

- Employees that retire from the City are owed a retirement income for the rest of their life. An actuarial liability is the estimate of this liability as it is impossible to calculate the actual liability.

Assumptions in an Actuarial Valuation

- Will the employee retire?
- If they retire, how many years of service will they have?
- What will their pay at retirement be?
 - Raises
 - Promotions
 - Cost of Living Adjustments
- How long will they live after they retire?
- What will the rate of return on the investments be?

How Did we Get Here?

- Investment losses
 - 2003-2004
 - 2008-2009
- Retiree COLA structure

Contribution Breakdown

- Employer normal cost
- Amortization of unfunded liabilities
- Health

How the contribution rate is calculated

- Calculate the Normal Cost
- Calculate the Amortization Payment of the Unfunded Liability
- Add the two calculations together to get the Total Employee Cost for the year
- Calculate the underlying payroll on June 30.
- Divide the TEC by the underlying payroll

Contribution rates and funding

<u>Year</u>	Police		Fire	
	<u>Contribution Rate</u>	<u>Funding %</u>	<u>Contribution Rate</u>	<u>Funding %</u>
2020	59.79%	46.10%	52.00%	54.00%
2015	31.96%	42.20%	28.50%	55.59%
2010	20.79%	62.80%	14.88%	87.50%
2005	10.29%	77.30%	2.00%	101.60%
2000	5.84%	111.80%	3.09%	175.60%

Unfunded Liability

Valuation date	6/30/2021	6/30/2022	6/30/2023
Police			
Actuarial Value of Assets	\$ 26,497,760	\$ 29,477,929	\$ 31,916,840
Actuarial Value of Liabilities	\$ 51,224,962	\$ 55,353,147	\$ 59,458,439
Unfunded Actuarial Accrued Liability	\$ 24,727,202	\$ 25,875,218	\$ 27,541,599
AAL Funded Ratio (assets/liabilities)	51.7%	53.3%	53.7%
Fire			
Actuarial Value of Assets	\$ 21,864,551	\$ 23,721,087	\$ 26,250,085
Actuarial Value of Liabilities	\$ 36,936,218	\$ 38,824,148	\$ 41,517,725
Unfunded Actuarial Accrued Liability	\$ 15,071,667	\$ 15,103,061	\$ 15,267,640
AAL Funded Ratio (assets/liabilities)	59.2%	61.1%	63.2%

City Fiscal Policy – PSPRS section

- Contribute the mandatory contribution amount specified by PSPRS
- Strive to continue making contributions for PSPRS members in the Deferred Retirement Option Plan (DROP)
- Strive to pay the total budgeted annual PSPRS contribution, even if it is more than the required amount
- Strive to pay the total budgeted contribution in the first quarter of the fiscal year
- Strive to pay the contribution rate for the current fiscal year if the new fiscal year's contribution rate is less than the current one
- Strive to calculate vacant positions' contributions at maximum pay rate of salary range

Excess contributions

	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>Total</u>
Police	\$ 444,308	\$ 840,858	\$ 984,528	\$ 2,269,694
Fire	\$ 265,468	\$ 491,123	\$ 623,173	\$ 1,379,764

Annual Decrease in Contribution Rate Due to Excess Contribution

Valuation date	6/30/2021	6/30/2022	6/30/2023	
for FY	<u>2023</u>	<u>2024</u>	<u>2025</u>	Cumulative
Police	-0.61%	-1.84%	-2.14%	-4.59%
Fire	-0.86%	-1.51%	-1.74%	-4.11%

Annual Cost and Funding Ratio Comparison

Valuation date for FY	6/30/2021 <u>2023</u>	6/30/2022 <u>2024</u>	6/30/2023 <u>2025</u>
Police			
Total Pension Cost	\$ 2,196,590	\$ 2,159,742	\$ 2,139,196
Funding Ratio	51.7%	53.3%	53.7%
Funding Ratio w/o addl contributions	50.9%	50.9%	49.9%
Fire			
Total Pension Cost	\$ 1,512,379	\$ 1,507,286	\$ 1,526,815
Funding Ratio	59.2%	61.1%	63.2%
Funding Ratio w/o addl contributions	58.5%	59.2%	59.9%