

Public Safety Personnel Retirement System



June 14, 2021

Background

- ▶ The City of Sierra Vista joined the Arizona State Retirement System back in the 1960's
- ▶ 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



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



Contribution Breakdown

- ▶ Employer normal cost
- ▶ Amortization of unfunded liabilities
- ▶ Health



Contribution rates and funding ratios

	Police		Fire	
<u>Year</u>	<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%

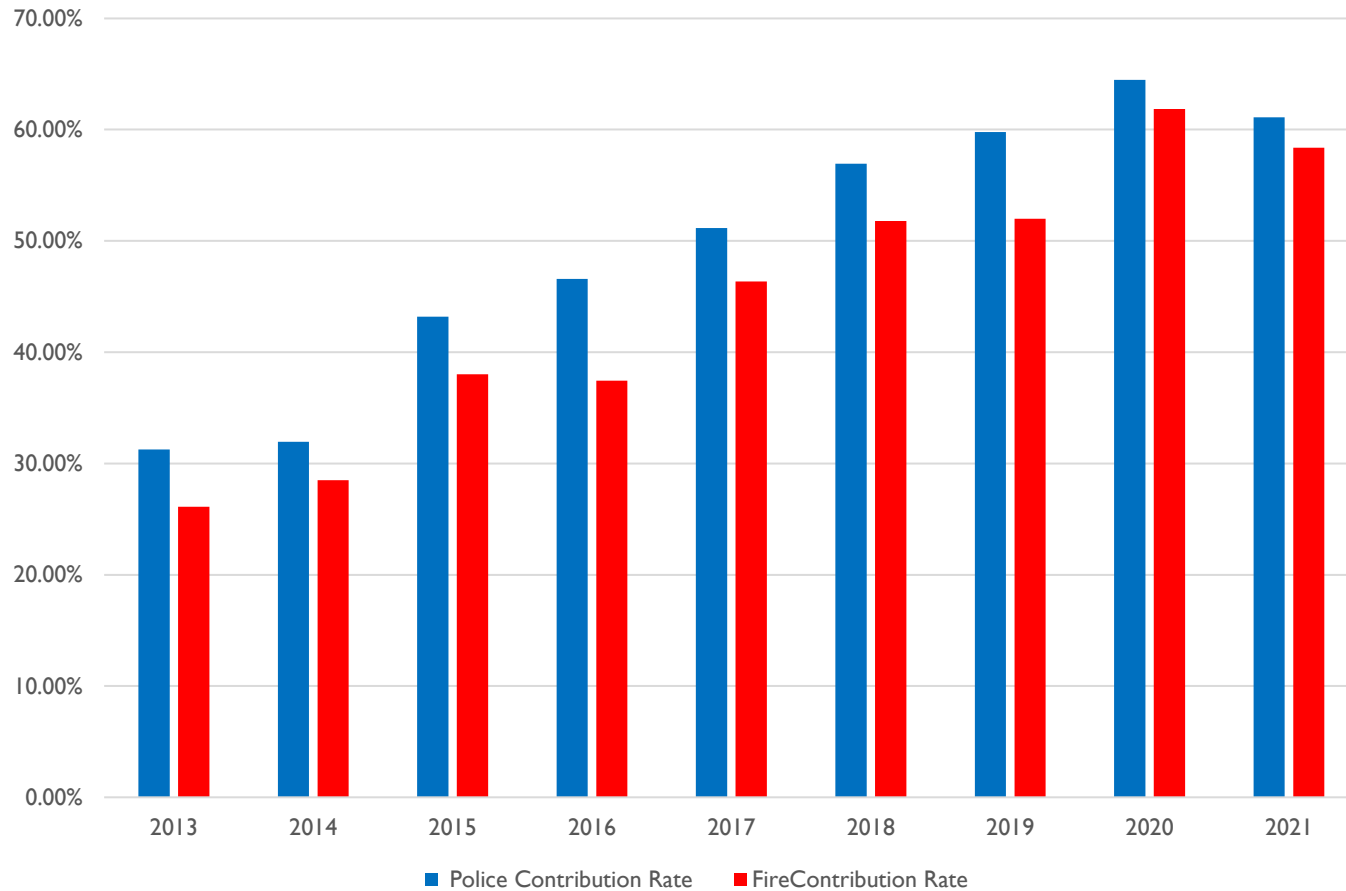


Annual Contribution Rate

	Police	Fire
<u>Year</u>	<u>Contribution Rate</u>	<u>Contribution Rate</u>
2022	61.11%	58.37%
2021	64.48%	61.86%
2020	59.79%	52.00%
2019	56.95%	51.79%
2018	51.15%	46.36%
2017	46.58%	37.44%
2016	43.19%	38.02%
2015	31.96%	28.50%
2014	31.25%	26.10%
2013	29.28%	22.87%



Annual Contribution Rate



Budgeted Contribution Amount

	<u>Police</u>	<u>Fire</u>	<u>Total</u>
2013	\$1,219,694	\$606,993	\$1,826,687
2014	\$1,358,210	\$706,850	\$2,065,060
2015	\$1,455,394	\$767,823	\$2,223,217
2016	\$1,954,303	\$1,053,198	\$3,007,501
2017	\$2,232,650	\$1,084,147	\$3,316,797
2018	\$2,451,697	\$1,342,443	\$3,794,140
2019	\$2,747,722	\$1,619,639	\$4,367,361
2020	\$2,703,131	\$1,720,817	\$4,423,948
2021	\$3,241,333	\$2,079,461	\$5,320,794
2022	\$3,345,066	\$2,272,168	\$5,617,234



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

