



Public Safety Personnel Retirement System

May 24, 2022

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 plan
- 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.
- Divide the TEC by the underlying payroll

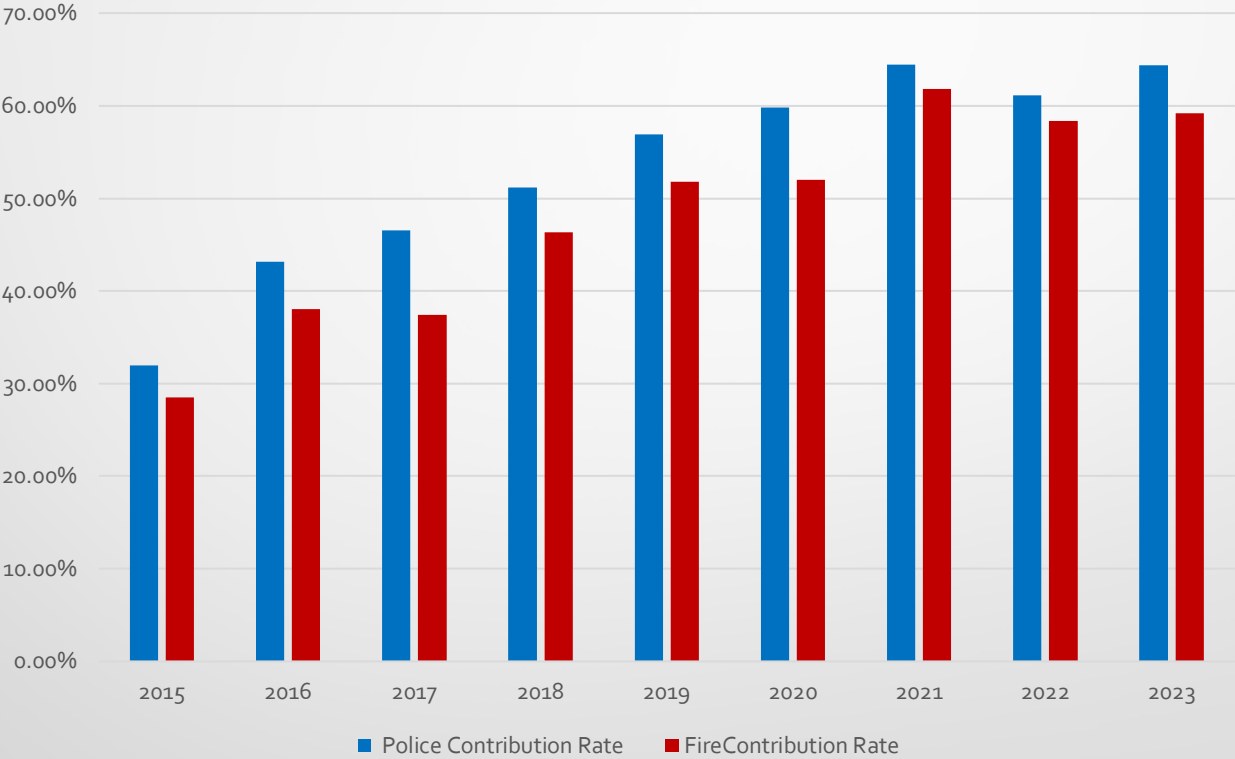
Contribution rates and funding

<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%

Annual Contribution Rate

<u>Year</u>	<u>Police Contribution Rate</u>	<u>Fire Contribution Rate</u>
2023	64.38%	59.22%
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%

Annual Contribution Rate



Budgeted Contribution Amount

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

Annual Cost, Underlying Payroll and Funding Ratios

		Police		
	<u>Total Pension Cost*</u>	<u>Underlying Payroll</u>	<u>Funding Ratio*</u>	
2023	\$ 2,196,590	\$ 3,370,118		51.7%
2022	\$ 2,388,401	\$ 3,853,763		46.1%
2021	\$ 2,470,235	\$ 2,509,640		43.2%
		Fire		
	<u>Total Pension Cost*</u>	<u>Underlying Payroll</u>	<u>Funding Ratio*</u>	
2023	\$ 1,512,379	\$ 2,534,223		59.2%
2022	\$ 1,601,145	\$ 2,704,545		54.0%
2021	\$ 1,627,098	\$ 2,538,020		51.7%

* Note decreasing total pension cost and increasing funding ratio

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

Other Options

- Bonding unfunded liability
- New Internal Revenue Code (IRC) Section 115 trust plan
- Calculate vacant positions' contributions at maximum pay rate of salary range