

State of Arizona
House of Representatives
Fifty-third Legislature
Second Regular Session
2018

CHAPTER 112
HOUSE BILL 2097

AN ACT

AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY
ADDING SECTION 38-863.01; RELATING TO THE PUBLIC SAFETY PERSONNEL
RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 38, chapter 5, article 4, Arizona Revised
3 Statutes, is amended by adding section 38-863.01, to read:

4 38-863.01. Pension funding policies; employers

5 A. BEGINNING ON OR BEFORE JULY 1, 2019, EACH GOVERNING BODY OF AN
6 EMPLOYER SHALL ANNUALLY:

7 1. ADOPT A PENSION FUNDING POLICY FOR THE SYSTEM FOR EMPLOYEES WHO
8 WERE HIRED BEFORE JULY 1, 2017. THE PENSION FUNDING POLICY SHALL INCLUDE
9 FUNDING OBJECTIVES THAT ADDRESS AT LEAST THE FOLLOWING:

10 (a) HOW TO MAINTAIN STABILITY OF THE GOVERNING BODY'S CONTRIBUTIONS
11 TO THE SYSTEM.

12 (b) HOW AND WHEN THE GOVERNING BODY'S FUNDING REQUIREMENTS OF THE
13 SYSTEM WILL BE MET.

14 (c) DEFINING THE GOVERNING BODY'S FUNDED RATIO TARGET UNDER THE
15 SYSTEM AND THE TIMELINE FOR REACHING THE TARGETED FUNDED RATIO.

16 2. FORMALLY ACCEPT THE EMPLOYER'S SHARE OF THE ASSETS AND
17 LIABILITIES UNDER THE SYSTEM BASED ON THE SYSTEM'S ACTUARIAL VALUATION
18 REPORT.

19 B. THE GOVERNING BODY SHALL POST THE PENSION FUNDING POLICY ON THE
20 GOVERNING BODY'S PUBLIC WEBSITE.

APPROVED BY THE GOVERNOR APRIL 3, 2018.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 3, 2018.



Buckskin Fire District

8500 RIVERSIDE DR., PARKER, ARIZONA 85344
PHONE: 928-667-3321 FAX 928-667-3431

RESOLUTION NO: 2019-4

A RESOLUTION FOR THE ADOPTION OF THE BUCKSKIN FIRE DISTRICT ADOPTING THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING POLICY.

WHEREAS, the Arizona State Legislature passed House Bill 2097 in 2018 (Laws 2018, Chapter 112; Arizona Revised Statutes §38-863.01), which requires the governing bodies of all Public Safety Personnel Retirement System (PSPRS) employers to adopt a pension funding policy and formally accept their share of the assets and liabilities based on the PSPRS actuarial valuation report, by July 1, 2019 and annually thereafter.

WHEREAS, the Fire District desires to adopt a PSPRS pension funding policy to clearly communicate the District's pension funding objectives and its commitment to the District's employees and the financial management of the District to comply with the new statutory requirements of Laws 2018, Chapter 12;

NOW, THEREFORE, BE IT RESOLVED by Buckskin Fire District Board of Directors, as follows:

Section 1. The District hereby adopts the PSPRS Pension Funding Policy (Policy) attached hereto as Exhibit "A" and incorporated herein by this reference.

Section 2. The District hereby accepts, as set forth in the Policy, the District's share of assets and liabilities based on the PSPRS actuarial valuation report.

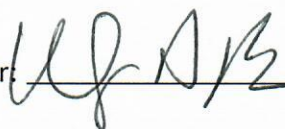
ADOPTED by the Fire Board of the Buckskin Fire District at a regular public meeting on 17, day of July, 2019.

Approved


Jeff Daniel, Fire Board Chair

Attest: Certify the foregoing Resolution No. 2019-4 was voted upon and approved by a majority vote of the Board, on the 17th, day of July, 2019, and I further certify the compliance with the Resolution and the laws of the Board.

Wayne Posey, Fire Board Member



Date: 7/17/19

EXHIBIT “A”
BUCKSKIN FIRE DISTRICT
Public Safety Personnel Retirement System
Pension Funding Policy

The intent of this policy is to clearly communicate the District’s pension funding objectives and its commitment to our employees and the sound financial management of the District 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 District’s fire employees who are 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 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 District has one trust fund for fire employees.

The District formally accepts the assets, liabilities, and current funding ratio of the District'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
Buckskin Fire	\$3,066,448	\$7,911,316	\$4,844,868	38.8%

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 District's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2036.

District established this goal for the following reasons:

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

The District has taken the following actions to achieve this goal:

- Maintain ARC payment from operating revenues – District is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY19 is \$450,000 and will be able to be paid from operating funds without diminishing District services.

Based on these actions the District plans to achieve its goal of 100% funding by June 30, 2036, in accordance with the amortization timeline set forth by the PSPRS June 30, 2018 Actuarial Valuation.