

# City of Apache Junction Public Safety Personnel Retirement System Pension Funding Policy

The intent of this policy is to clearly communicate the Council's pension funding objectives and its commitment to our employees and the sound financial management of the City and to comply with Arizona Revised Statutes Section 38-863.01.

## Public Safety Personnel Retirement System (PSPRS)

PSPRS is administered as an agent multiple-employer pension plan. Each agency participating in the plan has an individual trust fund reflecting that agencies' own funded ratio, contribution rate and annual actuarial valuation. The City's police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS).

Council formally accepts the assets, liabilities, and current funding ratio of the City's PSPRS trust funds from the June 30, 2022, actuarial valuation, which are detailed below:

Trust Fund	Actuarial Valuation of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (AAL-AVA)	Funded Ratio (AVA/AAL)
Apache Junction Police	\$20,310,413	\$48,199,796	\$27,889,383	42.1%

## PSPRS Funding Goal

The City will try to maintain a zero Unfunded Actuarial Liability. The City of Apache Junction issued revenue bonds to pay the balance of the unfunded actuarial liability on July 7, 2022. This will be reflected in the next PSPRS actuarial report. The estimated annual debt service is approximately \$2.6 million dollars through June 2038.

Council established this goal for the following reasons:

- The fluctuating cost of an unfunded actuarial accrued liability (UAAL) causes strain on the City's budget, affecting our ability to provide services
- A fully funded pension is the best way to achieve taxpayer and member intergenerational equity

Council has taken the following actions to achieve this goal:

- Maintain annual required contribution (ARC) payment from operating revenues – Council is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds.
- Create and maintain a PSPRS Pension Liability reserve, equal to 10% of the outstanding debt service of the pension obligation bonds, to be used to maintain 100% funding of Actuarial Accrued Liability.
- Dedicated revenue – The provisions of City Ordinance No. 1418 continued a tax rate effective September 2, 2016 of 0.2% to be used for mandatory payments to the Public Safety Personnel Retirement System and unfunded liability related to this system. This ordinance sunsets on September 1, 2026.

Based on these pension funding policy decisions by Council, the City PSPRS plans are expected to maintain the goal of 100% funding.