

MARANA RESOLUTION NO. 2024-053

RELATING TO ADMINISTRATION; ADOPTING THE TOWN OF MARANA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING POLICY FOR FISCAL YEAR 2024-2025

WHEREAS A.R.S. § 38-863.01 requires each governing body of an employer with employees in the Public Safety Personnel Retirement System (PSPRS) to annually adopt a pension funding policy for the system for employees who were hired before July 1, 2017; and

WHEREAS the Town has developed a pension funding policy with funding objectives as required by the statute; and

WHEREAS the Town Council finds that it is in the best interests of the community to adopt the PSPRS funding policy for fiscal year 2024-2025.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF MARANA, ARIZONA, AS FOLLOWS:

SECTION 1. The Town of Marana Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy for FY 2024-2025, attached to and incorporated in this resolution as Exhibit A, is hereby adopted.

SECTION 2. The Town's Manager and staff are hereby directed and authorized to undertake all other and further tasks required or beneficial to carry out the terms, obligations, and objectives of the PSPRS funding policy.

PASSED AND ADOPTED BY THE MAYOR AND COUNCIL OF THE TOWN OF MARANA, Arizona, this 4th day of June, 2024.



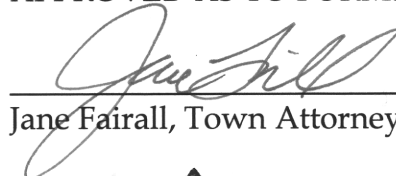
Mayor Ed Honea

ATTEST:



David L. Udall, Town Clerk

APPROVED AS TO FORM:



Jane Fairall, Town Attorney

Town of Marana 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 Town and to comply with new statutory requirements of Laws 2018, Chapter 112.

The Town's police 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 Town of Marana has one trust fund for police employees.

Council formally accepts the assets, liabilities, and current funding ratio of the Town's PSPRS trust funds from the June 30, 2023 actuarial valuation, which are detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Marana Police – Tier 1 & Tier 2 Pension	\$ 42,505,600	\$ 56,098,534	\$ 13,592,934	75.8%

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. Many funds in PSPRS are significantly underfunded and falling well short of the goal of intergenerational equity.

The Council's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2036. Council established this goal for the following reasons:

- The PSPRS trust funds represent only the Town of Marana's liability.
- 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 ARC payment from operating revenues – Council is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY2023 is \$2,067,851 and will be able to be paid from operating funds without diminishing Town services.
- Authorize the Town Manager to propose additional measures as part of the annual budget process based on projected financial conditions and Town operational needs. Such measures may include the following:
 - Pre-payment of the estimated combined ARC amount at the beginning of each fiscal year, as permitted by the pension plan.
 - Additional payments above the ARC.

Based on these actions the Council 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, 2023 Actuarial Valuation.

Definitions

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.