



PONDEROSA FIRE DISTRICT

11951 W. Shadow Mountain Drive
PO Box 16359
Bellemont, AZ 86015
928-773-8933



Resolution of the Ponderosa Fire District (PFD) Board of Directors Adopting a Public Safety Personnel Retirement System Pension Funding Policy

Resolution #2019-03 PSPRS Pension Funding Policy

A FORMAL RESOLUTION OF THE GOVERNING BODY OF THE PONDEROSA FIRE DISTRICT ADOPTING THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING POLICY AND ACCEPTING THE DISTRICT'S SHARE OF ASSETS AND LIABILITIES UNDER THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM ACTUARIAL VALUATION REPORT.

WHEREAS, Arizona Revised Statute § 38-863.01 requires the governing body 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 Board of Directors desires to adopt a PSPRS pension funding policy to clearly communicate the District's pension funding objectives and its commitment to District employees and sound financial management of the District and to comply with the statutory requirement; and

WHEREAS, the policy must be posted on the District's website; and

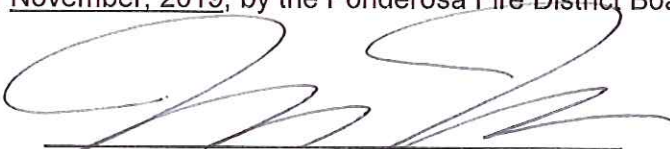
NOW, THEREFORE, BE IT RESOLVED by the Ponderosa Fire District Board of Directors as follows:

Section 1. The Board of Directors hereby adopts the PSPRS Pension Funding Policy attached hereto as Exhibit "A" and incorporated herein by this reference.


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

APPROVED AND ADOPTED on this 21st day of November, 2019, by the Ponderosa Fire District Board of Directors, in Coconino County, Arizona.


Marina Mitchell, Board Chairman


ATTEST: Ryan McKay, Clerk of the Board


Carey McDonald, Vice-Chairman


Julie Mabry, Board Member



Mark Christian, Board Member

EXHIBIT "A"

Ponderosa Fire District Public Safety Personnel Retirement System Pension Funding Policy

The intent of this policy is to clearly communicate the Board's pension funding objectives and its commitment to our employees and the sound financial management of the Ponderosa Fire District PSPRS and to comply with statutory requirements of A.R.S. §38-863.01.

Definitions and terminology used throughout this policy:

Amortization – Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Annual Required Contribution (ARC) – 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.

Entry Age Normal Actuarial Cost Method – A funding method that calculated the Normal Cost as a level percentage of pay over the working lifetime of the plan's members.

Funded Ratio – 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.

Normal Cost (NC) – The annual cost assigned, under the actuarial funding method, to current and subsequent plan years, sometimes referred to as "current service cost". Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Unfunded Actuarial Accrued Liability (UAAL) - 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.

The Ponderosa Fire Districts (PFD) fire operations employees who are eligible or regularly assigned hazardous duty participate in the 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 commingle 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,

EXHIBIT "A"

and each fund has a unique annual actuarial valuation. The Ponderosa Fire District has one trust fund for fire operations employees.

The PFD Board 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
Tier 1&2	\$397,385	\$262,871	(\$134,541)	151.2%
Tier 3	N/A	N/A	N/A	N/A
PFD Totals	\$397,385	\$262,871	(\$134,541)	151.2%

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 PFD Board's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2029. The PFD Board established this goal for the following reasons:

- The PSPRS trust funds represent only the Ponderosa Fire 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 PFD Board has taken the following actions to achieve this goal:

- Maintain ARC payment from operating revenues. The Board is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY19-20 is \$ 43,034 and will be able to be paid from operating funds without diminishing the Fire District's services.
- Apply the Fire Insurance Premium Tax Credit to the unfunded liability.
- If the funded ratio is between 100% and 120%, a minimum contribution equal to the Normal Cost will be made.
- Additional payments above the ARC;
 - If funds allow, budget for additional funds to be applied to the District's unfunded liability.
 - Annually evaluate prior year budget compared to actual expenditures and make an excess payment if funds allow that are approved by the PFD Board.
- PSPRS clerk will provide an annual update on the financial position of the PSPRS trust funds to the Board.

Ponderosa Fire District PSPRS pension fund is currently overfunded. However, this is a fluid number that may change yearly based on the following factors: Hiring of more firefighters, more eligible time towards retirement or if there was a loss in the investment market value, meaning that the available funds to pay retirement lost value. The District plans to maintain/achieve its goal of 100% funding on June 30, 2029, 10 years ahead of what is anticipated and in accordance with the amortization timeline set forth by the PSPRS June 30, 2018 Actuarial Valuation.