

RESOLUTION NO. 12043

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESA, MARICOPA COUNTY, ARIZONA, ADOPTING A PENSION FUNDING POLICY FOR CITY EMPLOYEES IN THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM AND ACCEPTING, AS THE EMPLOYER, THE CITY OF MESA'S SHARE OF THE ASSETS AND LIABILITIES UNDER THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM IN ACCORDANCE WITH THE ANNUAL REQUIREMENTS OF A.R.S. § 38-863.01.

WHEREAS A.R.S. § 38-863.01 requires the City of Mesa to annually adopt a pension funding policy for the Public Safety Personnel Retirement System employees who were hired before July 1, 2017;

WHEREAS the City of Mesa Public Safety Personnel Retirement System Pension Funding Policy meets the statutory requirements of A.R.S. § 38-863.01; and

WHEREAS, A.R.S. § 38-863.01 also requires the City of Mesa to annually formally accept its employer's share of the assets and liabilities under the Public Safety Personnel Retirement System based on the Public Safety Personnel Retirement System's actuarial valuation report.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESA, MARICOPA COUNTY, ARIZONA, AS FOLLOWS:

Section 1. As required by A.R.S. § 38-863.01, the City of Mesa Public Safety Personnel Retirement System Pension Funding Policy attached hereto as **Exhibit A** and incorporated herein by this reference is hereby adopted by the City of Mesa.

Section 2. As required by A.R.S. § 38-863.01, the City of Mesa formally accepts, as the employer, its share of the assets and liabilities under the Public Safety Personnel Retirement System based on the published Public Safety Personnel Retirement System's annual actuarial valuation reports for the Mesa Fire and Medical Department and the Mesa Police Department dated June 30, 2022, copies of which are maintained by the Office of Management & Budget.

PASSED AND ADOPTED by the City Council of the City of Mesa, Maricopa County, Arizona, this 5th day of June, 2023.

APPROVED:

MAYOR

ATTEST:

CITY CLERK

Exhibit A

City of Mesa Public Safety Personnel Retirement System Pension Funding Policy (for public safety employees hired before July 1, 2017)

The intent of this policy is to comply with the statutory requirements of A.R.S. § 38-863.01.

Structure

The City of Mesa (City) enrolls its sworn Police and Fire & Medical personnel in the Arizona Public Safety Personnel Retirement System (PSPRS).

PSPRS is a multiple-employer pension plan. Each agency participating in PSPRS has an individual trust fund reflecting the agency's assets and liabilities. All contributions are deposited to and distributions are made from the trust fund assets. Each fund has its own annual actuarial valuation, funded status, and contribution rate.

The City has two public safety pension trust funds, one for Police employees and one for Fire & Medical employees.

Financial Status

The most recent financial status of the City's Tier 1 and Tier 2 PSPRS trust funds (pension+health) are detailed in Table 1 below.

Table 1: Financial Status of City of Mesa PSPRS Plans (as of June 30, 2022)

Plan	Assets (millions)	Liability (millions)	Unfunded Liability (millions)	Funded Status
Fire and Medical	\$ 268	\$ 515	\$ 246	52.0%
Police	\$ 478	\$ 963	\$ 485	49.6%
Total	\$ 746	\$ 1,479	\$ 732	

Definitions:

Plan Assets – the value of assets in a plan's trust fund (with the recognition of annual investment gains or losses spread over seven years).

Plan Liability – the present value of pension benefits already earned by plan employees in prior years.

Unfunded Liability – the portion of plan liabilities not funded by plan assets.

Funded Status – the ratio of assets to liabilities. A higher ratio indicates a higher funded plan, with 100% being fully funded.

Funding Objectives

a. Maintain Stability of Contributions

As stated in the City's [Financial Policies](#):

1. The City will establish and maintain an ongoing reserve for pension stabilization to help manage the impact of large contribution rate increases from year to year ([Financial Policies](#), Section 3.1).
2. The decision to decrease or increase the reserve balance will be determined annually by the City Council as part of the City's budget process ([Financial Policies](#), Section 3.2).

b. Meet Funding Requirements

1. How Requirements Will Be Met

The City maintains a multi-year forecast of anticipated resources and spending. Pension contributions to PSPRS will be included in this forecast, and the liabilities, which the contributions cover, are assumed to increase each year. Assuming increased pension liabilities, the City's long-term planning will assure that funding is available to meet future obligations.

2. When Requirements Will Be Met

The City will budget at minimum the full annual required contribution (ARC) for its PSPRS plans. PSPRS requires that the City contribute (at least) a specified percentage of payroll for each participating employee. If payroll growth assumed by PSPRS differs from budgeted payroll growth, the contribution percentage specified by PSPRS could result in a budgeted contribution less than the ARC. In that case, the City will budget additional contributions to at least match the ARC.

c. Funded Ratio Target and Timeline

1. The City Council's funded ratio target for the PSPRS pension plans is 100%.
2. The City Council's intended timeline to achieve full (100%) funding of PSPRS plans is June 30, 2042. This timeline is reflected in Section 3.3 of the City's [Financial Policies](#):

The City intends to contribute the amount needed to fully fund Police and Fire and Medical Public Safety Personnel Retirement System (PSPRS) unfunded liability by FY 2041-42 (25-year amortization period) rather than by FY 2046-

47 (30-year amortization period); however, a decision to contribute less funds can be considered by the City Council during the annual budget process.

The City Council may also determine to make additional contributions in order to fund the unfunded liability on an accelerated timeframe.