

Public Safety Personnel Retirement System (PSPRS)

Pension Funding Policy FY 2023/24
June 1, 2023

Samuel Schultz
Deputy Director – Office of Management and Budget

Pension Funding Policy

Beginning on or before each fiscal year, the governing body of an employer shall

- Adopt a pension funding policy for the Public Safety Personnel Retirement System for employees who were hired before July 1, 2017.
- Formally accept the employer's share of the assets and liabilities under the system based on the system's actuarial valuation report

ARS 38-863.01

Pension Policy Required

Objectives:

The pension funding policy includes funding objectives that address at least the following



MAINTAIN STABILITY
OF CONTRIBUTIONS



MEET FUNDING
REQUIREMENTS



FUNDING RATIO
TARGET AND TIMELINE

Current Status - Tier 1 and 2 (Pension + Health)

Unfunded Liability / Funded Status

(as of **June 30, 2021**; includes health)

Plan	Assets (millions)	Liability (millions)	Unfunded Liability (millions)	Funded Status
Fire and Medical	\$ 245	\$ 482	\$ 237	50.8%
Police	\$ 433	\$ 904	\$ 471	47.9%
Total	\$ 679	\$ 1,386	\$ 708	

Unfunded Liability / Funded Status

(as of **June 30, 2022**; includes health)

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	



Pension Plan Updates:

- Increased Salary Growth in actuals for FY 2021/22 of approx. 10%
- Discount Rate Assumption (Investment Growth) – Reduced from 7.3% to 7.2%
- Investment Returns – approximately negative 4.2% for FY 2021/22
 - Gains/losses smoothed over 7 years and amortized out, but prior year gains wiped out
 - FY 2022/23 projected to be around 1-2% (net fees)

City Funding Strategies

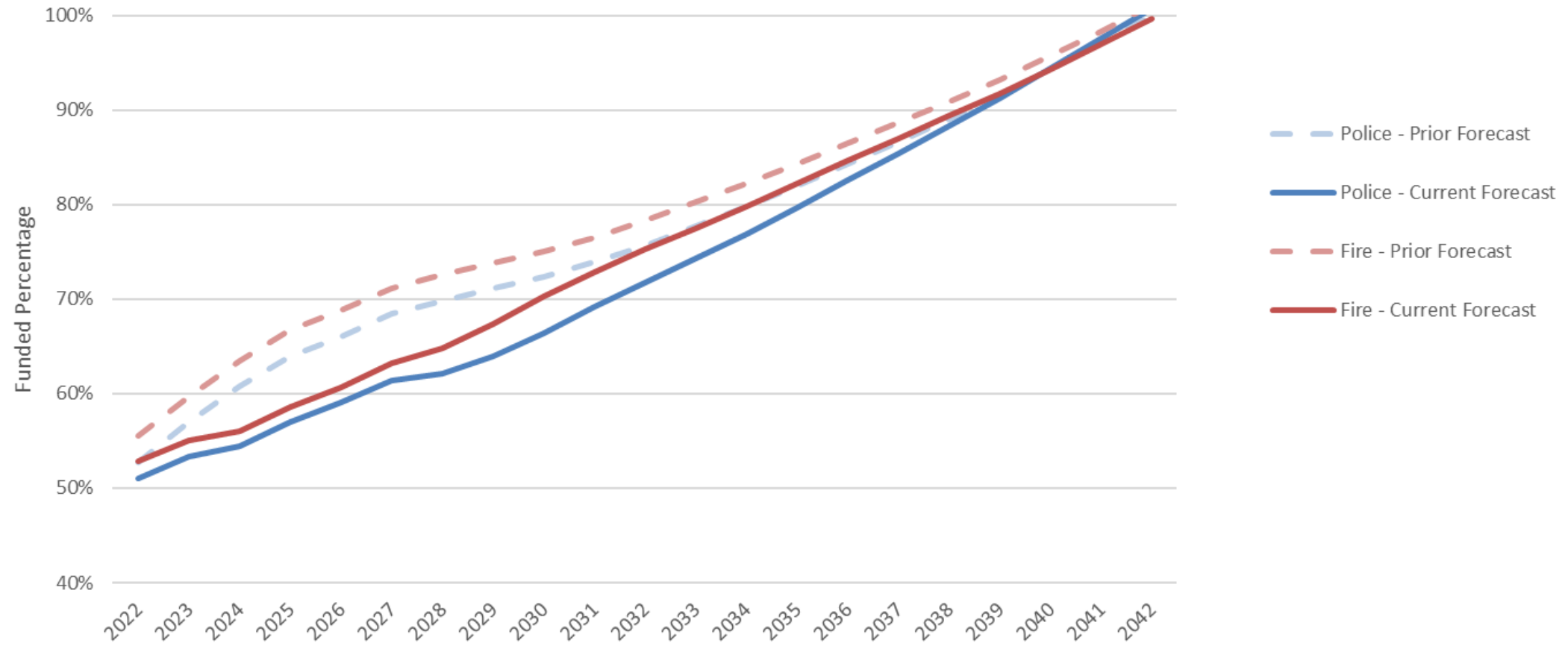
- Pension Stabilization Fund
 - \$2M annual contribution
 - Current Balance: **\$14M**
 - *As of the close of FY 2022/23*
- Stabilized investment
 - Forecasted at approximately **\$86M-\$88M** in the future for annual contributions
 - Includes sales tax on adult use (recreational) marijuana – FY 2023/24 (proposed) - \$3.3M
 - Increased FTEs
 - Increased Salary (proposed Market Adjustment for July 2023)
 - Increase range boundaries by \$5M to \$80M-\$90M for Market adjustment and include marijuana sales tax



City of Mesa's Outlook:

- Continue to monitor market conditions
 - FY 2023/24 includes a mild recession
 - Federal debt ceiling discussions
 - Pension is a long-term plan with many ups and downs
 - 10-year performance average at **7.35%** (market value of assets)
- Continue to monitor changes from the State
- Adjust with salary changes and FTE growth
- Monitor Tier 3 population growth

Lower than expected investment returns and changes in the assumptions





Next Steps:

Council to take action on adopting the PSPRS Funding Policy on:
June 5, 2023



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