



Public Safety Personnel Retirement System (PSPRS):

Pension Policy FY 2021/22
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Pension Policy

- Beginning on or before July 1, 2021, the governing body of an employer shall annually
 - 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

Funding Objectives:

The pension funding policy shall include funding objectives that address at least the following



Maintain Stability of Contributions



Meet Funding Requirements



Funding Ratio Target and Timeline

Current Status



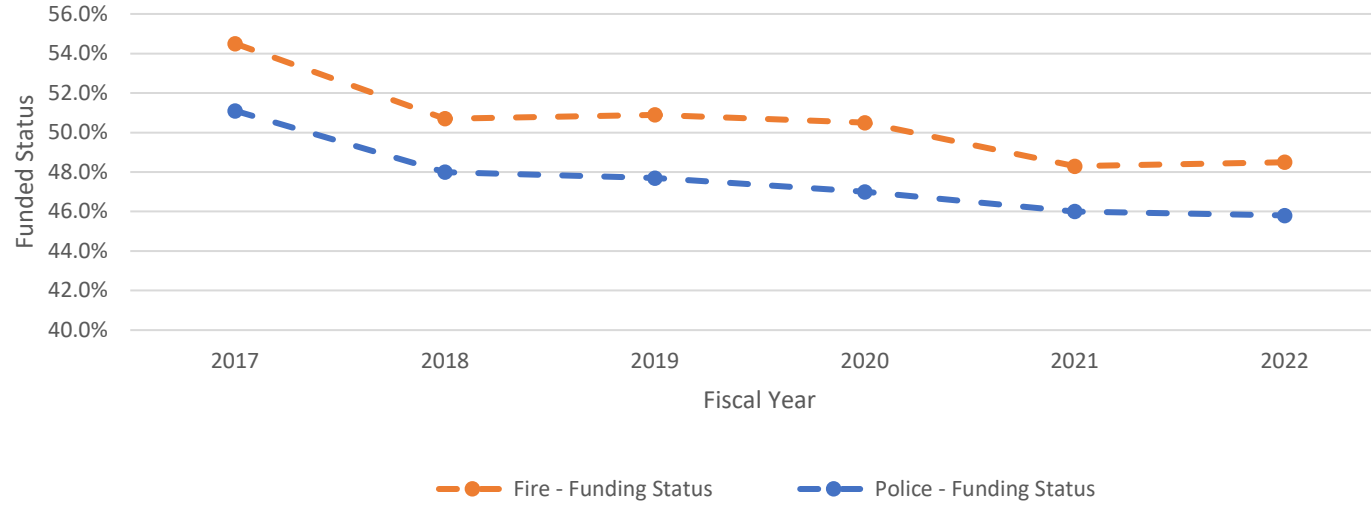
- Unfunded Liability / Funded Status
(as of June 30, 2020; includes health)
- Mesa Fire and Medical - \$232M / 49%
 - Increased approx. \$7M
- Police - \$470M / 46%
 - Increased approx. \$31M
- Currently paying on a 21-year unfunded liability amortization schedule

Historical Trend: A Look Back

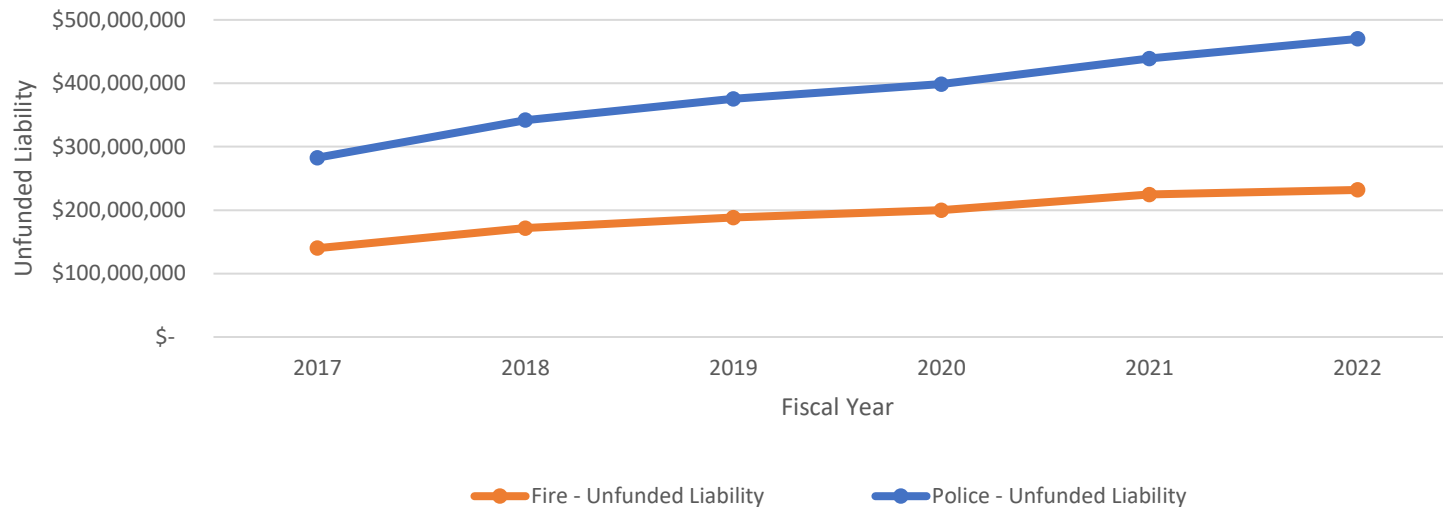
Funded Status ↓

Liability ↑

6 Year Trend: PSPRS - Police and Fire - Funded Status



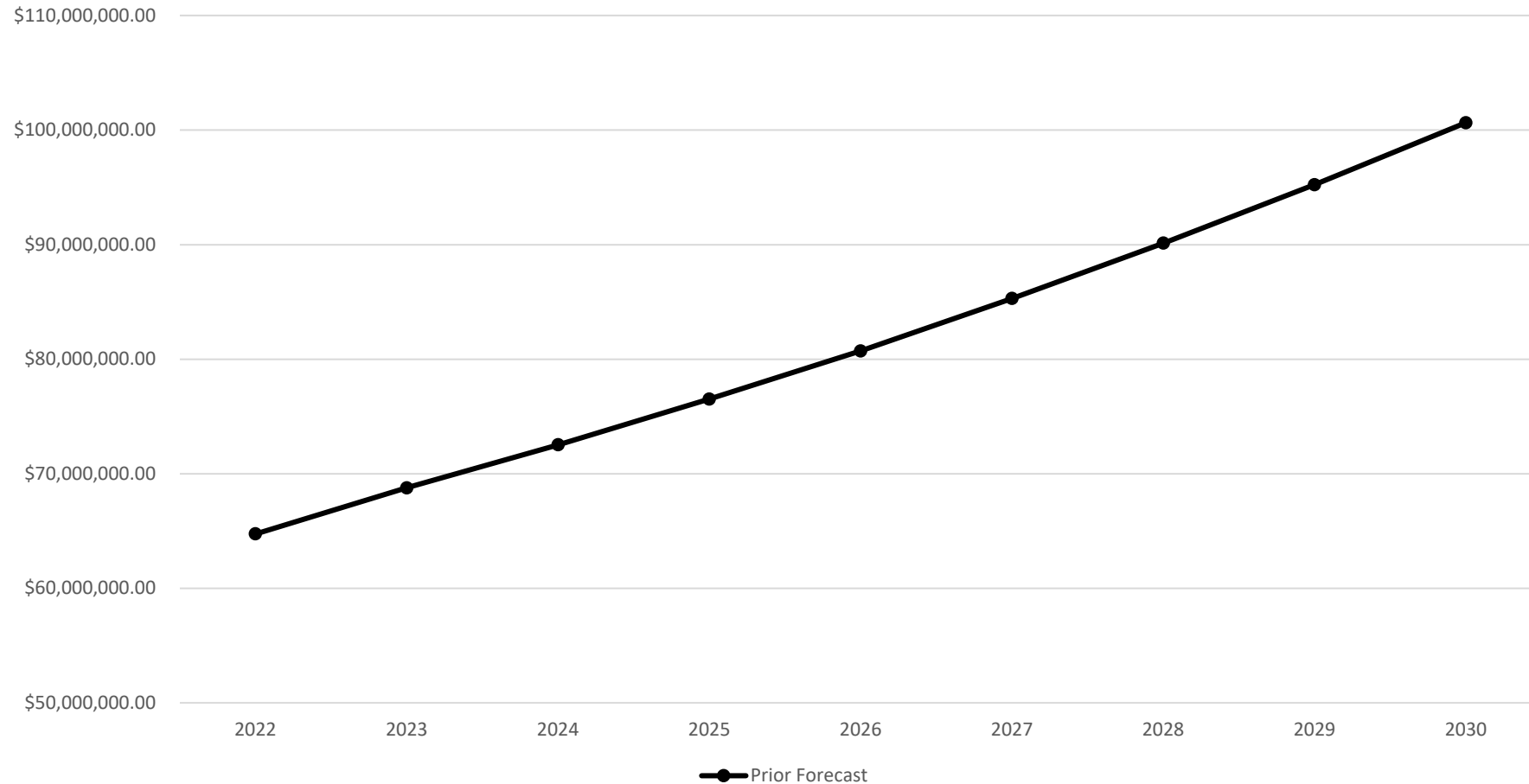
6 Year Trend: PSPRS - Police and Fire – Unfunded Liability



What are the causes?

- Legal challenges to past benefit changes
 - Hall/Parker Case
- PSPRS's actual investment earnings being less than what was assumed and reduction of assumed investment earnings in the forecast
 - Decrease in assumption from 7.5% to 7.3%
 - Prior year actuals net returns: 0.91%
- PSPRS changed demographic assumptions:
 - Life expectancy
- Payroll growth rate assumption
 - Set at 3.5%, and will be incrementally decreased further to 2%

Prior FY Forecasted PSPRS Payment



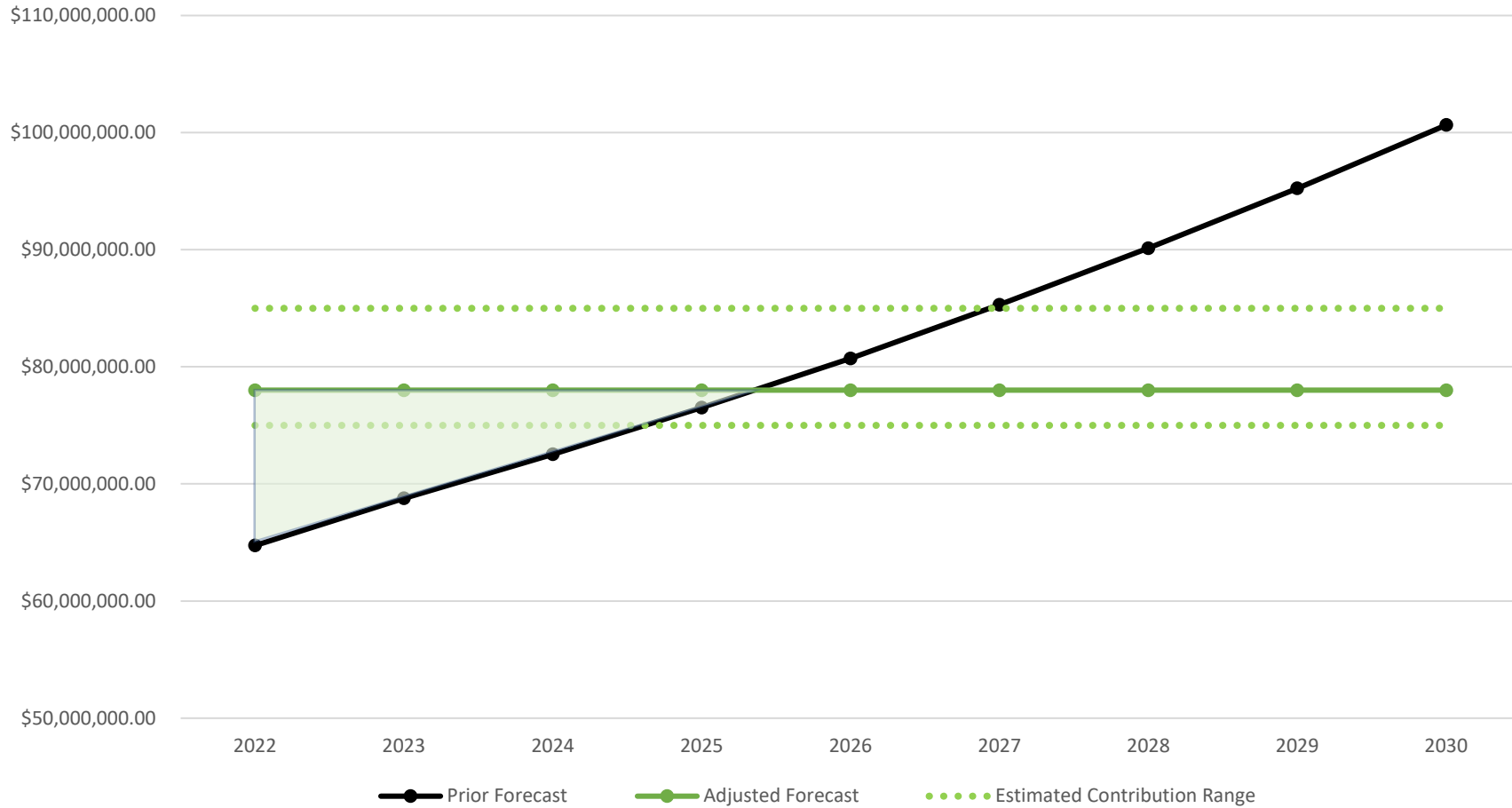
- Forecasted inflation was approx. 6% increase Year over Year
- Using historical trend of PSPRS's Actuarial Reports

Stabilization of the Unfunded Liability Payment

Goal: Stabilize forecasted increases and remove negative amortization

- Remove payroll assumption growth
 - Higher contributions initially
 - State average growth: 1.4%
 - Prior assumption growth: 3.5%
- Projection: Smooth out unfunded liability payment

Closing the gap



- Increase contributions over a 4-year period compared to the forecast
- Approximately \$28M-\$30M in investment
- \$178M in potential savings over the amortization schedule
- Maintaining payment schedule of 21-years



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