

RESOLUTION NO. 12148

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, ARIZONA, ADOPTING THE FISCAL YEAR 2021/22 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING POLICY; ACCEPTING THE CITY'S SHARE OF ASSETS AND LIABILITIES UNDER THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM ACTUARIAL VALUATION REPORT; REPEALING THE PRIOR POLICY; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, Arizona Revised Statutes (A.R.S.) § 38-863.01 requires the governing bodies of all Public Safety Personnel Retirement System (PSPRS) employers to annually adopt a pension funding policy and formally accept their share of the assets and liabilities based on the PSPRS actuarial valuation report;

WHEREAS, on April 21, 2020, pursuant to Resolution No. 11760, the Council adopted its annual PSPRS pension funding policy for fiscal year 2020/21 to clearly communicate the Council's pension funding objectives and its commitment to City employees and the sound financial management of the City and to comply with A.R.S. § 38-863.01;

WHEREAS, the Council desires to adopt a PSPRS pension funding policy for fiscal year 2021/22 and formally accept the share of assets and liabilities based on the June 30, 2020 PSPRS actuarial valuation report; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scottsdale, Arizona, as follows:

Section 1. The Council hereby adopts the Fiscal Year 2021/22 PSPRS Pension Funding Policy (Policy) attached hereto as Exhibit "A" and incorporated herein by this reference.

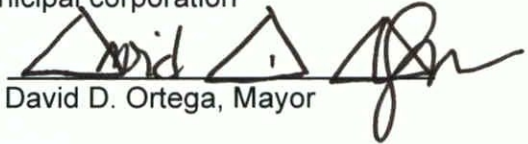
Section 2. The Council hereby accepts, as set forth in the Policy, the City's share of assets and liabilities based on the June 30, 2020 PSPRS actuarial valuation report.

Section 3. The PSPRS Pension Funding Policy passed and adopted through Resolution No. 11760 on April 21, 2020 is hereby repealed in its entirety.

Section 4. Delayed Effective Date. The provisions of this resolution shall be effective July 1, 2021.

PASSED AND ADOPTED by the Council of the City of Scottsdale, Maricopa County, Arizona this 8th day of June 2021.

CITY OF SCOTTSDALE, an Arizona
municipal corporation

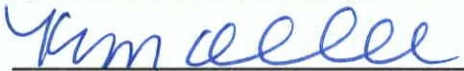
By: 
David D. Ortega, Mayor

ATTEST:



Ben Lane, City Clerk

APPROVED AS TO FORM:



Sherry R. Scott, City Attorney
By: Kimberly Campbell, Senior Assistant City Attorney

Exhibit "A"

City of Scottsdale Fiscal Year 2021/22 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 City employees and the sound financial management of the City and to comply with the statutory requirements of A.R.S. § 38-863.01, including reviewing and adopting this policy annually.

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.

The City's police and fire 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 City of Scottsdale has two trust funds, one for police employees and one for fire employees.

Council formally accepts the assets, liabilities, and current funding ratio of the City's PSPRS trust funds from the June 30, 2020 actuarial valuation, which are detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Scottsdale Police	\$213,338,632	\$408,945,851	\$195,607,219	52.2%
Scottsdale Fire	\$113,318,722	\$133,936,064	\$20,617,342	84.6%
City of Scottsdale Totals	\$326,657,354	\$542,881,915	\$216,224,561	60.2%

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 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 City of Scottsdale'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:

- Beginning in 2016 the City chose the 20-year amortization period instead of the 30-year one-time option and did not take advantage of PSPRS's credit service model option related to the *Parker* case to apply toward future retirement payments.
- 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 FY21 is \$23,695,471 and FY22 is \$27,382,926 and will be able to be paid from operating funds without diminishing City services.
- Adopted the tentative fiscal year 2021/22 budget which includes a one-time additional contribution of \$35,000,000 to the police and \$5,000,000 to the fire unfunded liabilities.

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, 2020 Actuarial Valuation.