

RESOLUTION NO. 13700

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, ARIZONA, ADOPTING THE FISCAL YEAR 2026/27 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 June 10, 2025, pursuant to Resolution No. 13369, the Council adopted its annual PSPRS pension funding policy for fiscal year 2025/26 to clearly communicate the Council's pension funding objectives, 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 2026/27 and formally accept the City's share of assets and liabilities based on the June 30, 2025 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 2026/27 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, 2025 PSPRS actuarial valuation report.

Section 3. The PSPRS Pension Funding Policy passed and adopted through Resolution No. 13369 on June 10, 2025 is hereby repealed in its entirety.

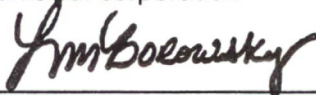
Section 4. Delayed Effective Date. The provisions of this Resolution shall be effective July 1, 2026.

PASSED AND ADOPTED by the Council of the City of Scottsdale, Arizona, this 9th day of June, 2026.

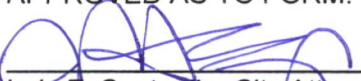
ATTEST:

  
Ben Lane, City Clerk

CITY OF SCOTTSDALE, an Arizona  
municipal corporation

  
Lisa Borowsky, Mayor

APPROVED AS TO FORM:

  
Luis E. Santaella, City Attorney  
By: Jennifer Fernandez, Assistant City Attorney

## Exhibit "A"

### City of Scottsdale Fiscal Year 2026/27 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)** – The difference between trust assets and the estimated future cost of pensions earned by employees. UAAL results from actual experience (interest earnings, mortality, disability rates, etc.) differing from the assumptions used in prior actuarial valuations.

**Annual Required Contribution (ARC)** – The annual amount required to be paid into the pension funds, as determined through annual actuarial valuations. It consists of two components: (1) normal pension cost, which is the estimated cost of pension benefits earned by employees in the current year; and (2) amortization of UAAL, which is the cost needed to cover the unfunded portion of pensions earned in prior years. The UAAL is amortized over a defined period. The ARC is expressed as a percentage of the current payroll.

**Funded Ratio** – The ratio of fund assets to actuarial accrued liability. A higher ratio indicates a better-funded pension plan, with 100% being fully funded.

**Intergenerational equity** – Ensures that no generation is burdened with substantially more or less pension cost than past or future generations.

**Legacy unfunded liability** – Applicable to Tier 1 and Tier 2 PSPRS members whose enrollment date is prior to July 2017.

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, achieving economies of scale for more cost-efficient investments, and 2) to serve as the statewide uniform administrator for the distribution of benefits.

Under an agent multiple-employer pension plan, each participating agency has an individual trust fund reflecting that agency’s assets and liabilities. All contributions are deposited to, and distributions are made from, that fund’s assets. Each fund has its own funded ratio, contribution rate, and annual actuarial valuation. The City of Scottsdale has two trust funds, one for police employees and one for fire employees.

The Council formally accepts the assets, liabilities, and current funding ratio of the City’s PSPRS trust funds from the June 30, 2025, actuarial valuation, as detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Scottsdale Police	\$386,990,630	\$519,759,643	\$132,769,013	74.5%
Scottsdale Fire	\$204,560,877	\$250,907,857	\$46,346,980	81.5%
<b>Totals</b>	<b>\$591,551,507</b>	<b>\$770,667,500</b>	<b>\$179,115,993</b>	<b>76.8%</b>

PSPRS Funding Goal

Pensions that are less than fully funded place the cost of service provided in earlier periods (amortization of UAAL) on current taxpayers. Fully funded pension plans are the best way to achieve taxpayer and member intergenerational equity. Most PSPRS funds are significantly underfunded and fall short of this goal.

**The Council’s funding ratio goal for the legacy unfunded liability is 100% (fully funded) by June 30, 2036.** Council established this goal for the following reasons:

- The PSPRS trust funds represent only the City’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 selected the 20-year amortization period instead of the 30-year one-time option for amortizing Tier 1 and Tier 2 unfunded liabilities, and did not use PSPRS’s credit service model option related to the *Parker* case.
- Maintain ARC payment from operating revenues – Council is committed to maintaining the full ARC payment, or above (normal cost and UAAL amortization), from operating funds. The estimated combined ARC for fiscal year 2025/26 is \$28,926,657, and for fiscal year 2026/27 is \$30,877,962, and both can be paid from operating funds without diminishing City services.

Based on these actions, the Council plans to achieve its goal of 100% funding for the legacy unfunded liability by June 30, 2036, in accordance with the amortization timeline set forth in the PSPRS June 30, 2025, actuarial valuation.