



City of Yuma

Legislation Details (With Text)

File #: R2024-028 **Version:** 1 **Name:**
Type: resolution **Status:** Passed
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On agenda: 6/26/2024 **Final action:** 6/26/2024
Title: Annual Public Safety Personnel Retirement System Funding Policy for Fiscal Year 2025
Sponsors:
Indexes:
Code sections:
Attachments: 1. 1. RES PSPRS Funding Policy 2025, 2. 2. POLICY PSPRS Funding Policy 2025

Date	Ver.	Action By	Action	Result
6/26/2024	1	City Council Meeting		

	STRATEGIC OUTCOMES	ACTION
DEPARTMENT: Finance	<input type="checkbox"/> Safe & Prosperous <input type="checkbox"/> Active & Appealing <input checked="" type="checkbox"/> Respected & Responsible	<input type="checkbox"/> Motion <input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance - Introduction
DIVISION: Administration	<input type="checkbox"/> Connected & Engaged <input type="checkbox"/> Unique & Creative	<input type="checkbox"/> Ordinance - Adoption <input type="checkbox"/> Public Hearing

TITLE:
Annual Public Safety Personnel Retirement System Funding Policy for Fiscal Year 2025

SUMMARY RECOMMENDATION:
 Adopt the annual Public Safety Personnel Retirement System (PSPRS) funding policy for Fiscal Year 2025, as required under Arizona Revised Statutes (A.R.S.) § 38-863.01. (Finance) (Doug Allen)

STRATEGIC OUTCOME:
 This item supports the City Council’s strategic outcome of Respected and Responsible, as it assures the City is being a good steward of public funds.

REPORT:
 The City’s police and fire employees who are regularly assigned hazardous duty participate in the 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 Yuma has two trust funds, one for police employees and one for fire employees.

FUNDING RATIO GOAL IS FULLY FUNDED (100%) IN ADVANCE OF JUNE 30, 2036

Pensions that are less than fully funded place the cost of service provided in previous years 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 well short of the goal of intergenerational equity.

City Council established this goal for the following reasons:

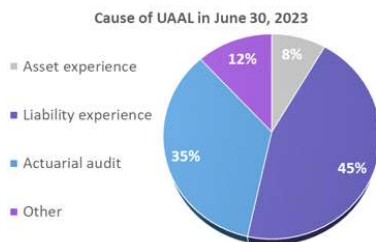
- The PSPRS trust funds represent only the City of Yuma’s liability
- The fluctuating cost of an UAAL causes strain on the City’s budget, affecting the City’s ability to provide services
- A fully funded pension is the best way to achieve taxpayer and member intergenerational equity

The Yuma City Council has taken the following actions to achieve this goal:

- The Mayor and City Council declared resolution of the PSPRS unfunded liability a priority
- On February 19, 2021, the City issued \$159,475,000 in taxable pledged revenue bonds to pay the balance of the PSPRS unfunded liability and establish a reserve account designated to maintain a fully funded PSPRS
- In July 2021 (FY 2022), the City fully paid (100%) the estimated PSPRS UAAL

CHANGE IN CONDITIONS

Due to a change in several actuarial conditions in the Actuarial Valuation year ended June 30, 2023, the City’s funded ratio has eroded below 100%. The graph below shows that categories causing the lower ratios and the chart provides a historical perspective of the City’s funded ratios.



Actuarial Valuation as of,	Funded Ratio		UAAL (Asset)
	Police	Fire	
June 30 , 2023	96.8%	95.9%	\$ 9,613,462
June 30 , 2022	100.1%	100.1%	(261,321)
June 30 , 2021	60.1%	58.5%	96,963,018
June 30 , 2020	43.6%	41.2%	132,247,364
June 30 , 2019	44.2%	41.4%	123,241,689

CONTINUED COMMITMENT

City Management will provide options for City Council consideration when the June 30, 2024, Actuarial Valuation is available in Q3/Q4 FY 2025. Budget authority to pay the UAAL is in FY 2025 and can be executed if that is City Council’s chosen course of action. The funding source will most likely need to be exempt from the expenditure limitation unless sufficient expenditure limitation capacity is available in Q3/Q4 FY 2025.

POLICY ATTACHED

The attached PSPRS funding policy for FY 2025 incorporates:

- Use of the templates provided by the Arizona League of Cities and Towns
- Adoption of the policy with the annual budget process to ensure meeting compliance
- Amortize the UAAL contribution rate over the maximum years allowed to not over commit the City and allow for flexibility in the event of an economic downturn and the resurgence of an UAAL
- Includes City Council’s actions to fully fund the PSPRS UAAL in July of FY 2022 and commitment to revisit the current estimated UAAL with the next actuarial report for June 30, 2024 when available.

Approving this resolution adopts the attached PSPRS Funding Policy for Fiscal Year 2025.

FISCAL REQUIREMENTS:

CITY FUNDS:	\$ 0.00	BUDGETED:	\$ 0.00
STATE FUNDS:	\$ 0.00	AVAILABLE TO TRANSFER:	\$ 0.00
FEDERAL FUNDS:	\$ 0.00	IN CONTINGENCY:	\$ 0.00
OTHER SOURCES:	\$ 0.00	FUNDING: ACCOUNT/FUND #/CIP	
TOTAL \$ 0.00			
-			
To total; right click number & choose "Update Field"			

FISCAL IMPACT STATEMENT:

NONE

ADDITIONAL INFORMATION:

SUPPORTING DOCUMENTS NOT ATTACHED TO THE CITY COUNCIL ACTION FORM THAT ARE ON FILE IN THE OFFICE OF THE CITY CLERK:

NONE

IF CITY COUNCIL ACTION INCLUDES A CONTRACT, LEASE OR AGREEMENT, WHO WILL BE RESPONSIBLE FOR ROUTING THE DOCUMENT FOR SIGNATURE AFTER CITY COUNCIL APPROVAL?

- Department
- City Clerk's Office
- Document to be recorded
- Document to be codified

Acting City Administrator: John D. Simonton	Date: 6/18/2024
Reviewed by City Attorney: Richard W. Files	Date: 6/17/2024