



# Public Safety Personnel Retirement System (PSPRS):

**Pension Policy FY 2021/22**  
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**Michael Kennington**

*Chief Financial Officer/Deputy City Manager*

**Samuel Schultz**

*Budget Coordinator – Office of Management and Budget*



# 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



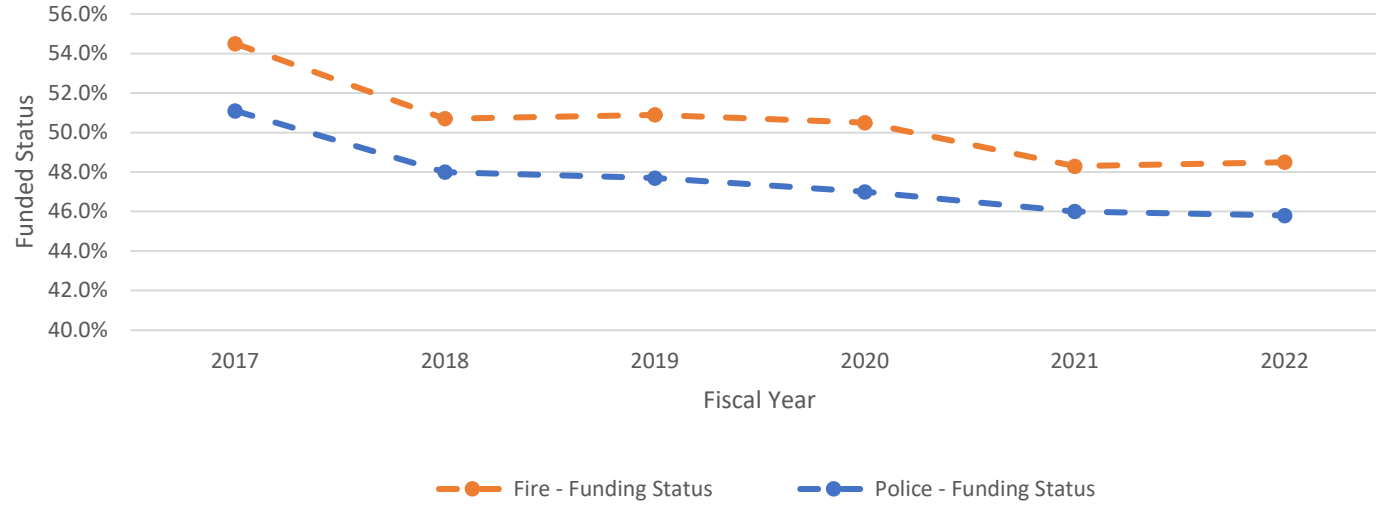
- Unfunded Liability / Funded Status (as of June 30, 2020; includes health)

- Mesa Fire and Medical - \$232M / 49%
  - Increased approx. \$7M

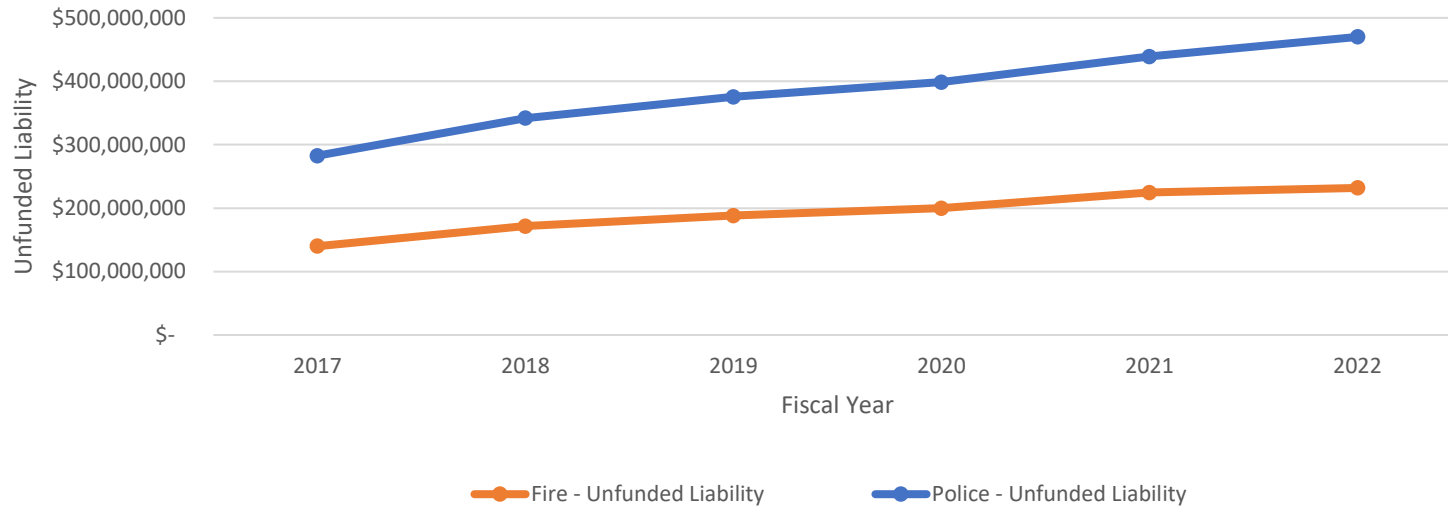
- Police - \$470M / 46%
  - Increased approx. \$31M

- Currently paying on a 21-year unfunded liability amortization schedule

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



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



# Historical Trend: A Look Back

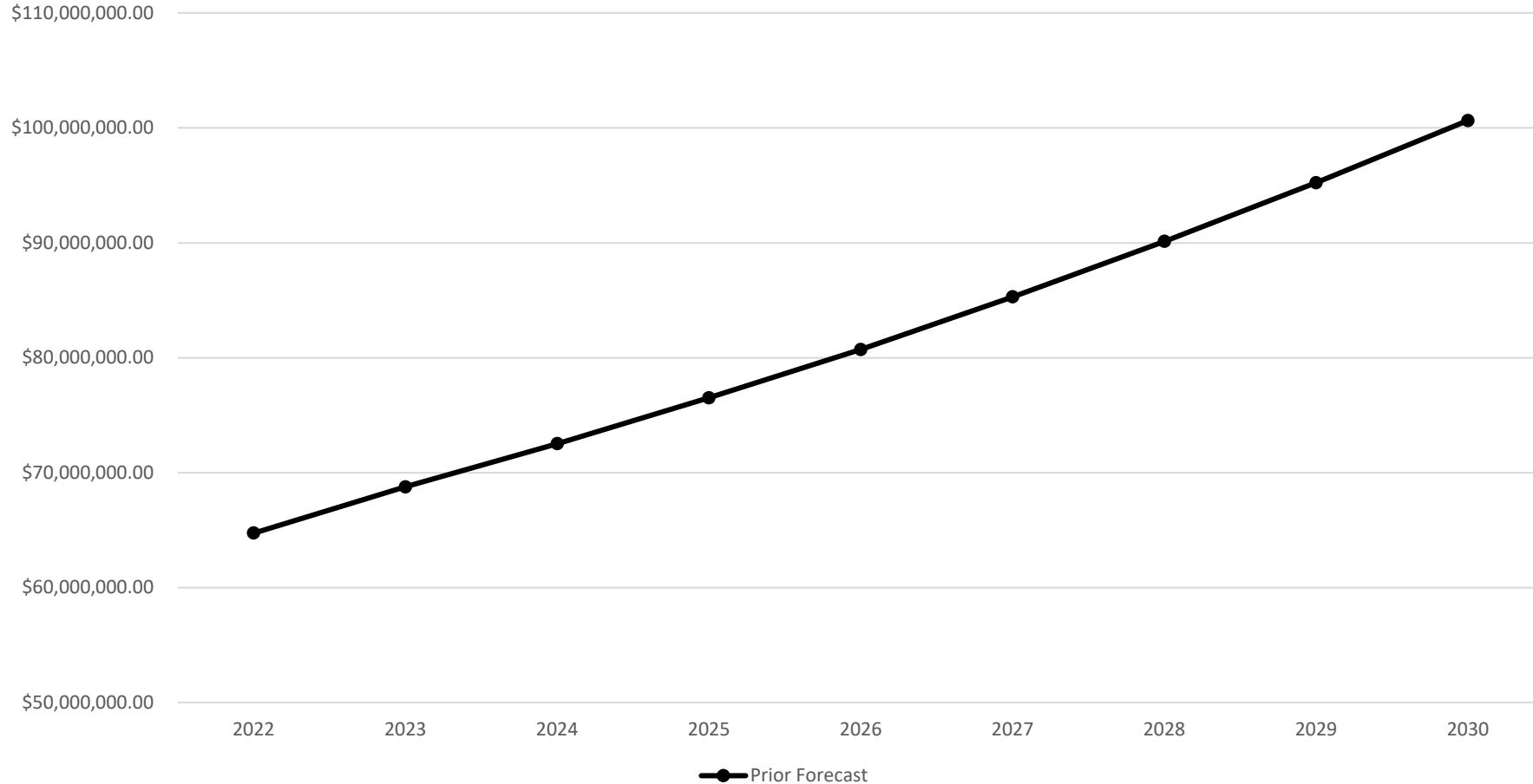
Funded Status 

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

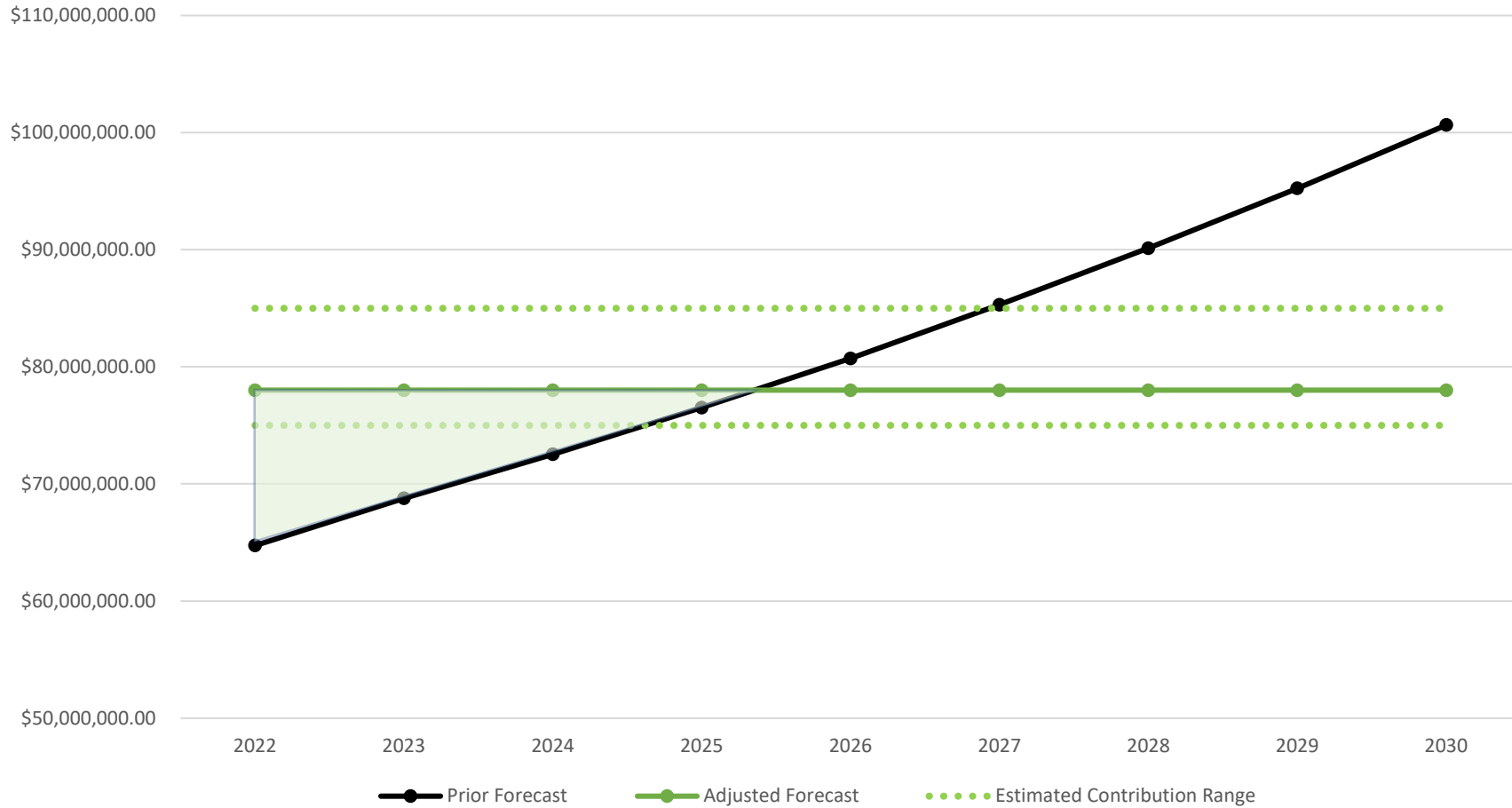
# Stabilization of the Unfunded Liability Payment

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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