

Public Safety Personnel Retirement System (PSPRS)

Pension Funding Policy FY 2022/23
June 2, 2022

Samuel Schultz

Deputy Budget Director – Office of Management and Budget

Pension Funding Policy

Beginning on or before July 1, 2022, 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

ARS 38-863.01

Pension Policy Required Objectives:

The pension funding policy includes funding objectives that address at least the following



**MAINTAIN STABILITY OF
CONTRIBUTIONS**



**MEET FUNDING
REQUIREMENTS**



**FUNDING RATIO TARGET
AND TIMELINE**

Current Status - Tier 1 and 2 (Pension + Health)

Unfunded Liability / Funded Status

(as of **June 30, 2020**; includes health)

Plan	Assets (millions)	Liability (millions)	Unfunded Liability (millions)	Funded Status
Fire and Medical	\$ 226	\$ 458	\$ 232	49.3%
Police	\$ 400	\$ 870	\$ 470	45.9%
Total	\$ 625	\$ 1,327	\$ 702	

Unfunded Liability / Funded Status

(as of **June 30, 2021**; includes health)

Plan	Assets (millions)	Liability (millions)	Unfunded Liability (millions)	Funded Status
Fire and Medical	\$ 245	\$ 482	\$ 237	50.8%
Police	\$ 433	\$ 904	\$ 471	47.9%
Total	\$ 679	\$ 1,386	\$ 708	



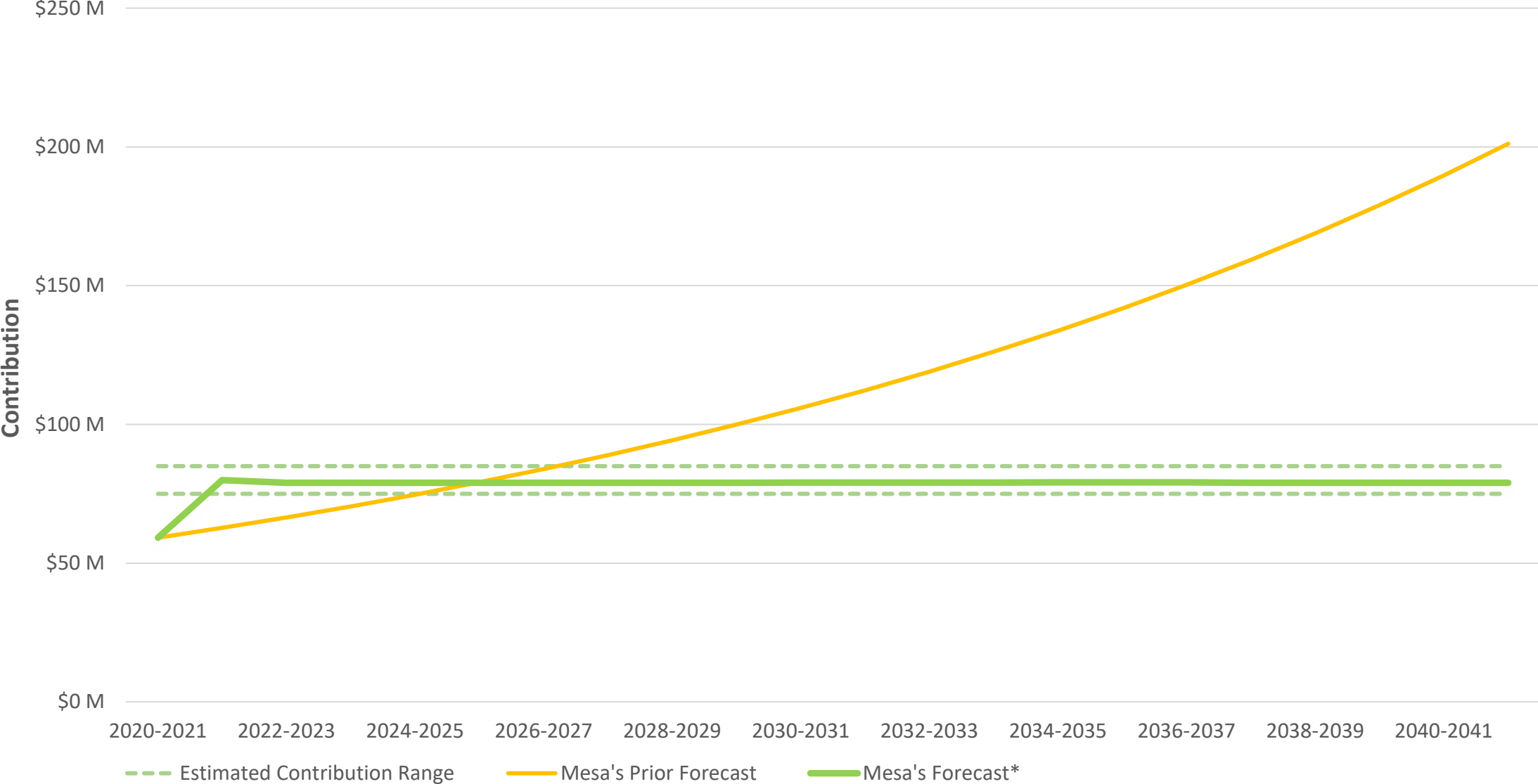
City Funding Strategies

- Pension Stabilization Fund
 - \$2M annual contribution
 - Current Balance: **\$12M**
 - *As of the close of FY 2021/22*
- Additional City investment from sales tax on adult use (recreational) marijuana
 - FY 21/22: \$2.0M
 - *Police: \$1.3M*
 - *Fire: \$729K*
 - FY 22/23 (projected): **\$2.8M**
- Stabilized investment
 - Approximately **\$80M** in total forecasted annual contributions

Pension Plan Updates:

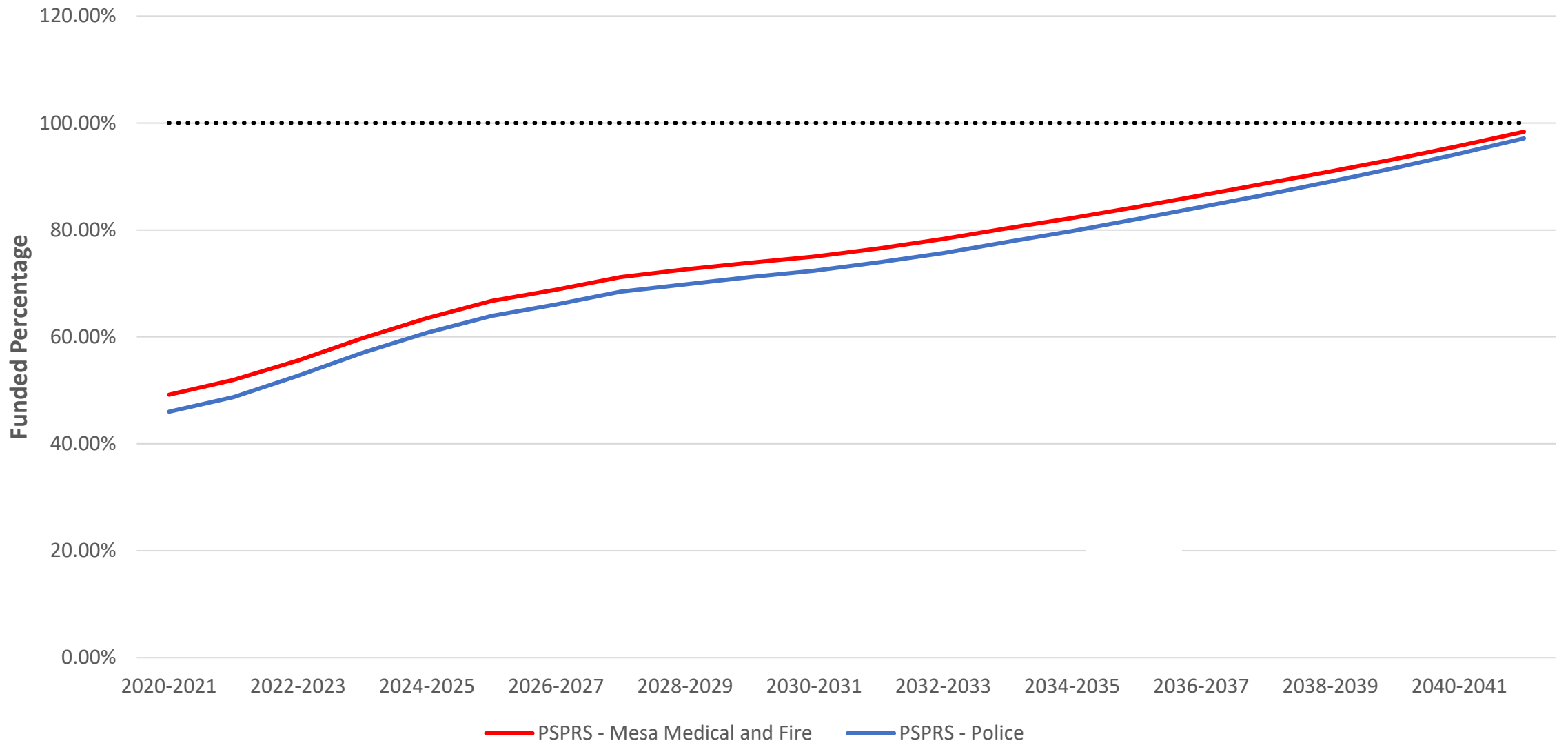
- Wage Growth Assumption – Reduced from 3.5% to 3% and will continue to decrease to 2%
- Investment Returns – approx. 27% for FY 2020/21
 - Gains/losses smoothed over 7 years and amortized out

The City's **Total Contribution** is forecasted at approximately **\$80M** annually



*Mesa's Forecast accounts for a market correction and upcoming salary adjustments

Funded Percentage of the City's PSPRS plans



Next Steps:

Adoption of the Funding Policy on **June 6, 2022**



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