

SUBMITTED BY: Alejandro Martinez, Finance Director
MANAGEMENT TEAM REVIEW: Luis Pedroza, Deputy City Manager/City Treasurer
FOCUS AREA: Other / NA

**ORGANIZATIONAL
IMPROVEMENTS:**

SUBJECT: **RESOLUTION NO. 24-1583** a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **ADOPTING** the City of Douglas 2023 **PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING POLICY.**

EXECUTIVE SUMMARY:

ARS 38-863.01 requires each governing body with Public Safety Personnel Retirement System plans to annually adopt a pension funding policy and formally accept the employer's share of the assets and liabilities under the system based on the system's actuarial valuation report.

BACKGROUND:

On October 13, 2021, Mayor & Council passed a Pension Funding Policy for the city's Public Safety Personnel Retirement System plans. Subsequent policy adoptions are required to update actuarial status.

DISCUSSION:

As required by ARS 38-863.01, the intent of this policy is to clearly communicate the Council's pension funding objectives that address the following:

- (a) How to maintain stability of the governing body's contributions to the system.
- (b) How and when the governing body's funding requirements of the system will be met.
- (c) Defining the governing body's funded ratio target under the system and the timeline for reaching the targeted funded ratio.

In addition, the policy depicts the employer's share of the assets and liabilities under the system based on the system's latest actuarial valuation report.

After adoption, we are required to post the pension funding policy on our website and transmit the pension funding policy to the board.

The Actuarial Report for Fiscal Year 2023 highlights a funded ratio of 100.1% for the Police pension, but reveals a less favorable ratio of 94.9% for the Fire pension, resulting in an unfunded actuarial accrued liability of \$1,080,942. Several factors contribute to this liability, including an increased number of retirees, higher annual salaries for active members, and the inclusion of a Drop retiree.

To address this situation, a proactive policy has been implemented, and the PSPRS Contingency Reserve Fund has been established. According to this policy, the city commits to making supplementary contributions whenever a pension plan falls below the 100% threshold. For the current fiscal year (2023), this involves an additional contribution of \$1,080,942 to the Fire pension plan. The objective is to restore the funded ratio for the Fire pension to 100%.

This strategic approach stresses the city's commitment to maintaining the financial health of its pension plans, ensuring the long-term sustainability of benefits for its employees.

FISCAL IMPACT:

None.

Fiscal Year: 2023-2024

Amount Requested:

Budgeted: Y / N

Account (s):

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE RESOLUTION NO. 24-1583.”