# GENERALLY

Qualifying Sunsites-Pearce Fire District employees 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 Sunsites-Pearce Fire District has one fund for its employees.

# PURPOSE

The intent of this document is to demonstrate the Sunsites-Pearce Fire District’s commitment to clearly communicate pension funding objectives, prudently manage the District’s financial resources, and comply with new statutory requirements (reference ARS 38-863.01). This document will be reviewed and approved by the Sunsites-Pearce Fire District’s Governing Board on an annual basis.

# DEFINITIONS

*Unfunded Actuarial Accrued Liability (UAAL) –* the difference between trust assets and the estimated future cost of pensions earned by employees. This UAAL results from actual results (interest earnings, member mortality, disability rates, etc.) being different from the assumptions used in previous actuarial valuations.

*Annual Required Contribution (ARC) –* the annual amount required to pay into the pension funds, as determined through annual actuarial valuations. It is comprised of two primary components: normal pension cost – which is the estimated cost of pension benefits earned by employees in the current year; and, amortization of UAAL – which is the cost needed to cover the unfunded portion of pensions earned by employees in previous years. The UAAL is collected over a period of time referred to as the amortization period. The ARC is a percentage of the current payroll.

*Funded Ratio –* a ratio of fund assets to actuarial accrued liability. The higher the ratio the better funded the pension is with 100% being fully funded.

# *Intergenerational equity –* ensures that no generation is burdened by substantially more or less pension costs than past or future generations.

# POLICY

1. Sunsites-Pearce Fire District formally accepts by Board vote, the assets, liabilities, and current funding ratio of the District’s PSPRS trust funds from the June 30, 2019 actuarial valuation, which are detailed below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Fund Assets (AVA)** | | **Accrued Liability (AAL)** | **Unfunded Actuarial**  **Accrued Liability** | **Funded**  **Ratio** |
| Sunsites-Pearce Fire District  Tiers 1 & 2 Pension | $1,101,522 | $1,006,197 | $0 | 109.5% |
|  |  |  |  |  |
| Sunsites-Pearce Fire District Health | $39,758 | $19,631 | $0 | 136.3% |

1. PSPRS Funding Goal of maintaining fully funded asset/liability ratios.
2. The Sunsites-Pearce Fire District’s PSPRS funding ratio goal is to remain over 100% (fully funded). It has established this goal because the PSPRS trust funds represent only the liability of the Sunsites-Pearce Fire District.
3. A fully funded pension is the best way to achieve taxpayer and member intergenerational equity.

# PROCEDURES

1. Sunsites-Pearce Fire District plans to take the following actions to achieve this goal:
   1. Fund the fiscal year annual pension cost on a per pay period basis to meet its funding obligations, by:
      1. Budgeting the contribution amount based on the highest potential cost if each qualifying position participating in PSPRS is fully staffed.
      2. If, during the year, the required contribution amount exceeds the original budgeted amount, the Fire District will contribute the additional funds on a per pay period basis to meet its funding obligations.
   2. Administration staff will provide an annual update on the financial position of the PSPRS trust funds to the Pension Board and to the Fire District Board.