

# Public Safety Personnel Retirement System Pension Fund Policy

## Fiscal Year 2026

### Policy

The intent of this Policy is to communicate the Council's pension funding objectives and to comply with the statutory requirements of Ariz. Rev. Stat. § 38- 863.01, as amended. It is the policy of the City of Buckeye ("City") to maintain stability of the City's contributions to the Public Safety Personnel Retirement System ("PSPRS" or "System"); to outline how and when the City's funding requirements of the system will be met; and, to define the City's funded ratio target under the System and the timeline for reaching the targeted funded ratio. This Policy shall be updated annually.

### Purpose

The purpose of this Policy is to comply with Ariz. Rev. Stat. § 38-863.01, as amended, and set forth the steps in the annual budgeting process to meet objectives for funding the City of Buckeye Police and Fire Departments' defined benefit plans managed by the Arizona PSPRS for members who joined the system prior to July 1, 2017. The objectives are to establish a timeline for reaching a targeted funding ratio, identify how the City plans to meet the timeline, and how the City will maintain stability of City contributions to fulfill that plan.

This Policy further complies with GASB Statement No. 67 (Financial Reporting for Pension Plans) and GASB Statement No. 68 (Accounting and Financial Reporting for Pensions) in order to more accurately reflect the assets and liabilities of the City's plan balance for its members who joined PSPRS prior to July 1, 2017. Under Senate Bill 1063, a new employer risk pool was formed for members hired on or after July 1, 2017, in an effort to minimize the future unfunded liabilities of the current plan.

### Goals – Stability of Contributions

#### Budgeting

The salaries of all PSPRS members will be utilized to calculate the annual budgeted contribution. This will include:

- Employer amounts for all defined-benefit PSPRS member employees
- Employer amounts for all PSPRS employees enrolled in the Deferred Retirement Option Plan (DROP)
- An annual lump sum contribution as determined during each fiscal year budget process, when financially feasible.

#### Remittance

The payment of the current fiscal year's general fund budgeted PSPRS contributions (as outlined above) will be determined at the beginning of each fiscal year. Management will determine amount and frequency of payment based on the City's available cash balances. If lump sum contributions are made, any required employer payroll contributions during the year will be drawn against the deposit. Following the final draw for the fiscal year, the remaining balance (if any) will be allocated to the City's PSPRS unfunded liability.

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At the close of each fiscal year, any remaining general fund personnel and operating budget of the Police and Fire Departments will be paid directly to PSPRS in order to reduce the City's unfunded liability. Contributions will not be required if unfunded liability is less than ten percent.

To further reduce our unfunded liability, the City will make a one-time lump sum payment in the amount of \$1,000,000 to the Police PSPRS in July 2025.

### Funding Requirements

The PSPRS Actuarial Valuation Report dated June 30, 2024, identifies an unfunded liability of:

Police Department	\$14,034,776
Fire Department	<u>5,808,800</u>
Total Unfunded Liability	<u>\$19,843,576</u>

In accordance with this Policy, it is the plan and objective of the City to fully satisfy this unfunded liability by July 1, 2036.

### Funded Ratio Target

The City's targeted funded ratio is 100%. At a funded status of 100% the plan is considered fully funded and the assets equal the liabilities of the plan (meaning the current taxpayers and members have paid their fair share of the costs of the plan).

The funded ratio for the 2024 Actuarial Valuation Report is 77.4% for Police (2023 funded ratio was 74.3%) and 91.1% for Fire (2022 funded ratio was 90.0%). Numerous factors play into the difference in the funded ratio between 2020 and 2021. Although an actuarial valuation is performed separately for each PSPRS employer, the health of the entire PSPRS system has an impact on our contribution rates and funded ratio. Factors affecting our funded ratio include asset gains and losses. Market value of assets for the year ending June 30, 2023 met the 2023 assumed earnings rate for Tier 1 and 2 and exceeded the 2023 assumed earnings rate for Tier 3 of 7%. Other factors, such as an increase or decrease in membership size, total dollars contributed, and number of retirees in the system, also play into our funded ratio.

The City believes implementation of this Policy will raise the current funded ratio to the targeted funded ratio by July 1, 2036.

Each year, as part of the budget adoption process, the City will adopt a resolution to formally accept the current City share of the assets and liabilities under PSPRS as identified in the most recent Actuarial Valuation Report.