

RESOLUTION #2020-01

**A RESOLUTION OF THE VERDE VALLEY FIRE DISTRICT BOARD OF DIRECTORS
ADOPTING A PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
PENSION FUNDING POLICY**

WHEREAS, House Bill 2097, approved by the Governor on April 3, 2018, requires that each governing body of an employer shall annually adopt a pension funding policy that includes funding objectives that address

- How to maintain stability of the governing body's contributions to the system,
- How and when the governing body's funding requirements of the system will be met,
- Define the governing body's funding ratio target under the system and the timeline for reaching the targeted funded ratio; and

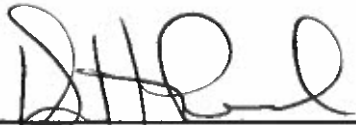
WHEREAS, the policy must also formally accept the employer's share of the assets and liabilities under the system based on the system's actuarial valuation report; and

WHEREAS, the policy must be posted on the District's website; and

WHEREAS, the policy must be updated and adopted annually;

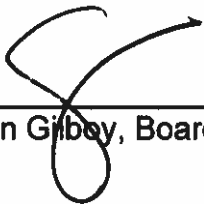
NOW THEREFORE, BE IT RESOLVED that Verde Valley Fire District hereby adopts the Pension Funding Policy attached hereto.

PASSED AND ADOPTED by the Board of Directors of the Verde Valley Fire District, Yavapai County, Arizona on this 26th day of January, 2021.



Don Peck, Board Clerk

ATTEST:



Coleen Gibbey, Board Member

Verde Valley Fire District Public Safety Personnel Retirement System Pension Funding Policy

The intent of this policy is to clearly communicate the Board's pension funding objectives and its commitment to our employees and the sound financial management of the Verde Valley Fire District and to comply with new statutory requirements of Laws 2018, Chapter 112.

Several terms are used throughout this policy:

Unfunded Actuarial Accrued Liability (UAAL) – Is 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) – Is 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 – Is 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.

The Verde Valley Fire District's fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS).

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 Verde Valley Fire District has one trust fund for fire employees.