



Salt River Pima-Maricopa Indian Community Pension Funding Policy

Public Safety Personnel Retirement System

Eligible Salt River Police Department & Salt River Fire Department Personnel Only

Adopted June 24, 2020

I. Purpose.

The intent of this policy is to clearly communicate the Salt River Pima-Maricopa Indian Community ("Community") Council's pension funding objectives for the Arizona Public Safety Personnel Retirement System ("PSPRS"), and also its commitment to public safety personnel, and the sound financial management. The Community voluntarily participates in the PSPRS for eligible personnel of the Salt River Police Department ("SRPD") and the Salt River Fire Department ("SRFD").

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 Contributions (ARC) – Is the annual amount required to pay into the pension funds as determined through annual valuations. It is comprised of two primary components: normal pension costs – 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 Community's Police and Fire personnel who are regularly assigned hazardous duty participate in the PSPRS.

II. Background on (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) to 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 Community has two trust funds, one for eligible SRPD and SRFD personnel.

III. Financial Position of the Community's PSPRS's Trust Funds.

Council formally accepts the assets, liabilities, and current funding ratio of the Community's PSPRS trust funds from the June 30, 2019 actuarial valuation, which are detailed below:

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Salt River Pima-Maricopa Fire	\$ 34,993,538	\$ 51,513,255	\$ 16,519,717	67.9%
Salt River Pima-Maricopa Police	33,570,455	52,060,294	18,489,839	64.5%
Salt River Pima-Maricopa Totals	\$ 68,563,993	\$ 103,573,549	\$ 35,009,556	66.2%

IX. PSPRS Funding Goal

Pensions that are less than fully funded place the cost of service provided in earlier periods (amortization of UAAL) on the current taxpayers or employers. Fully-funded pension plans are the best way to achieve taxpayer, employer and member intergenerational equity. Most funds in PSPRS are significantly underfunded and falling well short of the goal of intergenerational equity.

The Council's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2036. Council established this goal for the following reasons:

- The PSPRS trust funds represent only the Community's liability.
- A fully funded pension is the best way to achieve taxpayer and member intergenerational equity.

Council has taken the following actions to achieve this goal:

- Maintain ARC payment from operating revenues – Council is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined police and fire ARC for FY19 is \$345,673 and will be able to be paid from operating funds without diminishing Community services.

Based on these actions the Council plans to achieve its goal of 100% funding by June 30, 2036, in accordance with the amortization timeline set forth by the PSPRS June 30, 2019 Actuarial Valuation.