



PINEWOOD FIRE DEPARTMENT
475 E. PINEWOOD BOULEVARD
MUNDS PARK, AZ 86017

RESOLUTION NUMBER: 2020-03

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PINEWOOD FIRE DISTRICT, MUNDS PARK, AZ, ADOPTING THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM PENSION FUNDING POLICY AND ACCEPTING THE DISTRICT'S SHARE OF ASSETS AND LIABILITIES UNDER THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM ACTUARIAL VALUATION REPORT.

WHEREAS, Arizona Revised Statute § 38-863.01 requires the governing body all Public Safety Personnel Retirement System (PSPRS) employers to adopt a pension funding policy and formally accept their share of the assets and liabilities based on the PSPRS actuarial valuation report by July 1, 2019 and annually thereafter;

WHEREAS, the Board of Directors desires to adopt a PSPRS pension funding policy to clearly communicate the District's pension funding objectives and its commitment to District employees and sound financial management of the District and to comply with the statutory requirements; and

NOW, THEREFORE, BE IT RESOLVED by the Pinewood Fire District Board of Directors as follows:

Section 1. The Board of Directors hereby adopts the PSPRS Pension Funding Policy attached hereto as Exhibit "A" and incorporated herein by this reference.

Section 2. The Board of Directors hereby accepts, as set forth in the Policy, the District's share of assets and liabilities based on the PSPRS actuarial valuation report.

APPROVED AND ADOPTED on this 18th day of August 2020, by the Pinewood Fire District Board of Directors.



RICHARD DRINEN, CHAIRMAN



BARBARA TIMBERMAN, CLERK



PINEWOOD FIRE DISTRICT
 475 E. PINEWOOD BOULEVARD
 MUNDS PARK, AZ 86017

EXHIBIT "A"

**Pinewood 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 financial management of the Public Safety Personnel Retirement System (PSPRS) and to comply with the statutory requirements of A.R.S. §38-863.01.

Terminology used throughout this policy:

Unfunded Actuarial Accrued Liability (UAAL) - The difference between trust assets and the estimated future cost of pensions earned by employees. The 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 amount required to pay into the pension funds, as determined through annual actuarial valuations. It is comprised of two primary components: normal pension cost, the estimated cost of pension benefits earned by employees in the current year; and amortization of the 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 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 District's fire operations employees who are regularly assigned hazardous duty participate in the 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 of 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 Pinewood Fire District has one trust fund for fire operations employees. The Board formally accepts 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.

Trust Fund	Assets	Accrued Liability	UAAL	Funded Ratio
Fire	\$4,642,761	\$7,852,406	\$3,209,645	59.1%



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EXHIBIT "A"

PSPRS Funding Goal

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

The Fire District's Board PSPRS funding ratio goal is 100% (fully funded) by June 30, 2036. This goal was determined because:

The PSPRS trust funds represent only the Pinewood Fire District's liability.

The fluctuating cost of the UAAL causes strain on the District's budget, potentially affecting service levels.

A fully funded pension is the best way to achieve taxpayer and member intergenerational equity.

The District Board has taken the following action to meet this goal:

Maintain ARC payment from operating revenues. The Board is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY 20 is \$486,849 and will be able to be paid from operating funds without diminishing Fire District services.

Additional payments above the ARC may be made based on annual evaluation of prior year budget compared to actual expenditures. Additional payments above the ARC may be directed by the Board. Payments will not exceed \$250,000 and will be made by June 30th of the following fiscal year.