

RESOLUTION NO. (R)25-20

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF ORO VALLEY, ARIZONA, ADOPTING THE REVISED PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS) PENSION FUNDING POLICY; AND DIRECTING THE TOWN MANAGER, TOWN CLERK, TOWN LEGAL SERVICES DIRECTOR, TOWN CHIEF FINANCIAL OFFICER, OR THEIR DULY AUTHORIZED OFFICERS AND AGENTS TO TAKE ALL STEPS NECESSARY TO CARRY OUT THE PURPOSES AND INTENT OF THIS RESOLUTION

WHEREAS, on June 19, 2024, the Town Council approved Resolution No. (R) 24-23, adopting the current Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy; and

WHEREAS, pursuant to A.R.S. §38-863.01, the Town is required to annually adopt a pension funding policy that will maintain the stability of the Town's required contributions, show how and when the Town's funding requirements will be met, and define the Town's funded ratio target under PSPRS and how it will be met; and

WHEREAS, it is in the best interests of the Town to adopt the PSPRS Pension Funding Policy attached hereto as Exhibit "A"

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Town of Oro Valley, Arizona that:

SECTION 1. The Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy, attached hereto as Exhibit "A", is hereby adopted and approved.

SECTION 2. The Town Manager and any other administrative officials, or their designees of the Town of Oro Valley are hereby authorized to take such steps as are necessary to implement the PSPRS Pension Funding Policy.

SECTION 3. All Oro Valley Ordinances, Resolutions, or Motions and parts of Ordinances, Resolutions or Motions of the Council in conflict with the provisions of this Resolution are hereby repealed.

PASSED AND ADOPTED by the Mayor and Council of the Town of Oro Valley, Arizona this 4th day of June, 2025.

TOWN OF ORO VALLEY

Joseph C. Winfield, Mayor

ATTEST:

Michael Standish, Town Clerk

Date: _____

APPROVED AS TO FORM:

Tobin Sidles, Legal Services Director

Date: _____

EXHIBIT “A”

Town of Oro Valley

Public Safety Personnel Retirement System (PSPRS & CORP)

Pension Funding Policy – FY25/26

The intent of this policy is to clearly communicate the Town Council's pension funding objectives, its commitment to employees and the sound financial management of the Town of Oro Valley and maintain compliance with statutory requirements of A.R.S. 38-863.01. The Council shall annually assess the status of the Town's PSPRS trust fund and take formal action to update this policy in concert with the final annual budget approval. This policy shall also apply to the Town's participation in the Correction Officer Retirement Plan (CORP).

Several terms are used throughout this policy and are defined as follows:

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 based on current actuarial valuations.

Intergenerational equity – Is a concept used to describe the policy expectation that no generation is burdened by substantially more or less pension costs than past or future generations.

The Town's sworn police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). Selected individuals who serve as dispatchers in the Oro Valley Police Department participate in the CORP plan, which is also administered by the Public Safety Personnel Retirement System.

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 commingle 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 Town of Oro Valley has one trust fund for police employees. The Town also contributes to the Correction Officer Retirement Plan (CORP), administered by the Public Safety Personnel Retirement System, on behalf of selected individuals who serve as dispatchers in the Oro Valley Police Department. CORP maintains one trust fund for dispatchers.

Oro Valley Town Council formally accepts the assets, liabilities, and current funding ratio of the Town's PSPRS and CORP trust funds from the June 30, 2024 actuarial valuations specified below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Asset/(Liability)	Funded Ratio
Oro Valley Police (PSPRS)	\$86,551,076	\$87,755,942	(\$1,204,866)	98.6%
Oro Valley Dispatchers (CORP)	\$ 4,106,486	\$ 3,995,956	\$ 100,530	102.8%

PSPRS and CORP Funding Goal

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

The Council's PSPRS and CORP funding ratio goal is 100% (fully funded) through June 30, 2026 and beyond. Council establishes this goal for the following reasons:

- The PSPRS and CORP trust funds represent only the Town of Oro Valley's liability
- The fluctuating cost of an UAAL causes strain on the Town's budget, affecting the Town's ability to provide services
- A fully funded pension is the best way to achieve taxpayer and member intergenerational equity

Council has determined that in order to achieve the 100% funding ratio goal, the following actions will be taken:

- The total employer contribution to the police plan for fiscal year 2026 will be the recommended employer contributions made by the actuary in its June 30, 2024 report (\$738,817), plus additional excess contributions scheduled for fiscal year 2026 (\$2,100,000) for a sum total of \$2,838,817.
- The CORP plan does not require any additional contributions as it is fully funded.
- Retain 20-year amortization of unfunded liability.
- Review Local board practices annually.
- Periodically engage consultants to review actual results and recommend possible adjustments or corrections as necessary.

Payments to the PSPRS Police pension plan will be as follows:

- In fiscal year 2026, the Town will contribute an additional \$2,100,000 above and beyond the employer actuary-recommended contribution of \$738,817.
- In FY27 and beyond, the Town will reevaluate its additional contributions based upon future actuarial valuations and budget capacity.

It is hereby the Town Council's intent to achieve its goal of 100% funding by June 30, 2026, in accordance with the amortization timeline set forth by the PSPRS and CORP June 30, 2024 Actuarial Valuation

The attached appendix shows the historical performance of the unfunded actuarial accrued liability.

Appendix A

Year	Trust Fund	Assets	Accrued Liability	Unfunded	Funded Ratio
				Actuarial Accrued Asset/(Liability)	
2014	Oro Valley Police	23,567,852	36,122,643	(12,554,791)	65%
2014	Oro Valley Dispatchers	1,216,956	2,269,744	(1,052,788)	54%
2015	Oro Valley Police	26,200,389	40,452,911	(14,252,522)	65%
2015	Oro Valley Dispatchers	1,205,067	2,362,604	(1,157,537)	51%
2016	Oro Valley Police	29,296,195	48,414,270	(19,118,075)	61%
2016	Oro Valley Dispatchers	1,163,258	2,524,360	(1,361,102)	46%
2017	Oro Valley Police	31,882,797	53,037,566	(21,154,769)	60%
2017	Oro Valley Dispatchers	1,260,798	3,077,649	(1,816,851)	41%
2018	Oro Valley Police	34,172,618	57,022,056	(22,849,438)	60%
2018	Oro Valley Dispatchers	1,337,558	2,945,307	(1,607,749)	45%
2019	Oro Valley Police	37,842,906	62,278,853	(24,435,947)	61%
2019	Oro Valley Dispatchers	1,424,947	3,240,399	(1,815,452)	44%
2020	Oro Valley Police	41,498,361	67,240,526	(25,742,165)	62%
2020	Oro Valley Dispatchers	1,504,732	3,374,933	(1,870,201)	45%
2021	Oro Valley Police	46,773,089	70,792,554	(24,019,465)	66%
2021	Oro Valley Dispatchers	1,649,829	3,551,295	(1,901,466)	46%
2022	Oro Valley Police	77,967,201	76,438,334	1,528,867	102%
2022	Oro Valley Dispatchers	1,710,819	3,721,151	(2,010,332)	46%
2023	Oro Valley Police	81,319,622	85,636,864	(4,317,242)	95%
2023	Oro Valley Dispatchers	3,929,592	3,910,076	19,516	100%
2024	Oro Valley Police	86,551,076	87,755,942	(1,204,866)	99%
2024	Oro Valley Dispatchers	4,106,486	3,995,956	110,530	103%

Source: Town Comprehensive Annual Financial Report for June 30, 2024 – Note 16.