RESOLUTION NO. (R)26-30

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF ORO VALLEY, ARIZONA, AMENDING AND APPROVING UPDATES TO THE FINANCIAL AND BUDGETARY POLICIES INCLUDING THE INVESTMENT POLICY FOR THE TOWN OF ORO VALLEY AND THE 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 17, 2015, the Town Council approved Resolution No. (R) 15-50, adopting the "Town of Oro Valley Financial and Budgetary Policies" as amended; and

WHEREAS, on September 15, 2010, the Town Council approved Resolution No. (R) 10-65, adopting the "Town of Oro Valley Investment Policy" as amended; and

WHEREAS, A.R.S. Title 38, Chapter 5, Article 4 and related statutes establish a Public Safety Personnel Retirement System; and

WHEREAS, on April 3, 2018, House Bill 2097 was passed into law, requiring the Town Council to adopt a pension funding policy for the Public Safety Personnel Retirement System (PSPRS) before July 1, 2019, and annually each year after; and

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

WHEREAS, the Town's sworn police officers are members of the PSPRS plan, PSPRS also administers the Correction Officers Retirement Plan (CORP) and one (1) Town police dispatch personnel are currently active members of the CORP plan; and

WHEREAS, annually, PSPRS and CORP provide the Town with an actuarial report that includes the Town's assets, liabilities, unfunded actuarial liability, funding ratio, and the projected minimum contributions required for the upcoming fiscal year; and

WHEREAS, the Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy is included as Policy 1-6 in the "Town of Oro Valley Financial and Budgetary Policies" attached hereto as Exhibit "A"; and

WHEREAS, the Council has determined that it is appropriate and necessary to update the "Town of Oro Valley Financial and Budgetary Policies" including the "Town of Oro Valley

Investment Policy" and the "PSPRS Pension Funding Policy" to bring the policies in line with current financial practices, procedures, and strategies of the Town by replacing, as of the date of this Resolution, such policies with the documents attached hereto as Exhibit "A" (Town of Oro Valley Financial and Budgetary Policies), and incorporated by reference.

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

SECTION 1. The updates to the Town of Oro Valley Financial and Budgetary Policies, attached hereto as Exhibit "A", now including the revised Town of Oro Valley Investment Policy and the Public Safety Personnel Retirement System Pension Funding Policy 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 Town of Oro Valley Financial and Budgetary Policies as amended.

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 3rd day of June, 2026.

TOWN OF ORO VALLEY

E-SIGNED by Joseph C. Winfield
on 2026-06-04 16:14:21 GMT

Joseph C. Winfield, Mayor

ATTEST:

E-SIGNED by Michael Standish
on 2026-06-08 15:33:39 GMT

Michael Standish, Town Clerk

Date: ____________________________

APPROVED AS TO FORM:

E-SIGNED by Steven Zraick
on 2026-06-04 20:05:53 GMT

Steven Zraick, Town Attorney

Date: ____________________________

EXHIBIT "A"

Town of Oro Valley
Public Safety Personnel Retirement System (PSPRS & CORP)
Pension Funding Policy – FY26/27

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 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 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, 2025 actuarial valuations specified below.

Trust Fund	**Assets**	**Accrued Liability**	**Unfunded Actuarial Accrued Asset/(Liability)**	**Funded Ratio**
Oro Valley Police (PSPRS)	$91,172,990	$90,269,748	$903,242	101.0%
Oro Valley Dispatchers (CORP)	$ 4,181,047	$ 4,174,607	$ 6,440	100.2%

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, 2027 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 2027 will be the recommended employer contributions made by the actuary in its June 30, 2025 report of $1,014,934 plus additional excess contributions of $214,185 for a sum total of $1,229,119.
- The total employer contribution to the CORP plan for fiscal year 2027 will be the recommended employer contributions made by the actuary in its June 30, 2025 report. 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 2027, the Town will contribute an additional $214,185 above and beyond the employer actuary-recommended contribution of $1,014,934.
- In FY28 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, 2027, in accordance with the amortization timeline set forth by the PSPRS and CORP June 30, 2025 Actuarial Valuation

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

Appendix A

Year	Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Asset/(Liability)	Funded Ratio
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%
2025	Oro Valley Police	91,172,990	90,269,748	903,242	101%
2025	Oro Valley Dispatchers	4,181,047	4,174,607	6,440	100%

Source: Town Comprehensive Annual Financial Report for June 30, 2025 – Note 15.