

PENSION FUNDING POLICY

Public Safety Personnel Retirement System Pension Funding Policy for Fiscal 21/22

I. PURPOSE

The purpose for this policy is to clearly communicate the District Governing Board's funding objectives and its commitment to our employees and the sound financial management of the Mount Lemmon Fire District for each fiscal year in compliance with the statutory requirements of Laws 2018, Chapter 112, enacted as ARS 38-863.01.

II. SCOPE

This policy applies to the governing body of the Mount Lemmon Fire District.

III. POLICY

It is the policy of MLFD to ensure that the district is in compliance with ARS 38-863.01

IV. GUIDELINES

A. Participation in PSPRS. The Mount Lemmon Fire District's full time fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System.

B. MLFD Funding Liabilities. The District Governing Board formally accepts the assets, liabilities, and current funding ratio of the Mount Lemmon Fire District's PSPRS trust funds from the June 30, 2020 actuarial valuation, which are detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Mount Lemmon Fire District	\$1,319,646	\$1,389,045	\$69,399	95.0%

C. 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. Fully funded pension plans are the best way to achieve taxpayer and member intergenerational equity. Most funds in PSPRS are significantly underfunded and falling well short of the goal of intergenerational equity.

PENSION FUNDING POLICY

1. The District Governing Board's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2038. District Governing Board established this goal for the following reasons:
 - The PSPRS trust funds represent only the Mount Lemmon Fire District's liability
 - The fluctuating cost of an UAAL causes strain on the Mount Lemmon Fire District's budget, affecting our ability to provide services
 - A fully funded pension is the best way to achieve taxpayer and member intergenerational equity

2. The District Governing Board plans to take the following actions to achieve this goal:
 - Maintain ARC payment from operating revenues – the District Governing Board is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY20/21 is \$49,462 and will be able to be paid from operating funds without diminishing Mount Lemmon Fire District services.

Based on these actions the District Governing Board plans to achieve its goal of 100% funding by June 30, 2038, in accordance with the amortization timeline set forth by the PSPRS June 30, 2020 Actuarial Valuation.