

**RESOLUTION NO. 1844**

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF WINSLOW, ARIZONA, ADOPTING THE CITY'S ANNUAL PENSION FUNDING POLICY**

**WHEREAS**, the Fifty-Third Legislature, during the 2018 Second Regular Session, adopted House Bill 2097, which requires the City of Winslow (the "City") to annually adopt a pension funding policy for public safety employees participating in the Public Safety Personnel Retirement System (PSPRS) who were hired before July 1, 2017; and

**WHEREAS**, the Mayor and Council of the City of Winslow (the "City Council") desires to annually evaluate the Pension Funding Policy to determine the amount to be contributed beyond the City's annual required contribution in order to continually reduce the amount of the City's unfunded liability until the funding ratio of 100% is achieved.

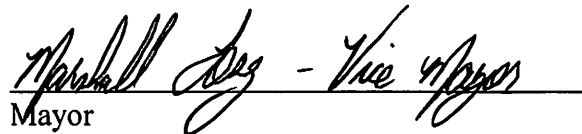
**NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF WINSLOW** as follows:

SECTION 1. The recitals above are hereby incorporated as if fully set forth herein.

SECTION 2. The Annual Pension Funding Policy is hereby adopted in substantially the form attached hereto as Exhibit A and incorporated herein by reference.

SECTION 3. The Mayor, the City Manager, the City Clerk and the City Attorney are hereby authorized and directed to take all steps necessary to carry out the purpose and intent of this Resolution.

**PASSED AND ADOPTED** by the Mayor and Council of the City of Winslow, Arizona, this 23<sup>rd</sup> day of June, 2020.

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
Suzy Wetzel, City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Gust Rosenfeld PLC, City Attorney

**EXHIBIT A  
TO  
RESOLUTION NO. 1844**

[Pension Funding Policy]

See following pages.

# City of Winslow Public Safety Personnel Retirement System Pension Funding Policy

The intent of this policy is to clearly communicate the Council's pension funding objectives and its commitment to our employees and the sound financial management of the City and to comply with new statutory requirements of Laws 2018, Chapter 112.

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 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.

**Intergenerational equity** – Ensures that no generation is burdened by substantially more or less pension costs than past or future generations.

The City's police and fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS).

## 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 City of Winslow has two trust funds, one for police employees and one for fire employees.

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

<b>Trust Fund</b>	<b>Assets</b>	<b>Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>
Winslow Police	\$5,749,653	\$10,197,187	\$4,447,534	56.38%
Winslow Fire	\$6,801,758	\$2,999,837	(\$3,801,921)	226.74%
<b>City of Winslow Totals</b>	<b>Sum of Above</b>	<b>Sum of Above</b>	<b>Sum of Above</b>	<b>Assets ÷ Accrued Liability</b>
	\$12,551,411	\$13,197,024	\$645,613	95.10%

#### 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.

#### **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 City of Winslow's liability
- The fluctuating cost of an UAAL causes strain on the City's budget, affecting our ability to provide services
- 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 ARC for FY20 is \$735,000 and will be able to be paid from operating funds without diminishing City services.
- Additional payments above the ARC
  - Commit/Reserve \$40,350 of General Fund Balance at year-end.
  - Annually evaluate prior year budget compared to actual expenditures and commit/reserve \$40,350 of General Fund Balance.
- Dedicated revenue – City Sales Tax and State Shared Revenues

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.