



**Beaver Dam/Littlefield Fire District**  
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## RESOLUTION 2021-05

### **A resolution of the Beaver Dam/Littlefield Fire District Board of Directors,**

*Whereas*, the Beaver Dam/Littlefield Fire District is a participant in the State of Arizona's Public Safety Personnel Retirement System ("PSPRS"), a multiple-employer pension plan; and

*Whereas*, under the multiple-employer plan, the Fire District has an individual trust fund reflecting the Fire District's assets and liabilities. Under this plan, all contributions are deposited to and distributions are made from the fund's assets. The Fire District has one trust fund for Fire District employees; and

*Whereas*, the Fire District Board desires to adopt a PSPRS Pension Funding Policy, in order to clearly communicate the pension funding objectives of the Fire District's PSPRS individual plan; and

*Whereas*, A.R.S. §38-863.01 requires that beginning on or before July 1, 2019, each governing body of an employer shall annually adopt a pension funding policy for the PSPRS for employees who were hired before July 1, 2017. The pension funding policy shall include funding objectives that address at least the following:

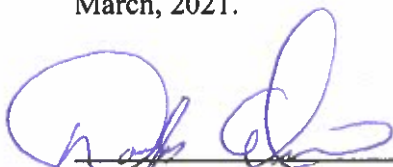
- a) How to maintain stability of the governing body's contributions to PSPRS.
- b) How and when the governing body's funding requirements of PSPRS will be met.
- c) Defining the governing body's funded ratio target under PSPRS and the timeline for reaching the targeted funded ratio.

*Whereas*, the Beaver Dam/Littlefield Fire District Board of Directors formally accepts the employer's share of the assets and liabilities under PSPRS based on PSPRS's actuarial valuation report.


*Whereas*, the Fire District Board has determined that adoption of the PSPRS Pension Funding Policy is in the best interests of the Fire District and its residents.

*Be it Resolved*, that the Beaver Dam/Littlefield Fire District Board of Directors hereby adopts the PSPRS Pension Funding Policy attached hereto and incorporated herein by this reference.

Approved and adopted by the Beaver Dam/Littlefield Fire District Board of Directors on this 18<sup>th</sup> day of March, 2021.

  
\_\_\_\_\_  
Douglas Adriance  
Board Chairman

Attested to:

  
\_\_\_\_\_  
Thomas M. Oliver  
Board Clerk

# Beaver Dam/Littlefield Fire District Public Safety Personnel Retirement System Pension Funding Policy

The intent of this policy is to clearly communicate the Fire District's pension funding objectives and its commitment to our employees and the sound financial management of the Beaver Dam/Littlefield Fire District and to comply with new statutory requirements of ARS 38-863.01.

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 Beaver Dam/Littlefield Fire District's full-time 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 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 Beaver Dam/Littlefield Fire District has one trust fund for fire district employees.

The Fire District formally accepts the assets, liabilities, and current funding ratio of the Beaver Dam/Littlefield Fire District's PSPRS trust funds from the June 30, 2020 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>
Beaver Dam/Littlefield Fire District	\$334,242	\$585,464	\$251,222	57.1%

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 Fire District's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2036.**

The Fire District established this goal for the following reasons:

- The PSPRS trust funds represent only the Beaver Dam/Littlefield Fire District's liability
- The fluctuating cost of an UAAL causes strain on the 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

The Fire District has taken the following actions to achieve this goal:

- Maintain ARC payment from operating revenues – the Fire District is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY21 is \$53,920 and will be able to be paid from operating funds without diminishing Fire District services.
- Continue funding additional Amortization Payment of \$25,000 per year to reduce the Unfunded Actuarial Accrued Liability (UAAL)
- In the event that an actuarial valuation indicates that the current contribution level is inadequate, additional contribution increases will be considered.

Based on these actions the Fire District 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, 2020 Actuarial Valuation.