CITY OF SURPRISE
Public Safety Personnel Retirement System Meeting - Police
16000 N. Civic Center Plaza
Surprise, AZ 85374
Wednesday, February 23, 2022 @ 10:30 AM
COUNCIL CHAMBERS

A. Call To Order

B. Roll Call

C. Pledge of Allegiance

D. Current Events and Reports

E. Staff Reports

F. Public Safety Retirement Commission- Police Agenda

CALL TO THE PUBLIC:

INSTRUCTIONS: In order to address the Board\Commission, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the Secretary before the meeting begins.

Note: A.R.S. 38-431.01(H) - During this time members of the public may address the Board\Commission only on issues within the jurisdiction of the Board\Commission which are not an item on the agenda. At the conclusion of the open call, the Board\Commission may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

CONSENT AGENDA:

1. Internal	Considerations and action pertaining to the review and approval of the December 15, 2021 Public Safety Retirement Commission – Police Meeting Minutes	Human Resources
2. Internal	Considerations and action pertaining to the review and approval of the December 15, 2021 Public Safety Retirement Commission – Police Executive Session Meeting Minutes	Human Resources

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

3. Internal	Review and discussion on Police Department’s Actuarial Valuation report effective June 30, 2021 – June 30, 2023.	Human Resources
4. Internal	Discussion and possible action to review and make changes to current Police Board Bylaws in relation to the newly adopted Model Uniform Rules as recommended by Legal Counsel	Human Resources

G. Other Business and Future Agenda Items

H. Executive Session

For information purposes: Upon a public majority vote of a quorum of the Public Safety Personnel Retirement Commission (“Commission”), the Commission may hold an executive session, which will not be open to the public, but for only the following purposes: discussion or consideration of records exempt by law from public inspection (A.R.S. §38-431.03(A)(2)); or discussion or consultation for legal advice with the Commission’s attorneys (A.R.S. §38-431.03(A)(3)).

Confidentiality Requirements: Pursuant to A.R.S. §38-431.03(C)(D), any person receiving executive session information pursuant to A.R.S. §38-431.02 shall not disclose that information except to the Attorney General or County Attorney or by agreement of the Commission, or as otherwise ordered by a court of competent jurisdiction.

The Commission may vote to hold an executive session for the purpose of obtaining legal advice from the Commission's attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3).

I. Adjournment

SHERRY ANN AGUILAR, CITY CLERK, MMC

POSTED: <<DATE>>

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK'S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.

CITY OF SURPRISE
Public Safety Personnel Retirement System
Meeting - Police

Council Meeting Date: February 23, 2022
Submitting Department: Human Resources
Staff Recommendations:

Contact Person:
District: Internal

Consent: Yes   Regular: No   Public Hearing: No   Report/Discussion: No

Agenda Wording:

Considerations and action pertaining to the review and approval of the December 15, 2021 Public Safety Retirement Commission – Police Meeting Minutes

Motion:

I motion to approve the December 15, 2021 Public Safety Retirement Commission – Police Meeting Minutes

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

1. Police DRAFT Minutes 12.15.21

PUBLIC SAFETY RETIREMENT SYSTEM
CITY OF SURPRISE LOCAL BOARD – POLICE
Minutes, Wednesday, December 15, 2021
16000 N. Civic Center Plaza, Surprise, Arizona 85374

The following are the minutes from the City of Surprise Public Safety Retirement Commission – Police meeting held at 9:30 a.m. Wednesday, December 15, 2021. The meeting was held in City Hall, Council Chambers.

A. Call To Order

Chair Hall called the meeting to order at 9:30 a.m.

B. Roll Call:
Skip Hall, Chair – Present
Chandler Brown, Citizen Board Member – Present
James Conner, Citizen Board Member – Present
Severin Hall, Police Department – Present
Ian Murton, Police Department – Present

In attendance:
Cynthia Kelley, Board Attorney
Ariana Reyna, PSPRS Board Secretary

C. Pledge of Allegiance – Completed

D. Current Events Reports - None

E. Staff Reports – None

F. Call to the Public – None

Consent Agenda:

1. **Considerations and action pertaining to the review and approval of the November 10, 2021 Public Safety Retirement Commission – Police Meeting Minutes – APPROVED**

   Motion to Approve: Chandler Brown
   Second: Ian Murton
   Opposed: None

2. **Considerations and action pertaining to the review and approval of the November 10, 2021 Public Safety Retirement Commission – Police Executive Session Meeting Minutes– APPROVED**

   Motion to Approve: Ian Murton
   Second: Chandler Brown

Opposed: None

Regular Agenda:

3. **Consideration and possible action pertaining to the review of medical examination and the acceptance of Police Officer Kyle P. Peterson into the PSPRS system pursuant to A.R.S. § 38-859 – APPROVED**

The Board Secretary notified the Board that Police Officer Peterson was hired by the Surprise Police Dept. on 11/01/2021 and that Officer Peterson had been notified of the Board's review of his medical records during the meeting.

Motion to Approve WITHOUT Pre-existing condition: Chandler Brown
Second: James Conner
Opposed: None

4. **Discussion and possible action to enter Executive Session and review the Independent Medical Exam report and medical records exempt from public inspection regarding the temporary disability application for Police Officer Jonathan W. Huston – APPROVED FOR TEMPORARY DISABILITY**

Motion to ENTER Executive Session at 9:33 a.m.: James Conner
Second: Chandler Brown
Opposed: None

DISCUSSION ENSUED DURING EXECUTIVE SESSION, WHICH TOOK PLACE FROM 9:33 AM – 9:45 AM

Ian Murton made a motion to APPROVE the temporary disability application for Police Officer Jonathan W. Huston and request for the Board Secretary to submit retirement paperwork to PSPRS for processing.

Motion to Approve: Ian Murton
Second: James Conner
Opposed: None

5. **Consideration and possible action pertaining to the acknowledgement of the end of the DROP period for Police Officer Michel J. Forbrook who will separate employment effective 12/12/2021.**

Motion to Approve: Chandler Brown
Second: Ian Murton
Opposed: None

6. **In Consideration and possible action pertaining to the acknowledgement of the end of the DROP period for Police Sergeant Greg L. Welch who will separate employment effective 01/03/2022.**

Motion to Approve: James Conner
Second: Chandler Brown
Opposed: None

G. **Other Business and Future Agenda Items**- Model Rules review against bylaws and adoption adopt the model rules and review and changes or additions to it

H. **Executive Session** – None

I. **Adjournment**
Motion to adjourn at 9:48 a.m. – **APPROVED**

Motion: Severin Hall
Second: Chandler Brown
Opposed: None

Meeting Minutes Approval:

____

Skip Hall, Chair
Public Safety Retirement Commission - Police

CERTIFICATION:

I, Ariana Reyna, Board Secretary and HR Business Partner for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are true and correct meeting minutes of the Public Safety Retirement Commission – Police Meeting of **Wednesday, December 15, 2021**.

____

Ariana Reyna, Board Secretary
Public Safety Retirement Commission - Police

CITY OF SURPRISE
Public Safety Personnel Retirement System Meeting - Police

Council Meeting Date: February 23, 2022
Submitting Department: Human Resources
Staff Recommendations:

Contact Person:
District: Internal

Consent: Yes Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:

Considerations and action pertaining to the review and approval of the December 15, 2021 Public Safety Retirement Commission – Police Executive Session Meeting Minutes

Motion:

I motion to approve the December 15, 2021 Public Safety Retirement Commission – Police Executive Session Meeting Minutes

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

CITY OF SURPRISE
Public Safety Personnel Retirement System
Meeting - Police

Council Meeting Date: February 23, 2022
Submitting Department: Human Resources
Staff Recommendations:

Contact Person:
District: Internal

Consent: No | Regular: Yes | Public Hearing: No | Report/Discussion: No

Agenda Wording:

Review and discussion on Police Department's Actuarial Valuation report effective June 30, 2021 – June 30, 2023.

Motion:

Background:

The Police Department's attached actuarial report projects the financial liabilities faced by the pension system including employer funding levels and contribution rates.

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

1. 110 2021_PSPRS-Valuation-SurprisePoliceDept

ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

SURPRISE POLICE DEPT. (110)

ACTUARIAL VALUATION
AS OF JUNE 30, 2021

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING JUNE 30, 2023

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

December 2021

Board of Trustees
Arizona Public Safety Personnel Retirement System
Phoenix, AZ

Re: Actuarial Valuation Report as of June 30, 2021 for Surprise Police Dept. (110)

Dear Members of the Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the Arizona Public Safety Personnel Retirement System (PSPRS). The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

This report was prepared at the request of the Board and is intended for use by PSPRS and those designated or approved by the Board. It documents the valuation of the consolidated plan and provides summary information for PSPRS participating employers. This report may be provided to parties other than PSPRS only in its entirety and only with the permission of the Board. Foster & Foster is not responsible for the unauthorized use of this report.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the valuation, we did not perform an analysis of the potential range of such future measurements.

The computed contribution rates shown in the "Contribution Results" section should be considered minimum contribution rates that comply with the Board's funding policy and Arizona Statutes. Users of this report should be aware that contributions made at that rate do not guarantee benefit security. Given the importance of benefit security to any retirement system, we suggest that contributions to the System in excess of those presented in this report be considered.

The funding percentages and unfunded accrued liability as measured based on the actuarial value of assets will differ from similar measures based on the market value of assets. These measures, as provided, are appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of the Plan's liabilities.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by PSPRS through June 30, 2021 and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

This valuation assumes the continuing ability of the participating employers to make the contributions necessary to fund this plan. A determination regarding whether or not the participating employers are actually able to do so is outside our scope of expertise. Consequently, we did not perform such an analysis.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

The undersigned are familiar with the immediate and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the Arizona Public Safety Personnel Retirement System, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Arizona Public Safety Personnel Retirement System. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 239-433-5500.

Respectfully Submitted,

Foster & Foster, Inc.

By: ______________________
Bradley R. Heinrichs, FSA, EA, MAAA

By: ______________________
Paul M. Baugher, FSA, EA, MAAA

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I. Summary of Report

The regular annual actuarial valuation of the Arizona Public Safety Personnel Retirement System for the Surprise Police Dept., performed as of June 30, 2021, has been completed and the results are presented in this Report. The purpose of this valuation is to:

- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members. This information is contained in the section entitled "Liability Support."
- Compare accumulated assets with the liabilities to assess the funded condition. This information is contained in the section entitled "Liability Support."
- Compute the employers' recommended contribution rates for the Fiscal Year beginning July 1, 2022. This information is contained in the section entitled "Contribution Results."

1. Key Valuation Results

The funded status as of June 30, 2021 and the employer contribution amounts applicable to the plan/fiscal year ending June 30, 2023 are as follows:

	Tier 1 & Tier 2 Members			Tier 3 Members *		
	Pension	**Health**	**Total**	**Pension**	**Health**	**Total**
Employer Contribution Rate	35.61%	0.09%	35.70%	9.00%	0.12%	9.12%
Funded Status	65.5%	138.4%	66.4%	107.3%	210.0%	108.9%

2. Comparison of Key Results to Prior Year

The chart below compares the results from this valuation with the results of the prior year's valuation (as of June 30, 2020):

Contribution Rate

	Tier 1 & Tier 2 Members			Tier 3 Members *		
Valuation Date	**Pension**	**Health**	**Total**	**Pension**	**Health**	**Total**
June 30, 2020	34.51%	0.21%	34.72%	9.05%	0.13%	9.18%
June 30, 2021	35.61%	0.09%	35.70%	9.00%	0.12%	9.12%

Funded Status

	Tier 1 & Tier 2 Members			Tier 3 Members		
Valuation Date	**Pension**	**Health**	**Total**	**Pension**	**Health**	**Total**
June 30, 2020	62.5%	123.2%	63.4%	101.4%	203.9%	103.0%
June 30, 2021	65.5%	138.4%	66.4%	107.3%	210.0%	108.9%

** The Tier 3 rates shown are the calculated rates as of the valuation date and do not reflect any Legacy costs that the employer must also contribute.*

3. Reasons for Change

Changes in the results from the prior year's valuation can be illustrated in the following tables along with high-level explanations for the entire System below:

Contribution Rate

	Tier 1 & Tier 2		Tier 3 Members	
	Pension	**Health**	**Pension**	**Health**
Contribution Rate Last Valuation	34.51%	0.21%	9.05%	0.13%
Asset Experience	(0.12%)	0.00%	(0.17%)	(0.01%)
Payroll Base	(0.06%)	0.00%	0.01%	(0.01%)
Liability Experience	1.58%	(0.08%)	(0.24%)	0.00%
Additional Contribution	(0.42%)	0.00%	0.00%	0.00%
Assumption/Method Change	0.56%	0.00%	0.00%	0.00%
Other	(0.44%)	(0.04%)	0.35%	0.01%
Contribution Rate This Valuation	35.61%	0.09%	9.00%	0.12%

Funded Status

	Tier 1 & Tier 2		Tier 3 Members	
	Pension	**Health**	**Pension**	**Health**
Funded Status Last Valuation	62.5%	123.2%	101.4%	203.9%
Asset Experience	0.2%	(0.2%)	3.4%	7.8%
Liability Experience	(1.5%)	14.5%	4.8%	0.0%
Additional Contribution	0.7%	0.0%	0.0%	0.0%
Assumption/Method Change	0.0%	0.0%	0.0%	0.0%
Other	3.6%	0.9%	(2.3%)	(1.7%)
Funded Status This Valuation	65.5%	138.4%	107.3%	210.0%

Assets Experience – Asset gains and losses (relative to the assumed earnings rate) are smoothed over seven years for Tiers 1 and 2 and over five years for Tier 3. The return on the market value of assets for the year ending June 30, 2021 was 26.7% for Tiers 1 and 2 and 32.7% for Tier 3. On a smoothed, actuarial value of assets basis, however, the average return was 7.6% for Tiers 1 and 2 and 11.5% for Tier 3. These returns exceeded the 2020 assumed earnings rate for Tiers 1 and 2 of 7.3% and for Tier 3 of 7.0%.

Payroll Base – Under the current amortization policy for Tiers 1 and 2, the contribution rate is developed as a level percentage of payroll. Payroll for this purpose includes members of this plan and defined contribution plan's members that would have been in this plan. To the extent that actual payroll is lower/greater than last year's projected payroll, the contribution rate will increase/decrease as a result. The payroll decreased compared to expected, resulting in an increase in the contribution rate.

Liability Experience – Experience overall was unfavorable, driven by salary increases that were higher than expected.

Additional Contribution – Monies contributed in excess of the required contribution rate in order to pay down the unfunded liability.

Assumption / Method Change – The payroll growth assumption was decreased from 3.50% to 3.00%.

Other – This is the combination of all other factors that could impact liabilities year-over-year, with the primary sources being changes in benefits for continuing inactives. Note that Tier 3 experience will stabilize as the group matures.

4. Looking Ahead

The volatility in annual returns, which have produced both gains and losses in recent years, was dampened by the asset smoothing reflected in the actuarial value of assets. The significant gain realized this year will, in the absence of other losses, put downward pressure on the contribution rate next year.

If the June 30, 2021 pension valuation results were based on the market value of assets instead of the actuarial value of assets, the pension funded percentage for Tiers 1 and 2 would be 71.7% (instead of 65.5%) and the pension employer contribution requirement would be 31.25% of payroll (instead of 35.61%).

5. Conclusion

The funded status for Tiers 1 and 2 will continue to improve if assumptions are met and contributions at least equal to the rates determined for each employer are made to the fund. The recent adoption of a layered amortization approach along with a plan to systematically lower the payroll growth assumption was an excellent step to improve funding and ensure the Plan is on a viable path.

The funded status for Tier 3 will stabilize as the population continues to grow, as contributions appear sufficient to keep the liabilities fully funded.

II. CONTRIBUTION RESULTS

Contribution Requirements

Development of Employer Contributions - Tiers 1 & 2 Members				
Valuation Date	June 30, 2021		June 30, 2020	
Applicable to Fiscal Year Ending	2023		2022	
	Rate	**Dollar**	**Rate**	**Dollar**
Pension				
Normal Cost				
Total Normal Cost	21.14%	$ 2,296,280	21.49%	$ 2,413,344
Employee Cost	(7.65%)	(830,962)	(7.65%)	(859,101)
Employer (Net) Normal Cost	13.49%	1,465,318	13.84%	1,554,243
Amortization of Unfunded Liability	22.12%	2,402,730	20.67%	2,321,258
Total Employer Cost (Pension)	35.61%	3,868,048	34.51%	3,875,501
Health				
Normal Cost	0.37%	40,190	0.39%	43,797
Amortization of Unfunded Liability	(0.28%)	(30,414)	(0.18%)	(20,214)
Total Employer Cost (Health)	0.09%	9,776	0.21%	23,583
Total Employer Cost (Pension + Health)	**35.70%**	**3,877,824**	**34.72%**	**3,899,084**
Total Minimum Contribution Requirement (if applicable)	0.00%		0.00%	
Alternate Contribution Rate (ACR) *	22.12%		20.67%	
Underlying Payroll (as of valuation date)		10,545,874		10,850,320

** The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to an 8% minimum) and is charged when retirees return to active status.*

The results above are shown both prior to and after the application of the statutory minimum contribution requirement of 8% of payroll (5% of payroll if the actual employer contribution is less than 5% for the 2006/2007 Fiscal Year) and are based on the current amortization schedule approved by the Board of Trustees for your individual plan (see "Actuarial Assumptions and Methods").

Development of Employer Contributions – Tier 3 Members		
Valuation Date	June 30, 2021	June 30, 2020
Applicable to Fiscal Year Ending	2023	2022

Defined Benefit (DB) Retirement Plan

	Rate	**Dollar**	**Rate**	**Dollar**
Pension				
Total Normal Cost	17.99%	$ 477,728	18.10%	$ 336,497
Amortization of Unfunded Liability	0.00%	0	0.00%	0
Total Pension Cost	17.99%	477,728	18.10%	336,497
Employee (EE) Pension Cost	9.00%	238,864	9.05%	168,249
Employer (ER) Pension Cost	9.00%	238,864	9.05%	168,249
Health				
Total Normal Cost	0.24%	6,373	0.25%	4,648
Amortization of Unfunded Liability	0.00%	0	0.00%	0
Total Health Cost	0.24%	6,373	0.25%	4,648
Employee (EE) Health Cost	0.12%	3,187	0.13%	2,324
Employer (ER) Health Cost	0.12%	3,187	0.13%	2,324
Total				
Total Calculated Tier 3 Required EE/ER Individual Cost	9.12%	242,051	9.18%	170,573
Board Approved Tier 3 Required EE/ER Individual Cost [1]	9.94%	263,958	9.94%	184,794
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities [2]	22.12%	587,400	20.67%	384,276
Total Calculated Tier 3 Required ER Defined Benefit Cost	31.24%	829,451	29.85%	554,849
Total Board Approved Tier 3 Required ER Defined Benefit Cost	**32.06%**	**851,359**	**30.61%**	**569,070**
Underlying Payroll (as of valuation date)		2,578,172		1,796,231

[1] *The Board decided to keep Tier 3 rates level (as calculated with the June 30, 2019 valuation) for the fiscal year ending June 30, 2023.*

[2] *Pursuant to ARS § 38-843(B), the amortization of positive unfunded liabilities for Tiers 1 & 2 shall be applied to all Tier 3 payroll on a level percent basis. However, while it is statutorily required to present the rates in this manner, these are the minimums where alternate methods for paying down that unfunded liability is at the discretion of each employer. Further, to understand the effects of reform in relation to Tier 3, compare the total rate of Tier 3 before application of those legacy costs.*

Development of Employer Contributions – Tier 3 Members		
Valuation Date	June 30, 2021	June 30, 2020
Applicable to Fiscal Year Ending	2023	2022

Defined Contribution (DC) Retirement Plan

	Rate	Dollar	Rate	Dollar
Tier 2 & 3 DB / Non-Social Security				
Employee Cost	3.00%		3.00%	
Employer Cost [1]	3.00%		3.00%	
Tier 3 DC Only				
Employee Cost	9.00%	$ 0	9.00%	$ 0
Employee Health Subsidy Program Cost	0.19%	0		
Employee Disability Program Cost	1.66%	0	0.88%	0
Total Employee Cost	**10.85%**	**0**	**9.88%**	**0**
Employer Cost	9.00%	0	9.00%	0
Employer Health Subsidy Program Cost	0.19%	0		
Employer Disability Program Cost	1.66%	0	0.88%	0
Total Employer Cost (before Legacy)	**10.85%**	**0**	**9.88%**	**0**
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities [2]	22.12%	0	20.67%	0
Total Employer Cost	**32.97%**	**0**	**30.55%**	**0**
Underlying Payroll (as of valuation date)		0		0

[1] *Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date.*

[2] *Pursuant to ARS § 38-843(B), the amortization of positive unfunded liabilities for Tiers 1 & 2 shall be applied to all Tier 3 payroll on a level percent basis. However, while it is statutorily required to present the rates in this manner, these are the minimums where alternate methods for paying down that unfunded liability is at the discretion of each employer. Further, to understand the effects of reform in relation to Tier 3, compare the total rate of Tier 3 before application of those legacy costs.*

Contribution Rate Summary

	Tier 1		Tier 2		Tier 3		
Membership Date On or After	7/1/1968	7/20/2011	1/1/2012			7/1/2017	
Participates in Social Security	N/A	N/A	Yes	No	Yes	No	N/A
Available Retirement Plan [1]	DB Only	DB Only	DB Only	Hybrid	DB Only	Hybrid	DC Only
Employee Contribution Rate							
PSPRS DB Rate	7.65%	11.65%	11.65%	11.65%	9.94%	9.94%	
PSPRS DC Rate				3.00%		3.00%	9.00%
Employer Health Subsidy Program Cost							0.19%
PSPDCRP Disability Program Rate							1.66%
Total EE Contribution Rate	7.65%	11.65%	11.65%	14.65%	9.94%	12.94%	10.85%
Employer Contribution Rate							
PSPRS DB Normal Cost	13.86%	13.86%	13.86%	13.86%	9.94%	9.94%	
PSPRS DB Tier 1 & 2 Legacy Cost [2]	21.84%	21.84%	21.84%	21.84%	22.12%	22.12%	22.12%
PSPRS DC Rate [3]				4.00%		3.00%	9.00%
Employer Health Subsidy Program Cost							0.19%
PSPDCRP Disability Program Rate							1.66%
Total ER Contribution Rate	35.70%	35.70%	35.70%	39.70%	32.06%	35.06%	32.97%

[1] *Employers that pay into Social Security on behalf of their members do not participate in the Hybrid Plan.*

[2] *Per statute (ARS § 38-843(B)), any positive unfunded liability for Tiers 1 and 2 is to be applied to all Tier 3 (DB and DC) payrolls.*

[3] *The 4.00% employer match for Tier 2 Hybrid members is for a short period of time depending on the membership date of the employee at which point the rate will change to 3.00% (ARS § 38-868(C)).*

Exhibit summarizes employee and employer contributions based on Statute and the results of June 30, 2021 actuarial valuation. Pension and health components are combined, where applicable.

Impact of Additional Contributions

	Additional Contribution (000s)										
	$0	**$1,000**	**$2,000**	**$3,000**	**$4,000**	**$5,000**	**$6,000**	**$7,000**	**$8,000**	**$9,000**	**$10,000**
Impact On											
Funded Status 06/30/2021	65.5%	66.7%	67.8%	68.9%	70.0%	71.1%	72.3%	73.4%	74.5%	75.6%	76.7%
FYE 2023 Contribution Rate	35.70%	34.93%	34.16%	33.39%	32.61%	31.84%	31.07%	30.30%	29.53%	28.76%	27.99%

Table shows the hypothetical change in the funded status and contribution rate from the June 30, 2021 actuarial valuation results for Tiers 1 & 2 if an additional contribution of the amount shown had been made to the Fund on June 30, 2021. This illustration can help estimate the impact of contributing additional monies to the fund in the future.

Historical Summary of Employer Rates

			Pension			Health		
	Valuation Date June 30	**Fiscal Year Ending June 30**	**Normal Cost**	**Unfunded Amortization**	**Total**	**Normal Cost**	**Unfunded Amortization**	**Total**
TIERS 1 & 2	2018	2020	14.90%	16.09%	30.99%	0.31%	0.01%	0.32%
	2019	2021	14.82%	17.72%	32.54%	0.43%	(0.11%)	0.32%
	2020	2022	13.84%	20.67%	34.51%	0.39%	(0.18%)	0.21%
	2021	2023	13.49%	22.12%	35.61%	0.37%	(0.28%)	0.09%
TIER 3 [1]	2018	2020	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2019	2021	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2020	2022	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2021 [2]	2023	9.00%	0.00%	9.00%	0.12%	0.00%	0.12%
	2021	2023	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%

[1] *Rates shown are Board approved EE/ER rates, unless otherwise noted. Does not reflect Legacy costs that the employer must also contribute.*

[2] *Rates shown are calculated EE/ER rates*

III. Liability Support

Liabilities and Funded Ratios by Benefit - Tiers 1 & 2

	June 30, 2021	June 30, 2020
Pension		
Actuarial Present Value of Benefits		
Retirees and Beneficiaries	$ 42,953,648	$ 35,003,535
DROP Members	7,746,357	7,952,932
Vested Members	347,214	471,063
Active Members	57,087,483	58,296,236
Total Actuarial Present Value of Benefits	108,134,702	101,723,766
Actuarial Accrued Liability (AAL)		
All Inactive Members	51,047,219	43,427,530
Active Members	38,247,922	38,595,193
Total Actuarial Accrued Liability	89,295,141	82,022,723
Actuarial Value of Assets (AVA)	58,521,288	51,303,046
Unfunded Actuarial Accrued Liability		
Gross Unfunded Actuarial Accrued Liability	30,773,853	30,719,677
Stabilization Reserve	0	0
Net Unfunded Actuarial Accrued Liability	30,773,853	30,719,677
Funded Ratio (AVA / AAL)	65.5%	62.5%
Health		
Present Value of Benefits		
Retirees and Beneficiaries	$ 277,372	$ 281,267
DROP Members	143,229	145,516
Active Members	932,538	1,005,356
Total Present Value of Benefits	1,353,139	1,432,139
Actuarial Accrued Liability (AAL)		
All Inactive Members	420,601	426,783
Active Members	632,310	678,080
Total Actuarial Accrued Liability	1,052,911	1,104,863
Actuarial Value of Assets (AVA)	1,457,575	1,361,558
Unfunded Actuarial Accrued Liability	(404,664)	(256,695)
Funded Ratio (AVA / AAL)	138.4%	123.2%

Liabilities and Funded Ratios by Benefit - Tier 3

	June 30, 2021	June 30, 2020
Pension		
Actuarial Present Value of Benefits		
Retirees and Beneficiaries	$ 440,356	$ 429,363
Vested Members	1,850,254	743,741
Active Members	288,612,448	203,486,437
Total Actuarial Present Value of Benefits	290,903,058	204,659,541
Actuarial Accrued Liability (AAL)		
All Inactive Members	2,290,610	1,173,104
Active Members	40,442,927	22,066,495
Total Actuarial Accrued Liability	42,733,537	23,239,599
Actuarial Value of Assets (AVA)	45,863,401	23,570,444
Unfunded Actuarial Accrued Liability	(3,129,864)	(330,845)
Funded Ratio (AVA / AAL)	107.3%	101.4%
Health		
Present Value of Benefits		
Retirees and Beneficiaries	0	0
Active Members	3,998,992	2,785,857
Total Present Value of Benefits	3,998,992	2,785,857
Actuarial Accrued Liability (AAL)		
All Inactive Members	0	0
Active Members	680,877	353,563
Total Actuarial Accrued Liability	680,877	353,563
Actuarial Value of Assets (AVA)	1,429,806	721,079
Unfunded Actuarial Accrued Liability	(748,929)	(367,516)
Funded Ratio (AVA / AAL)	210.0%	203.9%

The liabilities shown on this page are the liabilities for all Tier 3 members grouped together in the Risk Sharing group. These liabilities are NOT the liabilities solely for Surprise Police Dept. Tier 3 members.

Derivation of Experience (Gain)/Loss

		Tiers 1 & 2		Tier 3	
		Pension	**Health**	**Pension**	**Health**
(1)	Unfunded Actuarial Accrued Liability as of June 30, 2020	30,719,677	(256,695)	(330,845)	(367,516)
(2)	Normal Cost Developed in Last Valuation	1,554,243	43,797	7,910,126	113,626
(3)	Actual Contributions	4,486,148	33,459	9,445,404	586,975
(4)	Expected Interest On (1), (2), and (3)	2,195,136	(16,741)	214,602	(39,581)
(5)	Expected Unfunded Actuarial Accrued Liability as of June 30, 2021 (1)+(2)-(3)+(4)	29,982,908	(263,098)	(1,651,521)	(880,446)
(6)	Changes to UAAL Due to Assumptions, Methods and Benefits	0	0	0	0
(7)	Change to UAAL Due to Actuarial (Gain)/Loss	790,945	(141,566)	(1,478,343)	131,517
(8)	Unfunded Actuarial Accrued Liability as of June 30, 2021	30,773,853	(404,664)	(3,129,864)	(748,929)

Amortization of Unfunded Liabilities - Tiers 1 & 2

	Date Established	Outstanding Balance [1]	Years Remaining	Amortization Rate
Pension	06/30/2019	27,690,139	15	18.54%
	06/30/2021 [2]	4,508,502	15	3.58%
	Total	32,198,641		22.12%
Health	06/30/2019	0	15	0.00%
	06/30/2021 [2]	(404,664)	20	(0.28%)
	Total	(404,664)		(0.28%)

Amortization of Unfunded Liabilities - Tier 3

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate [3]
Pension	06/30/2018	150,675	7	0.02%
	06/30/2019	(1,301,325)	8	(0.18%)
	06/30/2020	855,335	9	0.11%
	06/30/2021	(2,834,549)	10	(0.35%)
	Total	(3,129,864)		0.00%
Health	06/30/2018	(3,195)	7	0.00%
	06/30/2019	(118,978)	8	(0.02%)
	06/30/2020	(217,212)	9	(0.03%)
	06/30/2021	(409,544)	10	(0.05%)
	Total	(748,929)		0.00%

[1] *By Statute, any unfunded liability is adjusted by remove any "maintenance of effort" balance included in the assets.*

[2] *Since the "Years Remaining" for the 2020 and 2021 bases are the same, they have been combined into a single base.*

[3] *By Statute, negative amortization rates are not subtracted in Tier 3 rate calculations.*

IV. ASSET SUPPORT

Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2021

Market Value Basis

	Tiers 1 & 2		Tier 3	
	Pension	**Health**	**Pension**	**Health**
Additions				
Contributions				
Member Contributions	$ 125,332,035	$ 0	$ 21,045,607	$ 0
Employer Contributions	1,907,760,231	0	21,046,874	0
Health Insurance Contributions	0	4,005,856	0	1,358,038
Total Contributions	2,033,092,266	4,005,856	42,092,481	1,358,038
Investment Income				
Net Increase in Fair Value	2,205,440,985	84,098,414	21,638,252	757,438
Interest and Dividends	71,848,357	2,739,739	704,927	24,676
Other Income	83,636,944	3,601,503	820,588	32,436
Less Investment Expenses	(50,004,841)	(1,785,590)	(490,613)	(16,082)
Net Investment Income	2,310,921,445	88,654,066	22,673,154	798,468
Transfers In	145,214	0	55,573	0
Total Additions	4,344,158,925	92,659,922	64,821,208	2,156,506
Deductions				
Distributions to Members				
Benefit Payments	933,886,583	0	57,370	0
Health Insurance Subsidy	0	16,906,670	0	0
Refund of Contributions	12,184,527	0	576,884	0
Total Distributions	946,071,110	16,906,670	634,254	0
Administrative Expenses	10,897,164	364,534	106,925	3,283
Transfers Out	276,873	0	0	0
Other	0	0	0	0
Total Deductions	957,245,147	17,271,204	741,179	3,283
Net Increase / (Decrease)	3,386,913,778	75,388,718	64,080,029	2,153,223
Net Position Held in Trust				
Prior Valuation	8,057,538,776	328,079,035	48,259,114	1,480,635
Beginning of the Year Adjustment	0	0	0	0
End of the Year	11,444,452,554	403,467,753	112,339,143	3,633,858

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

Development of Pension Actuarial Value of Assets - Tiers 1 & 2

A. Investment Income	
A1. Actual Investment Income	$ 2,300,024,281
A2. Expected Amount for Immediate Recognition	627,173,072
A3. Amount Subject to Amortization	1,672,851,209

	Year Ended June 30						
B. Amortization Schedule	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
2021 Experience (A3 / 7)	238,978,744	238,978,744	238,978,744	238,978,744	238,978,744	238,978,744	238,978,745
2020 Experience	(68,882,158)	(68,882,158)	(68,882,158)	(68,882,158)	(68,882,158)	(68,882,160)	
2019 Experience	(22,859,275)	(22,859,275)	(22,859,275)	(22,859,275)	(22,859,275)		
2018 Experience	(6,266,349)	(6,266,349)	(6,266,349)	(6,266,351)			
2017 Experience	33,380,149	33,380,149	33,380,148				
2016 Experience	(64,250,729)	(64,250,726)					
2015 Experience	(36,894,251)						
Total Amortization	73,206,131	110,100,385	174,351,110	140,970,960	147,237,311	170,096,584	238,978,745

C. Actuarial Value of Assets	**Total**	**Employer**
C1. Actuarial Value of Assets, 06/30/2020	8,675,448,922	
C2. Non-investment Net Cash Flow	1,086,889,497	
C3. Preliminary Actuarial Value of Assets, 06/30/2021 (A2 + B + C1 + C2)	10,462,717,622	
C4. Market Value of Assets, 06/30/2021	11,444,452,554	64,012,442
C5. Final Actuarial Value of Assets, 06/30/2021 (C3 Within 20% Corridor of C4)	10,462,717,622	58,521,288

D. Rates of Return	
D1. Market Value Rate of Return	26.7%
D2. Actuarial Value Rate of Return	7.6%

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

Development of Health Actuarial Value of Assets - Tiers 1 & 2

A. Investment Income	
A1. Actual Investment Income	$ 88,289,532
A2. Expected Amount for Immediate Recognition	23,487,183
A3. Amount Subject to Amortization	64,802,349

	Year Ended June 30						
B. Amortization Schedule	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
2021 Experience (A3 / 7)	9,257,478	9,257,478	9,257,478	9,257,478	9,257,478	9,257,478	9,257,481
2020 Experience	(2,898,713)	(2,898,713)	(2,898,713)	(2,898,713)	(2,898,713)	(2,898,716)	
2019 Experience	(1,075,569)	(1,075,569)	(1,075,569)	(1,075,569)	(1,075,572)		
2018 Experience	(304,653)	(304,653)	(304,653)	(304,656)			
2017 Experience	1,532,136	1,532,136	1,532,136				
2016 Experience	(3,221,043)	(3,221,044)					
2015 Experience	(1,796,586)						
Total Amortization	1,493,050	3,289,635	6,510,679	4,978,540	5,283,193	6,358,762	9,257,481

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, 06/30/2020	355,709,881	
C2. Non-investment Net Cash Flow	(12,900,814)	
C3. Preliminary Actuarial Value of Assets, 06/30/2021 (A2 + B + C1 + C2)	367,789,300	
C4. Market Value of Assets, 06/30/2021	403,467,753	1,598,971
C5. Final Actuarial Value of Assets, 06/30/2021 (C3 Within 20% Corridor of C4)	367,789,300	1,457,575

D. Rates of Return	
D1. Market Value Rate of Return	27.5%
D2. Actuarial Value Rate of Return	7.2%

Development of Pension Actuarial Value of Assets - Tiers 3

A. Investment Income	
A1. Actual Investment Income	$ 22,566,229
A2. Expected Amount for Immediate Recognition	4,806,547
A3. Amount Subject to Amortization	17,759,682

	Year Ended June 30				
B. Amortization Schedule	**2021**	**2022**	**2023**	**2024**	**2025**
2021 Experience (A3 / 5)	3,551,936	3,551,936	3,551,936	3,551,936	3,551,938
2020 Experience	(351,296)	(351,296)	(351,296)	(351,294)	
2019 Experience	44,435	44,435	44,437		
2018 Experience	(370)	(371)			
2017 Experience	0				
Total Amortization	3,244,705	3,244,704	3,245,077	3,200,642	3,551,938

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, 06/30/2020	49,531,567	
C2. Non-investment Net Cash Flow	41,513,800	
C3. Preliminary Actuarial Value of Assets, 06/30/2021 (A2 + B + C1 + C2)	99,096,619	
C4. Market Value of Assets, 06/30/2021	112,339,143	51,992,240
C5. Final Actuarial Value of Assets, 06/30/2021 (C3 Within 20% Corridor of C4)	99,096,619	45,863,401

D. Rates of Return	
D1. Market Value Rate of Return	32.7%
D2. Actuarial Value Rate of Return	11.5%

Development of Health Actuarial Value of Assets - Tiers 3

A. Investment Income	
A1. Actual Investment Income	$ 795,185
A2. Expected Amount for Immediate Recognition	150,372
A3. Amount Subject to Amortization	644,813

	Year Ended June 30				
B. Amortization Schedule	**2021**	**2022**	**2023**	**2024**	**2025**
2021 Experience (A3 / 5)	128,963	128,963	128,963	128,963	128,961
2020 Experience	(10,555)	(10,555)	(10,555)	(10,557)	
2019 Experience	1,507	1,507	1,508		
2018 Experience	0	(2)			
2017 Experience	0				
Total Amortization	119,915	119,913	119,916	118,406	128,961

C. Actuarial Value of Assets	**Total**	**Employer**
C1. Actuarial Value of Assets, 06/30/2020	1,518,500	
C2. Non-investment Net Cash Flow	1,358,038	
C3. Preliminary Actuarial Value of Assets, 06/30/2021 (A2 + B + C1 + C2)	3,146,825	
C4. Market Value of Assets, 06/30/2021	3,633,858	1,651,097
C5. Final Actuarial Value of Assets, 06/30/2021 (C3 Within 20% Corridor of C4)	3,146,825	1,429,806

D. Rates of Return	
D1. Market Value Rate of Return	36.8%
D2. Actuarial Value Rate of Return	12.3%

V. Member Statistics

Valuation Data Summary

	June 30, 2021		June 30, 2020	
	Tiers 1 & 2	Tier 3	Tiers 1 & 2	Tier 3
Actives				
Number	95	35	104	25
Average Current Age	42.5	32.7	42.2	32.9
Average Age at Employment	30.4	30.8	30.5	31.4
Average Past Service	12.1	1.9	11.7	1.5
Average Annual Salary	$104,260	$69,666	$98,052	$67,989
Actives (transferred)				
Number	3	0	3	0
Average Current Age	32.8	N/A	31.8	N/A
Average Age at Employment	26.6	N/A	26.6	N/A
Average Past Service	6.2	N/A	5.2	N/A
Average Annual Salary	$71,581	N/A	$70,214	N/A
Retirees				
Number	28	0	21	0
Average Current Age	57.2	N/A	58.2	N/A
Average Annual Benefit	$56,932	N/A	$55,847	N/A
Drop Retirees				
Number	8	N/A	8	N/A
Average Current Age	50.7	N/A	50.5	N/A
Average Annual Benefit	$56,576	N/A	$57,597	N/A
Beneficiaries				
Number	5	0	5	0
Average Current Age	61.5	N/A	60.5	N/A
Average Annual Benefit	$40,322	N/A	$39,531	N/A
Disability Retirees				
Number	26	0	24	0
Average Current Age	49.0	N/A	47.6	N/A
Average Annual Benefit	$42,390	N/A	$41,105	N/A
Inactive / Vested				
Number	16	1	17	1
Average Current Age	42.4	24.6	41.3	23.6
Average Accumulated Contributions	$7,825	$1,300	$11,241	$1,300
Total Number	181	36	182	26
Former Members (transferred)	1	0	1	0

Counts and Pay Summary by Service - Tiers 1 & 2

	Past Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total Count	Total Pay	Average Pay
<20	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0
25 - 29	4	4	0	0	0	0	0	8	676,607	84,576
30 - 34	3	10	1	0	0	0	0	14	1,270,285	90,735
35 - 39	2	8	7	3	0	0	0	20	2,202,797	110,140
40 - 44	3	4	3	11	0	0	0	21	2,174,005	103,524
45 - 49	0	1	4	7	2	0	0	14	1,530,341	109,310
50 - 54	0	3	5	2	3	1	0	14	1,531,701	109,407
55 - 59	0	1	3	1	1	0	0	6	629,323	104,887
60 - 64	0	0	0	1	0	0	0	1	104,414	104,414
65+	0	0	0	0	0	0	0	0	0	0
Total	12	31	23	25	6	1	0	98	10,119,473	103,260

Counts and Pay Summary by Service - Tier 3

	Past Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total Count	Total Pay	Average Pay
15 - 19	0	0	0	0	0	0	0	0	0	0
20 - 24	3	0	0	0	0	0	0	3	205,851	68,617
25 - 29	13	0	0	0	0	0	0	13	894,544	68,811
30 - 34	7	0	0	0	0	0	0	7	516,679	73,811
35 - 39	5	0	0	0	0	0	0	5	325,819	65,164
40 - 44	4	0	0	0	0	0	0	4	288,524	72,131
45 - 49	3	0	0	0	0	0	0	3	206,883	68,961
50 - 54	0	0	0	0	0	0	0	0	0	0
55 - 59	0	0	0	0	0	0	0	0	0	0
60 - 64	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0
Total	35	0	0	0	0	0	0	35	2,438,300	69,666

VI. ACTUARIAL ASSUMPTIONS AND METHODS

Interest Rate

This is the assumed earnings rate on System assets, compounded annually, net of investment and administrative expenses.

Tiers 1 & 2:
7.30% per year.

Tier 3:
7.00% per year.

Salary Increases

See table below. This is an annual increase for individual member's salary. These rates, which are based on a 2017 experience study using actual plan experience, consist of 3.5% for wage inflation with the remaining portion for merit / seniority increases.

Age	**Maricopa County Police**	**Pima County Police**	**Other Police**	**Maricopa County Fire**	**Pima County Fire**	**Other Fire**
20	7.50%	7.50%	7.50%	7.50%	7.50%	7.20%
25	7.14%	6.24%	6.60%	7.35%	6.36%	6.60%
30	6.00%	5.16%	5.25%	6.74%	5.48%	5.60%
35	4.77%	4.55%	4.15%	5.56%	4.83%	4.96%
40	3.90%	3.89%	3.60%	4.46%	4.03%	4.44%
45	3.54%	3.56%	3.50%	3.74%	3.60%	3.78%
50+	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%

Inflation

2.50%.

Tier 3 Compensation Limit

$115,868 for calendar 2021. Assumed increases of 2.00% per year thereafter.

Cost-of-Living Adjustment

1.75%.

Mortality Rates

These rates are used to project future decrements from the population due to death.

Active Lives:
PubS-2010 Employee mortality, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2020. 100% of active deaths are assumed to be in the line of duty.

Inactive Lives
PubS-2010 Healthy Retiree mortality, loaded 110% for males and females, projected with future mortality improvements reflected

generationally using 75% of scale MP-2020.

Beneficiaries:
PubS-2010 Survivor mortality, projected with future mortality improvements reflected generationally using 75% of scale MP-2020.

Disabled Lives:
PubS-2010 Disabled mortality, projected with future mortality improvements reflected generationally using 75% of scale MP-2020.

The mortality assumptions sufficiently accommodate anticipated future mortality improvements.

Retirement / DROP Rates

These rates are used to project future decrements from the active population due to retirement. The rates below are based on a 2017 experience study using actual plan experience.

Tier 1 – reaching age 62 before attaining 20 years of service:
Age-related rates based on age at retirement: 60% assumed at age 62, 50% assumed at ages 63 – 69, and 100% assumed at age 70. Rates are the same for all employers.

Tier 1 – reaching age 62 after attaining 20 years of service:
Service-related rates based on service at retirement:

Service	Maricopa County Police	Pima County Police	Other Police	Maricopa County Fire	Pima County Fire	Other Fire
20	27%	24%	35%	14%	18%	23%
21	18%	19%	30%	14%	18%	18%
22	14%	14%	23%	7%	11%	11%
23	10%	10%	10%	7%	7%	8%
24	8%	7%	10%	7%	7%	5%
25	38%	32%	36%	22%	22%	30%
26	36%	32%	30%	26%	26%	30%
27	29%	22%	30%	19%	19%	30%
28	29%	22%	30%	32%	25%	25%
29	29%	22%	30%	30%	25%	16%
30	34%	35%	30%	30%	30%	32%
31	34%	35%	30%	30%	30%	35%
32	65%	65%	70%	55%	55%	60%
33	65%	65%	70%	55%	55%	60%
34+	100%	100%	100%	100%	100%	100%

60% are assumed to enter the DROP program while the remaining 40% are assumed to retire and commence benefits immediately. DROP periods are assumed to be 4 years in length.

Tiers 2 & 3:

Age-related rates based on age at retirement:

Age	Maricopa County Police	Pima County Police	Other Police	Maricopa County Fire	Pima County Fire	Other Fire
53	38%	32%	36%	22%	22%	30%
54	36%	32%	30%	26%	26%	30%
55	29%	22%	30%	19%	19%	30%
56	29%	22%	30%	32%	25%	25%
57	29%	22%	30%	30%	25%	16%
58	34%	35%	30%	30%	30%	32%
59	34%	35%	30%	30%	30%	35%
60-63	65%	65%	70%	55%	55%	60%
64+	100%	100%	100%	100%	100%	100%

Termination Rate

These rates are used to project future decrements from the active population due to termination. Service-related rates based on service at termination are shown below. The rates below apply to members prior to retirement eligibility and are based on a 2017 experience study using actual plan experience.

Service	Maricopa County Police	Pima County Police	Other Police	Maricopa County Fire	Pima County Fire	Other Fire
1	14.00%	16.00%	16.00%	7.00%	10.00%	9.50%
2	8.50%	9.00%	12.50%	4.50%	5.00%	9.00%
3	6.50%	7.50%	11.50%	3.70%	5.00%	7.50%
4	4.50%	6.00%	9.00%	3.00%	4.00%	7.50%
5	3.60%	6.00%	8.00%	2.50%	4.00%	6.50%
6	3.30%	4.50%	8.00%	1.70%	3.50%	4.50%
7	3.30%	4.50%	7.00%	1.70%	3.00%	4.00%
8	3.30%	3.20%	7.00%	1.70%	2.40%	3.50%
9	2.70%	3.20%	6.50%	1.70%	2.40%	3.50%
10	2.70%	3.20%	6.00%	1.50%	2.40%	3.00%
11	2.70%	3.20%	5.00%	1.10%	2.40%	2.70%
12	1.80%	1.40%	4.00%	0.70%	1.00%	2.00%
13	1.30%	1.40%	3.50%	0.70%	1.00%	2.00%
14	1.30%	1.40%	3.00%	0.70%	1.00%	1.70%
15	1.30%	1.00%	3.00%	0.60%	1.00%	1.20%
16	0.70%	1.00%	2.00%	0.50%	1.00%	1.20%
17	0.70%	1.00%	1.75%	0.50%	0.50%	1.20%
18	0.70%	1.00%	1.75%	0.40%	0.50%	1.20%
19	0.50%	1.00%	1.75%	0.40%	0.50%	1.20%
20+	0.50%	1.00%	1.75%	0.40%	0.50%	0.50%

Disability Rate

These rates are used to project future decrements from the active population due to disability. Sample age-related rates based on age at disability are provided below. These rates are based on a 2017 experience study using actual plan experience. 100% of disablements are assumed to be duty-related.

Age	Maricopa County Police	Pima County Police	Other Police	Maricopa County Fire	Pima County Fire	Other Fire
20	0.08%	0.08%	0.10%	0.03%	0.03%	0.03%
25	0.08%	0.08%	0.10%	0.03%	0.03%	0.03%
30	0.17%	0.16%	0.20%	0.04%	0.03%	0.03%
35	0.22%	0.21%	0.26%	0.09%	0.07%	0.08%
40	0.36%	0.35%	0.44%	0.17%	0.16%	0.17%
45	0.51%	0.49%	0.62%	0.17%	0.43%	0.48%
50	0.78%	0.75%	0.95%	0.43%	0.59%	0.65%
55	1.02%	0.98%	1.23%	1.00%	1.01%	1.13%

Marital Status

For active members, 85% of males and 60% of females are assumed to be married. Actual marital status is used, where applicable, for inactive members.

Spouse's Age

Males are assumed to be three years older than females.

Health Care Utilization

For active members, 70% of retirees are expected to utilize retiree health care. Actual utilization is used for inactive members.

Funding Method

Entry Age Normal Cost Method.

Actuarial Asset Method

Method described below. Note that during periods when investment performance exceeds (falls short) of the assumed rate, the actuarial value of assets will tend to be less (greater) than the market value of assets.

Tiers 1 & 2:
Each year the assumed investment income is recognized in full while the difference between actual and assumed investment income are smoothed over a 7-year period subject to a 20% corridor around the market value.

Tier 3:
Each year the assumed investment income is recognized in full while the difference between actual and assumed investment income are smoothed over a 5-year period subject to a 20% corridor around the market value.

Funding Policy Amortization Method	***Tiers 1 & 2:*** Any positive UAAL (assets less than liabilities) is amortized using a layered approach beginning with the June 30, 2020 valuation, with new amounts determined according to a Level Dollar method over a closed period of 15 years (phased into from current period of at most 30 years). Initial layer from June 30, 2019 valuation continues to be amortized according to a Level Percentage of Payroll method. Any negative UAAL (assets greater than liabilities) is amortized according to a Level Dollar method over an open period of 20 years. ***Tier 3:*** Any positive UAAL (assets less than liabilities) is amortized according to a Level Dollar method over a closed period of 10 years. No amortization is made of any negative UAAL (assets greater than liabilities).
Payroll Growth	3.00% per year. This is annual increase for total employer payroll.
Stabilization Reserve	Beginning with the June 30, 2007 valuation and with each subsequent valuation, if the actuarial value of assets exceeds the actuarial accrued liability, one half of this excess in each year is allocated to a Stabilization Reserve. This Reserve is excluded from the calculation of the employer contribution rates. The Reserve accumulates as long as the plan is overfunded. Once the plan becomes underfunded, the Stabilization Reserve will be used to dampen increases in the employer contribution rates.

Changes to Actuarial Assumptions and Methods Since the Prior Valuation
The payroll growth assumption was lowered from 3.50% to 3.00%.

VII. Discussion of Risk

ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, states that the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition.

Throughout this report, actuarial results are determined under various assumption scenarios. These results are based on the premise that all future plan experience will align with the plan's actuarial assumptions; however, there is no guarantee that actual plan experience will align with the plan's assumptions. Whenever possible, the recommended assumptions in this report reflect conservatism to allow for some margin of unfavorable future plan experience. However, it is still possible that actual plan experience will differ from anticipated experience in an unfavorable manner that will negatively impact the plan's funded position.

Below are examples of ways in which plan experience can deviate from assumptions and the potential impact of that deviation. Typically, this results in an actuarial gain or loss representing the current-year financial impact on the plan's unfunded liability of the experience differing from assumptions; this gain or loss is amortized over a period of time determined by the plan's amortization method. When assumptions are selected that adequately reflect plan experience, gains and losses typically offset one another in the long term, resulting in a relatively low impact on the plan's contribution requirements associated with plan experience. When assumptions are too optimistic, losses can accumulate over time and the plan's amortization payment could potentially grow to an unmanageable level.

- Investment Return: When the rate of return on the Actuarial Value of Assets falls short of the assumption, this produces a loss representing assumed investment earnings that were not realized. Further, it is unlikely that the plan will experience a scenario that matches the assumed return in each year as capital markets can be volatile from year to year. Therefore, contribution amounts can vary in the future.
- Salary Increases: When a plan participant experiences a salary increase that was greater than assumed, this produces a loss representing the cost of an increase in anticipated plan benefits for the participant as compared to the previous year. The total gain or loss associated with salary increases for the plan is the sum of salary gains and losses for all active participants.
- Payroll Growth: The plan's payroll growth assumption, if one is used, causes a predictable annual increase in the plan's amortization payment in order to produce an amortization payment that remains constant as a percentage of payroll if all assumptions are realized. If payroll does not increase according to the plan's payroll growth assumption, the plan's amortization payment can increase significantly as a percentage of payroll even if all assumptions other than the payroll growth assumption are realized.
- Demographic Assumptions: Actuarial results take into account various potential events that could happen to a plan participant, such as retirement, termination, disability, and death. Each of these potential events is assigned a liability based on the likelihood of the event and the financial consequence of the event for the plan. Accordingly, actuarial liabilities reflect a blend of financial consequences associated with various possible outcomes (such as retirement at one of various possible ages). Once the outcome is known (e.g. the participant retires) the liability is adjusted to reflect the known outcome. This adjustment

produces a gain or loss depending on whether the outcome was more or less favorable than other outcomes that could have occurred.

- Contribution risk: This risk results from the potential that actual employer contributions may deviate from actuarially determined contributions, which are determined in accordance with the Board's funding policy. The funding policy is intended to result in contribution requirements that if paid when due, will result in a reasonable expectation that assets will accumulate to be sufficient to pay plan benefits when due. Contribution deficits, particularly large deficits and those that occur repeatedly, increase future contribution requirements and put the plan at risk for not being able to pay plan benefits when due.

Impact of Plan Maturity on Risk

For newer pension plans, most of the participants and associated liabilities are related to active members who have not yet reached retirement age. As pension plans continue in operation and active members reach retirement ages, liabilities begin to shift from being primarily related to active members to being shared amongst active and retired members. Plan maturity is a measure of the extent to which this shift has occurred. It is important to understand that plan maturity can have an impact on risk tolerance and the overall risk characteristics of the plan. For example, plans with a large amount of retired liability do not have as long of a time horizon to recover from losses (such as losses on investments due to lower than expected investment returns) as plans where the majority of the liability is attributable to active members. For this reason, less tolerance for investment risk may be warranted for highly mature plans with a substantial inactive liability. Similarly, mature plans paying substantial retirement benefits resulting in a small positive or net negative cash flow can be more sensitive to near term investment volatility, particularly if the size of the fund is shrinking, which can result in less assets being available for investment in the market.

To assist with determining the maturity of the plan, we have provided some relevant metrics in the table following titled "Plan Maturity Measures and Other Risk Metrics." For a better understanding of the overall Plan and the impact of these risks, please refer to the consolidated PSPRS valuation report.

Plan Maturity Measures and Other Risk Metrics - Tiers 1 & 2

	06/30/2018	06/30/2019	06/30/2020	06/30/2021
Support Ratio				
Total Actives	119	116	107	98
Total Inactives	63	67	75	83
Actives / Inactives	188.9%	173.1%	142.7%	118.1%
Asset Volatility Ratio				
Market Value of Assets (MVA)		44,930,566	47,648,979	64,012,442
Total Annual Payroll		11,125,116	10,408,014	10,119,473
MVA / Total Annual Payroll		403.9%	457.8%	632.6%
Accrued Liability (AL) Ratio				
Inactive Accrued Liability	30,716,061	37,217,219	43,427,530	51,047,219
Total Accrued Liability	65,680,544	74,766,358	82,022,723	89,295,141
Inactive AL / Total AL	46.8%	49.8%	52.9%	57.2%
Funded Ratio				
Actuarial Value of Assets (AVA)	40,576,043	46,472,444	51,303,046	58,521,288
Total Accrued Liability	65,680,544	74,766,358	82,022,723	89,295,141
AVA / Total Accrued Liability	61.8%	62.2%	62.5%	65.5%
Net Cash Flow Ratio				
Net Cash Flow [1]		2,991,381	2,160,278	2,391,006
Market Value of Assets (MVA)		44,930,566	47,648,979	64,012,442
Net Cash Flow / MVA		6.7%	4.5%	3.7%

[1] *Determined as total contributions minus benefit payments. Administrative expenses are typically included but are considered part of the net interest rate assumption for this plan.*

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Plan Maturity Measures and Other Risk Metrics - Tier 3 [1]

	06/30/2018	06/30/2019	06/30/2020	06/30/2021
Support Ratio				
Total Actives	419	944	1,408	2,560
Total Inactives	23	57	130	307
Actives / Inactives	1,821.7%	1,656.1%	1,083.1%	833.9%
Asset Volatility Ratio				
Market Value of Assets (MVA)		9,392,896	22,964,925	51,992,240
Total Annual Payroll		50,420,565	84,448,996	115,883,115
MVA / Total Annual Payroll		18.6%	27.2%	44.9%
Accrued Liability (AL) Ratio				
Inactive Accrued Liability		203,244	1,173,104	2,290,610
Total Accrued Liability		7,956,725	23,239,599	42,733,537
Inactive AL / Total AL		2.6%	5.0%	5.4%
Funded Ratio				
Actuarial Value of Assets (AVA)	1,635,349	9,305,220	23,570,444	45,863,401
Total Accrued Liability	1,831,715	7,956,725	23,239,599	42,733,537
AVA / Total Accrued Liability	89.3%	116.9%	101.4%	107.3%
Net Cash Flow Ratio				
Net Cash Flow [2]		7,281,178	13,192,598	18,607,209
Market Value of Assets (MVA)		9,392,896	22,964,925	51,992,240
Net Cash Flow / MVA		77.5%	57.4%	35.8%

[1] *Tier 3 results are shown for the Risk Sharing group, where applicable.*
[2] *Determined as total contributions minus benefit payments. Administrative expenses are typically included but are considered part of the net interest rate assumption for this plan.*

VIII. SUMMARY OF CURRENT PLAN

The following is a summary of the benefit provisions provided in Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes.

Membership

Full-time employees of an eligible group, prior to attaining age 65, who are engaged to work for more than six months in a calendar year.

Benefit Tiers

Benefits differ for members based on their hire date:

Tier	Hire Date
1	Hired before January 1, 2012
2	Hired on or after January 1, 2012 but before July 1, 2017
3	Hired on or after July 1, 2017

Compensation

Compensation is the amount including base salary, overtime pay, shift and military differential pay, compensatory time used in lieu of overtime pay, and holiday pay, paid to an employee on a regular payroll basis and longevity pay paid at least every six months for which contributions are made to the System. For Tier 3 members, compensation is limited by statutory cap ($110,000 with adjustments by the Board).

Average Monthly Benefit Compensation

Tier 1:
The highest compensation paid to member during three consecutive years out of the last 20 years of Credited Service, divided by months.

Tier 2:
The highest compensation paid to member during five consecutive years out of the last 20 years of Credited Service, divided by months.

Tier 3:
The highest compensation paid to member during five consecutive years out of the last 15 years of Credited Service, divided by months.

Credited Service

Total periods of service, both before and after the member's date of participation, for which the member made contributions to the fund.

Normal Retirement Date

Tier 1:
First day of month following attainment of 1) 20 years of service or 2) 62^{nd} birthday and completion of 15 years of service.

Tier 2:
First day of month following the attainment of age 52.5 and completion of 15 years of service.

Tier 3:
First day of month following the attainment of age 55 and completion of 15 years of service.

Benefit

Tier 1:
50% of Average Monthly Benefit Compensation, adjusted based on Credited Service as follows (maximum benefit of 80% of Average Monthly Benefit Compensation):

Credited Service	Benefit Adjustment
15 years, but less than 20	Reduced 4% per year less than 20
20 years, but less than 25	Plus 2% per year between 20 and 25
25+ years	Plus 2.5% per year above 20

Tier 2:
Benefit multiplier (below) times Average Monthly Benefit Compensation times Credited Service (maximum benefit of 80% of Average Monthly Benefit Compensation):

Credited Service	Benefit Multiplier
15 years, but less than 17	1.50%
17 years, but less than 19	1.75%
19 years, but less than 22	2.00%
22 years, but less than 25	2.25%
25+ years	2.50%

Tier 3:
Benefit multiplier (below) times Average Monthly Benefit Compensation times Credited Service (maximum benefit of 80% of Average Monthly Benefit Compensation):

Credited Service	Benefit Multiplier
15 years, but less than 17	1.50%
17 years, but less than 19	1.75%
19 years, but less than 22	2.00%
22 years, but less than 25	2.25%
25+ years	2.50%

Form of Benefit

For married retirees, an annuity payable for the life of the member with 80% continuing to the eligible spouse upon death. For unmarried retirees, the normal form is a single life annuity.

Early Retirement — ***Only applicable to Tier 3 members:***

Date: Attainment of age 52.5 and 15 years of Credited Service.

Benefit: Actuarial equivalent of Normal Retirement benefit.

Disability Benefit – Accidental (duty-related)

Eligibility: Total and permanent disability incurred in performance of duty.

Benefit Amount: A maximum of:

a.) 50% of Average Monthly Benefit Compensation, and;
b.) The monthly Normal Retirement pension that the member is entitled to receive if he or she retired immediately.

Disability Benefit – Ordinary (not duty-related)

Eligibility: Total and permanent disability not incurred in performance of duty.

Benefit Amount: Normal Retirement pension that the member is entitled to receive, prorated based on Credited Service earned over the required Credited Service for Normal Retirement (maximum ratio of 1).

Disability Benefit – Other

Temporary: Benefit equals 1/12 of 50% of compensation during year preceding date of disability. Payments terminate after 12 months.

Catastrophic: Benefit equals 90% of Average Monthly Benefit Compensation. After 60 months member receives greater of 62.5% Average Monthly Benefit Compensation and accrued normal pension.

Pre-Retirement Death Benefit

Service Incurred: 100% of Average Monthly Benefit Compensation, reduced by child's pension.

Non-Service Incurred: 80% of benefit based on calculation for accidental disability retirement.

Child's Pension: 10% of pension for each child (maximum 20% paid) based on calculation for accidental disability retirement. Payable to dependent child under age 18 (23, if full-time student).

Guardian's Pension: Same as spouse's pension. Payable (along with child's pension) when no spouse is being paid and there is at least one child under 18 (23, if full-time student).

Vesting (Termination)

Vesting Service Requirement: ***Tier 1*:**
10 years of Credited Service.

Tiers 2 & 3:
15 years of Credited Service.

Non-Vested Benefit

Tier 1:
Lump sum payment of accumulated contributions, plus additional amount based on years of Credited Service.

Service	Additional % of Contributions
Less than 5 years	0%
5 years	25%
6 years	40%
7 years	55%
8 years	70%
9 years	85%
10+ years	100%

Tiers 2 & 3:
Lump sum payment of accumulated contributions, with interest at rate determined by the Board.

Vested Benefit

Tier 1:
Deferred retirement annuity based on two times member's accumulated contributions, deferred to age 62. Member is not entitled to survivor benefits, benefit increases, or group health insurance subsidy.

Tiers 2 & 3:
Calculated same as normal retirement pension. Payable if contributions left in fund until reach age requirement. Member is entitled to survivor benefits, benefit increases, and group health insurance subsidy.

Cost-of-Living Adjustment

Payable to retired member or survivor of retired member

Tiers 1 & 2:
Compound cost-of-living adjustment on base benefit. First payment is made on July 1, 2018, with annual adjustments effective every July 1 thereafter.

Cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. Maximum increase of 2%.

Tier 3:
Compound cost-of-living adjustment on base benefit beginning earlier of first calendar year after the 7th anniversary of retirement or when the retired member reaches 60 years of age.

A cost-of-living adjustment shall be paid on July 1 each year that the funded ratio for members hired on or after July 1, 2017 is 70% or more.

The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. The cost-of-living adjustment will not exceed:

- 2%, if funded ratio for members who are hired on or after July 1, 2017 is 90% or more;
- 1.5%, if funded ratio for members who are hired on or after July 1, 2017 is 80-90%;
- 1%, if funded ratio for members who are hired on or after July 1, 2017 is 70-80%.

<u>Deferred Retirement Option Plan (DROP):</u>

Eligibility — Tier 1 and 20 years of Credited Service.

DROP Period — Maximum 60 months.

Member Contributions — Cease upon DROP entry.

Benefit Amount — Calculated based on Credited Service and average monthly compensation as of the beginning of the DROP period, credited to DROP participation account for DROP period.

Interest on DROP Participation Account

Beginning Year	Interest Rate
July 1, 2016	7.40%
July 1, 2017	7.40%
July 1, 2018	7.30%
July 1, 2019	7.30%
July 1, 2020	7.30%

Payment of DROP Participation Account — Payable as lump sum distribution to Public Safety Personnel Defined Contribution Retirement Plan at end of DROP period or at termination.

Payment Monthly Benefit — System commences payment of benefit amount at the earlier of 1) the end of the DROP period and 2) at termination.

Post-Retirement Health Insurance Subsidy

Eligibility: Retired member or survivor who elect health coverage provided by the state or participating employer.

Maximum Subsidy Amounts (monthly)

	Member Only	With Dependents
Medicare Eligible	$100	$170
One w/ Medicare	N/A	$215
Not Medicare Eligible	$150	$260

Employee Contributions

Members hired before July 20, 2011:
7.65%

Members hired on/after July 20, 2011, but before July 1, 2017:
11.65%. Amounts in excess of 7.65% are not used to reduce the employer contribution ("maintenance of effort").

Tier 3:
50% of total contribution, which is Normal Cost plus a level-dollar amortization of unfunded actuarial accrued liability over a closed period not to exceed 10 years.

Employer Contributions

Tiers 1 & 2:
Normal Cost plus amortization of unfunded actuarial accrued liability over a closed period not to exceed 20 years (subject to one-time election to extend to closed period not to exceed 30 years). Contribution will never be less than 8% of payroll.

Tier 3:
50% of total contribution, which is Normal Cost plus a level-dollar amortization of unfunded actuarial accrued liability over a closed period not to exceed 10 years.

Changes to Benefit Provisions Since the Prior Valuation

The proration period for the Ordinary Disability Benefit was revised to reflect the different required Credited Service periods for different benefit tiers.

IX. ACTUARIAL FUNDING POLICY

A pension plan funding policy describes how pension funding will improve for underfunded plans or maintain funded benefits for funded plans over time for those benefits defined in ARS. Those benefits defined in ARS are to be equitably managed and administered by PSPRS.

This Actuarial Funding Policy identifies the funding objectives and elements of the actuarial funding policy set by the Board for the Arizona Public Safety Personnel Retirement System (PSPRS). The Board adopted this Funding Policy to help ensure the systematic funding of future benefit payments for members of the Retirement System as established by the legislature.

To achieve the systematic funding of future benefits, metrics are identified to measure the progress, or the lack of progress, over time to identify trends. These trends inform the continuation of the current policies or identify areas of needed research for consideration.

This funding policy is reviewed annually and adopted by the Board in accordance with ARS 38-863.02. This policy was reviewed and adopted by the Board in October 2021.

PSPRS Statement of Purpose

The Purpose of the Public Safety Personnel Retirement System is to provide uniform, consistent, and equitable statewide retirement programs for those who have been entrusted to our care.

Funding Objectives

1. Maintain adequate assets so that current plan assets, plus future contributions and investment earnings, are sufficient to fund all benefits expected to be paid to members and their beneficiaries.
    a. Corollary 1a: Current and future contributions should be calculated based upon assumptions that reflect the Board's best estimate of future experience and methods that appropriately allocate costs to address generational equity.
    b. Corollary 1b: While the shorter-term objective is to fully fund the actuarial liability (AAL) that estimates benefits earned as of the valuation date, contributions should target the long-term present value of benefits (PVB) to fund all benefits and help offset risks.

2. Maintain public policy goals of accountability and transparency through stakeholder communication and education. Each policy element is clear in intent and effect, and each should be considered in a balanced approach to determine how and when the funding requirements of the plan will be met.
    a. Corollary 2a: Board shall provide stakeholders with separate reports and tools to help explain current results as well as to help model future funding requirements.

3. Promote intergenerational equity. Defined benefit pensions are designed with a long-term perspective and designed to minimize contribution volatility that cannot avoid some level of generational cost shift. However, the goal is that each generation of members and employers (taxpayers) should, to the extent possible, incur the cost of benefits for the employees who provide services to them, rather than shifting those costs to other generations of members and employers (taxpayers).

a. Corollary 3a: A systematic reduction of the Unfunded Actuarial Accrued Liability (UAAL) over a reasonable time period is paramount to achieving this objective.

Consideration can be given to reduce volatility, to the extent possible, of employer and employee contribution rates as long as the integrity of the objectives listed above is not compromised.

Elements of Actuarial Funding Policy

1. Actuarial Cost Method
   a. The Entry Age Normal level percent of pay actuarial cost method of valuation shall be used in determining the Actuarial Accrued Liability (AAL) and Normal Cost. Differences in the past between assumed experience and actual experience ("actuarial gains and losses") shall become part of the AAL. The Normal Cost shall be determined on an individual basis for each active member.

2. Asset Smoothing Method
   a. The investment gains or losses of each valuation period, resulting from the difference between the actual investment return and assumed investment return, shall be recognized annually in level amounts over seven years (Tiers 1 and 2) or five years (Tier 3) in calculating the Actuarial Value of Assets.
   b. The Actuarial Value of Assets so determine shall be subject to a 20% corridor relative to the Market Value of Assets.

3. Amortization Method (Unfunded Amounts)
   a. The Actuarial Value of Assets are subtracted from the computed AAL. Any unfunded amount is amortized as a level percent of payroll over a closed period.
   b. The unfunded liabilities, for EORP and Tiers 1 & 2 for both PSPRS and CORP, determined in the June 30, 2019 actuarial valuation will become the initial layer for each employer beginning with the June 30, 2020 actuarial valuation and amortized using the current closed year period for that employer and continue to decrease each year.
      i. The payroll growth rate assumption used to amortize the Public Safety Plan (PSPRS) June 30, 2019 Unfunded Liability will be decreased by 0.5% beginning with the 6/30/2021 actuarial valuation and again each year with the intention of ultimately achieving 0.0%. Once the payroll growth assumption reaches 2.0%, however, the Board will reevaluate the payroll growth assumption and decide whether to continue to let it track down to 0.0%.
      ii. The payroll growth rate used to amortize the Correction Officers Retirement Plan (CORP) June 30, 2019 Unfunded Liability will be 3.0% beginning with the 6/30/2020 actuarial valuation, and future years will be reduced by 0.5% until 0.0% is reached.
      iii. The payroll growth rate used to amortize the Elected Officials Retirement Plan (EORP) June 30, 2019 Unfunded Liability will be 2.5% beginning with the 6/30/2020 actuarial valuation, and future years will be reduced by 0.5% until 0.0% is reached.
   c. Gains and losses, for EORP and Tiers 1 & 2 for both PSPRS and CORP, for each employer beginning with the June 30, 2020 actuarial valuation will be amortized as a new layer over the same amortization period as the regular unfunded liability to a minimum of 15 years. Once the amortization period for each employer decreases to 15 years, each subsequent year's gains and losses will be amortized as a new 15-year closed layer.
      i. The payroll growth rate used to amortize unfunded liability for all Plans under this paragraph will be 0.0% (i.e. level-dollar amortization).

d. Tier 3 amortization methods are established in ARS 38-843.G and ARS 38-891.K.

4. Amortization Method (Overfunded Amounts)
   a. If the Actuarial Value of Assets exceeds the AAL for EORP and Tiers 1 & 2 for both PSPRS and CORP, the excess is amortized over an open period of 20 years and applied as a credit to reduce the Normal Cost otherwise payable.
   b. Tier 3 amortization methods are established in ARS 38-843.G and ARS 38-891.K.

Metrics to Monitor Funding Objectives

1. Appropriateness of Assumptions – Gain/Loss Experience (Corollary 1a)
   a. Metric: Do the cumulative gain/loss layers over the prior five years exceed 8% of plan assets?
   b. Measurement: History of annual gain/loss (split by asset and liability experience) and five-year cumulative results will be tracked.
   c. Action Plan: This metric assumes that a full experience study is performed at least every five years so objective of measurement is to monitor interim experience. If the metric answer is yes, a review of the sources or causes of gains and losses should be analyzed and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if assumption changes are warranted between full experience studies.

2. Funding Targets (Corollary 1b)
   a. Metric: Has the funded status, on both an AAL and PVB basis when compared to the market value of assets, increased over a five-year period?
   b. Measurement: History of funded status measures will be tracked.
   c. Action Plan: If the answer is no and not readily explainable (e.g., significant assumption change), a review of the reason(s) for the decrease should be researched and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if changes to assumptions and/or methods are warranted between full experience studies.

3. Communication with Stakeholders (Corollary 2a)
   a. Metric: Have reports and budgeting tools been provided to stakeholders in a timely fashion?
   b. Measurement: Yes/No answer based on input from PSPRS administrator. (An annual standard survey of stakeholders – 3 to 5 questions.)
   c. Action Plan: If the answer is no, and periodically regardless (e.g., every three years), PSPRS staff will revisit this metric to report to the Advisory Committee to provide a recommendation to the Board of Trustees if current reports / tools are sufficient and if the delivery timing is appropriate.

4. Timely Recognition of Costs (Corollary 3a)
   a. Metric: Has the percentage of unfunded liability subject to negative amortization decreased over a five-year lookback period?
   b. Measurement: History of unfunded liability subject to negative amortization as a percentage of total unfunded liability will be tracked.
   c. Action Plan: If the answer is no, and not readily explainable (e.g., adopted assumption changes being phased in are anticipated to address negative amortization), a review of the reason(s) for negative amortization should be researched and presented to the Advisory Committee to provide a

recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if changes to assumptions and/or methods are warranted between full experience studies.

X. GLOSSARY

Actuarial Accrued Liability – Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the actuarial present value of benefits attributable to service credit earned (or accrued) as of the valuation date.

Actuarial Present Value of Benefits – Amount which, together with future interest, is expected to be sufficient to pay all benefits to be paid in the future, regardless of when earned, as determined by the application of a particular set of actuarial assumptions; equivalent to the actuarial accrued liability plus the present value of future normal costs attributable to the members.

Actuarial Assumptions – Assumptions as to the occurrence of future events affecting pension costs. These assumptions include rates of investment earnings, changes in salary, rates of mortality, withdrawal, disablement, and retirement as well as statistics related to marriage and family composition.

Actuarial Cost Method – A method of determining the portion of the cost of a pension plan to be allocated to each year; sometimes referred to as the "actuarial funding method." Each cost method allocates a certain portion of the actuarial present value of benefits between the actuarial accrued liability and future normal costs.

Actuarial Equivalence – Series of payments with equal actuarial present values on a given date when valued using the same set of actuarial assumptions.

Actuarial Present Value - The amount of funds required as of a specified date to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payments between the specified date and the expected date of payment.

Actuarial Value of Assets – The value of cash, investments, and other property belonging to the pension plan as used by the actuary for the purpose of the actuarial valuation. This may correspond to market value of assets, or some modification using an asset valuation method to reduce the volatility of asset values.

Asset Gain (Loss) – That portion of the actuarial gain attributable to investment performance above (below) the expected rate of return in the actuarial assumptions.

Amortization – Paying off an interest-discounted amount with periodic payments of interest and (generally) principal, as opposed to paying off with a lump sum payment.

Amortization Payment – That portion of the pension plan contribution designated to pay interest and reduce the outstanding principal balance of unfunded actuarial accrued liability. If the amortization payment is less than the accrued interest on the unfunded actuarial accrued liability the outstanding principal balance will increase.

Assumed Earnings Rate – The interest rate used in developing present values to reflect the time value of money.

Decrements – Events which result in the termination of membership in the system such as retirement, disability, withdrawal, or death.

Entry Age Normal (EAN) Funding Method – A standard actuarial funding method whereby each member's normal costs (service costs) are generally level as a percentage of pay from entry age until retirement. The annual cost of benefits is comprised of the normal cost plus an amortization payment to reduce the UAL.

Experience Gain (Loss) – The difference between actual unfunded actuarial accrued liabilities and anticipated unfunded actuarial accrued liabilities during the period between two valuation dates. It is a measurement of the difference between actual and expected experience, and may be related to investment earnings above (or below) those expected or changes in the liability due to fewer (or greater) than expected numbers of retirements, deaths, disabilities, or withdrawals, or variances in pay increases relative to assumed pay increases. The effect of such gains (or losses) is to decrease (or increase) future costs.

Funded Ratio – A measure of the ratio of the actuarial value of assets to liabilities of the system. Typically, the assets used in the measure are the actuarial value of assets as determined by the asset valuation method. The funded ratio depends not only on the financial strength of the plan but also on the asset valuation method used to determine the assets and on the funding method used to determine the liabilities.

Market Value of Assets (MVA) – The value of assets as they would trade on an open market.

Normal Cost – Computed differently under different funding methods, generally that portion of the actuarial present value of benefits allocated to the current plan year.

Unfunded Actuarial Accrued Liability (UAAL) – The excess of the actuarial accrued liability over the valuation assets; sometimes referred to as "unfunded past service liability". UAL increases each time an actuarial loss occurs and when new benefits are added without being fully funded initially and decreases when actuarial gains occur.

CITY OF SURPRISE
Public Safety Personnel Retirement System
Meeting - Police

Council Meeting Date: February 23, 2022
Submitting Department: Human Resources
Staff Recommendations:

Contact Person:
District: Internal

Consent: No | Regular: Yes | Public Hearing: No | Report/Discussion: No

Agenda Wording:

Discussion and possible action to review and make changes to current Police Board Bylaws in relation to the newly adopted Model Uniform Rules as recommended by Legal Counsel

Motion:

Background:

During the 12/15/2021 Joint Board Meeting, The Board Attorney stated that each Board needed to take action to adopt the model procedures during the first meeting in 2022. Chandler Brown stated that the Boards should review the bylaws to assess any potential conflict in advance as well as add anything new that the final draft includes which current bylaws might be potentially missing. Ian Murton requested for the Board Attorney to review the Boards' bylaws to assess any potential conflict.

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

1. PSPRS Police Bylaws

City of Surprise
Public Safety Personnel Retirement System
Local Police Board Rules
Adopted Pursuant to A.R.S. § 38-847(F)

A. Definitions

1. "A.R.S." means Arizona Revised Statutes.

2. "Administrator" means the Administrator of the Plan (including any persons authorized by the Administrator to act for the Administrator) acting for the benefit of the Board of Trustees as more particularly described in A.R.S. §38-848(L).

3. "Board of Trustees" has the meaning ascribed to that term in A.R.S. §38-842(8).

4. "Claim" means any request for relief under the Plan involving all questions of eligibility and service credits, which is properly before a Local Police Board for Decision, pursuant to A.R.S. § 38-847(D).

5. "Claimant" has the meaning ascribed to that term in A.R.S. § 38-842(11).

6. "Decision" means (i) a separate written document setting forth the Local Police Board's action resolving a Claim; or (ii) any orders issued by a Local Police Board relating to a Claim, including orders denying a request for Rehearing or further relief. As required by A.R.S. §38-847(G), a Decision shall contain, at a minimum, (a) the name of the member affected by the Local Police Board's action; (b) a description of the action taken; and (c) an explanation of the reasons supporting the Local Police Board's action.

7. "Decision on Rehearing" means a Decision issued by the Local Police Board after a Rehearing.

8. "Employee" has the meaning ascribed to that term in A.R.S. §38-842 (27).

9. "Employer" has the meaning ascribed to that term in A.R.S. § 38-842(28) and means the City of Surprise, Arizona.

10. "Hearing" means the Local Police Board's initial public Meeting

concerning a Claim, which is conducted in accordance with the Open Meeting Law and these Rules.

11. "Initial Decision" means the first Decision on a Claim issued by the Local Police Board.

12. "Local Police Board" means the public body described in A.R.S. §38-847.

13. "Meeting" is a gathering of a quorum of the Local Police Board to conduct business and to hold Hearings and/or Rehearings, which is conducted in accordance with the Open Meeting Law and these Rules.

14. "Member" has the meaning ascribed to that term in A.R.S. §38-842(31).

15. "Minutes" means the written official record of the proceedings, including the testimony of witnesses.

16. "Non-Routine Claim" means any Claim that is not a Routine Claim, including, but not limited to, Claims for the following: (i) a "killed in the line of duty" survivor pension; (ii) an accidental disability pension; (iii) a catastrophic disability pension;
(iv) an ordinary disability pension; (v) a temporary disability pension; or (vi) determinations for plan membership concerning whether the Employee is or was regularly assigned to hazardous duty.

17. "Notice" means a written Notice of Hearing or Rehearing, as applicable, which includes, at minimum: (i) a statement of the time, place and nature of the Hearing or Rehearing; (ii) a statement of the legal authority and jurisdiction under which the Local Police Board will be conducting the Hearing or Rehearing; (iii) a reference to the particular section(s) of the Arizona Revised Statutes (and/or any other applicable rules) involved in the particular matter presented for Decision; and (iv) a short and plain statement of the matters asserted by the Claimant or issues to be considered at the Hearing or Rehearing.

18. "Open Meeting Law" is that body of laws described in Title 38, Ch. 3, Article 3.1 of the Arizona Revised Statutes, which requires public bodies, such as the Local Police Board, to hold its meetings and conduct it activities in public, except in those limited circumstances described in A.R.S. §38-431.03.

19. "Party or Parties" means the Claimant, Local Police Board and Board of Trustees.

20. "Plan" means the Public Safety Personnel Retirement System, as described in

A.R.S. §38-841 *et seq.*

21. "Pre-Membership Physical" means a medical examination of an Employee before the Employee joins the Plan, for the purpose of identifying physical or mental conditions or injuries, which existed or occurred prior to the Employee's date of membership in the Plan, pursuant to A.R.S. §38-859(A)(l).

22. "Presiding Officer" means the Chair, Vice-Chair, in the absence of the Chair, or Acting Chair of the Local Police Board, who presides over any Meeting, Hearing or Rehearing.

23. "Rehearing" means a public Meeting before the Local Police Board that is conducted in accordance with the Open Meeting Law and these Rules, to consider a Claimant's or the Board of Trustee's request that the Local Board reconsider its Initial Decision, as provided by A.RS. §38-847(H).

24. "Routine Claim" means a Claim for any of the following: (i) a normal retirement pension; (ii) an early retirement pension; (iii) a normal survivor pension; (iv) a determination of eligibility for Plan membership other than that involving whether the Employee is or was regularly assigned to hazardous duty; (v) a survivor's pension that is not a "killed in the line of duty" survivor's pension; (vi) request for service credit; and (vii) initiation or termination of Deferred Retirement Option Plan participation.

25. "Secretary" means the person so designated and elected pursuant to A.R.S. §38-847(M), who is charged with keeping a record and preparing agendas, Minutes and Decisions of all Hearings and Rehearings of the Local Police Board. The Board Secretary has the authority to accept service of process for the Local Police Board.

26. "Subcommittee" or "Working Subcommittee" means a group of no more than two Local Police Board members appointed by the Board Chair to undertake Local Police Board business.

B. Purpose and Scope of Procedures

1. Board Responsibility. Pursuant to A.R.S. §38-847(D), the Local Police Board is responsible for deciding all questions of eligibility and service credits, and determining the amount, manner and time of payment of any benefits under the Plan. The Board of Trustees cannot pay any benefits under the Plan without the direction and approval of the Local Police Board.

2. Scope. These Rules govern all Claims before the Local Police Board for Decision, effective for any Claims brought, and any Hearing and Rehearing held, after the effective date of adoption of these rules by the Local Police Board.

3. Conflict. These Rules are authorized by A.R.S. §38-847(F) and supplement all authority of the Local Police Board specified in that statute. Should any of these Rules conflict with any provision of A.R.S. §38-847 or any other Arizona law, the provisions of Arizona law shall control. If PSPRS promulgates revised Model Rules for Local Boards and a conflict exists with these Rules, the revised Model Rules shall prevail.

4. Amendment. These Rules may be amended by a majority vote of the Police Board at a public meeting.

C. Composition of the Board and Conduct of Meetings

1. Composition. The membership of the Local Police Board is set forth in A.R.S. § 38-847(A). Pursuant to statute, the Local Police Board is composed of the Mayor of the City of Surprise or his/her designee, two members elected by secret ballot by members of the Department, and two citizens who are appointed by the Mayor of Surprise with approval of the City Council. In the event of a tied election during the secret ballot election process, there will be subsequent elections until there is a winner.

2. Chair. The Mayor or Mayor's designee shall serve as Chair of the Board. The Board may elect a Vice Chairperson to serve in the absence of the Chairperson. In the absence of the Chairperson or Vice Chairperson, an acting Chairperson will be elected by a majority vote of the Local Police Board.

3. Secretary. Pursuant to A.R.S. § 38-847(M), the Local Police Board shall designate a Secretary who may, but need not, be a member of the Local Police Board. If a vacancy occurs for the Secretary, the Local Police Board shall designate a new Secretary at the next Local Police Board meeting after the vacancy occurs. The Secretary shall regularly participate in training provided by the Arizona Public Safety Personnel Retirement System.

4. Quorum. A quorum for the purpose of doing any business by the Local Police Board will be three (3) members. The Police Board requires at least one (1) of the employee members of the Police Department to be present to have a quorum.

5. Agendas. Any item may be placed on the agenda with the consent of two members of the Local Police Board. Any agenda items must be received by the Board Secretary no later than five (5) business days prior to the meeting in order

to be placed on the agenda so in order to meet administrative deadlines for the City Clerk's Office.

6. Meetings, Minutes and Decisions. Meetings are generally held at 10:00 a.m. on the second Wednesday of the month but can be held at any time upon the call of the Chair, any two members of the Local Police Board, or the Secretary of the Local Police Board, with appropriate notice to the members of the Local Police Board and the public. The Local Police Board shall meet at least twice a year.

a. Meetings are generally held at 16000 N. Civic Center Plaza, Surprise Arizona 85374, in the Council Overflow Room.

b. The Secretary shall provide an agenda to the Local Police Board members in advance of any Meeting, describing the business to be addressed at such Meeting. The content of the agenda shall comply with the Open Meeting Law.

c. Notice of all Meetings of the Local Police Board shall be given, and all Meetings and any executive sessions shall be conducted in conformance with the Open Meeting Law.

d. Provided the quorum is present, a majority vote of Local Police Board members present and eligible to vote shall govern any action taken.

e. Local Police Board members not present in person may attend by telephone or other electronic means permitting meaningful participation in accordance with the Open Meeting Law.

f. The Secretary shall cause appropriate Minutes to be taken of Local Police Board Meetings, and an electronic recording may be made of Meetings to facilitate preparation of such Minutes.

g. The electronic recording shall be maintained in accordance with the City of Surprise's record retention schedule.

h. The Secretary shall forward to the Board of Trustees (in care of the Administrator) a copy of each Local Police Board meeting minutes which include the Decision(s) on a Claim no later than twenty (20) business days after the Local Police Board takes action on such Claim, pursuant to A.R.S. § 38- 847(G). Decisions shall be sent by certified mail to the Administrator as required by A.R.S. § 38-847(H)(2). As required by A.R.S. § 38-847(G), a Decision shall contain, at minimum: (i) the name of the member affected by the Local Police Board's action; (ii) a description of the action taken; and (iii) an explanation of the reasons supporting the Local Police Board's action, and (iv) all documents submitted to the Local Police Board for the action taken including the reports of a medical board.

i. The Secretary shall forward all other Minutes to the Board of Trustees, in care of the Administrator, within twenty (20) days after each Local Police Board Meeting, and forward all necessary communications to the Board of Trustees, in care of the Administrator, pursuant to A.R.S. § 38-847(M).

j. Unless the Claimant is present at a Meeting at which the Local Police Board announces its Decision on a Claim, at the same time that the Secretary forwards the Decision to the Administrator, the Secretary shall forward the Local Police Board's Decision to the Claimant via certified mail, pursuant to A.R.S. §38-847(H)(1).

7. Documentation. In a location separate from any Personnel or Department files, the Local Police Board Secretary shall maintain files for each Claimant, containing public and confidential documents presented to the Local Police Board.

8. Parliamentary Procedure. In matters of procedure not covered by law or these rules and where no conflict exists, the Local Police Board shall be guided by Robert's Rules of Order.

9. Independent Legal Counsel. In accordance with A.R.S. § 38-847(N), the Local Police Board shall be represented by independent legal counsel who shall be independent of the City of Surprise and any employee organization or member. Independent legal counsel shall be selected independently by the Local Police Board in accordance with Local Surprise Ordinance 2019-34. Independent legal counsel for the Local Police Board shall be paid by the City of Surprise.

D. Pre-Membership Physical

1. Examination. Pursuant to A.R.S. §38-859(A)(l), the Local Police Board shall contract with a physician or clinic to conduct a Pre-Membership Physical of Employees, for the purpose of identifying physical or mental conditions or injuries, which existed or occurred prior to an Employee's date of membership in the Plan. The physician or clinic conducting a Pre-Membership Physical may be the regular employee or contractee of the City of Surprise.
2. Appointment. The City of Surprise, or the Secretary shall coordinate appointments for the Employee's Pre-Membership Physical.

3. Report. The physician or clinic retained to conduct an Employee's Pre-Membership Physical shall provide a written report of the results of the Pre-Membership Physical to the Secretary within 10 days after the examination. The Secretary shall file the report as a permanent record, as required by A.R.S. §38-859(E).

4. No Pre-Existing Condition. If the physician or clinic's report on an Employee with respect to his pre-membership condition concludes that the Employee has no pre-existing condition, the Secretary shall file the report as a permanent record, as required by A.R.S. §38-859(E) and the employee will receive a copy of his or her pre-employment physical.

5. Finding of Pre-Existing Condition. If the physician or clinic's report on an Employee with respect to his pre-membership condition concludes that the Employee has a pre-existing condition:

   a. The Secretary shall notify the Employee by certified mail that the physician or clinic has reported that the Employee has a pre-existing condition. The Employee shall have 30 days to submit additional documentation or comments to the Secretary before the physician or clinic's report is placed on an agenda for the Local Police Board's consideration.

   b. Reports concerning an Employee's pre-existing condition shall be placed on the Meeting agenda for recognition by the Local Police Board.

   c. The Secretary shall provide the Local Police Board with any additional documentation or comments submitted by an Employee regarding a physician or clinic's conclusion that an Employee has a pre-existing condition.

   d. The Local Police Board shall review the physician or clinic's report and any additional documentation submitted by the Employee at a Meeting. After review of the relevant documents, the Local Police Board will take any action the Local Police Board deems necessary and appropriate.

   e. The Secretary shall file all reports concerning an Employee's pre-existing condition(s) as a permanent record, as required by A.R.S. §38-859(E), along with any additional documentation and comments provided by the Employee, and appropriate records of any actions or determinations by the Local Police Board with respect to the same. In the event a Member whose Pre- Membership Physical revealed a pre-existing condition applies for an accidental, catastrophic, ordinary, or temporary disability pension, all such documentation related to the Member's pre-existing condition will be presented to the Local Police Board. If the Local Police Board determines that a Member's disability resulted from a physical or mental condition or injury, which existed or occurred prior to the Member's date of membership in the Plan, the Member shall not qualify for an accidental, catastrophic, ordinary, or temporary disability pension.

E. **Initial Decision**

1. Submitting Claims. A Claimant may request that the Local Police Board issue an Initial Decision by presenting an application for benefits or service credit to the Secretary, using the prescribed Plan forms.

2. Content of Claims. If desired, a Claimant may supplement the application for benefits or service credit by submitting a letter to the Secretary. In order for any supplemental letter to be considered by the Local Police Board, such letter shall set forth: (i) the name and address of the Claimant; (ii) the name and address of the Claimant's attorney, if applicable; (iii) a brief statement of the facts forming the basis of the Claim, including any evidence relevant to the Local Police Board's Decision on the Claim; and (iv) the precise relief sought by the Claimant from the Local Police Board.

3. Routine Claims; Consent Agenda. A Local Police Board may authorize its Secretary to determine whether a Claim is to be treated by the Local Police Board as Routine or as Non-Routine, and to present Routine Claims as a "Consent Agenda" item. Ordinarily, the Secretary does not provide Notice of a Hearing to Claimants for Routine Claims on the Consent Agenda, because the Local Police Board generally approves Consent Agenda items summarily. If a Routine Claim on the Consent Agenda warrants discussion by the Local Police Board, the Claim may be deferred to a future Hearing in order to provide Notice to the Claimant.

4. Non-Routine Claims. All Non-Routine Claims are subject to this Section E concerning an Initial Decision. However, more detailed procedures for certain Non-Routine Claims, specifically disability benefit applications and reexamination of disability recipients, are set forth in Sections F and G of these Rules. Other Non- Routine Claims shall be placed on the agenda for consideration by the Local Police Board, after appropriate Notice to the Claimant.

5. Deadline for Scheduling a Hearing on Routine and Non-Routine Claims.

a. Hearings are held at Meetings as provided by Section C (5) of these Rules.

b. Unless the Claimant and all other parties to the Claim otherwise agree, the Local Police Board shall commence a Hearing on a Routine or Non-Routine Claim within ninety (90) days of its receipt of a Claim, pursuant to A.R.S. §38- 847(D)(3).

c. If the Local Police Board does not commence a Hearing on a Claim within ninety (90) days of its receipt of the Claim:

   i. The Claimant shall notify the Administrator and Secretary by letter sent by certified mail that the Local Police Board has failed to convene a Hearing within ninety (90) days of the filing of a Claim.

   ii. As provided by A.R.S. §38-847(D)(3), the relief demanded by the Claimant is deemed granted and approved by the Local Police Board. The granting and approval of this relief is considered final and binding unless a timely request for Rehearing or appeal is made, or unless the Board of Trustees determines that granting the relief requested would violate the Internal Revenue Code or threaten to impair the Plan's status as a qualified plan under the Internal Revenue Code. Ifthe Board of Trustees determines that granting the requested relief would violate the Internal Revenue Code or threaten to impair the Plan's status as a qualified plan, the Board of Trustees may refuse to grant the relief by issuing a written determination, sent certified mail to the Local Police Board and the Claimant. The written determination issued by the Board of Trustees is subject to judicial review pursuant to Title 12, Chap. 7, Article 6.

   iii. As provided in A.R.S. §38-847(H), the Board of Trustees may request a Rehearing within sixty (60) days after receiving notice from the Claimant by letter sent by certified mail that the Local Police Board has failed to convene a Hearing within ninety (90) days of the filing of a Claim. However, if the relief deemed granted and approved by the Local Police Board violates the Internal Revenue Code or threatens to jeopardize the Plan's status as a qualified plan under the Internal Revenue Code, no limitation period for the Board of Trustees to seek a Rehearing applies.

6. Issuance of Decision. When a Hearing is held within the deadlines set forth in Section E(5) of these Rules, the Secretary shall forward the Decision, Minutes and other necessary communications, as provided in Section C(5)(f)-(j) of these Rules.

7. Finality of Decision. Pursuant to A.R.S. §38-847, any Decision that is not inconsistent with the provisions of the Plan and the Internal Revenue Code shall be final, conclusive and binding on the Claimant and the Plan, unless a timely application for a rehearing is filed as provided in Section H of these Rules, or an appeal is filed. However, the Board of Trustees may not implement and comply with any Decision that does not comply with the Internal Revenue Code or that threatens to jeopardize the Plan's status as a qualified plan under the Internal Revenue Code, and under such circumstances, no limitation period for the Board of Trustees to seek a rehearing of a Decision applies. A final decision may be appealed to Maricopa County Superior Court for the State of Arizona within the periods specified in, and the manner provided by Arizona Revised Statutes A.R.S. §12-901 *et seq.* and the rules adopted by the Maricopa County Superior and Appellate Courts of the State of Arizona.

F. **Disability Benefit Applications**

1. Disability Application. Upon presentation of a properly completed application for any of the disability pensions authorized by law, the Secretary will determine whether the Claimant has provided complete documentation supporting the Claim referenced in the application. If the information is incomplete, the Secretary shall request that the Claimant provide additional documentation and may assist the Claimant in identifying deficiencies or incomplete items in the application. The Secretary shall also obtain from the City of Surprise any documentation contained in workers' compensation records. A confidential packet of medical information on the Claimant shall be prepared for distribution to Local Police Board members. When the Claimant's application is complete, the Claim shall be placed, as a separate item, on the agenda for a Meeting, pursuant to Section E(5) of these Rules.

2. Initial Hearing. At the initial Hearing on a Claim for disability benefits, the Local Police Board will determine whether the medical and other documentation submitted is sufficient for the Local Police Board to conclude that the statutory prerequisites are satisfied by the Claimant. If the statutory prerequisites are satisfied, pursuant to A.R.S. §38-859(A), the Local Police Board shall direct that a medical board be appointed to conduct an examination of the Claimant and to report to the Local Police Board the results of that examination. Ifthe statutory prerequisites are not satisfied, the Local Police Board may deny the Claim based on a lack of evidence, either medical or otherwise,

such as the Claimant's continued work status or the Claimant's performance of a reasonable range of duties. In the alternative, the Local Police Board may continue the Hearing on the matter to a date and time when any additional documentation requested by the Board is available.

3. Independent Medical Board. Pursuant to A.R.S. §38-859(B), medical boards appointed pursuant to A.R.S. §38-859(A)(2)-(5) shall be composed of a designated physician or a clinic other than a regular employee or contractee of the City of Surprise.

4. Mental Examinations. In the event of a disability application for a mental condition, the medical board will consist of a doctor of medicine who is a psychiatrist or has a specialty in psychiatry. If the psychiatrist is unable to perform psychological testing required by the Board as part of his/her examination, the Board shall appoint a psychologist to conduct those tests, which will be provided to the psychiatrist for review prior to issuing a report containing his/her conclusions to the Local Police Board.

   When a member submits a disability application for a mental health condition, if the applicant has not been undergoing treatment for at least 12 months the Board will presume, subject to rebuttal, that the condition is temporary.

5. Prompt Hearing. If a medical board is appointed, the Secretary shall reconvene the Hearing at the first feasible Meeting after the Local Police Board members' receipt of the medical board's report, unless the Claimant requests in writing otherwise.

6. Disability Findings. Pursuant to A.RS. §38-859(C), a finding of disability shall be based on medical evidence provided by the medical board appointed by the Local Police Board. The Local Police Board shall resolve material conflicts in the medical evidence. If required, the Local Police Board may employ other physicians or clinics to report on special cases. With the approval of the Local Police Board, a physician or clinic employed by the Local Police Board may employ occupational specialists to assist the physician or clinic in rendering an opinion.

7. Approval of Disability Claim. If a Claim for disability benefits is approved by the Local Police Board, the Secretary will obtain Employer certification of the Claimant's employment termination date and indicate the determination of the Board on the disability pension on proscribed Plan forms. If the Board Secretary cannot obtain certification of the termination of the Claimant's employment within forty-five (45) days after the Local Police Board's approval, the Claimant's application for disability benefits will be considered withdrawn. Until such time as the Claimant has terminated employment

with the City of Surprise, the Local Police Board shall not consider any further Claim by the Claimant for disability benefits.

8. Denial of Disability Claim. If a Claim for disability benefits is denied by the Local Police Board, and the Claimant is not present at the Meeting, the Secretary will notify the Claimant in writing by certified mail of the Decision of the Board, the reasons for the Decision, and the Claimant's rights to a Rehearing.

G. **Reexamination of Disability Recipients**

1. Catastrophic Disability Benefits Pursuant to A.R.S. § 38-844(F)

a. Sixty (60) months after approval of a Catastrophic Disability, the Local Police Board must undertake a re-evaluation of a Member receiving catastrophic disability benefits to determine whether the Member remains qualified for such benefits, as specified in A.R.S. §38-844(F).

b. After the initial sixty (60) month review, the Local Police Board is empowered to undertake an annual reevaluation of Members receiving catastrophic disability benefits, who, had they remained in employment, would not have attained 25 years of service.

c. On an on-going basis, the Secretary will prepare a list of Members receiving catastrophic disability benefits who may be required to undergo an annual reevaluation pursuant to Section G(l)(b) of these Rules.

d. At the direction of the Chair, a Subcommittee of the two elected members of the Local Police Board shall review the list of Members prepared pursuant to Section G(l)(c), and report the Subcommittee's recommendations regarding medical reevaluation of such Members to the Local Police Board.

e. The Secretary shall place the issue of re-examination of a Member receiving catastrophic disability benefits on an appropriate Meeting agenda as a separate item.

2. Accidental and Ordinary Disability Benefits Pursuant to A.R.S. § 38-844(E).

a. In its discretion, the Local Police Board may require Members receiving accidental or ordinary disability benefits to undergo an annual medical examination to determine whether they are still disabled and therefore, qualified for continued disability benefits.

b. On an on-going basis, the Secretary will prepare a list of Members receiving accidental and ordinary disability benefits who may be required to undergo an annual medical reevaluation pursuant to Section G(2)(a) of these Rules.

c. At the direction of the Chair, a Subcommittee of the two elected Members of the Local Police Board shall review the list of Members prepared pursuant to Section G(2)(b), and report the Subcommittee's recommendations regarding medical reevaluation of such Members to the Local Police Board.

3. Medical Boards Appointed Pursuant to A.R.S. § 38-859.

a. The Local Police Board shall appoint a medical board to examine any Member required to obtain, or selected for, reevaluation pursuant to Sections G(1), (2) of these Rules. If the Member refuses to submit to the medical board reevaluation, the Member's disability shall be considered to have ceased and the Member's disability pension terminated.

b. A formal report of the medical board on the results of the reevaluations referenced in Section G(3)(a) above shall be submitted to the Local Police Board. The Local Police Board shall review any such report at the first scheduled Meeting after receipt of the report, and shall take any action warranted, as permitted by the relevant statutes.

H. Rehearings

1. Application for Rehearing.

a. A Claimant's application for Rehearing must be filed within sixty (60) days after the Claimant receives notification of the Initial Decision by certified mail, by attending the Meeting at which the Initial Decision is rendered, or by receiving benefits from the Plan pursuant to the Initial Decision, whichever occurs first.

b. The Board of Trustee's application for Rehearing must be filed within sixty

(60) days after the Board of Trustees receives a copy of the Initial Decision by certified mail.

2. Rehearings Granted. The Local Police Board will conduct a Rehearing of any matter upon proper and timely application by a Claimant or the Board of Trustees, pursuant to A.R.S. §38-847(H).

3. Preparation of Preliminary Record. Upon receipt of a proper and timely application for Rehearing, the Secretary shall prepare a packet consisting of all documents and other tangible items of evidence made available to the Local Police Board with respect to the underlying issues. The Secretary may obtain a written transcript of any previous proceedings of the Local Police Board in connection with the matter, for inclusion in such packet. The Rehearing packet shall be made available to Local Police Board members and shall be provided to all Parties to the Rehearing. This packet of materials shall constitute the preliminary record for the Rehearing.

4. Scheduling of Rehearing. When the preliminary record is complete, the Secretary will schedule the Rehearing for the next scheduled Meeting or for such other date and time as may be determined but no later than 90 (ninety) days after receipt of either the Claimant's or the Board of Trustees' application/request for Rehearing. Rehearings are not subject to the time limitations set forth in Section E(5) of these Rules.

5. Local Police Board Action on Rehearing. At or after the conclusion of the Rehearing, the Local Police Board may vote to uphold, rescind or modify its Initial Decision.

6. Issuance of Decision on Rehearing. When a Rehearing is held, the Secretary shall forward the Decision on Rehearing, Minutes of Rehearing and other necessary communications, as provided in Section C(5)(f)-(j) of these Rules.

7. Finality. Pursuant to A.R.S. §38-847, any Decision on Rehearing that is not inconsistent with the provisions of the Plan and the Internal Revenue Code shall be final, conclusive and binding on the Claimant and the Plan, unless a timely appeal is filed. However, the Board of Trustees may not implement and comply with any Decision on Rehearing that does not comply with the Internal Revenue Code or that threatens to jeopardize the Plan's status as a qualified plan under the Internal Revenue Code. A final Decision on Rehearing may be appealed to the Maricopa County Superior Court for the State of Arizona within the periods specified in, and the manner provided by Arizona Revised Statutes A.R.S. §12-901 *et seq.* and the rules adopted by the Maricopa County Superior and Appellate Courts of the State of Arizona.

I. **General Provisions Applicable to All Hearings and Rehearings**

1. Review of Medical Records. The Local Police Board shall review and discuss any confidential medical records in executive session only, unless the Claimant or Member waives the confidentiality requirement with respect to any confidential medical records by completing a confidentiality waiver.

2. Exclusion of Evidence. The Presiding Officer may preclude the presentation of argumentative, repetitious or irrelevant facts or questioning in any proceeding on a Claim.

3. Informal Proceedings. All Hearings and Rehearings shall be conducted in an informal manner and without adherence to the rules of procedure or evidence required in judicial proceedings. The manner of conducting the Hearing or Rehearing, rulings on evidentiary or procedural objections, and the failure to adhere to rules of procedure or evidence required in judicial proceedings shall not be grounds for reversing a Decision of the Local Police Board, provided substantial evidence supports such order or Decision.

4. Notice of the Truth of Widely-Known and Accepted Facts. The Presiding Officer may take notice of the truth of certain widely known and accepted facts, including generally recognized technical, statistical, actuarial or scientific facts within the Local Police Board's specialized knowledge. Parties shall be notified, either before or during the Hearing or Rehearing, of any widely known and generally accepted facts noticed as true, including any staff memoranda or data. Parties shall be afforded an opportunity to contest any material so noticed. The Local Police Board's experience, technical competence and specialized knowledge may be utilized in its evaluation of all evidence. The Local Police Board shall be entitled to consider and rely on as true information furnished by the Employer, Administrator, the Local Police Board's independent legal counsel or the Plan's actuary.

5. Failure to Appear at Hearing. In the event a Claimant (and the Claimant's counsel, if any) fails to appear at a duly noticed Hearing or Rehearing, in its discretion, the Local Police Board may enter a Decision by default or vacate the Hearing or Rehearing. If a witness fails to appear at a duly noticed Hearing or Rehearing, in his discretion, the Presiding Officer may exclude the witness' testimony or reschedule the Hearing or Rehearing.

6. Limitation of Issues. All Hearings and Rehearings shall be limited to matters referenced in the Claim and any request for Rehearing filed by any Party.

7. Record of Proceedings. All Hearings and Rehearings shall be recorded by electronic means and at the Local Police Board's expense. A copy of the recorded Hearing or Rehearing will be provided to the Claimant and all other interested Parties upon request. Parties are responsible for obtaining their own transcription of a recorded Hearing or Rehearing, although a Local Police Board may provide such a transcription in its discretion. In addition to any electronic recording of the proceedings, the Local Police Board shall include all relevant written records as part of the official record of the Hearing or Rehearing.

8. Evidence on Claims. The Claimant and Administrator shall be afforded equal time to state their positions.

9. Subpoenas and Depositions. To facilitate the collection and presentation of evidence with respect to any matter before the Local Police Board, the Presiding Officer may authorize subpoenas and depositions of witnesses.

10. Consultation among Members. The Presiding Officer may consult on the record with the other members of the Local Police Board. The Local Police Board may consult in executive session with the Local Police Board's legal counsel so long as all requirements of the Open Meeting Law are satisfied. The Local Police Board may also go into executive session for any lawful reason, including the need to preserve the confidentiality of medical information. However, all Decisions of the Local Police Board shall be made in open, public session of the Local Police Board.

11. Submission of Evidence. The Claimant must submit to the Secretary within ten (10) working days of the Hearing or Rehearing any documents the Claimant wishes to introduce into the record, including doctor reports and other written evidence. Documents received by the Secretary less than ten (10) working days before a Hearing or Rehearing may cause a delay in the Hearing or Rehearing. Information and documents presented on the date of the Hearing or Rehearing will be reason for the Presiding Officer to call for a motion to continue the Hearing or Rehearing to a later date.

12. Bifurcation of Issues/Hearing. In connection with any Claim, the Presiding Officer is empowered to bifurcate (*i.e.*, separate into two or more) issues presented to the Local Police Board for resolution, or set multiple Hearings or Rehearings in a single case.

13. Public Participation. The Open Meeting Law governs public participation in Hearings and Rehearings.

14. <u>No Rehearing on Remand</u>. A Hearing before the Local Police Board on a matter remanded from the Maricopa County Superior Court is not subject to a Rehearing before the Local Police Board. However, the Local Police Board may consider new evidence or review items remanded by the Maricopa County Superior Court.

The undersigned Chair and Secretary of the City of Surprise Local Police Board certify that the foregoing Rules were duly adopted by the Board at a meeting duly called and held on the date specified below.

Chair

Secretary

05/12/2021

Dated

05/12/2021

Dated