



CITY OF SURPRISE
Public Safety Personnel Retirement System Meeting - Fire
16000 N. Civic Center Plaza
Surprise, AZ 85374
 Wednesday, April 12, 2023 @ 9:30 AM
COUNCIL CHAMBERS

- A. Call To Order
- B. Roll Call
- C. Pledge of Allegiance
- D. Current Events and Reports
- E. Staff Reports
- Review of FY23 Legal Counsel and IME fees.
- F. Public Safety Retirement Commission- Fire 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 March 8, 2023 Public Safety Retirement Commission – Fire Meeting Minutes Human Resources

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

- 2. Internal Re-consideration and possible amended action pertaining to the review of medical examinations and the acceptance of four (4) Firefighter Recruits: Garrett Andrew Dickens, Brennan Todd Franklin, Kailee Ann Matlock, and Scout Alexander Smith into the PSPRS system pursuant to A.R.S. § 38-859. Human Resources
- 3. Internal Review of the City of Surprise Fire Department’s Actuarial – Financial Status and Projections Report as presented by the Public Agency Retirement Solutions 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: Wednesday, April 5, 2023 @ 11:30 AM.

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 - Fire

Council Meeting Date: April 12, 2023
Submitting Department: Human Resources
Staff Recommendations:

Contact Person:
District: Internal

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

Agenda Wording:

Review of FY23 Legal Counsel and IME fees.

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

1. Legal Counsel Fees
-

Public Safety Retirement Commission

Legal and IME Fees

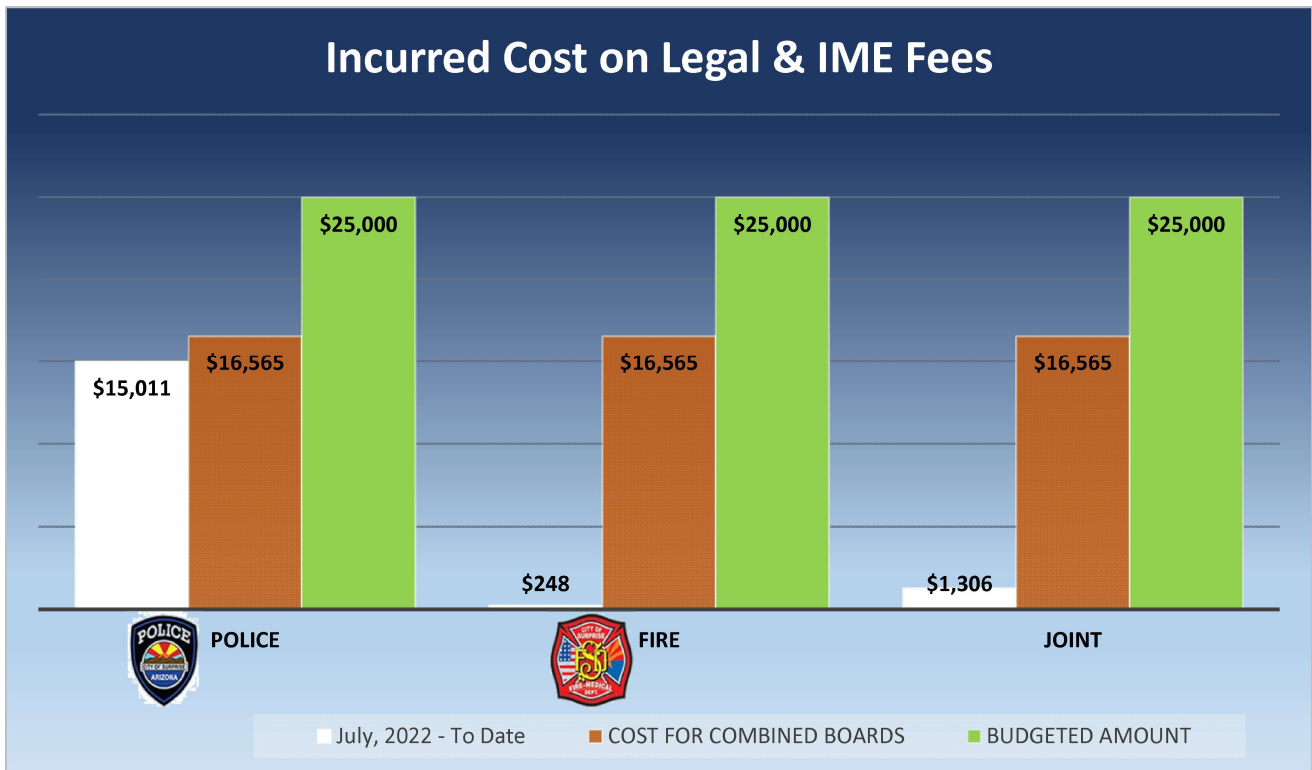
FY 2022 - 2023

BUDGETED AMOUNT	\$25,000.00
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PAID INVOICES FOR LEGAL COUNSEL	
FIRE	\$247.50
POLICE	\$3,561.25
JOINT	\$1,306.25

PAID INVOICES FOR IME's	
*IME #1 COST (POLICE)	\$3,975.00
*IME #2 COST (POLICE)	\$2,375.00
*IME #3 COST (POLICE)	\$5,100.00
TOTAL IME COST	\$11,450.00

COMBINED COST	\$16,565.00
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**Other costs incurred - (3) Independent Medical Evaluations*



CITY OF SURPRISE
Public Safety Personnel Retirement System
Meeting - Fire

Council Meeting Date: April 12, 2023
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 March 8, 2023 Public Safety Retirement Commission – Fire Meeting Minutes

Motion:

I motion to approve the March 8, 2023 Public Safety Retirement Commission – Fire Meeting Minutes

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

1. PSPRS DRAFT Fire Minutes 3.8.2023
-



**PUBLIC SAFETY RETIREMENT SYSTEM
CITY OF SURPRISE LOCAL BOARD – FIRE**
Minutes, Wednesday, March 8, 2023
16000 N. Civic Center Plaza, Surprise, Arizona 85374

The following are the minutes from the Public Safety Retirement Commission – Fire Board Meeting held at 10:00 a.m. Wednesday, March 8, 2023. The meeting was held in City Hall, Council Chambers.

A. Call To Order

Chair Hall called meeting to order at 10:00 a.m.

B. Roll Call: Skip Hall, Chair – Present
Kim Drayden, Citizen Board Member – Absent
James Conner, Citizen Board Member – Absent
Christopher Preest, Fire Member – Present (*telephonically*)
Ricardo “Rick” Valdez, Fire Member – Present

In attendance: Ariana Reyna, PSPRS Board Secretary

C. Pledge of Allegiance –Completed

D. Current Events Reports – None.

E. Staff Reports – Review of FY23 Legal Counsel and IME fees.

Ariana Reyna stated that the Mayor’s office sent a calendar invite to extend a formal invitation for Local Board Members to attend a Boards and Commission dinner. If Board members would like to attend, to please RSVP accordingly.

The majority of the Local Board members attended the 2023 annual Employer-Local Board conference. Once the conference videos are uploaded and made available for public viewing, Ariana Reyna will forward to the Board for reference.

F. Call to the Public - None

Consent Agenda:

- 1. Considerations and action pertaining to the review and approval of the February 15, 2023 Public Safety Retirement Commission - Fire meeting minutes – APPROVED**

Motion to Approve: Rick Valdez

Second: Skip Hall



Opposed: None

Regular Agenda:

- 2. Consideration and possible action pertaining to the review of medical examinations and the acceptance of five (5) Firefighter Recruits: Clay Arthur Cordasco, Garrett Andrew Dickens, Brennan Todd Franklin, Kailee Ann Matlock, and Scout Alexander Smith into the PSPRS system pursuant to A.R.S. § 38-859. – APPROVED; NEEDS REVISION**

Ariana Reyna stated that Firefighter Recruit Scout A. Smith was hired effective 8/15/22 while Recruits Cordasco, Dickens, Franklin, and Matlock were all hired on 1/9/23 with the Surprise Fire Department. The employees were officially notified of the Board's review of their medical records today.

A motion was made to approve Tier 3 Firefighter recruits into the PSPRS system as follows:

- Clay A. Cordasco with preexisting conditions
- Garrett A. Dickens without preexisting conditions
- Brennan T. Franklin without preexisting conditions
- Kailee A. Matlock without preexisting conditions
- Scout A. Smith without preexisting conditions

Motion to Approve: Rick Valdez
Second: Christopher Preest
Opposed: None

G. Other Business and Future Agenda Items – None

H. Executive Session – None

I. Adjournment

Motion to adjourn at 10:05 a.m. – APPROVED

Motion: Rick Valdez
Second: Christopher Preest
Opposed: None



Meeting Minutes Approval:

Skip Hall, Chair
Public Safety Retirement Commission – Fire

CERTIFICATION:

I, Ariana Reyna, Board Secretary and Human Resources Business Partner for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are true and correct minutes of the Public Safety Retirement Commission – Fire Meeting of **Wednesday, March 8, 2023.**

Ariana Reyna, Board Secretary
Public Safety Retirement Commission – Fire



CITY OF SURPRISE
Public Safety Personnel Retirement System
Meeting - Fire

Council Meeting Date: April 12, 2023
Submitting Department: Human Resources
Staff Recommendations:
Contact Person:
District: Internal

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

Agenda Wording:

Re-consideration and possible amended action pertaining to the review of medical examinations and the acceptance of four (4) Firefighter Recruits: Garrett Andrew Dickens, Brennan Todd Franklin, Kailee Ann Matlock, and Scout Alexander Smith into the PSPRS system pursuant to A.R.S. § 38-859.

Motion:

I motion to approve Tier 3 Members into the PSPRS system as follows:

- Garrett A. Dickens WITH ___ OR WITHOUT ___ preexisting condition(s)
Brennan T. Franklin WITH ___ OR WITHOUT ___ preexisting condition(s)
Kailee A. Matlock WITH ___ OR WITHOUT ___ preexisting condition(s)
Scout A. Smith WITH ___ OR WITHOUT ___ preexisting condition(s)

Background:

During the March 8 Local Board meeting, Firefighter Recruits Smith, Dickens, Franklin, and Matlock were approved into the system without preexisting conditions. The Board needs to review the records and consider revision of the previous motion made.

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:



CITY OF SURPRISE
Public Safety Personnel Retirement System
Meeting - Fire

Council Meeting Date: April 12, 2023
Submitting Department: Human Resources
Staff Recommendations:

Contact Person:
District: Internal

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

Agenda Wording:

Review of the City of Surprise Fire Department’s Actuarial – Financial Status and Projections Report as presented by the Public Agency Retirement Solutions

Motion:

Background:

During the 2023 annual Employer-Local Board conference, members of the Local Board met Charles D. Francis who is a Senior Consultant with Public Agency Retirement Solutions. Charles has also provided a user guide for understanding the ratios and a flier about the Section 115 Trust program offered through PSPRS. Charles is with us today and has graciously offered to discuss the report, answer questions and talk about strategies for the future.

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

1. Surprise Fire Dept
 2. Surprise AEPPP Introduction 2023
 3. psprs user guide final
-

Member Category

All

Member Name

Surprise Fire Dept

Surprise Fire Dept

79.8%
Funded Ratio

\$3.96M
Total \$ Cost

29.2%
Total % Costs

Explanation	Funded Status
1. Funded Status Last Valuation	81.2%
2. Asset Experience	-0.1%
4. Liability Experience	-2.9%
5. Additional Contribution	0.4%
6. Assumption/Method Change	-0.3%
7. Other	1.5%
8. Funded Status This Valuation	79.8%

Explanation	Value
1. Normal Cost Pension	\$3,219,873
2. Employee Cost Pension	(\$1,036,702)
3. Employer (Net) Normal Cost Pension	\$2,183,171
4. Amortization of Unfunded Liability Pension	\$1,776,622
5. Total Employer Cost (Pension)	\$3,959,793
6. Normal Cost Health	\$44,720
8. Total Employer Cost (Health)	\$44,720
9. Total Employer Cost (Pension + Health)	\$4,004,513
Underlying Payroll (as of valuation date)	\$13,221,126

Explanation	Contribution Rate
1. Contribution Rate Last Valuation	25.8%
2. Asset Experience	0.1%
3. Payroll Base	-1.1%
4. Liability Experience	2.2%
5. Additional Contribution	-0.2%
6. Assumption/Method Change	2.1%
7. Other	0.4%
8. Contribution Rate This Valuation	29.2%

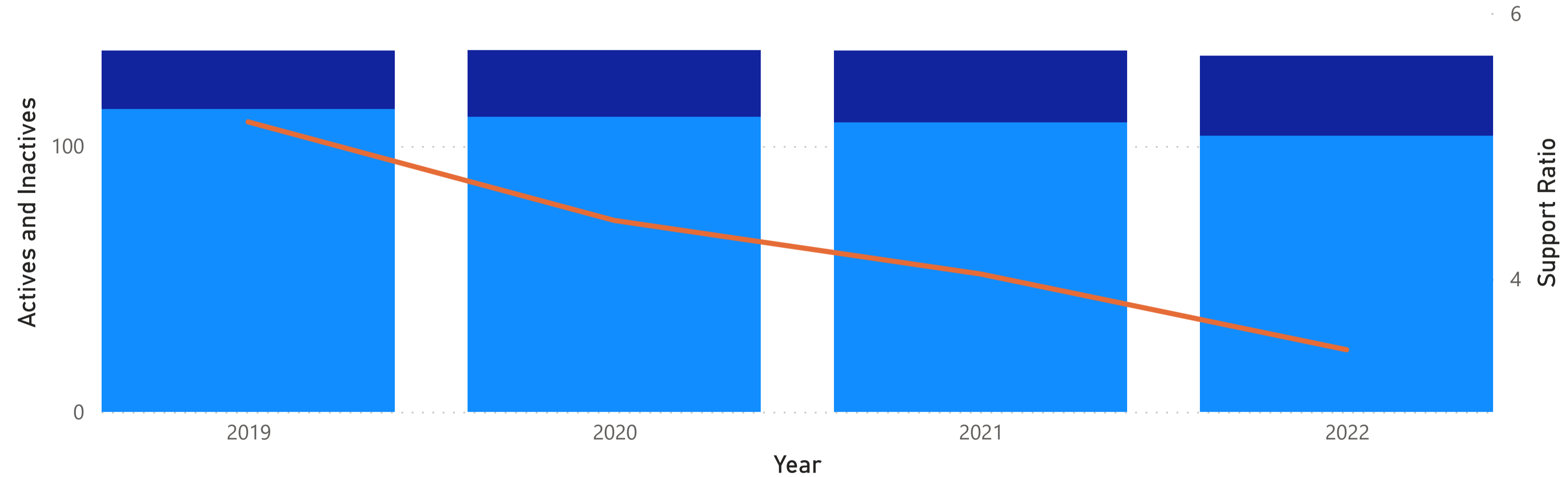
THE FUNDED STATUS IS AS OF JUNE 30, 2022.
CONTRIBUTIONS APPLICABLE TO THE PLAN/FISCAL YEAR ENDING JUNE 30, 2024

Surprise Fire Dept

Support Ratio

Actives, Inactives and Support Ratio by Year

● Actives ● Inactives ● Support Ratio



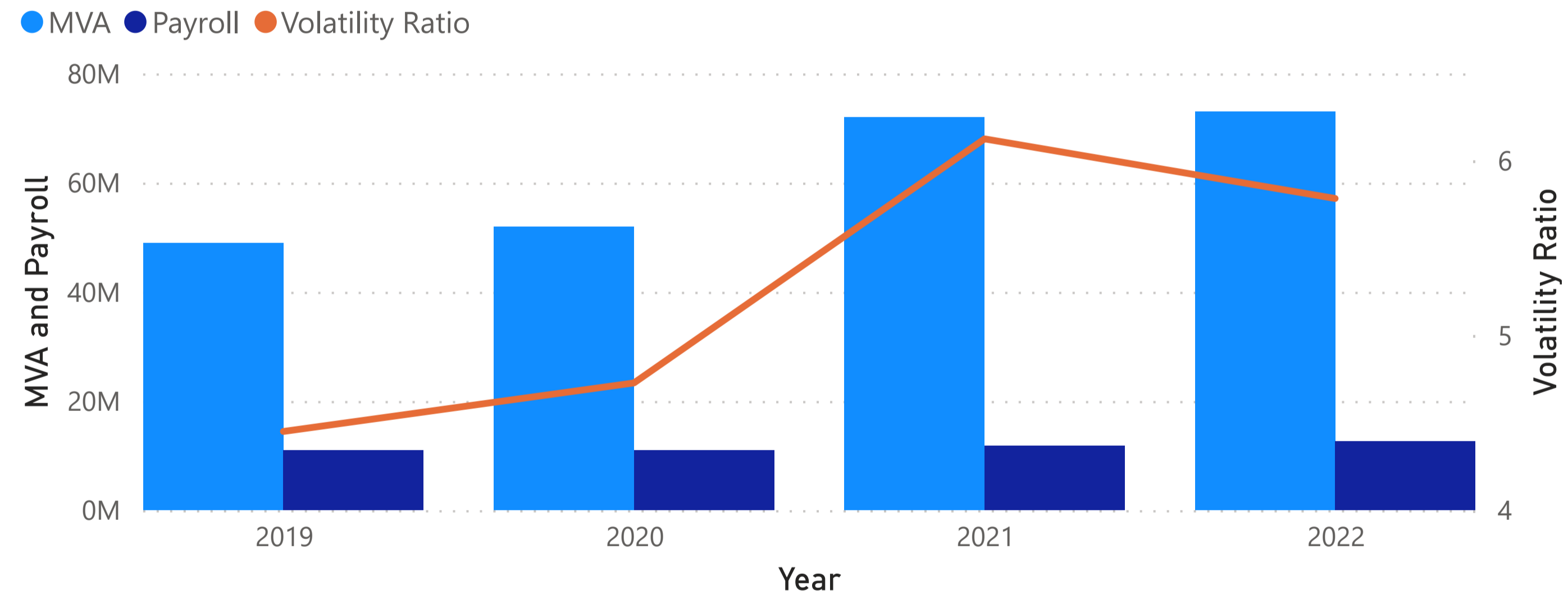
Year	Actives	Inactives	Support Ratio
2019	114	22	5.2
2020	111	25	4.4
2021	109	27	4.0
2022	104	30	3.5

Pension plans that have high percentages of active workers are better able to rely on future contributions employers to make up for plan underfunding.

Surprise Fire Dept

Asset Volatility Ratio

MVA, Payroll and Volatility Ratio by Year



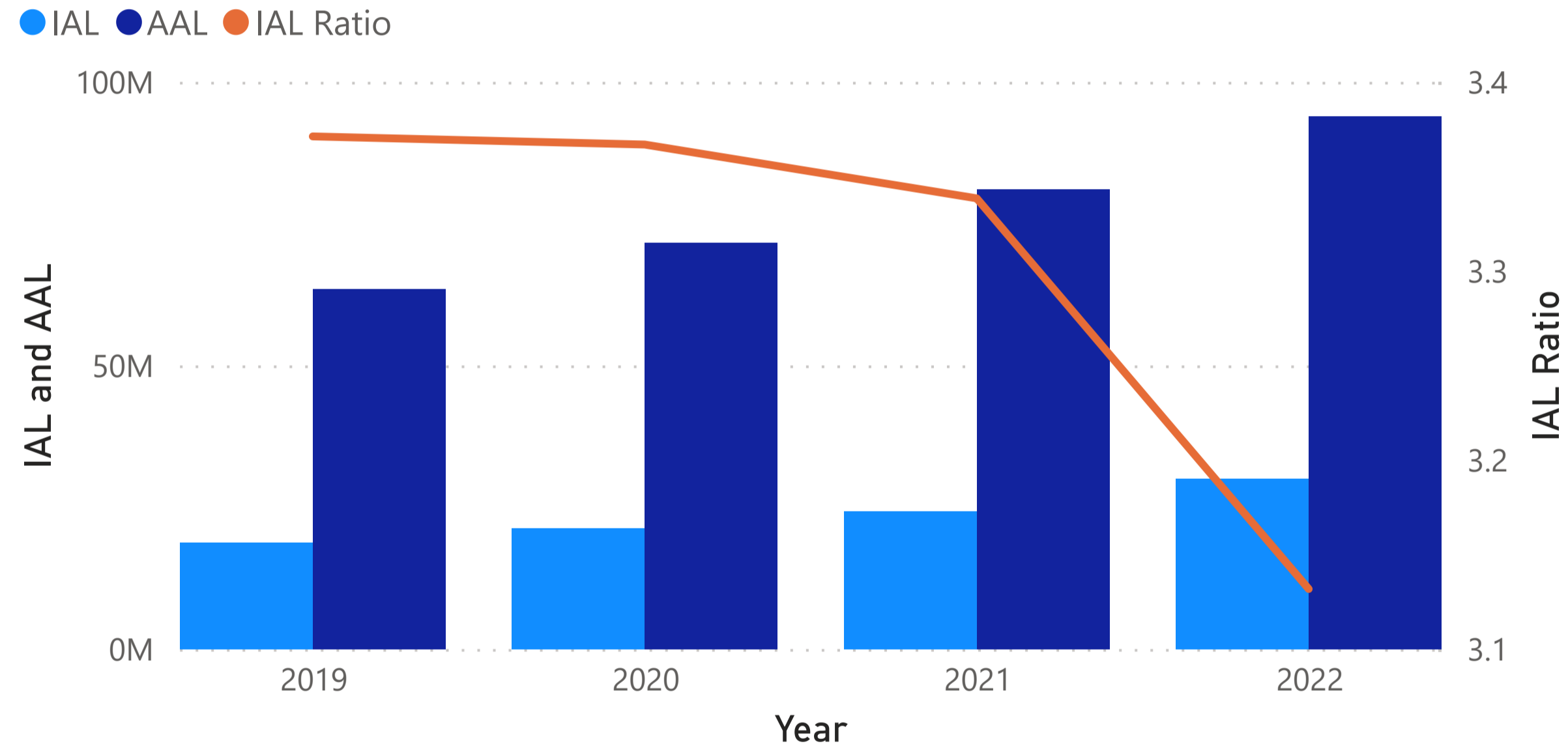
Year	MVA	Payroll	Volatility Ratio
2019	48,925,284	10,992,807	4.45
2020	51,950,044	10,986,758	4.73
2021	71,991,132	11,752,820	6.13
2022	72,973,474	12,615,688	5.78

Higher Asset Volatility Ratios make required contributions more sensitive to a decline in pension asset value.

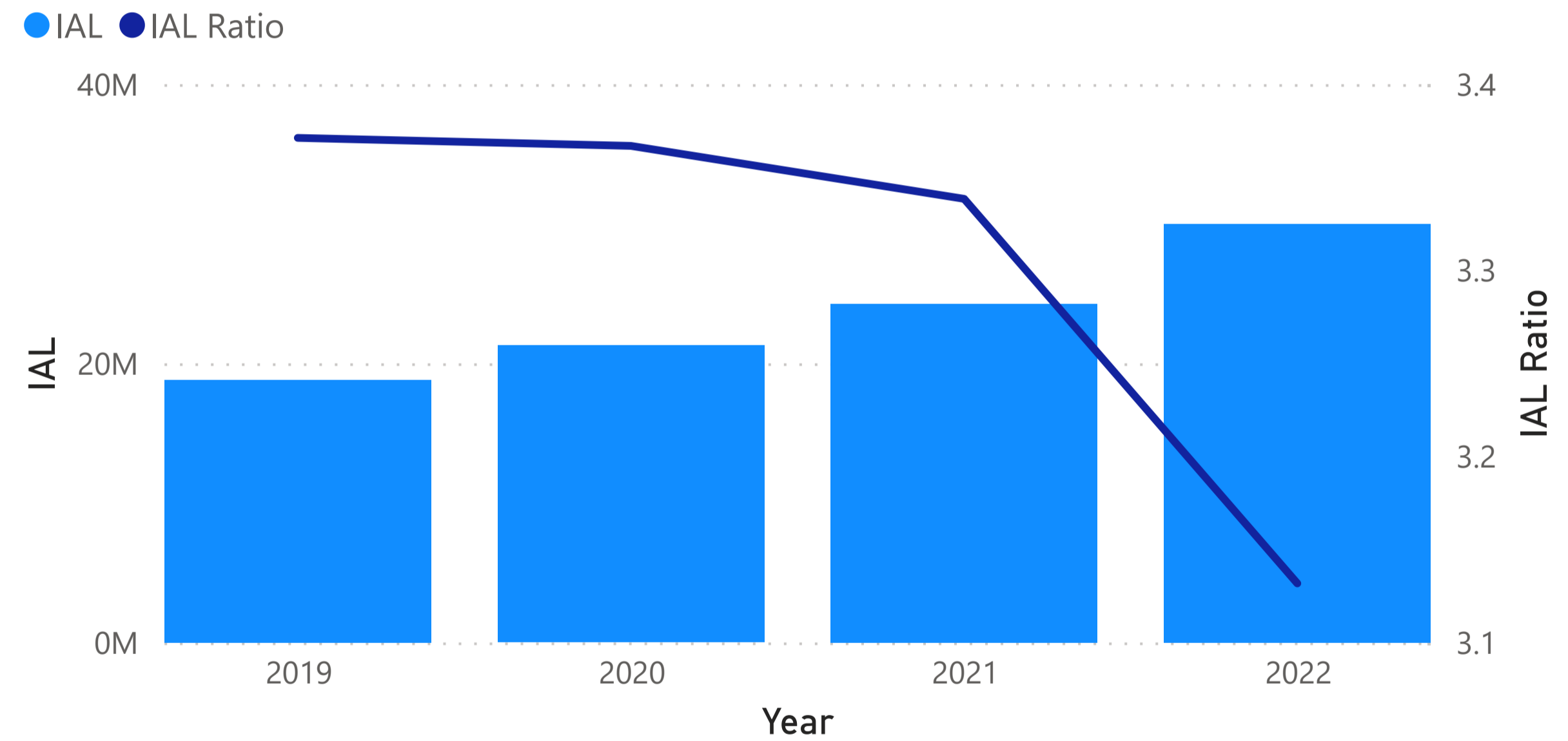
Surprise Fire Dept

Accrued Liability Ratio

Inactive vs Total Liabilities



Inactive Accrued Liability



Year	IAL	AAL	IAL Ratio
2019	18,825,704	63,464,250	3.37
2020	21,286,840	71,669,588	3.37
2021	24,277,370	81,047,596	3.34
2022	30,003,141	93,962,760	3.13

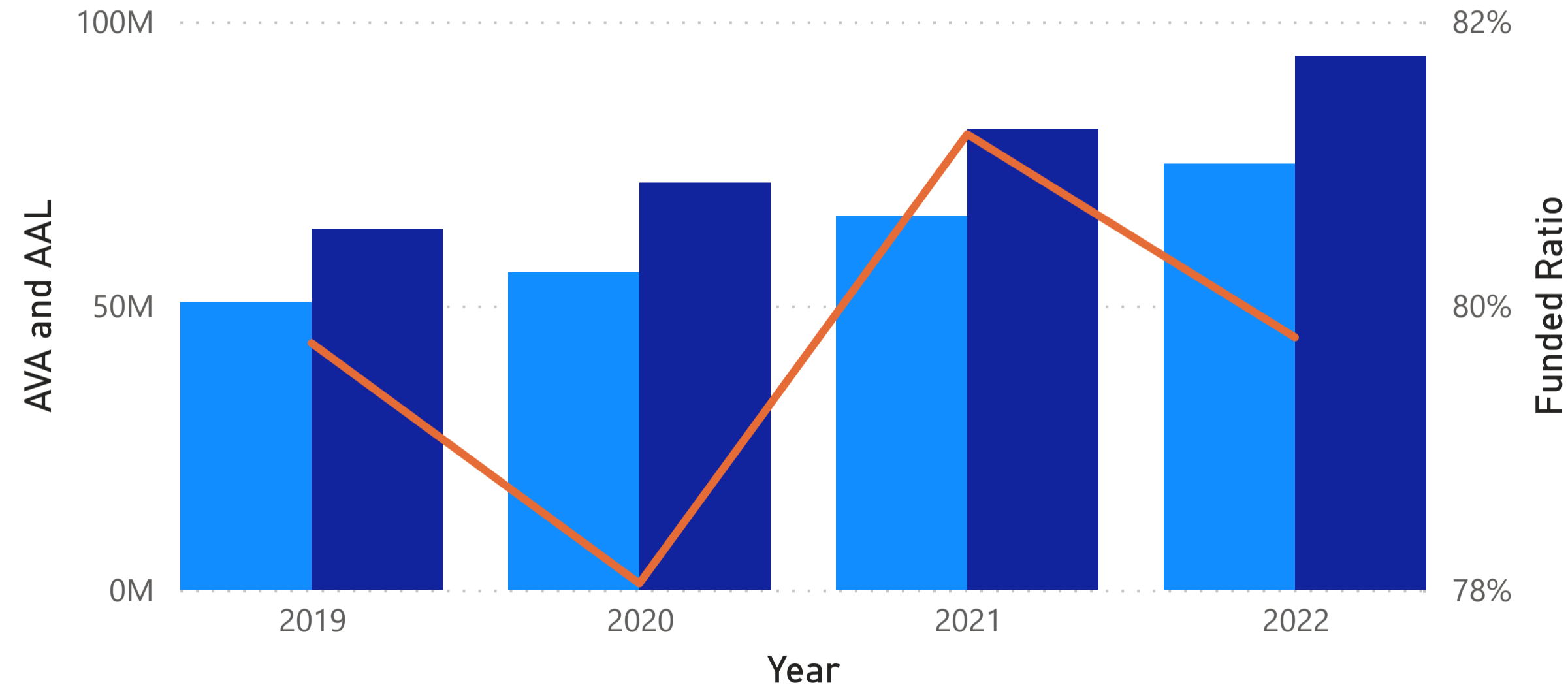
A plan's accrued liability ratio measures the liabilities of inactive employees to total liabilities. The higher the ratio, the less able the pension plan is to rely on future contributions to make up for plan underfunding.

Surprise Fire Dept

Funded Ratio

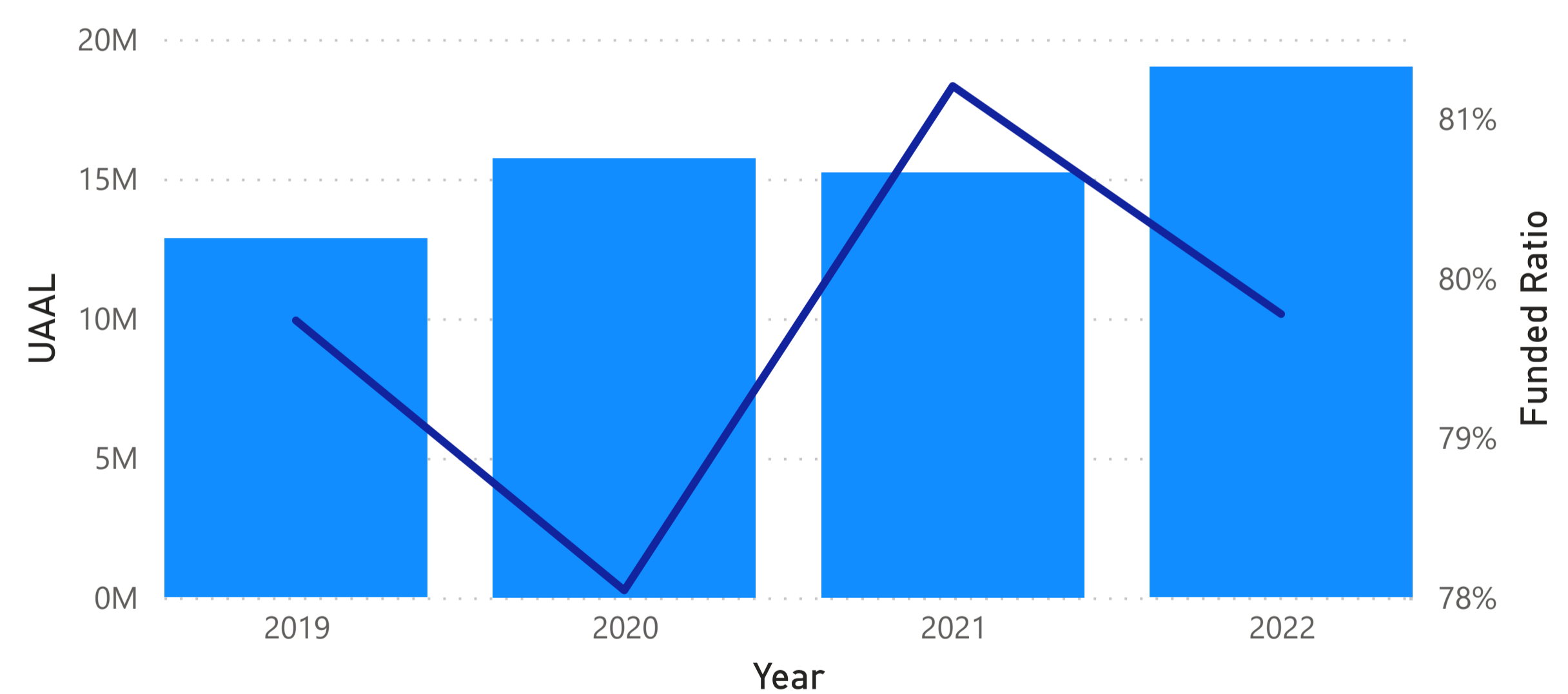
Assets, Liabilities, and Funded Status

AVA AAL Funded Ratio



Unfunded Accrued Actuarial Liability

UAAL Funded Ratio



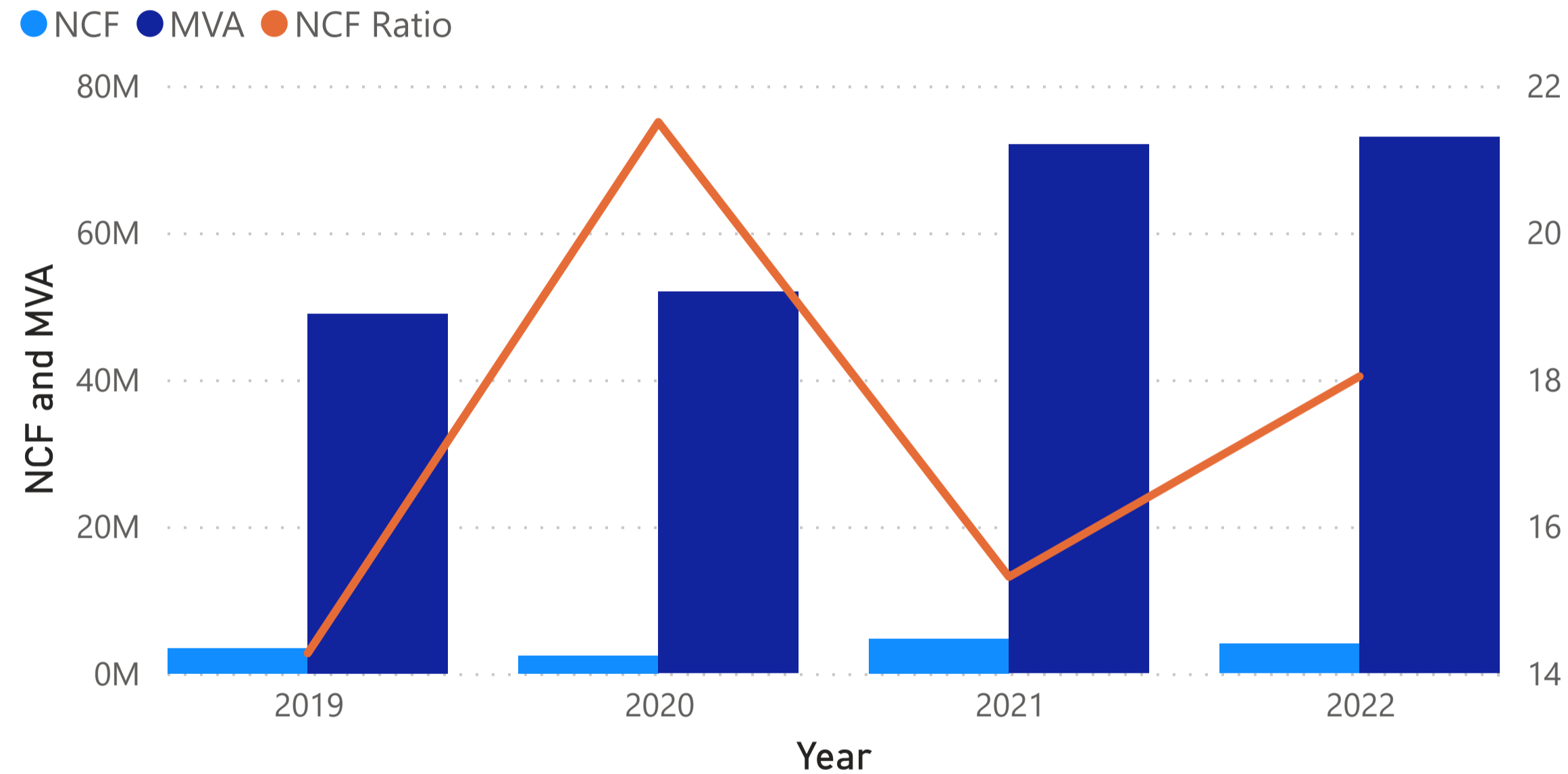
Year	AVA	AAL	UAAL	Funded Ratio
2019	50,604,247	63,464,250	12,860,003	79.7%
2020	55,933,947	71,669,588	15,735,641	78.0%
2021	65,815,546	81,047,596	15,232,050	81.2%
2022	74,960,080	93,962,760	19,002,680	79.8%

A plan's funded ratio measures assets as a percentage of liabilities. A plan with a funded ratio of 100% has sufficient assets to pay all promised benefits. In contrast, a plan with a funded ratio of 50% is able to fund half of all promised benefits.

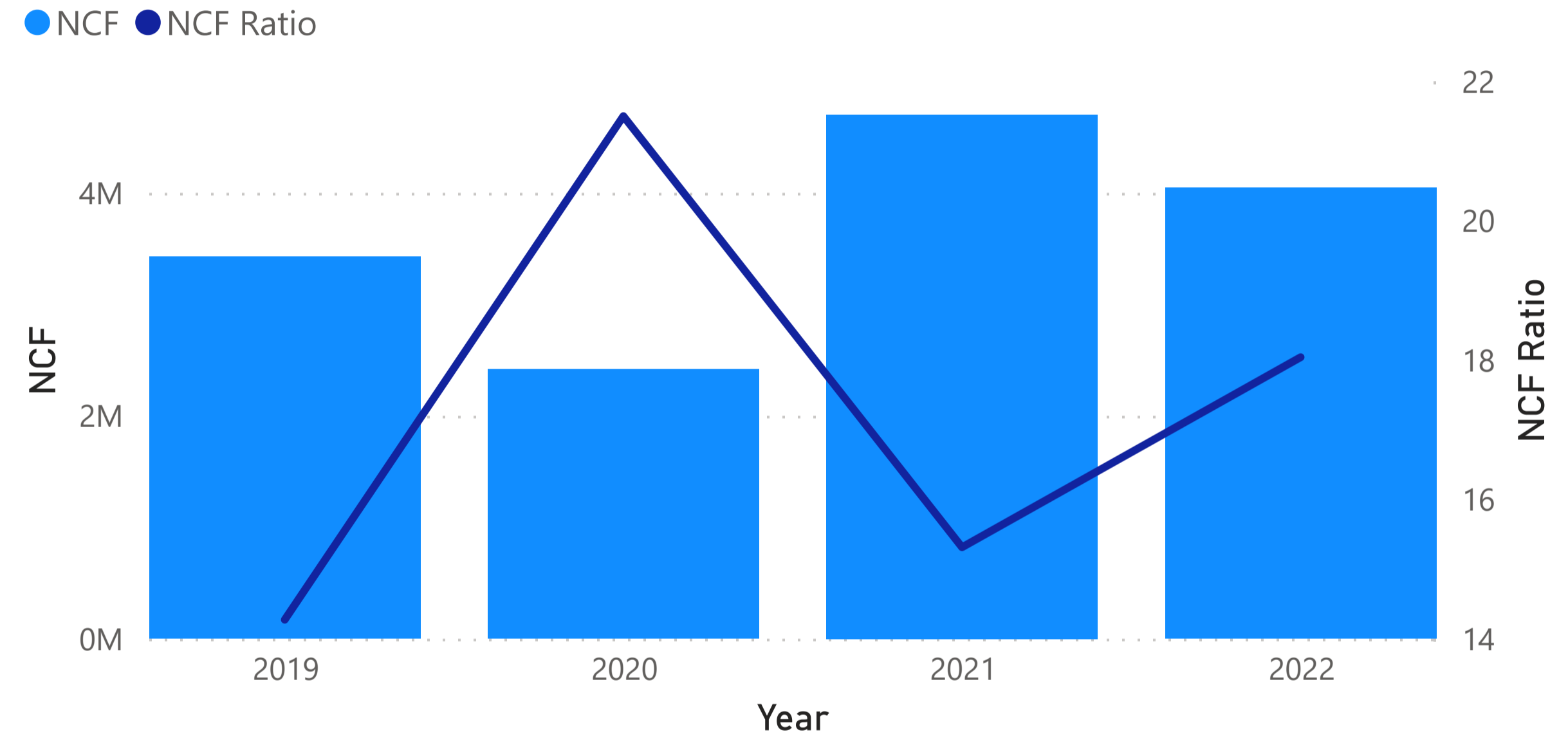
Surprise Fire Dept

Net Cash Flow Ratio

Net Cash Flow vs MVA



Unfunded Accrued Actuarial Liability



A plan's Net Cash Flow (NCF) is determined as total contributions minus benefit payments. A negative operating cash flow means a retirement system has to pay out more in benefits and refunds than it receives in total contributions from taxpayers and members in a given year. The market value of assets (MVA) is a real-time estimation of the pension plan's asset value.

Year	NCF	MVA	NCF Ratio
2019	3,427,962	48,925,284	14.27
2020	2,416,028	51,950,044	21.50
2021	4,701,373	71,991,132	15.31
2022	4,044,796	72,973,474	18.04

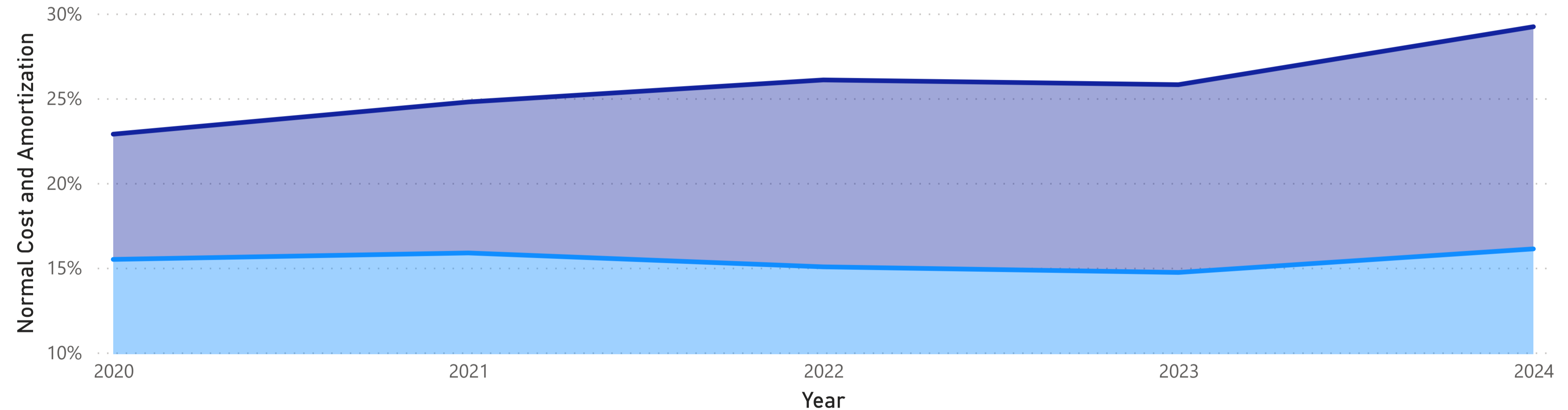
A negative and declining operating cash flow does not necessarily indicate something is wrong with a plan's management. A plan with a higher operating cash flow ratio (expenses are relatively less than contributions) is not necessarily better off than a plan with a lower ratio (expenses are relatively higher than contributions). Assessing pension cash flows is complex and does not reduce to a simple rule that says that the greater the negative cash flows, the worse the health of the pension system.

Surprise Fire Dept

Total Costs as % of Payroll

Normal Cost and Amortization by Year

● Normal Cost ● Amortization



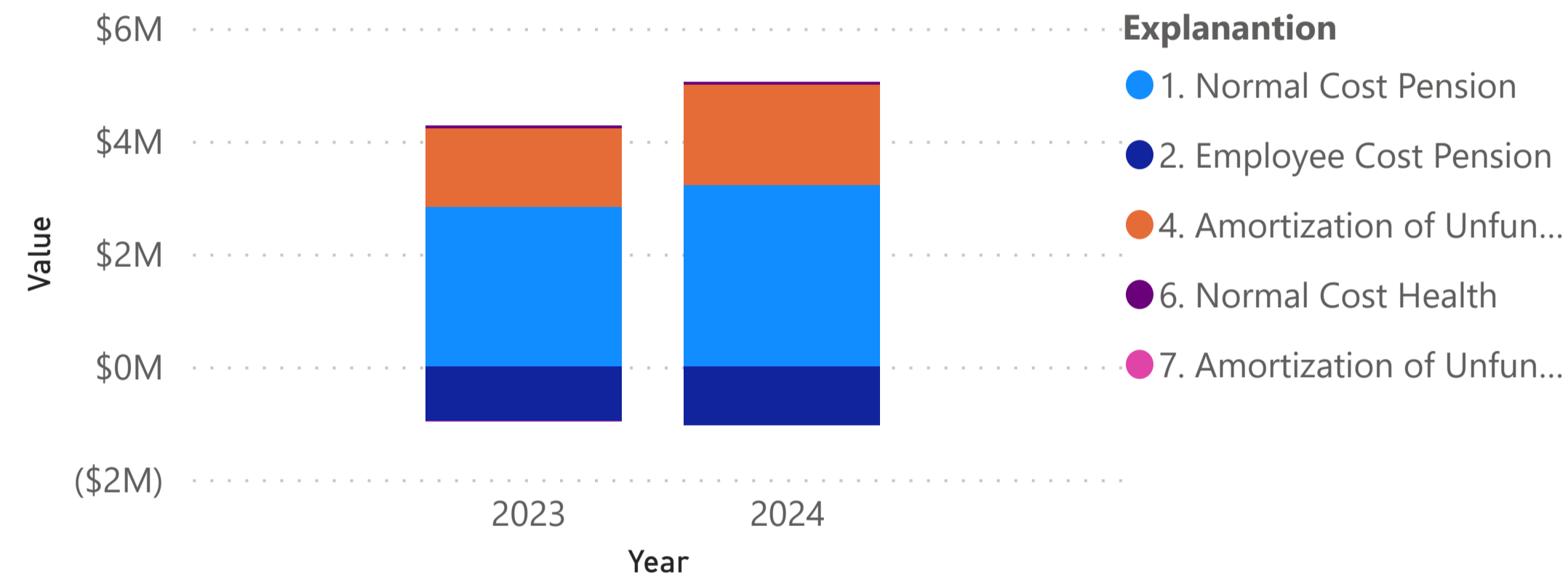
Year	Normal Cost	Amortization	Total % Costs
2020	15.49%	7.39%	22.9%
2021	15.87%	8.91%	24.8%
2022	15.05%	11.03%	26.1%
2023	14.72%	11.08%	25.8%
2024	16.11%	13.11%	29.2%

Increasing total pension costs as a % of payroll makes it more difficult for local government to continue the same levels within the current revenue structure.

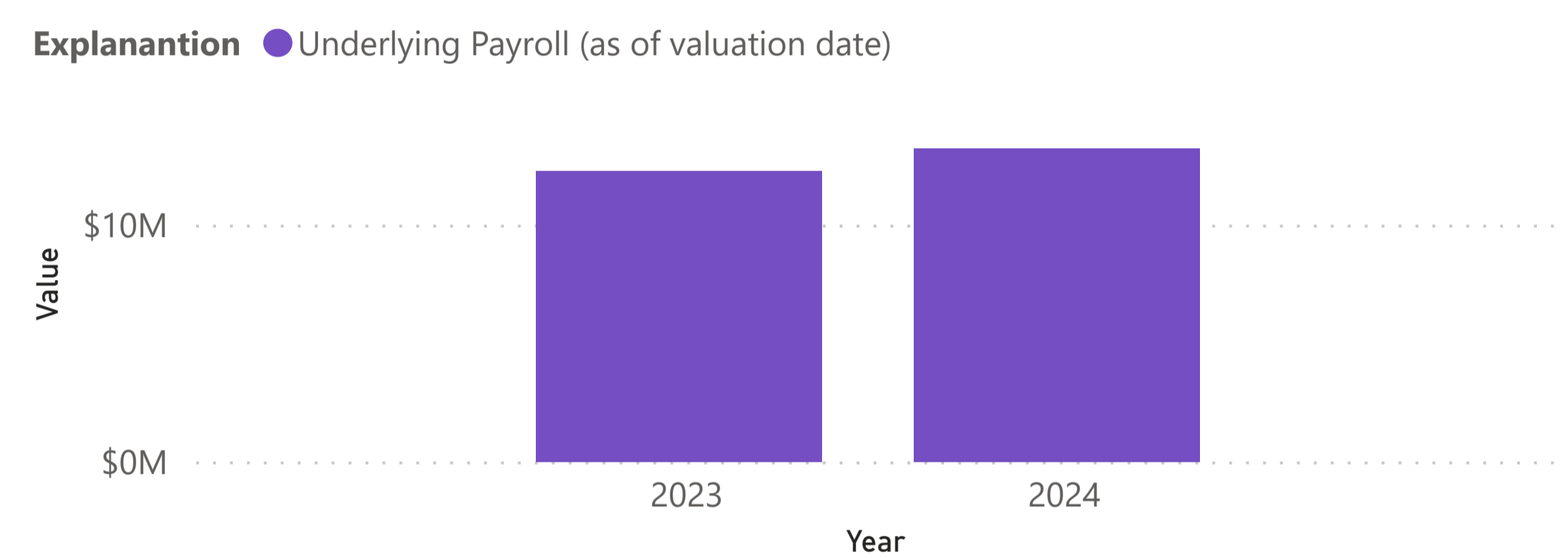
Surprise Fire Dept

Total Dollar Costs by Category

Value by Year and Explanantion



Value by Year and Explanantion



Explanantion	2023	2024
1. Normal Cost Pension	\$2,827,598	\$3,219,873
2. Employee Cost Pension	(\$966,970)	(\$1,036,702)
3. Employer (Net) Normal Cost Pension	\$1,860,628	\$2,183,171
4. Amortization of Unfunded Liability Pension	\$1,400,527	\$1,776,622
5. Total Employer Cost (Pension)	\$3,261,155	\$3,959,793
6. Normal Cost Health	\$42,976	\$44,720
7. Amortization of Unfunded Liability Health	(\$10,112)	
8. Total Employer Cost (Health)	\$32,864	\$44,720
9. Total Employer Cost (Pension + Health)	\$3,294,019	\$4,004,513
Underlying Payroll (as of valuation date)	\$12,271,977	\$13,221,126



Name	AVA	AAL	UAAL	Funded Ratio	Actives	Inactives	Support Ratio	Normal Cost	Amortization	Total % Costs	MVA	Payroll	Volatility Ratio	Year	Total \$ Cost	IAL	IAL Rat
SurpriseFireDept	50,604,247	63,464,250	12,860,003	79.7%	114	22	5.2				48,925,284	10,992,807	4.45	2019	18,825,704		3.3
SurpriseFireDept	55,933,947	71,669,588	15,735,641	78.0%	111	25	4.4	15.49%	7.39%	22.9%	51,950,044	10,986,758	4.73	2020	21,286,840		3.3
SurpriseFireDept	65,815,546	81,047,596	15,232,050	81.2%	109	27	4.0	15.87%	8.91%	24.8%	71,991,132	11,752,820	6.13	2021	24,277,370		3.3
SurpriseFireDept	74,960,080	93,962,760	19,002,680	79.8%	104	30	3.5	15.05%	11.03%	26.1%	72,973,474	12,615,688	5.78	2022	30,003,141		3.3
SurpriseFireDept								14.72%	11.08%	25.8%				2023	\$3,261,155		
SurpriseFireDept								16.11%	13.11%	29.2%				2024	\$3,959,793		



Year

2022

Name	AVA	AAL	UAAL	Funded Ratio	Actives	Inactives	Support Ratio	Normal Cost	Amortization	Total % Costs	MVA	Payroll	Volatility Ratio	Year	Total \$ Cost	IAL
TaylorSnowflakeFireandMedical								0.00%	0.00%	0.0%				2022		
BensonFireDept	883,246	940,064	56,818	94.0%	0	1	0.0	15.07%	11.62%	26.7%	859,838	0	Infinity	2022		940,064
FredoniaMarshals	853,340	686,272	167,068	124.3%	0	3	0.0	10.58%	12.32%	22.9%	830,724	0	Infinity	2022		686,272
MaricopaCountyParkRangers	1,521,185	2,037,020	515,835	74.7%	0	4	0.0	0.00%	0.00%	0.0%	1,480,870	0	Infinity	2022		2,037,020
NavajoCountyAttorneyInvest	143,227	614,950	471,723	23.3%	0	1	0.0	0.00%	0.00%	0.0%	139,432	0	Infinity	2022		614,950
PatagoniaMarshals	950,916	1,488,732	537,816	63.9%	0	5	0.0	16.88%	36.77%	53.7%	925,716	0	Infinity	2022		1,488,732
SouthTucsonFireDept	1,964,909	4,802,998	2,838,089	40.9%	0	13	0.0	11.95%	277.00%	289.0%	1,912,836	0	Infinity	2022		4,802,998
YavapaiCountyAttorneyInvest	137,890	1,147,932	1,010,042	12.0%	0	2	0.0	0.00%	0.00%	0.0%	134,236	0	Infinity	2022		1,147,932
YoungtownPoliceDept	529,473	1,410,512	881,039	37.5%	0	4	0.0	0.00%	0.00%	0.0%	515,440	0	Infinity	2022		1,410,512
CaveCreekMarshals	669,699	685,362	15,663	97.7%	1	0	Infinity	13.72%	11.94%	25.7%	651,952	98,303	6.63	2022		
LakeMohaveRanchosFireDistrict	1,675,532	2,326,216	650,684	72.0%	1	8	0.1	16.24%	12.24%	28.5%	1,631,128	60,218	27.09	2022		2,263,128
MiamiPoliceDept	1,820,839	3,708,288	1,887,449	49.1%	1	8	0.1	5.09%	75.02%	80.1%	1,772,584	55,190	32.12	2022		3,667,449
BeaverDam_LittlefieldFireDist	597,867	736,944	139,077	81.1%	2	1	2.0	7.94%	8.79%	16.7%	582,022	212,568	2.74	2022		736,944
BisbeePoliceDept	10,838,265	11,186,916	348,651	96.9%	2	23	0.1	11.02%	83.69%	94.7%	10,551,028	140,664	75.01	2022		10,231,677
CliftonPoliceDept	1,093,555	1,511,804	418,249	72.3%	2	3	0.7	9.64%	11.98%	21.6%	1,064,572	188,353	5.65	2022		851,921
PalominasFireDistrict	1,645,861	1,476,964	168,897	111.4%	2	7	0.3	19.34%	0.00%	19.3%	1,602,242	160,635	9.97	2022		1,126,607
QueenValleyFireDistrict	725,063	869,216	144,153	83.4%	2	1	2.0	10.72%	5.10%	15.8%	705,848	97,476	7.24	2022		318,324
SpringervillePoliceDept	2,017,855	3,625,216	1,607,361	55.7%	2	7	0.3	8.62%	32.96%	41.6%	1,964,376	140,236	14.01	2022		3,420,812
BlueRidgeFireDistrict	382,201	894,720	512,519	42.7%	3	1	3.0	10.56%	6.53%	17.1%	372,072	204,324	1.82	2022		352,396
GroomCreekFireDistrict	1,393,224	741,220	652,004	188.0%	3	0	Infinity	11.33%	-1.08%	10.3%	1,356,300	200,315	6.77	2022		812,315
JeromePoliceDept	1,148,492	1,260,380	111,888	91.1%	3	2	1.5	8.05%	3.68%	11.7%	1,118,054	189,753	5.89	2022		532,276
PimaCountyAttorneyInvest	3,089,821	4,602,812	1,512,991	67.1%	3	6	0.5	10.53%	64.14%	74.7%	3,007,934	199,775	15.06	2022		3,577,709
PonderosaFireDistrict	748,809	453,936	294,873	165.0%	3	1	3.0	13.49%	-1.11%	12.4%	728,964	214,614	3.40	2022		124,362
QuartzsitePoliceDept	3,578,062	3,858,204	280,142	92.7%	3	7	0.4	10.38%	11.17%	21.6%	3,483,236	223,706	15.57	2022		3,483,236
SonoitaElginFireDept	1,799,822	1,900,522	100,700	94.7%	3	8	0.4	11.66%	2.15%	13.8%	1,752,124	165,441	10.59	2022		1,518,385
SouthTucsonPoliceDept	159,341	10,510,456	10,351,115	1.5%	3	19	0.2	12.76%	98.22%	111.0%	155,118	215,716	0.72	2022		9,452,481
SunSitesPearceFireDistrict	1,450,543	1,278,008	171,635	113.4%	3	4	0.8	14.22%	2.72%	11.5%	1,412,100	182,218	7.75	2022		766,882



PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.

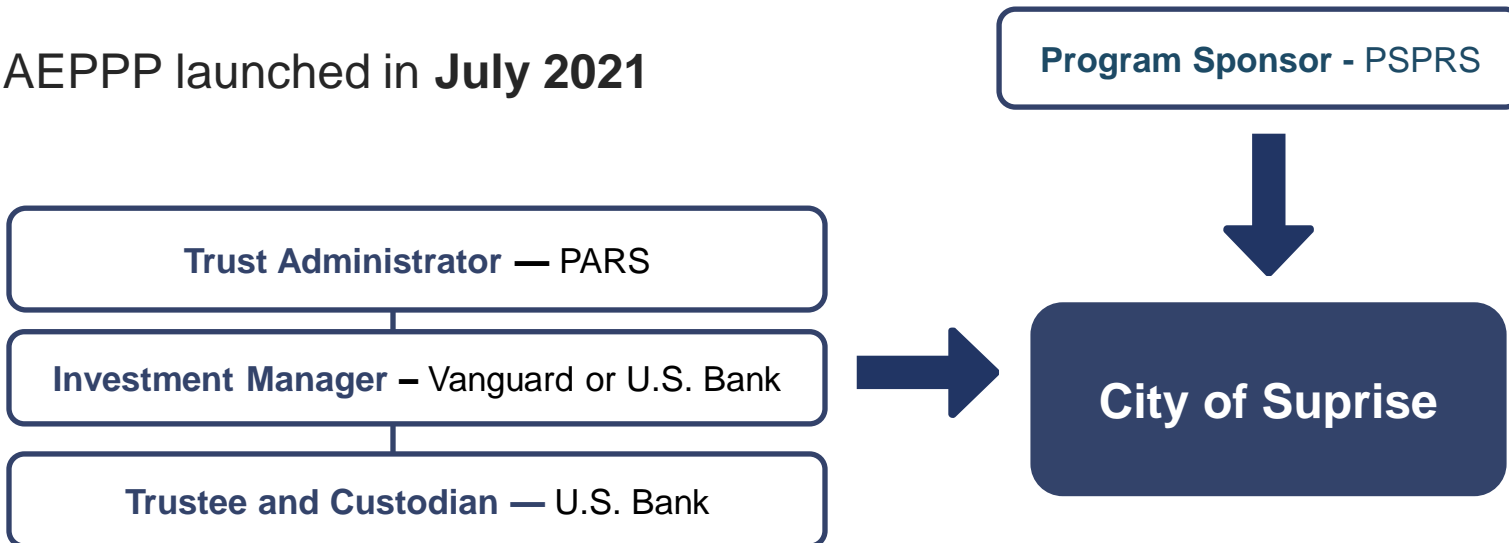
CITY OF SUPRISE

Introduction to Arizona Employers Pension Prefunding Plan (AEPPP)

April 12, 2023

What is AEPPP?

- Laws 2020, Chapter 79 (Senate Bill 1354) enacted last year allows **PSPRS** to provide Section 115 trust program — **Arizona Employers Pension Prefunding Plan (AEPPP)**
- Public Agency Retirement Services (PARS) awarded third party administrator contract on June 23, 2021, by PSPRS Board following RFP process
- AEPPP launched in **July 2021**



What is a Section 115 Pension Trust?

- **Irrevocable**
 - Assets can only be accessed for pension costs
- **For defined benefit plans**
 - Can set aside funds for state or individual pension systems
- **Exclusive benefit**
 - Assets are protected for the exclusive benefit of employees, retirees and beneficiaries
- **Diversified investments**
 - Per Arizona law

What is the AEPPP Trust?



**General
Fund**



**Local Government's
AEPPP Trust Account**



**PSPRS,
CORP, EORP**

- Locally controlled and owned by participating employer, operating separately from PSPRS
- Distributions can be made to PSPRS only (no reimbursements)
- Any employer who participates in PSPRS, CORP or EORP can invest in AEPPP
- Employer maintain control of investments, contributions & disbursements
- Investment providers & options are different than PSPRS Funds

The AEPPP Team

PSPRS

Trust Administrator & Consultant



- Coordinates all AEPPP services
- Develops/manages documents
- Monitors state & federal compliance
- Handles recordkeeping & reporting

39

Years of Experience
(1984-2023)

2,000+

Plans under
Administration

1,000+

Public Agency
Clients

250+

Pension Prefunding
Trust Clients

\$5B

Section 115
Trust Assets

Trustee & Investment Manager Option



- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- Provides investment advisory/co-fiduciary services
- Manages investments including custom and active/passive options
- Safeguards plan assets as trustee/custodian

160

Years of Experience
(1863-2023)

\$9T

Assets under
Trust Custody

Investment Manager Option



- One of the world's most respected investment management companies
- Designed investment strategies specifically for the trust
- Offers index based mutual funds with low expense ratios
- Fees decrease as assets across Vanguard strategies grow

48

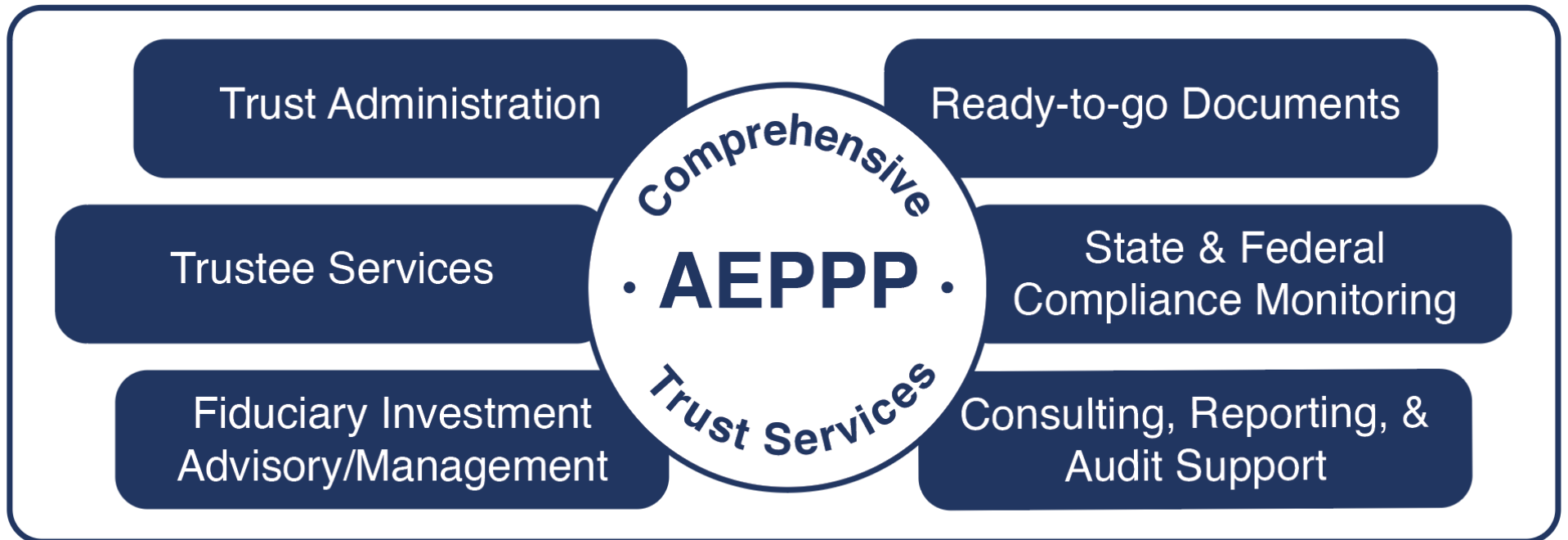
Years of Experience
(1975-2023)

\$8T

Assets under
Management



Turnkey Services



Why Use the AEPPP?

01

Stabilize Pension Costs

When contribution rates rise, assets can be transferred to PSPRS to mitigate rate volatility

02

Diversified Investing

May result in greater longer term returns than investing in a pension reserve account

03

Local Flexibility and Control

Over investments, contributions, and disbursements

Why Use the AEPPP?

04

Improve Credit Rating

Credit rating agencies may look favorably upon agencies who take prudent steps to reduce liabilities with a trust

05

Protect From Diversion

Assets in irrevocable trust are secure and protected from diversion towards other uses more than a budget account

06

Use with Bond Funded Strategy

Trust can be used in conjunction with proceeds from Pension Obligation Bonds

Trust vs. Reserve Account

Pension Reserve Account	AEPPP Trust
Fixed income investing only	Fixed Income or diversified investing available
Investments not tailored for long term use	Can be tailored for short- or long-term use
Revocable (<i>Maybe</i>)	Irrevocable
Can be accessed for other uses (<i>Maybe</i>)	Dedicated solely for pension costs
Unprotected from creditors	Protected from creditors
No corporate trustee	Corporate trustee to mitigate fiduciary risk



Investment Options

A

Vanguard

- (a) Fixed Income
- (b) Conservative
- (c) Balanced
- (d) Growth

C

State Treasurers Pool

In the process of being developed as potential Investment option

B

U.S. Bank

1. Actively Managed Portfolios

- (a) Conservative Income
- (b) Income
- (c) Balanced
- (d) Growth

2. Low-Cost Index/ETF Portfolios

- (a) Conservative Income
- (b) Income
- (c) Balanced
- (d) Growth

3. Customized Approach*

**Available according to asset size*

Vanguard Investment Strategies

Pre-Established Investment Options

All strategies have been designed specifically by Vanguard for PARS-administered Section 115 Trust Programs.

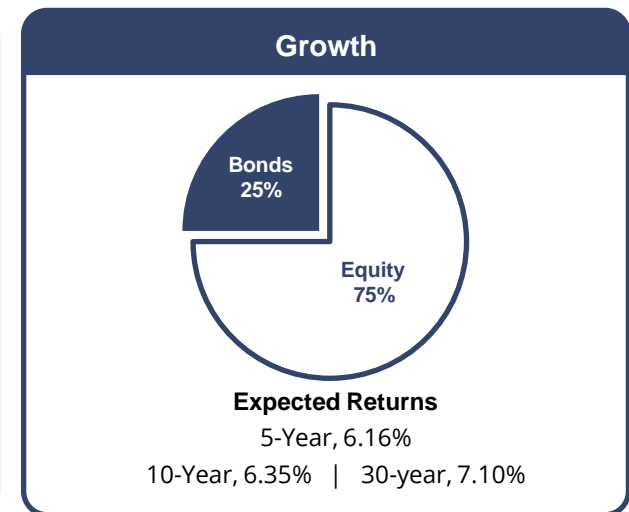
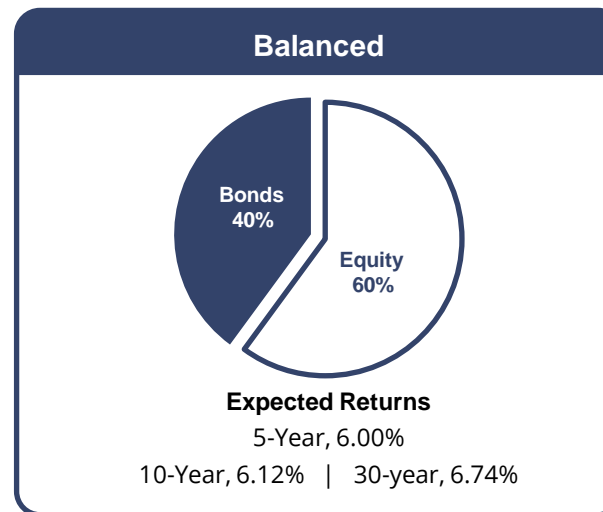
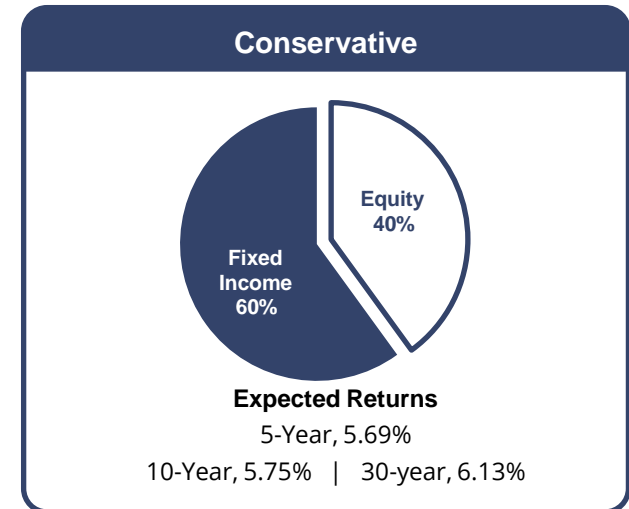
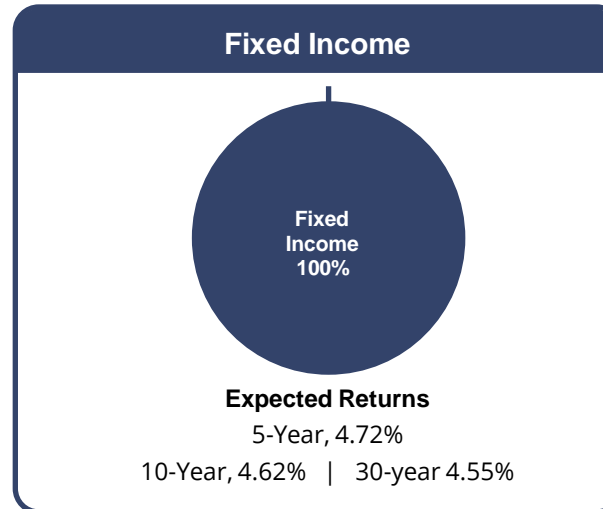
Economies-of-Scale

All plan assets are combined for economies of scale, but there is no cross sharing of earnings or liabilities.

Low Expense Ratios

Strategies are comprised of index-based, mutual funds selected for their low expense ratios.

Expected Returns from Vanguard's Capital Markets Model (VCMM) as of December 31, 2022



Program Fees With Vanguard

Trust Administration/Consulting Fees



Plan Set-Up Fee:
None

Ongoing Fees:

0.25%	for assets \$0-10 million
0.20%	for next \$5 million
0.15%	for next \$35 million
0.10%	over \$50 million

Investment Management Fees



Ongoing Fees:

0.02%

**Fee based on cumulative assets of all agencies participating in the PARS-Vanguard pre-established investment options. Fee is calculated quarterly using the following schedule: 0.07% for assets \$0-50 M, 0.04% for assets \$50-100 M, 0.03% of assets \$150-250 M, 0.01% of assets \$250-500 M and 0.005% of assets over \$500 M*

Directed Trustee Fees



Ongoing Fees:

0.05%	for assets \$0-25 million
0.04%	for next \$25 million
0.03%	over \$50 million

*Neither PARS or PSPRS receives any compensation from the investments or any commissions, back-end loads, or any other forms of compensation; Vanguard investment management fees are based on the total assets of all participants in the four strategies; U.S. Bank's fee schedule is based on combined assets in each of the Vanguard strategies

Hypothetical Cost - Vanguard

The following details the monthly program fee based on an initial contribution amount. Calculations are based on a one-time contribution and do not consider investment earnings or losses.

Program Fees

Initial Contribution Amount	\$5,000,000
PARS Trust Administration/Consulting Blended Annual Fees	0.25%
Vanguard Investment Management Annual Fees ¹	0.02%
U.S. Bank Directed Trustee Annual Fees ²	0.05%
Total Monthly Fees	\$1,333.33

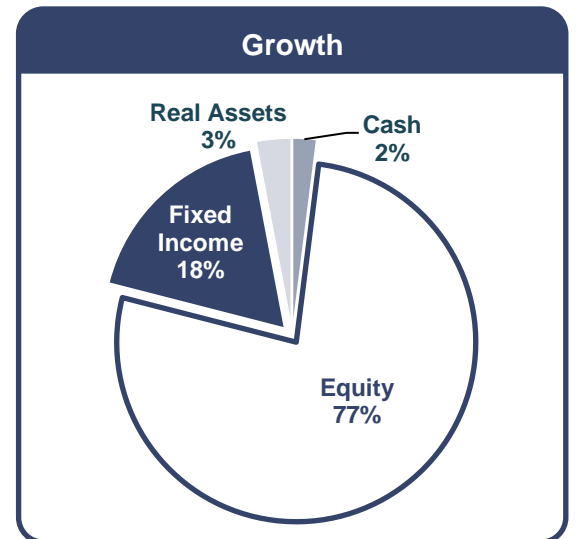
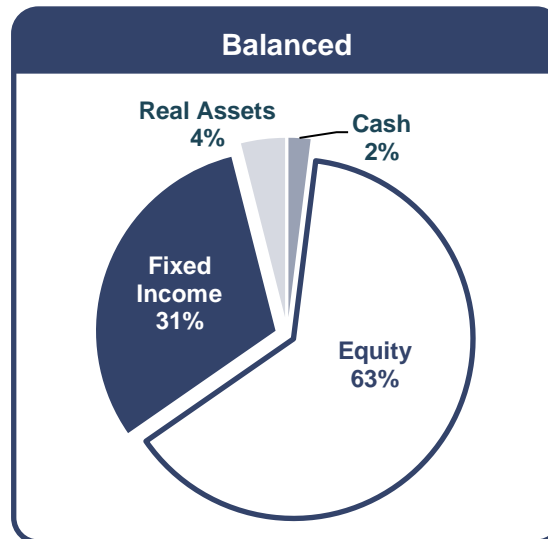
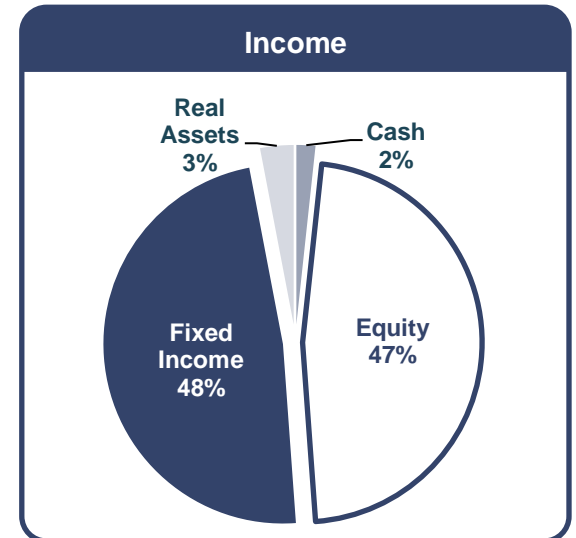
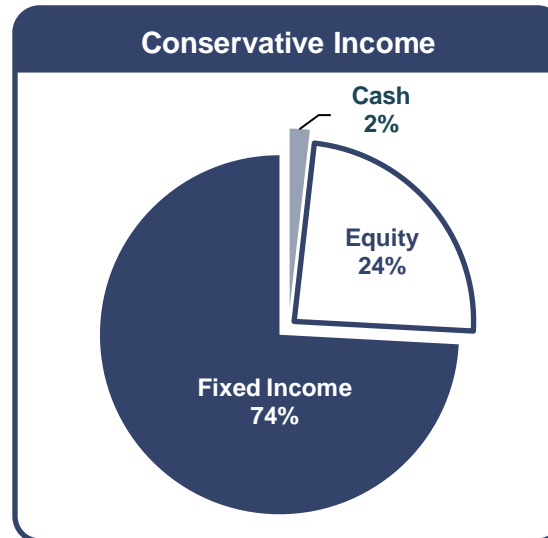
¹ Vanguard blended fees are based on total assets across all investment strategies

² U.S. Bank blended fees are based on total assets in the investment strategies

U.S. Bank Investment Strategies

Portfolios are designed specifically by U.S. Bank for PARS Section 115 trust clients and can be selected as either active or passively managed.

In addition to these 4 diversified options, a customized portfolio option can also be selected (dependent on asset size).



Program Fees With U.S. Bank

Trust Administration/Consulting Fees



Plan Set-Up Fee:
None

Ongoing Fees:

0.25%	for assets \$0-10 million
0.20%	for next \$5 million
0.15%	for next \$35 million
0.10%	over \$50 million

Discretionary Trustee/Investment Management Fees



Ongoing Fees:

0.30%	for assets \$0-5 million
0.25%	for next \$5 million
0.20%	for next \$5 million
0.15%	for next \$35 million
0.10%	over \$50 million

*Neither PARS or PSPRS receives any compensation from the investments or any commissions, back-end loads, or any other forms of compensation; Please note that trustee fees are waived when U.S. Bank is selected as investment manager

Hypothetical Cost - U.S. Bank

The following details the monthly program fee based on an initial contribution amount. Calculations are based on a one-time contribution and do not consider investment earnings or losses.

Program Fees

Initial Contribution Amount	\$5,000,000
PARS Trust Administration/Consulting Blended Annual Fees	0.25%
U.S. Bank Trustee & Investment Management Annual Fees ¹	0.30%
Total Monthly Fees	\$2,291.65

¹ U.S. Bank fees are based on individual agency assets

Steps to Implementation

- 01 AEPPP trust documents are provided to the City for review
- 02 City Council formally approves adoption of the trust
- 03 Signature-ready documents are sent to the City
- 04 Designated Plan Administrator signs the required documents
- 05 Trust account will be set up and contributions can be made

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User Guide: Summary and Analysis of Your Latest (2022) Arizona PSPRS Member Actuarial Report - Financial Status and Projections

INTRODUCTION

The Arizona Public Safety Personnel Retirement System (PSPRS) is a public pension system that provides retirement and other benefits to eligible public safety personnel for Arizona member agencies, including police officers and firefighters. It is managed by a board of trustees and is funded by employer and employee contributions, as well as investment returns.

MEMBER ACTUARIAL REPORTS

PSPRS produces annual member actuarial reports for each participating agency that provide detailed information about the financial status and projected future of the agency's pension plan(s) within system. These reports are prepared by PSPRS' actuary who uses mathematical and statistical methods to assess the risk and financial impact of future events.

The report typically includes information about assets and liabilities, funding status, actuarial assumptions, and a projection of the future funding needs for both the multiple employer system as a whole and each participating employer's plan. It also includes a detailed breakdown of the plan's membership, including the number of active members, retirees, and beneficiaries. Additionally, the report includes an analysis of the system's investment performance, including the rate of return on investments and the actuarial value of assets.

PURPOSE OF THIS REPORT

The purpose of this report is to provide a summary and analysis of a PSPRS member agency's annual actuarial valuation using key visual and easy to understand information. The report presents a variety of financial metrics, including Unfunded Accrued Actuarial Liability (UAAL), Total Cost, Percentage of Payroll, Support Ratio, Asset Volatility Ratio, Liability Ratio, Funded Ratio, Net Cash Flow, and Total Dollar Cost that can be used to evaluate both the agency's plan(s) and the overall system's financial health, as well as identify areas of concern. It serves as a valuable tool for pension trustees, members, and other stakeholders to understand the financial health of the system and to make informed decisions about the long-term fiscal impact on their agency's plan(s) within the system.

A member agency can use this report to evaluate its ability to meet future obligations, assess the financial impact of PSPRS on its budget, and develop strategies that address fiscal challenges the pension plan poses. The report can also be used to communicate the financial status of an agency's PSPRS plan(s) to stakeholders, such as employees, taxpayers, and elected officials.

REPORT CONTENTS AND SUMMARY

Below is a breakdown and glossary of the attached report:

UNFUNDED ACCRUED ACTUARIAL LIABILITY (UAAL)

The UAAL is an indicator that measures if the assets of the pension plan within the system are sufficient to meet future obligations.

TOTAL COST

The Total Cost is the required contribution an agency needs to make in its next fiscal year.

% OF PAYROLL

A low percentage of payroll is a positive indicator, as it indicates that the pension plan is not putting too much of a burden on employers or taxpayers.

SUPPORT RATIO

The Support Ratio calculation and visualizations compare the number of active employees to the number of inactive employees (those that have left the agency but still have funds vested under the plan) and can be used to identify positive and negative indicators of the member agency PSPRS plan's financial health. The support ratio is a measure of the plan's ability to provide benefits to its inactive members, calculated as the ratio of active employees to inactive employees. A ratio of 1 or higher indicates that there are enough active employees to support the benefits of inactive employees, while a ratio of less than 1 indicates that there are not enough active employees to support the benefits of inactive employees.

A positive indicator would be a support ratio of 1 or higher, which means that there are sufficient active employees to support the benefits of inactive employees. This indicates that the plan is well-funded and that its long-term financial health is relatively stable. Another positive indicator would be a rising trend of the support ratio over time, which indicates that the plan is becoming better funded and more able to support its inactive members.

On the other hand, a negative indicator would be a support ratio of less than 1, which means that there are not sufficient active employees to support the benefits of inactive employees. This indicates that the plan is underfunded and that its long-term financial health is at risk. Another negative indicator would be a declining trend of the support ratio over time, which indicates that the plan is becoming less funded and less able to support its inactive members.

FUNDED RATIO

The Funded Ratio compares the market value of assets to the total actuarial accrued liability and it measures the proportion of total liabilities that are covered by assets. A ratio of 1 or higher indicates that the plan has enough assets to cover its liabilities, while a ratio of less than 1 indicates that the plan does not have enough assets to cover its liabilities.

A positive indicator would be a Funded Ratio of 1 or higher, which means that the pension plan has sufficient assets to cover its liabilities. This indicates that the plan is well-funded and that its long-term financial health is relatively stable. Another positive indicator would be a rising trend of the Funded Ratio over time, which indicates that the plan is becoming better funded and more able to meet its future obligations.

On the other hand, a negative indicator would be a Funded Ratio of less than 1, which means that the pension plan does not have sufficient assets to cover its liabilities. This indicates that the plan is underfunded and that its long-term financial health is at risk. Another negative indicator would be a

declining trend of the Funded Ratio over time, which indicates that the plan is becoming less funded and less able to meet its future obligations.

ASSET VOLATILITY RATIO

The Asset Volatility Ratio represents the relationship between the market value of assets and the underlying payroll and can be used to identify positive and negative indicators of the pension system's investment performance on the agency's plan. The Asset Volatility Ratio compares the market value of assets to the underlying payroll, it measures the level of risk associated with the system's investments.

A low ratio indicates that the market value of the assets is not highly sensitive to changes in the underlying payroll, indicating a lower level of risk. A high ratio indicates that the market value of the assets is highly sensitive to changes in the underlying payroll, indicating a higher level of risk.

A positive indicator would be a low Asset Volatility Ratio, which means that the market value of the pension plan's assets is not highly sensitive to changes in the underlying payroll. This indicates that the system's investments are relatively stable and that the system is not exposed to a high level of risk. Another positive indicator would be a declining trend of the Asset Volatility Ratio over time, which indicates that the system's investments are becoming more stable and less risky.

On the other hand, a negative indicator would be a high Asset Volatility Ratio, which means that the market value of the plan's assets is highly sensitive to changes in the underlying payroll. This indicates that the system's investments are risky and that the system is exposed to a high level of risk. Another negative indicator would be an increasing trend of the Asset Volatility Ratio over time, which indicates that the system's investments are becoming more risky over time.

ACCRUED LIABILITY RATIO

The Accrued Liability Ratio data and visualization compares the liability for inactive employees to the total liability of the members and can be used to identify positive and negative indicators of the pension plan's financial health. The Accrued Liability Ratio compares the liability for inactive employees to the total liability of the members, it measures the proportion of total liabilities that are attributed to inactive employees. A low ratio indicates that the liability for inactive employees is low relative to total liabilities, indicating that the plan is well-funded. A high ratio indicates that the liability for inactive employees is high relative to total liabilities, indicating that the plan is underfunded.

A positive indicator would be a low Accrued Liability Ratio, which means that the liability for inactive employees is low relative to total liabilities. This indicates that the plan is well-funded and that its long-term financial health is relatively stable. Another positive indicator would be a declining trend of the Accrued Liability Ratio over time, which indicates that the plan is becoming better funded and more able to meet its future obligations.

On the other hand, a negative indicator would be a high Accrued Liability Ratio, which means that the liability for inactive employees is high relative to total liabilities. This indicates that the plan is underfunded and that its long-term financial health is at risk. Another negative indicator would be an increasing trend of the Accrued Liability Ratio over time, which indicates that the plan is becoming less funded and less able to meet its future obligations.

NET CASH FLOW

The Net Cash Flow provides an analysis of the pension plan's cash position and can be used to identify positive and negative indicators of the plan's financial health. Net Cash Flow is calculated as contributions minus benefit payments. A positive net cash flow indicates that contributions to the plan are greater than benefit payments, which means that the plan is receiving more funds than it is paying out, and therefore its cash position is positive. On the other hand, a negative net cash flow indicates that contributions are less than benefit payments, which means that the plan is paying out more funds than it is receiving and therefore its cash position is negative.

A positive indicator would be a positive Net Cash Flow, which means that the plan is receiving more funds than it is paying out in benefits. This indicates that the plan is in a strong financial position, and it has sufficient cash to meet its short-term obligations. Another positive indicator would be a rising trend of the Net Cash Flow over time, which indicates that the plan's cash position is improving.

On the other hand, a negative indicator would be a negative Net Cash Flow, which means that the plan is paying out more funds than it is receiving in contributions. This indicates that the plan is in a weak financial position, and it may not have sufficient cash to meet its short-term obligations. Another negative indicator would be a decreasing trend of the Net Cash Flow over time, which indicates that the plan's cash position is deteriorating. This could be a sign that the plan is facing financial challenges, and that it may need to make changes in order to maintain its long-term financial health.

TOTAL COST AS PERCENTAGE OF PAYROLL

The Total Cost (normal and amortization) as a percentage of payroll over several years provides an analysis of the plan's costs in relation to payroll and can be used to identify positive and negative indicators of the plan's financial health.

The total cost ratio compares the total cost of the plan (including normal cost and amortization cost) to the underlying payroll. A low ratio indicates that the cost of the plan is low relative to payroll, indicating that the plan is not putting too much of a burden on the employer or taxpayers. A high ratio indicates that the cost of the plan is high relative to payroll, indicating that the plan is putting a significant burden on the employer or taxpayers.

A positive indicator would be a low total cost ratio, which means that the cost of the pension plan is low relative to payroll. This indicates that the plan is not putting too much of a burden on employer or taxpayers, and that its financial health is relatively stable. Another positive indicator would be a declining trend of the total cost ratio over time, which indicates that the plan's costs are becoming lower relative to payroll over time.

On the other hand, a negative indicator would be a high total cost ratio, which means that the cost of the pension plan is high relative to payroll. This indicates that the plan is putting a significant burden on the employers or taxpayers, and that its financial health is at risk. This could also indicate that the pension plan's obligations are increasing at a faster rate than its revenues, putting pressure on the system's funding status. Another negative indicator would be an increasing trend of the total cost ratio over time, which indicates that the plans costs are becoming higher relative to payroll over time. This could be a sign that the plan's obligations are growing faster than its revenues, putting pressure on the plan's funding status.

TOTAL COSTS IN DOLLAR AMOUNTS

The Total Costs in Dollar Amounts for the agency, including the amount in dollars for normal costs and amortization costs, provides detailed information on the financial status of the agency's pension plan and can be used to identify positive and negative trends.

A positive trend would be a decrease in the total dollar amount for normal costs and amortization costs over time. This indicates that the plan is able to keep its costs under control and that its long-term financial health is relatively stable. A decrease in costs could be due to factors such as improved investment returns, changes in actuarial assumptions or a reduction in benefits. Another positive trend would be a stable costs over time, which indicates that the plan is maintaining its financial stability, and that its costs are consistent.

On the other hand, a negative trend would be an increase in the total dollar amount for normal costs and amortization costs over time. This indicates that the plan is facing financial challenges, and that its costs are increasing over time, which could put pressure on the plan's funding status. An increase in costs could be due to factors such as lower investment returns, changes in actuarial assumptions or an increase in benefits.

CONCLUSION

As a guide, this report can be used by stakeholders to understand the financial status of a member agency's PSPRS plan and to evaluate its ability to meet its future obligations. The report provides a comprehensive analysis of funding status, investment performance, and costs, which can be used to identify potential areas of concern and to make informed decisions about an agency's future.

In addition to using this report as a guide, member agencies may want to consult with financial experts or their actuary, to fully understand the implications of the financial information presented. Actuaries and other financial experts can provide additional analysis and context to the information detailed in the report and can assist with interpreting the financial metrics and identifying areas of concern.

It is important to note that the financial information presented is based on a set of PSPRS actuarial assumptions, such as investment returns, mortality rates, and salary increases, which can change and are based on a specific point in time.

Furthermore, it's also important for member agencies to consider other factors that may impact the PSPRS system such as: changes in the underlying payroll, changes in benefits and contributions, and any federal or Arizona legal or regulatory changes . By considering these factors and consulting with experts, member agencies can make informed decisions about the future of their PSPRS plan(s) and ensure that long-term financial health is maintained.

By using this report as a guide and considering other relevant factors, member agencies can gain a better understanding of the financial status of their PSPRS plan and ensure that they are well-positioned to meet future obligations.

Please note that PARS is not licensed to provide and does not offer tax, legal, actuarial or investment advice or recommendations of any kind.