ACTION: Adopt a resolution to approve the City of Tempe’s Pension Funding Policy for fiscal year 2019-20. (Resolution No. R2019.56)

FISCAL IMPACT: None. The City’s contributions to pension systems are approved in the annual budget process and the proposed policy is consistent with the current budget.

RECOMMENDATION: Adopt Resolution No. R2019.56.

BACKGROUND INFORMATION: In 2018, the Arizona Legislature approved Arizona Revised Statute 38-863.01, which requires employers/members of the Public Safety Personnel Retirement System (PSPRS) to formally adopt annual pension funding policies, no later than July 1, 2019. The statute further requires that the City Council formally accept the City’s PSPRS assets and liabilities and that the annual policies include funding objectives that address the following:
- How to maintain stability of the City’s contributions to PSPRS;
- How and when the City’s funding requirements of PSPRS will be met; and,
- Defining the City’s funded ratio target and timeline for reaching the targeted funded ratio.

The proposed pension funding policy satisfies the statutory requirements and provides similar information for the other pension systems in which the City is a member – the Arizona State Retirement System (ASRS) and the Elected Officials’ Retirement System (EORS). However, the policy does not go beyond what is currently required in terms of employer contributions, based on actuarial reports issued by the pension systems.

This new pension funding policy requirement is an acknowledgement that the actuarial reports published by PSPRS cannot be depended upon by employers to determine appropriate funding strategies. It also requires elected officials to acknowledge their roles in administering their organization’s accounts and appointing qualified individuals to the local PSPRS Board. We have issued a Request for Proposals (RFP) to possibly purchase interactive actuarial software that would enable the City to get more accurate projections related to the City’s PSPRS accounts. By changing some of the assumptions used by PSPRS, such as interest earnings rates, salary increases and amortization periods, staff will be able to provide the City Council options for achieving fully funded accounts. Staff will add a discussion of this issue to a future Work Study Meeting agenda.

ATTACHMENTS: Resolution No. R2019.56

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