Town of Huachuca City

The Sunset City
500 N Gonzales Blvd • Huachuca City, Arizona 85616
Phone: (520) 456-1354 • TDD: (520) 456-1353 • Fax: (520) 456-2230

RESOLUTION NO. 2025-09

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF HUACHUCA CITY, ARIZONA, ADOPTING A PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM ["PSPRS"] FUNDING POLICY.

WHEREAS, HB2097, adopted in the 2018 Arizona Legislative Session, requires all governing bodies of entities participating in the PSPRS to establish a Pension Funding Policy and post that policy on the jurisdictions' websites; and

WHEREAS, the Town Manager has developed an updated policy, attached hereto as Exhibit A, and incorporated herein by this reference; and

WHEREAS, the Town Council has reviewed the proposed policy, and finds that adopting it is in the best interests of the Town, its residents and public safety employees.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Town of Huachuca City, Arizona, that the policy attached hereto as Exhibit A is hereby approved.

BE IT FURTHER RESOLVED that the Town Manager is hereby authorized and directed to implement the policy forthwith.

PASSED AND ADOPTED BY THE MAYOR AND TOWN COUNCIL OF THE TOWN OF HUACHUCA CITY, COCHISE COUNTY, ARIZONA, THIS 23rd DAY OF JUNE, 2025.

Johann Wallace, Mayor

ATTEST:

Brandye Thorpe, Town Clerk

Approved as to Form:

Thomas Benavidez, Town Attorney

[Exhibit A]

[PSPRS Funding Policy Must Be Attached]

Town of Huachuca City
Public Safety Personnel Retirement System
Pension Funding Policy

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

Several terms are used throughout this policy:

Unfunded Actuarial Accrued Liability (UAAL) – Is the difference between trust assets and the estimated future cost of pensions earned by employees. This UAAL results from actual results (interest earnings, member mortality, disability rates, etc.) being different from the assumptions used in previous actuarial valuations.

Annual Required Contribution (ARC) – Is the annual amount required to pay into the pension funds, as determined through annual actuarial valuations. It is comprised of two primary components: normal pension cost – which is the estimated cost of pension benefits earned by employees in the current year; and, amortization of UAAL – which is the cost needed to cover the unfunded portion of pensions earned by employees in previous years. The UAAL is collected over a period of time referred to as the amortization period. The ARC is a percentage of the current payroll.

Funded Ratio – Is a ratio of fund assets to actuarial accrued liability. The higher the ratio the better funded the pension is with 100% being fully funded.

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

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

Public Safety Personnel Retirement System (PSPRS)

PSPRS is administered as an agent multiple-employer pension plan. An agent multiple-employer plan has two main functions: 1) to comingle assets of all plans under its administration, thus achieving economy of scale for more cost efficient investments, and invest those assets for the benefit of all members under its administration and 2) serve as the statewide uniform administrator for the distribution of benefits.

Under an agent multiple-employer plan each agency participating in the plan has an individual trust fund reflecting that agencies' assets and liabilities. Under this plan all contributions are deposited to and distributions are made from that fund's assets, each fund

has its own funded ratio and contribution rate, and each fund has a unique annual actuarial valuation. The Town of Huachuca City has one trust fund for police employees.

Council formally accepts the assets, liabilities, and current funding ratio of the Town's PSPRS trust funds from the June 30, 2024 actuarial valuation (Page 32), which are detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Huachuca City Police	1,426,442	1,957,289	530,847	72.9%

PSPRS Funding Goal

Pensions that are less than fully funded place the cost of service provided in earlier periods (amortization of UAAL) on the current taxpayers. Fully funded pension plans are the best way to achieve taxpayer and member intergenerational equity. Most funds in PSPRS are significantly underfunded and falling well short of the goal of intergenerational equity.

The Council's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2036. Council established this goal for the following reasons:

- The PSPRS trust funds represent only the Town of Huachuca City's liability
- The fluctuating cost of an UAAL causes strain on the Town's budget, affecting our ability to provide services
- A fully funded pension is the best way to achieve taxpayer and member intergenerational equity

Council has taken the following actions to achieve this goal:

- Maintain ARC payment from operating revenues – Council is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY26 is $161,117 and will be able to be paid from operating funds without diminishing Town services.

Based on these actions the Council plans to achieve its goal of 100% funding by June 30, 2036, in accordance with the amortization timeline set forth by the PSPRS June 30, 2017 Actuarial Valuation.