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6-609 University Police Department Public Safety Personnel Retirement System Pension Funding Policy

This policy is the pension funding policy for university police department (“PD”) employees who are AZ post certified and regularly assigned hazardous duty and who participate in the Arizona Public Safety Personnel Retirement System (“police employees”). The intent of this policy is to comply with the statutory requirements of laws 2018, chapter 112.

A. Definitions

The following terms as used in this policy shall have the meanings set forth below unless otherwise specified:

1. “Unfunded Actuarial Accrued Liability” (“UAAL”) means 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.
2. “Annual Required Contribution” (“ARC”) means 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.
3. “Funded Ratio” means a ratio of fund assets to actuarial accrued liability. The higher the ratio the better funded the pension is with 100 percent being fully funded.
4. “Intergenerational Equity” means that no generation will be burdened by substantially more or less pension costs than past or future generations.

B. Arizona Public Safety Personnel Retirement System

June 2019

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1. The Arizona Public Safety Personnel Retirement System (“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 effective investments, and invest those assets for the benefit of all members under its administration; and 2) to serve as the statewide uniform administrator for the distribution of benefits.

Under an agent multiple-employer plan, each agency and university participating in the plan has an individual trust fund administered by PSPRS reflecting that agency’s/university’s 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. Thus, one trust fund exists for Arizona State University’s (“ASU”) police employees; one trust fund exists for Northern Arizona University’s (“NAU”) police employees; and one trust fund exists for the University of Arizona’s (“UA”) police employees.

2. Each university will annually submit to the Arizona board of regents (the “board”) for the board’s consideration and acceptance the assets, liabilities and current funding ratios of its PSPRS trust fund based on PSPRS’ most recent actuarial valuations for police employees hired before July 1, 2017. Each university will submit this information in the following format beginning with PSPRS’ June 30, 2018 actuarial valuations. The board will post this information on its website.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
ASUPD				
NAUPD				
UAPD				

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C. PSPRS Funding Goal

1. The board's PSPRS funding ratio goal for each university is to be 100 percent (fully funded) by June 30, 2036. Each university will take the following action, at minimum, to achieve that goal:
 - a. Make payments to PSPRS timely using the PSPRS payment portal, or other agreed upon method.
 - b. Maintain its full ARC payment from university operating funds.
2. Each university acknowledges and supports the following PSPRS funding goals:
 - a. 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 police employees and their beneficiaries.
 - b. Maintain stability of police employee and employer contribution rates, consistent with other funding objectives.
 - c. Maintain public policy goals of accountability and transparency. Each policy element is clear in intent and effect, and each should allow an assessment of whether, how and when the funding requirements of the plan will be met.
 - d. Promote intergenerational equity. Each generation of police employees and employers should incur the cost of benefits for the employees who provide services to them, rather than deferring those costs to future police employees and employers.
 - e. Provide a reasonable margin for adverse experience to help offset risks.
 - f. Continue progress of systematic reduction of the UAAL.
3. Each university will report the following to the board on an annual basis:

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- a. Its estimated combined university police department ARC for each fiscal year.
- b. Its actions toward achieving the board's PSPRS funding ratio goal.

D. Employer's Share of Assets and Liabilities

Beginning on or before July 1, 2019, the board shall annually accept ASU's, NAU's and UA's share of the assets and liabilities under the PSPRS based on the PSPRS' actuarial valuation report for each university.