

March 22, 2021

VIA EMAIL

Mr. D. Clark Partridge
 Senior Executive Consultant
 Public Safety Personnel Retirement System
 cpartridge@psprs.com

Re: Updated June 30, 2020 Valuation Results Reflecting Additional Funding – Flagstaff Fire (010)

Dear Clark,

As requested, we have prepared updated June 30, 2020 valuation results for the Flagstaff Fire Department to reflect additional funding made to significantly reduce their unfunded liability. This letter will provide the updated results.

Additional Funding

Based on education provided by PSPRS, many employers have considered ways to raise cash to reduce their PSPRS unfunded liability. Flagstaff Fire raised a total of \$62,199,900, which was deposited in the PSPRS trust over the two days ending August 11, 2020.

For this updated valuation, we have reflected this additional funding as a receivable contribution. The full amount was discounted back to the valuation date using the plan interest rate of 7.30% and then added to the plan assets used in the original valuation.

The rest of this letter will outline the impact that this additional funding had on both the funded status as of June 30, 2020 and contributions for the fiscal year ending in 2022. Note that this funding was applied towards pension liabilities of Tier 1 and 2 members. There was no impact on the funded status for Tier 3 pension or any health results.

Funded Status

The table below summarizes the funded status as of June 30, 2020 both before and after reflection of the additional funding.

Pension Funded Status (Tiers 1 & 2) as of June 30, 2020		
	Original	Additional Funding
Pension		
Actuarial Accrued Liability (AAL)	\$ 96,788,614	\$ 96,788,614
Actuarial Value of Assets (AVA)	38,561,674	100,259,324
Unfunded Actuarial Accrued Liability	58,226,940	(3,470,710)
Funded Ratio (AVA / AAL)	39.8%	103.6%

The employer is now over 100% funded on an actuarial accrued liability basis as of June 30, 2020.

Contribution Rate

A summary of the contribution requirements applicable for the fiscal year ending in 2022 are shown below as a percentage of compensation.

Contribution Requirements (Tiers 1 & 2)		
	Original	Additional Funding
Pension		
Normal Cost (net ER)	13.17%	13.17%
Amortization of Unfunded Liability	<u>72.31%</u>	<u>(2.40%)</u>
Total Employer Cost (Pension)	85.48%	10.77%
Health		
	0.00%	0.00%
Total Employer Cost (Pension + Health)	85.48%	10.77%
Projected Contribution Amount	\$ 4,840,520	\$ 609,879

The additional funding also has an impact on the contribution requirements for Tier 3 members, since the Legacy Cost is no longer applicable. Updated contributions are shown below.

Contribution Requirements (Tier 3)		
	Original	Additional Funding
Board Approved Employer Cost	9.94%	9.94%
Employer Legacy Cost	<u>72.31%</u>	<u>0.00%</u>
Total Board Approved Employer Cost	82.25%	9.94%
Projected Contribution Amount	\$ 847,038	\$ 102,365

Approach to Analysis

Our analysis makes use of the member data, assumptions, methods, and plan provisions, as summarized in the June 30, 2020 actuarial valuation report. The only changes to that analysis is for the additional funding, as outlined above.

Actuarial Certification

The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. This letter and the original PSPRS actuarial valuation report are considered an integral part of our analysis.

If there are any questions, concerns or comments about any of the information provided herein, please contact us.

Respectively submitted,



Paul M. Baugher, FSA, EA, MAAA