**FOSTER & FOSTER**
ACTUARIES AND CONSULTANTS

April 5, 2021 (revised)

**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 Police (011)*

Dear Clark,

As requested, we have prepared updated June 30, 2020 valuation results for the Flagstaff Police 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 Police raised a total of $55,060,461, 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) | $ 88,817,272 | $ 88,817,272 |
| Actuarial Value of Assets (AVA) | 36,911,538 | 91,527,398 |
| Unfunded Actuarial Accrued Liability | 51,905,734 | (2,710,126) |
| Funded Ratio (AVA / AAL) | 41.6% | 103.1% |

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) | 10.31% | 10.31% |
| Amortization of Unfunded Liability | 35.06% | (1.48%) |
| Total Employer Cost (Pension) | 45.37% | 8.83% |
| **Health** | 0.21% | 0.21% |
| **Total Employer Cost (Pension + Health)** | **45.58%** | **9.04%** |
| Projected Contribution Amount | $ 2,719,182 | $ 539,302 |

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 | 35.06% | 0.00% |
| **Total Board Approved Employer Cost** | **45.00%** | **9.94%** |
| Projected Contribution Amount | $ 1,174,806 | $ 259,502 |

**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

Paul M. Baugher, FSA, EA, MAAA