RESOLUTION NO. 2646

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF TOLLESON, ARIZONA, ADOPTING A PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS) PENSION FUNDING POLICY TO CLEARLY COMMUNICATE THE COUNCIL'S PENSION FUNDING OBJECTIVES, ITS COMMITMENT TO ITS EMPLOYEES AND THE SOUND FINANCIAL MANAGEMENT OF THE CITY, AND TO COMPLY WITH A.R.S § 38-863.01.

WHEREAS, the City of Tolleson (the "City") is a participant in the State of Arizona's Public Safety Personnel Retirement System ("PSPRS"), a multiple-employer pension plan; and

WHEREAS, under an agent multiple-employer plan, the City has two trust funds, one for police employees and one for fire employees, reflecting the City's assets and liabilities. Under this plan, all contributions are deposited to, and distributions are made from the fund's assets; and

WHEREAS, the City Council desires to adopt a PSPRS Pension Funding Policy, in order to clearly communicate the pension funding objectives of the City's PSPRS individual plan; and

WHEREAS, A.R.S. § 38-863.01 requires each participating agency in PSPRS shall adopt a pension funding policy annually for employees who were hired before July 1, 2017 reflecting the pension funding objectives of the participating agency's PSPRS individual plan; and

WHEREAS, the City Council has determined that adoption of the PSPRS Pension Funding Policy is in the best interests of the City and its residents.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF TOLLESON, ARIZONA, as follows:

Section 1. The recitals above are hereby incorporated as if fully set forth herein.

Section 2. The City of Tolleson, Arizona, hereby adopts the PSPRS Pension Funding Policy attached hereto as Exhibit A and incorporated herein by this reference.

Section 3. The City of Tolleson, Arizona, formally accepts the City's share of the assets and liabilities, based on the actuarial valuation report.

Section 4. The Mayor, City Manager, City Clerk and City Attorney are hereby authorized and directed to take all steps necessary to carry out the purpose and intent of this Resolution.

[SIGNATURES ON FOLLOWING PAGE]

PASSED AND ADOPTED by the Mayor and Council of the City of Tolleson, Arizona, on this 9th day of June, 2026.

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Juan F. Rodriguez, Mayor

ATTEST: ______________________________________
Crystal Zamora, City Clerk

APPROVED AS TO FORM: ______________________________________
Justin Pierce, City Attorney

EXHIBIT A

TO

RESOLUTION NO. 2646

[Public Safety Personnel Retirement System Pension Funding Policy]

See following pages.

City of Tolleson
Public Safety Personnel Retirement System
Pension Funding Policy
June 2026

The intent of this policy is to clearly communicate the Council's pension funding objectives, its commitment to our employees and the sound financial management of the City, and to comply with Arizona Revised Statute § 38-863.01.

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 City's police and fire 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 City has two trust funds, one for police employees and one for fire employees.

Council formally accepts the assets, liabilities, and current funding ratio of the City's PSPRS trust funds from the June 30, 2025 actuarial valuation, which are detailed below.

Trust Fund	**Assets**	**Accrued Liability**	**Unfunded Actuarial Accrued Liability**	**Funded Ratio**
Tolleson Police	22,684,482	22,577,788	(106,694)	100.5%
Tolleson Fire	27,001,183	27,300,729	299,546	98.9%
City Totals	49,685,665	49,878,517	192,852	99.6%

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

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 FY27 is $645,111 and will be able to be paid from operating funds without diminishing City services.
- Additional payments above the ARC have been budgeted and will be made, if necessary, as follows:
    - $2.0M for FY 2026
    - $1.5M for FY 2027

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, 2025 Actuarial Valuation.