



City of Goodyear

See meeting location
below

Meeting Minutes

Joint Public Safety Personnel Retirement Board

Monday, February 4, 2019

Goodyear City Hall, Room 204
190 N. Litchfield Rd.
Goodyear, AZ 85338

**Immediately following the Police Public Safety Personnel Retirement Board meeting that begins at
3:15 PM**

1. CALL TO ORDER

Chairman Stipp called the meeting to order at 3:25 p.m.

2. ROLL CALL

Present: 6 - Chairman Stipp, Vice Chairman Stewart, Boardmember Hernandez, Boardmember Doyle, Boardmember Hughes and Boardmember Mathias

Excused: 1 - Boardmember Mattie

**MOTION BY Boardmember Hughes, SECONDED BY Vice Chairman Stewart, to
EXCUSE Boardmember Mattie from the meeting. The motion carried by the following vote:**

Ayes: 6 - Chairman Stipp, Vice Chairman Stewart, Hernandez, Boardmember Doyle, Boardmember Hughes and Boardmember Mathias

Excused: 1 - Boardmember Mattie

Staff Present: Finance Director Doug Sandstrom, Board Secretary Darcie McCracken, Total Compensation Administrator Jeanni Ruddy, and City Clerk Specialist Alissa Magley

3. APPROVE MINUTES

[MINUTES](#) Approve draft minutes of the Joint Public Safety Personnel Retirement Board
[2019-04](#) meeting held on January 30, 2018.

**MOTION BY Boardmember Mathias, SECONDED BY Boardmember Doyle, to
APPROVE draft minutes of the Joint Public Safety Personnel Retirement Board meetings
held on January 30, 2018. The motion carried by the following vote:**

Ayes: 6 - Chairman Stipp, Vice Chairman Stewart, Hernandez, Boardmember Doyle, Boardmember Hughes and Boardmember Mathias

Excused: 1 - Boardmember Mattie

4. **CITIZENS COMMENTS/ APPEARANCES FROM THE FLOOR**

None.

5. **OLD BUSINESS**

None.

6. **NEW BUSINESS**

6.1 Review and discuss the 2018 Actuarial Report for Pension Funds

Finance Director Doug Sandstrom presented.

Fire

Summary of System

>100 total members (85 Active members, 10 Retirees, 5 DROP, 0 inactive/vested) - page D-1

>Three Tiered System

System	Hire Dates	Members	Average Age	Average years of Service
Tier I	Prior to 1/1/12	95	42.5	13.7
Tier II	1/1/12 and 6/30/17	Same as above	Same as above	Same as above
Tier III	7/1/17 and later	5	27.5	0.5

Goodyear Fire Department

	<u>FY2019</u>			<u>FY2020</u>		
	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III</u>	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III</u>
Employee	7.65%	11.65%	9.94%	7.65%	11.65%	9.94%
Employer	26.53%	26.53%	20.59%	27.84%	27.84%	21.84%
- Pension	15.88%	15.88%	9.94%	15.94%	15.94%	9.94%
- Legacy UL	<u>10.65%</u>	<u>10.65%</u>	<u>10.65%</u>	<u>11.90%</u>	<u>11.90%</u>	<u>11.90%</u>
	<u>34.18%</u>	<u>38.18%</u>	<u>30.53%</u>	<u>35.49%</u>	<u>39.49%</u>	<u>31.78%</u>
Funded Status	74.7%		n/a	70.8%		89.3%

>First year that actuarial performed on Tier III

>PSPRS Board voted to maintain rates

- Actuatial rate would have increased to 10.02%
- Rate Smoothing
- Minimal Increases

- >Contribution rates have stabilized (increase of 1.31%)
- >Main Causes of Decreased Funded Status: (*page 2*)
 - Asset Losses (-0.7%) - Average return of 5.9% is less than anticipated 7.4% earnings
 - Payroll Base (-4.5%) - Overall payroll was higher than anticipated which decreases funded status
 - COLA (-0.1%) - 2% COLA exceeded 1.75% assumption
 - Hall/Parker Settlement (-2.0%) - Final disposition of settlement
 - Other (3.7%)
 - * All other factors (turnover, retirement, disabilities, etc...Experience that differs from expectations)
- >Looking Ahead
 - Market smoothing and lower payroll increases positively impact rates and funding status
 - Unrecognized investment losses continue to push up rates, absent market gains

Notable Pages

- A-2 Breakout of Contribution Rate and amount
- A-4 Impact of additional contributions
- A-5 Historical Rates
- B-1 Funding Ratio Detail (Tier I & II)
- B-2 Funding Ratio Detail (Tier III)
- B-4 Forecasted rates thru 2030

Police

Summary

- >148 total members (105 Active members, 24 Retirees, 3 DROP, 16 inactive/vested) - page D-1
- >Three Tiered System

System	Hire Dates	Members	Average Age	Average years of Service
Tier I	Prior to 1/1/12	143	38.8	10.2
Tier II	1/1/12 and 6/30/17	Same as above	Same as above	Same as above
Tier III	7/1/17 and later	5	31.9	0.8

Goodyear Police Department

	FY2019			FY2020		
	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III</u>	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III</u>
Employee	7.65%	11.65%	9.94%	7.65%	11.65%	9.94%
Employer	30.70%	30.70%	25.34%	29.05%	29.05%	23.80%
- Pension	15.30%	15.30%	9.94%	15.19%	15.19%	9.94%
- Legacy UL	<u>15.40%</u>	<u>15.40%</u>	<u>15.40%</u>	<u>13.86%</u>	<u>13.86%</u>	<u>13.86%</u>
	<u>38.35%</u>	<u>42.35%</u>	<u>35.28%</u>	<u>36.70%</u>	<u>40.70%</u>	<u>33.74%</u>
Funded Status	62.8%			63.1%		
	n/a			89.3%		

- >First year that actuarial performed on Tier III
- >PSPRS Board voted to maintain rates
 - Actuarial rate would have increased to 10.09%
 - Rate Smoothing
 - Minimal increases
- >Contribution rates have stabilized (decrease of 1.65%)
- >Main Causes of Decreased Funded Status: (*page 2*)
 - Asset Losses (-0.6%) - Average return of 5.9% is less than anticipated 7.4% earnings
 - Payroll Base (-2.5%) - Overall payroll was higher than anticipated which decreases funded status
 - COLA (0.0%) - 2% COLA exceeded 1.75% assumption
 - Hall/Parker Settlement (-1.4%) - Final disposition of settlement
 - Other (5.5%)
 - * All other factors (turnover, retirement, disabilities, etc...Experience that differs from expectations)
- >Looking Ahead
 - Market smoothing and lower payroll increases positively impact rates and funding status
 - Unrecognized investment losses continue to push up rates, absent market gains

Notable Pages

- A-2 Breakout of Contribution Rate and amount
- A-4 Impact of additional contributions
- A-5 Historical Rates
- B-1 Funding Ratio Detail (Tier I & II)
- B-2 Funding Ratio Detail (Tier III)
- B-4 Forecasted rates thru 2030

Board Discussion:

>The Board questioned whether the new hires coming in the future were accounted for in these calculations or will that effect the funding status. Mr. Sandstrom explained that any new hires will come in under Tier III. The impact on Tier I and II in the current calculations were affected by a larger payroll increase than anticipated.

MOTION BY Boardmember Hernandez, SECONDED BY Vice Chairman Stewart, to ACCEPT the 2018 Actuarial Report for Pension Funds. The motion carried by the following vote:

Ayes: 6 - Chairman Stipp, Vice Chairman Stewart, Hernandez, Boardmember Doyle, Boardmember Hughes and Boardmember Mathias

Excused: 1 - Boardmember Mattie

6.2 Review and discuss Public Safety Personnel Retirement System Funding Policy

Finance Director Doug Sandstrom presented the Public Safety Personnel Retirement System (PSPRS) FY2020 Pension Funding Policy. Council formally accepts the assets, liabilities and current funding ratio of the city's PSPRS trust funds from the June 30, 2018 actuarial valuation. Pensions that are less than fully funded place the cost of service provided in earlier periods 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.

Current funded ratios are Goodyear Police at 63.1% and Goodyear Fire at 70.8%. The Council's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2037.

Council has taken the following actions to achieve this goal:

- Maintaining the full Annual Required Contribution (ARC) from operating funds. The estimated combined ARC for FY2020 is \$5,474,789 and will be payable from operating funds.
- Additional payments above the ARC have been made and will be made according to prepayments within the first 90 days of the fiscal year from the Employer and Employee.
- Pre-funding the full city contribution and a portion of employee contributions has increased investment returns applied directly to the city's PSPRS accounts.

Consideration of additional funding appropriations from the general fund are reviewed annually.

Board Discussion:

>The Board asked what is the advantage to buying down the contribution with one-time monies. Mr. Sandstrom explained that the advantage would be to lower the percentage of Employer contribution and reduce the time to become fully funded.

7. INFORMATION ITEMS

None.

8. ADJOURNMENT

There being no further business to discuss, Chairman Stipp adjourned the meeting at 3:42 p.m.

Respectfully Submitted by:

Darcie McCracken, Secretary

Bill Stipp, Chairman

Date: _____