

Golder Ranch Fire District Public Safety Personnel Retirement System Pension Funding Policy

The intent of this policy is to clearly communicate the Board's pension funding objectives and its commitment to our employees and the sound financial management of the Golder Ranch Fire District and to comply with new statutory requirements of Laws 2018, Chapter 112.

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 Golder Ranch Fire District's 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 commingle 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 Golder Ranch Fire District has one trust fund for fire employees.

The Board formally accepts the assets, liabilities, and current funding ratio of the Golder Ranch Fire District's PSPRS trust funds from the June 30, 2021 actuarial valuation, which are detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Tiers 1&2	\$61,886,752	\$85,570,873	\$23,684,121	72.30%
Tier 3	\$45,863,401	\$42,733,537	(\$3,129,864)	107.30%

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 Boards PSPRS funding ratio goal was 100% (fully funded) by July 1, 2021. Board established this goal for the following reasons:

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

The Board has taken/will take the following actions to achieve this goal:

- Maintain ARC payment from operating revenues – The Board is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY2023 will be \$2,002,820 and will be paid from operating funds without diminishing Golder Ranch Fire District services.
- Additional payments above the ARC
The District has sold COP (Certificates of Participation Bonds) with a par value of \$28,000,000. Proceeds from the sale of these bonds have provided for a 100% funded ratio to the District's Tier 1&2 Pension Trust. The servicing of these COP bonds has been provided for in the approved 2023 O&M Budget.
- Contingency Reserve Fund-
The District has committed and fully funded \$2M of General Fund Reserves as well as all residual proceeds from the sale of COP Bonds to the establishment of a Contingency Reserve Fund. This fund will provide future funding if necessary to the District's pension trust obligation in order to maintain a near 100% funding ratio of assets to liabilities.