



# **Arizona Public Safety Personnel Retirement System**

**MESA POLICE DEPT. (018)**

Actuarial Valuation

*As of June 30, 2025  
Contributions Applicable to the Plan/  
Fiscal Year Ending June 30, 2027*

**FOSTER & FOSTER**  
ACTUARIES AND CONSULTANTS

November 2025

Board of Trustees  
Arizona Public Safety Personnel Retirement System

Re: Actuarial Valuation as of June 30, 2025 for Mesa Police Dept. (018)

Dear Members of the Board,

This report details the annual actuarial valuation of the Arizona Public Safety Personnel Retirement System (PSPRS) as of June 30, 2025. The valuation was performed to measure the plan's liability and funding levels and to determine the actuarially appropriate funding requirements for the applicable plan year. This report was prepared for use by the Board and those designated or approved by the Board. Use of the results for other purposes may not be applicable and could produce significantly different results.

#### **DATA AND ASSUMPTIONS**

In preparing this report, we have relied on personnel, plan design, and asset information supplied by PSPRS. In our opinion, the assumptions used in the valuation, as adopted by the Board, represent reasonable expectations of anticipated fund experience. Other sets of assumptions and methods could also be reasonable and could produce materially different results. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

#### **DISCLOSURES AND LIMITATIONS**

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

The computed contribution rates shown in the "Contribution Results" section should be considered minimum contribution rates that comply with the Board's funding policy and Arizona Statutes. Users of this report should be aware that contributions made at that rate do not guarantee benefit security. Given the importance of benefit security to any retirement system, we suggest that contributions to the System in excess of those presented in this report be considered.

The funding percentages and unfunded accrued liability as measured based on the actuarial value of assets will differ from similar measures based on the market value of assets. These measures, as provided, are

appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of its liabilities.

This valuation assumes the continuing ability of the participating employers to make the contributions necessary to fund this plan. A determination regarding whether or not the participating employers are actually able to do so is outside our scope of expertise. Consequently, we did not perform such an analysis.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

#### **ACTUARIAL CERTIFICATION**


The valuation has been conducted in accordance with all applicable laws and regulations, as well as generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board; specifically No. 6 for Measuring Retiree Group Benefit Obligations/No. 4 for Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, No. 23 for Data Quality, No. 27 for Selection of Economic Assumptions for Measuring Pension Obligations, No. 35 for Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, No. 44, Selection and Use of Asset Valuation Methods for Pension Valuations, and No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations.

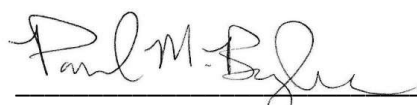
In our opinion, the Minimum Required Contribution set forth in this report constitutes a reasonable actuarially determined contribution under Actuarial Standard of Practice No. 4.

The undersigned are familiar with the immediate and long-term aspects of pension/OPEB valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on this report has any direct financial interest or indirect material interest in the Arizona Public Safety Personnel Retirement System, nor does anyone at Foster & Foster, Inc. act as a member of the PSPRS Board of Trustees. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

Respectfully submitted,  
Foster & Foster, Inc.

  
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Bradley R. Heinrichs, FSA, EA, MAAA

  
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# TABLE OF CONTENTS

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<b>SUMMARY</b> .....	<b>5</b>
<b>CONTRIBUTION RESULTS</b> .....	<b>8</b>
Development of Employer Contributions – Tiers 1 & 2 Members.....	8
Development of Employer Contributions – Tier 3 Defined Benefit (DB) Members.....	9
Development of Contributions – Tier 3 Defined Contribution (DC) Members.....	10
Contribution Rate Summary.....	11
Impact of Additional Contributions.....	12
Historical Summary of Rates.....	13
<b>LIABILITY SUPPORT</b> .....	<b>14</b>
Liabilities and Funded Ratios by Benefit - Tiers 1 & 2.....	14
Liabilities and Funded Ratios by Benefit - Tier 3.....	15
Derivation of Experience (Gain)/Loss.....	16
Amortization of Unfunded Liabilities - Tiers 1 & 2.....	17
Amortization of Unfunded Liabilities - Tier 3.....	17
<b>ASSET SUPPORT</b> .....	<b>18</b>
<b>MEMBER STATISTICS</b> .....	<b>23</b>
Statistical Data – Active Members.....	23
Statistical Data – Inactive Members.....	24
Active Age, Service and Pay Distributions – Tiers 1 & 2.....	25
Active Age, Service and Pay Distributions – Tier 3.....	26
Age Distributions – Inactive Members.....	27
<b>ACTUARIAL ASSUMPTIONS AND METHODS</b> .....	<b>28</b>
<b>PLAN PROVISIONS</b> .....	<b>35</b>
<b>ACTUARIAL FUNDING POLICY</b> .....	<b>41</b>
<b>SUPPLEMENTARY INFORMATION</b> .....	<b>46</b>
Glossary.....	46
Discussion of Risk.....	50

## SUMMARY

The regular annual actuarial valuation of the Arizona Public Safety Personnel Retirement System for the Mesa Police Dept., performed as of June 30, 2025, has been completed and the results are presented in this Report. The purpose of this valuation is to:

- Compute the employers’ recommended contribution rates for the fiscal year ending June 30, 2027. This information is contained in the section entitled “Contribution Results”.
- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members and compare accumulated assets with the liabilities to assess the funded condition. This information is contained in the section entitled “Liability Support.”

Valuation Date Applicable to Fiscal Year Ending	June 30, 2025 2027	June 30, 2024 2026
<b>EMPLOYER CONTRIBUTION REQUIREMENTS (AS A PERCENTAGE OF PAYROLL)</b>		
Tiers 1 & 2 Members		
Pension	60.24%	58.16%
Health	1.51%	1.33%
Total	61.75%	59.49%
Tier 3 Members <sup>1</sup>		
Pension	8.49%	7.96%
Health	0.08%	0.09%
Total	8.57%	8.05%
<b>FUNDED STATUS</b>		
Tiers 1 & 2 Members		
Pension	56.5%	52.4%
Health	48.4%	48.2%
Total	56.4%	52.3%
Tier 3 Members		
Pension	106.3%	111.3%
Health	303.5%	355.1%
Total	108.6%	114.2%

<sup>1</sup> The Tier 3 rates shown are the calculated rates as of the valuation date and do not reflect any Legacy costs that the employer must also contribute.

## CHANGES FROM PRIOR YEAR

Changes in the results from the prior year’s valuation can be illustrated in the following tables along with high-level explanations for the entire System below:

### CONTRIBUTION RATE

	Tiers 1 & 2		Tier 3 Members	
	Pension	Health	Pension	Health
Contribution Rate Last Valuation	58.16%	1.33%	7.96%	0.09%
Asset Experience	(0.41%)	(0.01%)	(0.17%)	(0.01%)
Payroll Base	2.56%	0.06%	0.00%	0.00%
Liability Experience	(2.53%)	0.02%	(0.22%)	0.01%
Additional Contribution	(1.19%)	0.00%	0.00%	0.00%
Assumption/Method Change	2.06%	0.05%	0.00%	0.00%
Compensation Limit Update	0.00%	0.00%	0.71%	0.00%
Other	<u>1.59%</u>	<u>0.06%</u>	<u>0.21%</u>	<u>(0.01%)</u>
Contribution Rate This Valuation	60.24%	1.51%	8.49%	0.08%

### FUNDED STATUS

	Tiers 1 & 2		Tier 3 Members	
	Pension	Health	Pension	Health
Funded Status Last Valuation	52.4%	48.2%	111.3%	355.1%
Asset Experience	0.4%	0.4%	1.9%	6.2%
Liability Experience	1.3%	(0.3%)	2.6%	(50.7%)
Additional Contribution	1.1%	0.0%	0.0%	0.0%
Assumption/Method Change	0.0%	0.0%	0.0%	0.0%
Compensation Limit Update	0.0%	0.0%	0.0%	0.0%
Other	<u>1.3%</u>	<u>0.1%</u>	<u>(9.5%)</u>	<u>(7.1%)</u>
Funded Status This Valuation	56.5%	48.4%	106.3%	303.5%

**Asset Experience** – Asset gains and losses (relative to the assumed earnings rate) are smoothed over seven years for Tiers 1 and 2 and over five years for Tier 3. The return on the market value of assets for the year ending June 30, 2025 was 11.0% for Tiers 1 and 2 and 12.5% for Tier 3. On a smoothed, actuarial value of assets basis, the average return was 7.9% for Tiers 1 and 2 and 9.2% for Tier 3. The returns exceeded the 2024 assumed earnings rate for Tiers 1 and 2 of 7.2% and the 2024 assumed earnings rate for Tier 3 of 7.0%.

**Payroll Base** – Under the current amortization policy for Tiers 1 and 2, the contribution rate is developed as a level percentage of payroll. Payroll for this purpose includes members of this plan and the defined contribution plan’s members that would have been in this plan. To the extent that actual payroll is lower/greater than last year’s projected payroll, the contribution rate will increase/decrease as a result.

**Liability Experience** – Experience overall was unfavorable, with key sources of loss coming from inactive mortality, actual COLAs, and other data changes.

**Additional Contribution** – Monies contributed in excess of the required contribution rate in order to pay down the unfunded liability.

**Assumption / Method Change** – The Board continued the decrease in the payroll growth assumption from 1.50% to 0.75%.

**Compensation Limit Update** – The Tier 3 compensation limit was updated, as scheduled, with a sizable increase over expectation.

**Other** – This is the combination of all other factors that could impact liabilities year-over-year, with the primary sources being changes in benefits for continuing inactive. Tier 3 members were also impacted by the increase in the compensation limit.

## CONTRIBUTION RESULTS

### DEVELOPMENT OF EMPLOYER CONTRIBUTIONS – TIERS 1 & 2 MEMBERS

Valuation Date Applicable to Fiscal Year Ending	June 30, 2025		June 30, 2024	
	2027		2026	
	Rate	Dollar	Rate	Dollar
<b>PENSION</b>				
Normal Cost				
Total Normal Cost	21.92%	\$ 10,594,855	21.21%	\$ 12,264,000
Employee Cost	<u>(7.65%)</u>	<u>(3,697,566)</u>	<u>(7.65%)</u>	<u>(4,423,366)</u>
Employer (Net) Normal Cost	14.27%	6,897,289	13.56%	7,840,634
Amortization of Unfunded Liability	<u>45.97%</u>	<u>22,219,229</u>	<u>44.60%</u>	<u>25,788,515</u>
Total Employer Cost (Pension)	60.24%	29,116,518	58.16%	33,629,149
<b>HEALTH</b>				
Normal Cost	0.33%	159,503	0.31%	179,248
Amortization of Unfunded Liability	<u>1.18%</u>	<u>570,343</u>	<u>1.02%</u>	<u>589,782</u>
Total Employer Cost (Health)	1.51%	729,846	1.33%	769,030
<b>Total Employer Cost (Pension + Health)</b>	<b>61.75%</b>	<b>29,846,364</b>	<b>59.49%</b>	<b>34,398,179</b>
Alternate Contribution Rate (ACR) <sup>1</sup>	47.15%		45.62%	
Underlying Payroll (as of valuation date)		47,974,385		56,967,273

The results above are based on the current amortization schedule approved by the Board of Trustees for your individual plan (see "Actuarial Assumptions and Methods").

<sup>1</sup> The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to an 8% minimum) and is charged when retirees return to active status.

### DEVELOPMENT OF EMPLOYER CONTRIBUTIONS – TIER 3 DEFINED BENEFIT (DB) MEMBERS

Valuation Date Applicable to Fiscal Year Ending	June 30, 2025		June 30, 2024	
	2027		2026	
	Rate	Dollar	Rate	Dollar
<b>PENSION</b>				
Total Normal Cost	16.98%	\$ 6,522,738	15.91%	\$ 5,314,126
Amortization of Unfunded Liability	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>
Total Pension Cost	16.98%	6,522,738	15.91%	5,314,126
<b>HEALTH</b>				
Total Normal Cost	0.16%	61,463	0.17%	56,782
Amortization of Unfunded Liability	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>
Total Health Cost	0.16%	61,463	0.17%	56,782
<b>TOTAL</b>				
Calculated Tier 3 Required EE/ER Individual Cost	8.57%	3,292,101	8.05%	2,685,454
Funding Policy Tier 3 Required EE/ER Individual Cost <sup>1</sup>	8.33%	3,199,906	8.33%	2,782,317
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities <sup>2</sup>	47.15%	18,112,314	45.62%	15,237,612
<b>Funding Policy Tier 3 ER Defined Benefit Cost</b>	<b>55.48%</b>	<b>21,312,220</b>	<b>53.95%</b>	<b>18,019,930</b>
Underlying Payroll (as of valuation date)		38,128,278		32,907,554

<sup>1</sup> The “Funding Policy” cost was adopted in 2023 and first reflected in the June 30, 2023 valuation. This cost is a 3-year rolling average of the actual calculated costs. The total cost is split equally between employer and employee, in compliance with state statutes. Note that pension and health monies are split differently for the two parties based on IRS requirements. More information on this breakout is included in the “Historical Summary of Rates”.

<sup>2</sup> Pursuant to ARS § 38-843(B), the amortization of positive unfunded liabilities for Tiers 1 & 2 shall be applied to all Tier 3 payroll on a level percent basis. However, while it is statutorily required to present the rates in this manner, these are the minimums where alternate methods for paying down that unfunded liability is at the discretion of each employer. Further, to understand the effects of reform in relation to Tier 3, compare the total rate of Tier 3 before application of those legacy costs.

**DEVELOPMENT OF CONTRIBUTIONS – TIER 3 DEFINED CONTRIBUTION (DC) MEMBERS**

Valuation Date Applicable to Fiscal Year Ending	June 30, 2025		June 30, 2024	
	2027		2026	
	Rate	Dollar	Rate	Dollar
<b>TIER 2 &amp; 3 DB / NON-SOCIAL SECURITY</b>				
Employee Cost	3.00%		3.00%	
Employer Cost <sup>1</sup>	3.00%		3.00%	
<b>TIER 3 DC ONLY</b>				
Employee Cost	9.00%	\$ 42,952	9.00%	\$ 21,748
Employee Health Subsidy Program Cost	0.18%	859	0.20%	483
Employee Disability Program Cost	<u>1.60%</u>	<u>7,636</u>	<u>1.54%</u>	<u>3,721</u>
<b>Total Employee Cost</b>	<b>10.78%</b>	<b>51,447</b>	<b>10.74%</b>	<b>25,952</b>
Employer Cost	9.00%	42,952	9.00%	21,748
Employer Health Subsidy Program Cost	0.18%	859	0.20%	483
Employer Disability Program Cost	<u>1.60%</u>	<u>7,636</u>	<u>1.54%</u>	<u>3,721</u>
<b>Total Employer Cost (before Legacy)</b>	<b>10.78%</b>	<b>51,447</b>	<b>10.74%</b>	<b>25,952</b>
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities <sup>2</sup>	47.15%	225,020	45.62%	110,238
<b>Total Employer Cost (with Legacy)</b>	<b>57.93%</b>	<b>276,467</b>	<b>56.36%</b>	<b>136,190</b>
Underlying Payroll (as of valuation date)		473,689		238,073

<sup>1</sup> Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date.

<sup>2</sup> Pursuant to ARS § 38-843(B), the amortization of positive unfunded liabilities for Tiers 1 & 2 shall be applied to all Tier 3 payroll on a level percent basis. However, while it is statutorily required to present the rates in this manner, these are the minimums where alternate methods for paying down that unfunded liability is at the discretion of each employer. Further, to understand the effects of reform in relation to Tier 3, compare the total rate of Tier 3 before application of those legacy costs.

## CONTRIBUTION RATE SUMMARY

Membership Date On or After Participates in Social Security Available Retirement Plan <sup>1</sup>	Tier 1	Tier 2		Tier 3		
	7/1/1968	1/1/2012		7/1/2017		
	N/A	Yes	No	Yes	No	N/A
	DB Only	DB Only	Hybrid	DB Only	Hybrid	DC Only
<b>EMPLOYEE CONTRIBUTION RATE</b>						
PSPRS DB Rate	7.65%	7.65%	7.65%	8.33%	8.33%	
PSPRS DC Rate			3.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.18%
PSPDCRP Disability Program Rate						1.60%
<b>Total EE Contribution Rate</b>	<b>7.65%</b>	<b>7.65%</b>	<b>10.65%</b>	<b>8.33%</b>	<b>11.33%</b>	<b>10.78%</b>
<b>EMPLOYER CONTRIBUTION RATE</b>						
PSPRS DB Normal Cost	14.60%	14.60%	14.60%	8.33%	8.33%	
PSPRS DB Tier 1 & 2 Legacy Cost <sup>2</sup>	47.15%	47.15%	47.15%	47.15%	47.15%	47.15%
PSPRS DC Rate			3.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.18%
PSPDCRP Disability Program Rate						1.60%
<b>Total ER Contribution Rate</b>	<b>61.75%</b>	<b>61.75%</b>	<b>64.75%</b>	<b>55.48%</b>	<b>58.48%</b>	<b>57.93%</b>
<b>Employer Alternate Contribution Rate <sup>3</sup></b>	<b>47.15%</b>	<b>47.15%</b>	<b>47.15%</b>	<b>47.15%</b>	<b>47.15%</b>	<b>47.15%</b>

Exhibit summarizes employee and employer contributions based on Statute and the results of June 30, 2025 actuarial valuation. Pension and health components are combined, where applicable.

<sup>1</sup> Employers that pay into Social Security on behalf of their members do not participate in the Hybrid Plan.

<sup>2</sup> Per statute (ARS § 38-843(B)), any positive unfunded liability for Tiers 1 and 2 is to be applied to all Tier 3 (DB and DC) payrolls

<sup>3</sup> The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to an 8% minimum) and is charged when retirees return to active status.

## IMPACT OF ADDITIONAL CONTRIBUTIONS

Impact On	Additional Contribution (000s)										
	\$0	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000	\$80,000	\$90,000	\$100,000
Funded Status - June 30, 2025	56.5%	57.5%	58.4%	59.3%	60.3%	61.2%	62.1%	63.1%	64.0%	64.9%	65.9%
FYE 2027 Contribution Rate	60.24%	59.24%	58.23%	57.23%	56.23%	55.23%	54.22%	53.22%	52.22%	51.21%	50.21%

Table shows the hypothetical change in the funded status and contribution rate from the June 30, 2025 actuarial valuation results for Tiers 1 & 2 if an additional contribution of the amount shown had been made to the Fund on June 30, 2025. This illustration can help estimate the impact of contributing additional monies to the fund in the future.

## HISTORICAL SUMMARY OF RATES

	Valuation Date June 30	Fiscal Year Ending June 30	Pension			Health		
			Normal Cost	Unfunded Amortization	Total	Normal Cost	Unfunded Amortization	Total
<b>TIERS 1 &amp; 2</b> (Employer)	2021	2023	13.61%	45.15%	58.76%	0.40%	1.08%	1.48%
	2022	2024	13.61%	45.03%	58.64%	0.39%	1.12%	1.51%
	2023	2025	13.94%	47.28%	61.22%	0.36%	1.14%	1.50%
	2024	2026	13.56%	44.60%	58.16%	0.31%	1.02%	1.33%
	2025	2027	14.27%	45.97%	60.24%	0.33%	1.18%	1.51%
<b>TIER 3 <sup>1</sup></b> (Employer)	2021	2023	10.02%	0.00%	10.02%	0.21%	0.00%	0.21%
	2022	2024	9.11%	0.00%	9.11%	0.21%	0.00%	0.21%
	2023	2025	8.57%	0.00%	8.57%	0.10%	0.00%	0.10%
	2024	2026	8.14%	0.00%	8.14%	0.19%	0.00%	0.19%
	2025	2027	8.16%	0.00%	8.16%	0.17%	0.00%	0.17%
<b>TIER 3</b> (Employee)	2021	2023	10.02%	0.00%	10.02%	0.21%	0.00%	0.21%
	2022	2024	9.11%	0.00%	9.11%	0.21%	0.00%	0.21%
	2023	2025	8.57%	0.00%	8.57%	0.10%	0.00%	0.10%
	2024	2026	8.33%	0.00%	8.33%	0.00%	0.00%	0.00%
	2025	2027	8.33%	0.00%	8.33%	0.00%	0.00%	0.00%

<sup>1</sup> All Tier 3 rates shown (employer and employee) are Board approved Funding Policy rates. Starting in 2023, these rates are a 3-year rolling average of calculated EE/ER rates. Does not reflect Legacy costs that the employer must also contribute.

## LIABILITY SUPPORT

### LIABILITIES AND FUNDED RATIOS BY BENEFIT - TIERS 1 & 2

	June 30, 2025	June 30, 2024
<b>PENSION</b>		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 680,329,102	\$ 647,068,352
DROP Members	156,763,537	145,458,796
Vested Members	4,040,115	2,561,613
Active Members	<u>307,612,524</u>	<u>358,552,375</u>
Total Actuarial Present Value of Benefits	1,148,745,278	1,153,641,136
Actuarial Accrued Liability (AAL)		
All Inactive Members	841,132,754	795,088,761
Active Members	<u>230,926,242</u>	<u>268,551,902</u>
Total Actuarial Accrued Liability	1,072,058,996	1,063,640,663
Actuarial Value of Assets (AVA)	606,139,744	557,427,131
Unfunded Actuarial Accrued Liability	465,919,252	506,213,532
PVB Funded Ratio (AVA / PVB)	52.8%	48.3%
AAL Funded Ratio (AVA / AAL)	56.5%	52.4%
<b>HEALTH</b>		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 17,577,252	\$ 16,967,627
DROP Members	2,158,694	2,188,023
Active Members	<u>4,323,134</u>	<u>4,740,188</u>
Total Present Value of Benefits	24,059,080	23,895,838
Actuarial Accrued Liability (AAL)		
All Inactive Members	19,735,946	19,155,650
Active Members	<u>3,291,048</u>	<u>3,560,992</u>
Total Actuarial Accrued Liability	23,026,994	22,716,642
Actuarial Value of Assets (AVA)	11,133,742	10,947,490
Unfunded Actuarial Accrued Liability	11,893,252	11,769,152
PVB Funded Ratio (AVA / PVB)	46.3%	45.8%
AAL Funded Ratio (AVA / AAL)	48.4%	48.2%

Pension and health liabilities were not impacted under the lateral transfer methodology.

### LIABILITIES AND FUNDED RATIOS BY BENEFIT - TIER 3

	June 30, 2025	June 30, 2024
<b>PENSION</b>		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 672,375	\$ 0
Vested Members	941,275	644,924
Active Members	<u>109,785,680</u>	<u>76,998,432</u>
Total Actuarial Present Value of Benefits	111,399,330	77,643,356
Actuarial Accrued Liability (AAL)		
All Inactive Members	1,613,650	644,924
Active Members	<u>23,280,044</u>	<u>16,284,849</u>
Total Actuarial Accrued Liability	24,893,694	16,929,773
Actuarial Value of Assets (AVA)	26,469,650	18,840,617
Unfunded Actuarial Accrued Liability	(1,575,956)	(1,910,844)
PVB Funded Ratio (AVA / PVB)	23.8%	24.3%
AAL Funded Ratio (AVA / AAL)	106.3%	111.3%
<b>HEALTH</b>		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 25,139	\$ 0
Active Members	<u>1,064,121</u>	<u>863,243</u>
Total Present Value of Benefits	1,089,260	863,243
Actuarial Accrued Liability (AAL)		
All Inactive Members	25,139	0
Active Members	<u>260,904</u>	<u>205,485</u>
Total Actuarial Accrued Liability	286,043	205,485
Actuarial Value of Assets (AVA)	868,091	729,765
Unfunded Actuarial Accrued Liability	(582,048)	(524,280)
PVB Funded Ratio (AVA / PVB)	79.7%	84.5%
AAL Funded Ratio (AVA / AAL)	303.5%	355.1%

The liabilities shown on this page are the liabilities for Mesa Police Dept. Tier 3 members.

### DERIVATION OF EXPERIENCE (GAIN)/LOSS

	Tiers 1 & 2		Tier 3	
	Pension	Health	Pension	Health
(1) Unfunded Actuarial Accrued Liability as of June 30, 2024	506,213,532	11,769,152	(1,910,844)	(524,280)
(2) Normal Cost Developed in Last Valuation	7,840,634	179,248	2,658,733	30,061
(3) Actual Contributions	58,090,553	1,115,658	2,860,417	67,338
(4) Expected Interest On (1), (2), and (3)	34,956,986	820,819	(47,337)	(37,966)
(5) Expected Unfunded Actuarial Accrued Liability as of June 30, 2025: (1)+(2)-(3)+(4)	490,920,599	11,653,561	(2,159,865)	(599,523)
(6) Changes to UAAL Due to Assumptions, Methods and Benefits	0	0	0	0
(7) Change to UAAL Due to Actuarial (Gain)/Loss	<u>(25,001,347)</u>	<u>239,691</u>	<u>583,909</u>	<u>17,475</u>
(8) Unfunded Actuarial Accrued Liability as of June 30, 2025	465,919,252	11,893,252	(1,575,956)	(582,048)

### AMORTIZATION OF UNFUNDED LIABILITIES - TIERS 1 & 2

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate
<b>PENSION</b>	6/30/2019	369,612,219	21	36.24%
	6/30/2021	16,170,998	21	1.63%
	6/30/2022	18,529,189	21	1.87%
	6/30/2023	39,070,735	21	3.95%
	6/30/2024	38,982,287	21	3.94%
	6/30/2025	<u>(16,446,176)</u>	21	<u>(1.66%)</u>
	Total		465,919,252	
<b>HEALTH</b>	6/30/2019	9,212,536	21	0.90%
	6/30/2021	1,021,241	21	0.10%
	6/30/2022	559,282	21	0.06%
	6/30/2023	453,396	21	0.05%
	6/30/2024	248,489	21	0.03%
	6/30/2025	<u>398,308</u>	21	<u>0.04%</u>
	Total		11,893,252	

### AMORTIZATION OF UNFUNDED LIABILITIES - TIER 3

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate <sup>1</sup>
<b>PENSION</b>	6/30/2018	741	3	0.00%
	6/30/2019	(162,067)	4	(0.12%)
	6/30/2020	181,017	5	0.11%
	6/30/2021	(249,043)	6	(0.13%)
	6/30/2022	(386,146)	7	(0.18%)
	6/30/2023	(548,423)	8	(0.23%)
	6/30/2024	(573,499)	9	(0.22%)
	6/30/2025	<u>161,464</u>	10	<u>0.06%</u>
Total		(1,575,956)		0.00%
<b>HEALTH</b>	6/30/2018	(49)	3	0.00%
	6/30/2019	(13,323)	4	(0.01%)
	6/30/2020	(46,670)	5	(0.03%)
	6/30/2021	(129,198)	6	(0.07%)
	6/30/2022	(65,184)	7	(0.03%)
	6/30/2023	(83,667)	8	(0.03%)
	6/30/2024	(133,806)	9	(0.05%)
	6/30/2025	<u>(110,151)</u>	10	<u>(0.04%)</u>
Total		(582,048)		0.00%

<sup>1</sup> By Statute, negative total amortization rates are not subtracted in Tier 3 rate calculations.

## ASSET SUPPORT

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR YEAR ENDED JUNE 30, 2025

	Tiers 1 & 2		Tier 3	
	Pension	Health	Pension	Health
<b>ADDITIONS</b>				
Contributions				
Member Contributions	\$ 108,640,873	\$ 0	\$ 61,005,633	\$ 0
Employer Contributions	1,069,823,308	0	59,252,766	0
Health Insurance Contributions	<u>0</u>	<u>4,098,668</u>	<u>0</u>	<u>1,553,978</u>
Total Contributions	1,178,464,181	4,098,668	120,258,399	1,553,978
Investment Income				
Net Increase in Fair Value	1,390,120,909	34,877,805	45,105,036	1,105,501
Interest and Dividends	259,062,270	6,499,811	8,405,753	206,021
Other Income	150,210,467	3,767,860	4,873,856	119,427
Less Investment Expenses	<u>(35,364,426)</u>	<u>(728,394)</u>	<u>(1,147,464)</u>	<u>(23,087)</u>
Net Investment Income	1,764,029,220	44,417,082	57,237,181	1,407,862
Non-investment Income	0	0	0	0
Transfers In	288,360	0	206,733	0
Total Additions	2,942,781,761	48,515,750	177,702,313	2,961,840
<b>DEDUCTIONS</b>				
Distributions to Members				
Benefit Payments	1,218,594,305	0	852,434	0
Health Insurance Subsidy	0	18,660,709	0	6,480
Refund of Contributions	<u>12,178,168</u>	<u>0</u>	<u>2,803,612</u>	<u>0</u>
Total Distributions	1,230,772,473	18,660,709	3,656,046	6,480
Administrative Expenses	7,838,369	201,658	254,475	6,392
Transfers Out	67,338	0	0	0
Other	0	0	0	0
Total Deductions	1,238,678,180	18,862,367	3,910,521	12,872
<b>NET INCREASE / (DECREASE)</b>	<b>1,704,103,581</b>	<b>29,653,383</b>	<b>173,791,792</b>	<b>2,948,968</b>
<b>NET POSITION HELD IN TRUST</b>				
Prior Valuation	15,933,751,686	411,840,936	398,698,171	11,044,818
Beginning of the Year Adjustment	0	0	0	0
End of the Year	17,637,855,267	441,494,319	572,489,963	13,993,786

## DEVELOPMENT OF PENSION ACTUARIAL VALUE OF ASSETS - TIERS 1 & 2

### A. Investment Income

A1. Actual Investment Income	\$ 1,756,190,851
A2. Expected Amount for Immediate Recognition	1,145,387,569
A3. Amount Subject to Amortization	610,803,282

B. Amortization Schedule	Year Ended June 30						
	2025	2026	2027	2028	2029	2030	2031
2025 Experience (A3 / 7)	87,257,612	87,257,612	87,257,612	87,257,612	87,257,612	87,257,612	87,257,610
2024 Experience	62,439,795	62,439,795	62,439,795	62,439,795	62,439,795	62,439,792	
2023 Experience	10,197,720	10,197,720	10,197,720	10,197,720	10,197,717		
2022 Experience	(204,451,249)	(204,451,249)	(204,451,249)	(204,451,249)			
2021 Experience	238,978,744	238,978,744	238,978,745				
2020 Experience	(68,882,158)	(68,882,160)					
2019 Experience	(22,859,275)						
<b>Total Amortization</b>	<b>102,681,189</b>	<b>125,540,462</b>	<b>194,422,623</b>	<b>(44,556,122)</b>	<b>159,895,124</b>	<b>149,697,404</b>	<b>87,257,610</b>

### C. Actuarial Value of Assets

	Total	Employer
C1. Actuarial Value of Assets, June 30, 2024	15,769,616,678	
C2. Non-investment Net Cash Flow	(52,087,270)	
C3. Preliminary Actuarial Value of Assets, June 30, 2025: (A2 + B + C1 + C2)	16,965,598,166	
C4. Market Value of Assets, June 30, 2025	17,637,855,267	630,157,863
C5. Final Actuarial Value of Assets, June 30, 2025 (C3 Within 20% Corridor of C4)	16,965,598,166	606,139,744

### D. Rates of Return

D1. Market Value Rate of Return	11.0%
D2. Actuarial Value Rate of Return	7.9%

## DEVELOPMENT OF HEALTH ACTUARIAL VALUE OF ASSETS - TIERS 1 & 2

### A. Investment Income

A1. Actual Investment Income	\$ 44,215,424
A2. Expected Amount for Immediate Recognition	29,137,425
A3. Amount Subject to Amortization	15,077,999

B. Amortization Schedule	Year Ended June 30						
	2025	2026	2027	2028	2029	2030	2031
2025 Experience (A3 / 7)	2,154,000	2,154,000	2,154,000	2,154,000	2,154,000	2,154,000	2,153,999
2024 Experience	1,556,610	1,556,610	1,556,610	1,556,610	1,556,610	1,556,608	
2023 Experience	193,035	193,035	193,035	193,035	193,036		
2022 Experience	(6,416,469)	(6,416,469)	(6,416,469)	(6,416,471)			
2021 Experience	9,257,478	9,257,478	9,257,481				
2020 Experience	(2,898,713)	(2,898,716)					
2019 Experience	(1,075,572)						
<b>Total Amortization</b>	<b>2,770,369</b>	<b>3,845,938</b>	<b>6,744,657</b>	<b>(2,512,826)</b>	<b>3,903,646</b>	<b>3,710,608</b>	<b>2,153,999</b>

### C. Actuarial Value of Assets

	Total	Employer
C1. Actuarial Value of Assets, June 30, 2024	406,302,544	
C2. Non-investment Net Cash Flow	(14,562,041)	
C3. Preliminary Actuarial Value of Assets, June 30, 2025: (A2 + B + C1 + C2)	423,648,297	
C4. Market Value of Assets, June 30, 2025	441,494,319	11,602,747
C5. Final Actuarial Value of Assets, June 30, 2025 (C3 Within 20% Corridor of C4)	423,648,297	11,133,742

### D. Rates of Return

D1. Market Value Rate of Return	10.9%
D2. Actuarial Value Rate of Return	8.0%

### DEVELOPMENT OF PENSION ACTUARIAL VALUE OF ASSETS - TIERS 3

#### A. Investment Income

A1. Actual Investment Income	\$ 56,982,706
A2. Expected Amount for Immediate Recognition	31,928,044
A3. Amount Subject to Amortization	25,054,662

B. Amortization Schedule	Year Ended June 30				
	2025	2026	2027	2028	2029
2025 Experience (A3 / 5)	5,010,932	5,010,932	5,010,932	5,010,932	5,010,934
2024 Experience	3,027,823	3,027,823	3,027,823	3,027,823	
2023 Experience	885,521	885,521	885,520		
2022 Experience	(3,259,379)	(3,259,381)			
2021 Experience	3,551,938				
<b>Total Amortization</b>	<b>9,216,835</b>	<b>5,664,895</b>	<b>8,924,275</b>	<b>8,038,755</b>	<b>5,010,934</b>

#### C. Actuarial Value of Assets

	Total	Employer
C1. Actuarial Value of Assets, June 30, 2024	386,897,139	
C2. Non-investment Net Cash Flow	116,809,086	
C3. Preliminary Actuarial Value of Assets, June 30, 2025: (A2 + B + C1 + C2)	544,851,104	
C4. Market Value of Assets, June 30, 2025	572,489,963	27,812,386
C5. Final Actuarial Value of Assets, June 30, 2025 (C3 Within 20% Corridor of C4)	544,851,104	26,469,650

#### D. Rates of Return

D1. Market Value Rate of Return	12.5%
D2. Actuarial Value Rate of Return	9.2%

### DEVELOPMENT OF HEALTH ACTUARIAL VALUE OF ASSETS - TIERS 3

#### A. Investment Income

A1. Actual Investment Income	\$ 1,401,470
A2. Expected Amount for Immediate Recognition	826,384
A3. Amount Subject to Amortization	575,086

B. Amortization Schedule	Year Ended June 30				
	2025	2026	2027	2028	2029
2025 Experience (A3 / 5)	115,017	115,017	115,017	115,017	115,018
2024 Experience	84,292	84,292	84,292	84,290	
2023 Experience	23,872	23,872	23,870		
2022 Experience	(101,792)	(101,790)			
2021 Experience	128,961				
<b>Total Amortization</b>	<b>250,350</b>	<b>121,391</b>	<b>223,179</b>	<b>199,307</b>	<b>115,018</b>

#### C. Actuarial Value of Assets

	Total	Employer
C1. Actuarial Value of Assets, June 30, 2024	10,710,659	
C2. Non-investment Net Cash Flow	1,547,498	
C3. Preliminary Actuarial Value of Assets, June 30, 2025: (A2 + B + C1 + C2)	13,334,891	
C4. Market Value of Assets, June 30, 2025	13,993,786	910,985
C5. Final Actuarial Value of Assets, June 30, 2025 (C3 Within 20% Corridor of C4)	13,334,891	868,091

#### D. Rates of Return

D1. Market Value Rate of Return	11.9%
D2. Actuarial Value Rate of Return	9.4%

## MEMBER STATISTICS

### STATISTICAL DATA – ACTIVE MEMBERS

	June 30, 2025		June 30, 2024	
	Tiers 1 & 2	Tier 3	Tiers 1 & 2	Tier 3
<b>ACTIVES</b>				
Number	344	377	385	321
Average Current Age	43.6	29.9	43.0	29.6
Average Age at Employment	27.8	26.8	27.7	26.8
Average Past Service	15.8	3.1	15.3	2.8
Average Annual Salary	\$128,071	\$91,526	\$137,246	\$95,499
<b>ACTIVES (TRANSFERRED)</b>				
Number	16	10	17	8
Average Current Age	37.0	30.4	36.2	31.0
Average Age at Employment	27.1	25.7	27.0	26.3
Average Past Service	9.9	4.7	9.2	4.7
Average Annual Salary	\$112,864	\$88,321	\$112,755	\$86,749
<b>Total Number (Active)</b>	<b>360</b>	<b>387</b>	<b>402</b>	<b>329</b>

**STATISTICAL DATA – INACTIVE MEMBERS**

	June 30, 2025		June 30, 2024	
	Tiers 1 & 2	Tier 3	Tiers 1 & 2	Tier 3
<b>RETIREES</b>				
Number	539	1	513	0
Average Current Age	62.4	0.1	62.1	N/A
Average Annual Benefit	\$64,629	\$39,315	\$63,524	N/A
<b>DROP RETIREES</b>				
Number	115	N/A	117	N/A
Average Current Age	53.0	N/A	52.7	N/A
Average Annual Benefit	\$73,026	N/A	\$67,059	N/A
<b>BENEFICIARIES</b>				
Number	56	0	57	0
Average Current Age	66.1	N/A	65.5	N/A
Average Annual Benefit	\$52,353	N/A	\$50,563	N/A
<b>DISABILITY RETIREES</b>				
Number	197	0	194	0
Average Current Age	57.6	N/A	56.9	N/A
Average Annual Benefit	\$53,758	N/A	\$52,740	N/A
<b>INACTIVE / VESTED</b>				
Number	103	100	96	79
Average Current Age	41.7	32.0	40.4	31.7
Average Accumulated Contributions	\$20,055	\$8,158	\$13,695	\$7,242
<b>TOTAL NUMBER (INACTIVE)</b>	<b>1,010</b>	<b>101</b>	<b>977</b>	<b>79</b>
<b>FORMER MEMBERS (TRANSFERRED)</b>	<b>13</b>	<b>26</b>	<b>13</b>	<b>20</b>

**ACTIVE AGE, SERVICE AND PAY DISTRIBUTIONS – TIERS 1 & 2**

Age	Past Service							Total Count	Total Pay	Average Pay
	0-4	5-9	10-14	15-19	20-24	25-29	30+			
<20	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	0	0	0	0	0	0	0
30 - 34	0	31	21	0	0	0	0	52	6,141,554	118,107
35 - 39	0	12	54	14	0	0	0	80	10,174,076	127,176
40 - 44	0	12	28	33	11	0	0	84	10,785,541	128,399
45 - 49	0	1	17	36	26	5	0	85	11,590,763	136,362
50 - 54	0	2	4	12	6	8	1	33	4,084,840	123,783
55 - 59	0	1	1	10	3	2	1	18	2,121,201	117,845
60 - 64	0	0	0	6	2	0	0	8	964,423	120,553
65+	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	0	59	125	111	48	15	2	360	45,862,398	127,396

### ACTIVE AGE, SERVICE AND PAY DISTRIBUTIONS – TIER 3

Age	Past Service							Total Count	Total Pay	Average Pay
	0-4	5-9	10-14	15-19	20-24	25-29	30+			
<20	0	0	0	0	0	0	0	0	0	0
20 - 24	65	0	0	0	0	0	0	65	5,216,319	80,251
25 - 29	130	26	0	0	0	0	0	156	14,201,844	91,037
30 - 34	66	39	0	0	0	0	0	105	10,076,809	95,970
35 - 39	20	23	0	0	0	0	0	43	4,129,305	96,030
40 - 44	8	7	0	0	0	0	0	15	1,467,284	97,819
45 - 49	1	1	0	0	0	0	0	2	186,453	93,227
50 - 54	1	0	0	0	0	0	0	1	110,587	110,587
55 - 59	0	0	0	0	0	0	0	0	0	0
60 - 64	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>291</b>	<b>96</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>387</b>	<b>35,388,601</b>	<b>91,443</b>

## AGE DISTRIBUTIONS – INACTIVE MEMBERS

Age	Retirees, Disableds and Beneficiaries	
	Count	Average Annual Pensions
<40	10	37,466
40-45	23	52,286
45-49	56	52,012
50-54	127	57,011
55-59	158	58,963
60-64	139	64,238
65-69	117	63,064
70-74	91	68,872
75-79	55	65,400
80-84	10	72,893
85-89	6	64,965
90-94	0	0
95-99	1	59,164
100+	0	0
<b>Total</b>	<b>793</b>	<b>61,029</b>

## ACTUARIAL ASSUMPTIONS AND METHODS

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### Interest Rate

This is the assumed earnings rate on System assets, compounded annually, net of investment and administrative expenses.

- **Tiers 1 & 2:** 7.20% per year.
  - **Tier 3:** 7.00% per year.
- 

### Mortality Rate

#### **Active Lives:**

PubS-2010 Employee mortality, adjusted by a factor of 1.03 for male members and 1.08 for female members, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021). 100% of active deaths are assumed to be in the line of duty.

#### **Inactive Lives:**

PubS-2010 Healthy Retiree mortality, adjusted by a factor of 1.03 for male retirees and 1.11 for female retirees, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).

#### **Beneficiaries:**

PubS-2010 Survivor mortality, adjusted by a factor of 0.98 for male beneficiaries and adjusted by a factor of 1.06 for female beneficiaries, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).

#### **Disabled Lives:**

PubS-2010 Disabled mortality, adjusted by a factor of 1.08 for male disabled members and 1.01 for female disabled members, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).

The mortality assumptions sufficiently accommodate anticipated future mortality improvements.

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### Retirement / DROP Rates

These rates are used to project future decrements from the active population due to retirement. The rates below are based on a 2022 experience study using actual plan experience.

**Tier 1 – reaching age 62 before attaining 20 years of service:**  
Age-related rates based on age at retirement:

Police - 40% assumed at age 62 and 63, 35% assumed at age 64, 25% assumed at ages 65 and 66, 50% assumed at ages 67 – 69, and 100% assumed at age 70.

Fire - 25% assumed at age 62 and 63, 35% assumed at age 64, 25% assumed at ages 65 and 66, 50% assumed at ages 67 – 69, and 100% assumed at age 70.

**Tier 1 – reaching age 62 after attaining 20 years of service:**

Service-related rates based on service at retirement. See complete tables at the end of this section.

65% are assumed to enter the DROP program while the remaining 35% are assumed to retire and commence benefits immediately. DROP periods are assumed to be 5 years in length for future DROP elections.

**Tiers 2 & 3:**

Age-related rates based on age at retirement. 50% assumed at age 53, 30% assumed at ages 54 – 59, 60% assumed at ages 60 – 63, and 100% assumed at age 64.

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Disability Rate

These rates are used to project future decrements from the active population due to disability. Complete table of rates based on age at disability are provided at the end of this section. These rates are based on a 2022 experience study using actual plan experience. 90% of disablements are assumed to be duty-related.

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Termination Rate

These rates are used to project future decrements from the active population due to termination. Complete table of rates based on service at termination are provided at the end of this section. The rates apply to members prior to retirement eligibility and are based on a 2022 experience study using actual plan experience.

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Inflation

2.50%.

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Tier 3 Compensation Limit

\$140,952 for calendar 2024. Assumed increases of 2.00% per year thereafter.

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Cost-of-Living Adjustment

1.85%.

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Salary Increases	See table at the end of this section. This is an annual increase for individual member's salary. These rates are based on a 2022 experience study using actual plan experience.
Marital Status	For active members, 85% of males and 60% of females are assumed to be married. Actual marital status is used, where applicable, for inactive members.
Spouse's Age	Males are assumed to be three years older than females.
Benefit Commencement	Deferred members are assumed to commence benefits as follows: <ul style="list-style-type: none"><li>• Tier 1: immediate refund of contributions</li><li>• Tiers 2 &amp; 3 (less than 15 years service): immediate refund of contributions</li><li>• Tier 2 (15+ years service): life annuity payable at age 52.5</li><li>• Tier 3 (15+ years service): life annuity payable at age 55</li></ul>
Health Care Utilization	For active members, 70% of retirees are expected to utilize retiree health care. Actual utilization is used for inactive members.
Funding Method	Entry Age Normal Cost Method.
Lateral Transfers	When active members transfer between employers, the new employer's liability starts from their new date of hire with no past service liability (i.e., all liability is accrued through normal cost). Per PSPRS administrative decision, once the new employer's liability is fully funded, the liability will reflect all past service liability.
Actuarial Asset Method	Each year the assumed investment income is recognized in full while the difference between actual and assumed investment income are smoothed over a fixed period (7 years for Tiers 1 & 2; 5 years for Tier 3). Actuarial Assets shall not be less than 80% nor greater than 120% of the Market Value of Assets. Note that during periods when investment performance exceeds (falls short) of the assumed rate, the actuarial value of assets will tend to be less (greater) than the market value of assets.

Amortization Method

See Funding Policy for complete details. In short:

**Tiers 1 & 2:**

- Any positive UAAL (assets less than funding policy targets) is amortized using a layered approach according to a Level Dollar method over a closed period of 15 years (phased into from current period).
- Any negative UAAL (assets greater than funding policy targets) is amortized according to a Level Dollar method over an open period of 10 years.

**Tier 3:**

- Any positive UAAL (assets less than liabilities) is amortized according to a Level Dollar method over a closed period of 10 years.
  - No amortization is made of any negative UAAL (assets greater than liabilities).
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Payroll Growth

0.75% per year. This is the annual increase expected on total employer payroll.

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**CHANGES SINCE THE PRIOR VALUATION**

The payroll growth assumption was lowered from 1.50% to 0.75%.

There were no method changes since the prior valuation.

**SALARY INCREASE RATES**

Age	Maricopa Police	Pima Police	Other Police	Maricopa Fire	Pima Fire	Other Fire
20	15.00%	12.00%	14.00%	15.00%	12.00%	13.00%
21	14.00%	6.00%	12.00%	14.00%	11.00%	12.00%
22	13.00%	6.00%	10.00%	13.00%	10.00%	11.00%
23	12.00%	6.00%	9.00%	12.00%	9.50%	10.00%
24	11.00%	6.00%	8.00%	11.00%	9.00%	9.00%
25	10.00%	6.00%	7.00%	10.00%	8.50%	8.00%
26	9.00%	5.50%	6.50%	9.50%	7.50%	7.50%
27	8.00%	5.50%	6.25%	9.00%	6.50%	7.50%
28	7.50%	5.50%	6.00%	8.50%	5.75%	7.00%
29	7.00%	5.50%	5.80%	8.00%	5.75%	6.50%
30	6.50%	5.25%	5.60%	8.00%	5.50%	6.50%
31	6.00%	5.25%	5.40%	7.50%	5.50%	6.00%
32	5.50%	5.00%	5.20%	7.00%	5.00%	5.50%
33	5.10%	5.00%	5.00%	6.50%	5.00%	5.50%
34	4.90%	5.00%	4.90%	6.50%	5.00%	5.50%
35	4.70%	4.50%	4.80%	6.00%	5.00%	5.50%
36	4.50%	4.50%	4.70%	5.50%	5.00%	5.50%
37	4.30%	4.50%	4.60%	5.25%	4.50%	5.00%
38	4.10%	4.00%	4.50%	5.00%	4.50%	5.00%
39	4.00%	4.00%	4.40%	4.75%	4.50%	5.00%
40	3.90%	4.00%	4.30%	4.75%	4.50%	5.00%
41	3.80%	3.80%	4.20%	4.50%	4.50%	4.50%
42	3.70%	3.60%	4.10%	4.50%	4.00%	4.50%
43	3.60%	3.40%	4.00%	4.50%	4.00%	4.50%
44	3.50%	3.20%	3.90%	4.50%	4.00%	4.00%
45	3.50%	3.00%	3.80%	4.25%	4.00%	4.00%
46	3.50%	3.00%	3.70%	4.25%	3.75%	4.00%
47	3.50%	3.00%	3.60%	4.25%	3.75%	3.75%
48	3.50%	3.00%	3.50%	4.00%	3.75%	3.75%
49	3.50%	3.00%	3.50%	4.00%	3.50%	3.75%
50	3.25%	3.00%	3.50%	3.75%	3.50%	3.75%
51	3.25%	3.00%	3.50%	3.75%	3.50%	3.75%
52	3.25%	2.75%	3.50%	3.75%	3.50%	3.75%
53+	3.25%	2.75%	3.50%	3.75%	3.25%	3.75%

**TIER 1 RETIREMENT RATES— REACHING AGE 62 AFTER ATTAINING 20 YEARS OF SERVICE**

Service	Maricopa Police	Pima Police	Other Maricopa Police	Maricopa Fire	Pima Fire	Other Fire
20	28%	28%	35%	14%	20%	20%
21	25%	25%	35%	17%	20%	25%
22	15%	16%	22%	7%	13%	15%
23	12%	12%	12%	7%	7%	10%
24	8%	9%	12%	7%	7%	10%
25	30%	22%	25%	17%	22%	30%
26	42%	42%	40%	30%	26%	30%
27	32%	30%	28%	23%	30%	30%
28	32%	30%	28%	30%	30%	30%
29	32%	20%	28%	30%	30%	30%
30	35%	25%	35%	30%	30%	35%
31	35%	33%	30%	40%	30%	35%
32	60%	50%	70%	55%	30%	35%
33	60%	50%	70%	55%	60%	60%
34+	100%	100%	100%	100%	100%	100%

**TERMINATION RATES**

Service	Maricopa Police	Pima Police	Other Maricopa Police	Maricopa Fire	Pima Fire	Other Fire
0	13.0%	14.0%	13.5%	4.5%	10.0%	10.5%
1	8.0%	9.0%	11.5%	3.5%	6.0%	8.5%
2	6.0%	7.5%	10.5%	2.5%	4.5%	8.0%
3	4.5%	7.0%	9.5%	2.0%	4.0%	8.0%
4	3.6%	6.5%	9.0%	1.5%	4.0%	7.0%
5	3.3%	5.0%	8.0%	1.5%	4.0%	5.0%
6	3.3%	5.0%	7.0%	1.5%	4.0%	5.0%
7	3.3%	4.0%	6.5%	1.5%	3.0%	4.0%
8	2.4%	4.0%	6.5%	1.5%	3.0%	4.0%
9	2.4%	4.0%	6.0%	1.5%	3.0%	3.5%
10	2.4%	4.0%	5.0%	1.0%	2.0%	3.0%
11	1.8%	3.0%	4.0%	1.0%	2.0%	2.5%
12	1.8%	3.0%	4.0%	1.0%	1.5%	2.0%
13	1.3%	2.0%	3.5%	1.0%	1.0%	1.5%
14	1.3%	2.0%	3.0%	0.5%	1.0%	1.4%
15	0.8%	1.5%	2.5%	0.5%	1.0%	1.4%
16	0.8%	1.5%	2.0%	0.5%	0.5%	1.4%
17	0.8%	1.0%	2.0%	0.5%	0.5%	1.4%
18	0.8%	1.0%	1.8%	0.5%	0.5%	1.4%
19	0.8%	1.0%	1.8%	0.5%	0.5%	0.5%
20+	0.5%	1.0%	1.8%	0.4%	0.5%	0.5%

**DISABILITY RATES**

Age	Maricopa Police	Pima Police	Other Police	Maricopa Fire	Pima Fire	Other Fire
20	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
21	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
22	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
23	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
24	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
25	0.050%	0.050%	0.120%	0.020%	0.020%	0.020%
26	0.100%	0.100%	0.160%	0.035%	0.020%	0.020%
27	0.100%	0.100%	0.160%	0.035%	0.020%	0.020%
28	0.100%	0.100%	0.160%	0.035%	0.020%	0.020%
29	0.100%	0.100%	0.160%	0.035%	0.020%	0.020%
30	0.100%	0.100%	0.160%	0.035%	0.020%	0.020%
31	0.230%	0.180%	0.240%	0.090%	0.100%	0.060%
32	0.230%	0.180%	0.240%	0.090%	0.100%	0.060%
33	0.230%	0.180%	0.240%	0.090%	0.100%	0.060%
34	0.230%	0.180%	0.240%	0.090%	0.100%	0.060%
35	0.230%	0.180%	0.240%	0.090%	0.100%	0.060%
36	0.450%	0.350%	0.320%	0.150%	0.150%	0.140%
37	0.450%	0.350%	0.320%	0.150%	0.150%	0.140%
38	0.450%	0.350%	0.320%	0.150%	0.150%	0.140%
39	0.450%	0.350%	0.320%	0.150%	0.150%	0.140%
40	0.450%	0.350%	0.320%	0.150%	0.150%	0.140%
41	0.520%	0.650%	0.550%	0.170%	0.300%	0.250%
42	0.520%	0.650%	0.550%	0.170%	0.300%	0.250%
43	0.520%	0.650%	0.550%	0.170%	0.300%	0.250%
44	0.520%	0.650%	0.550%	0.170%	0.300%	0.250%
45	0.520%	0.650%	0.550%	0.170%	0.300%	0.250%
46	0.650%	0.750%	0.750%	0.300%	0.420%	0.420%
47	0.650%	0.750%	0.750%	0.300%	0.420%	0.420%
48	0.650%	0.750%	0.750%	0.300%	0.420%	0.420%
49	0.650%	0.750%	0.750%	0.300%	0.420%	0.420%
50	0.650%	0.750%	0.750%	0.300%	0.420%	0.420%
51	0.800%	0.800%	0.800%	0.700%	0.750%	0.750%
52	0.800%	0.800%	0.800%	0.700%	0.750%	0.750%
53	0.800%	0.800%	0.800%	0.700%	0.750%	0.750%
54	0.800%	0.800%	0.800%	0.700%	0.750%	0.750%
55	0.800%	0.800%	0.800%	0.700%	0.750%	0.750%
56+	1.000%	0.850%	0.900%	1.100%	0.800%	1.000%

## PLAN PROVISIONS

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*The following is a summary of the benefit provisions provided in Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes.*

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**Membership** Full-time employees of an eligible group, prior to attaining age 65, who are engaged to work for more than six months in a calendar year. Tier 3 Defined Contribution members are able to elect participation in post-retirement health insurance subsidy.

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**Benefit Tiers** Benefits differ for members based on their hire date:

**Tier 1:** Hired before January 1, 2012  
**Tier 2:** Hired on or after January 1, 2012 but before July 1, 2017  
**Tier 3:** Hired on or after July 1, 2017

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**Compensation** Compensation is the amount including base salary, overtime pay, shift and military differential pay, compensatory time used in lieu of overtime pay, and holiday pay, paid to an employee on a regular payroll basis and longevity pay paid at least every six months for which contributions are made to the System. For Tier 3 members, compensation is limited by statutory cap (\$110,000 with adjustments by the Board).

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**Average Monthly Benefit Compensation**

**Tier 1:** The highest compensation paid to member during three consecutive years out of the last 20 years of Credited Service, divided by months.

**Tier 2:** The highest compensation paid to member during five consecutive years out of the last 20 years of Credited Service, divided by months.

**Tier 3:** The highest compensation paid to member during five consecutive years out of the last 15 years of Credited Service, divided by months.

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**Credited Service** Total periods of service, both before and after the member's date of participation, for which the member made contributions to the fund.

Normal Retirement

**Date**

**Tier 1:** First day of month following attainment of 1) 20 years of service or 2) 62nd birthday and completion of 15 years of service.

**Tier 2:** First day of month following the attainment of age 52.5 and completion of 15 years of service.

**Tier 3:** First day of month following the attainment of age 55 and completion of 15 years of service.

**Benefit**

**Tier 1:** 50% of Average Monthly Benefit Compensation, adjusted based on Credited Service as follows (maximum benefit of 80% of Average Monthly Benefit Compensation):

Credited Service	Benefit Adjustment
15 years, but less than 20	Reduced 4% per year less than 20
20 years, but less than 25	Plus 2% per year between 20 and 25
25+ years	Plus 2.5% per year above 20

**Tier 2:** Benefit multiplier (below) times Average Monthly Benefit Compensation times Credited Service (maximum benefit of 80% of Average Monthly Benefit Compensation):

Credited Service	Benefit Multiplier
15 years, but less than 17	1.50%
17 years, but less than 19	1.75%
19 years, but less than 22	2.00%
22 years, but less than 25	2.25%
25+ years	2.50%

**Tier 3:** Benefit multiplier (below) times Average Monthly Benefit Compensation times Credited Service (maximum benefit of 80% of Average Monthly Benefit Compensation):

Credited Service	Benefit Multiplier
15 years, but less than 17	1.50%
17 years, but less than 19	1.75%
19 years, but less than 22	2.00%
22 years, but less than 25	2.25%
25+ years	2.50%

Form of Benefit	For married retirees, an annuity payable for the life of the member with 80% continuing to the eligible spouse upon death. For unmarried retirees, the normal form is a single life annuity.
Early Retirement Date	<b>Only applicable to Tier 3 members</b> Attainment of age 52.5 and 15 years of Credited Service.
Benefit	Actuarial equivalent of Normal Retirement benefit.
Form of Benefit	Same as Normal Retirement
<b>Disability Benefit – Accidental (duty-related)</b>	
Eligibility	Total and permanent disability incurred in performance of duty.
Benefit Amount	A maximum of: <ul style="list-style-type: none"> <li>a.) 50% of Average Monthly Benefit Compensation, and;</li> <li>b.) The monthly retirement pension that the Member is entitled to receive if he or she retired immediately.</li> </ul>
<b>Disability Benefit – Ordinary (not duty-related)</b>	
Eligibility	Total and permanent disability not incurred in performance of duty.
Benefit Amount	Normal Retirement pension that the member is entitled to receive, prorated based on Credited Service earned over the required Credited Service for Normal Retirement (maximum ratio of 1).
<b>Disability Benefit – Other</b>	
Temporary	Benefit equals 1/12 of 50% of compensation during year preceding date of disability. Payments terminate after 12 months.
Catastrophic	Benefit equals 90% of Average Monthly Benefit Compensation. After 60 months member receives greater of 62.5% Average Monthly Benefit Compensation and accrued normal pension.
Pre-Retirement Death Benefit Service Incurred	<b>Payable following death of active member</b> 100% of Average Monthly Benefit Compensation, reduced by child's pension.

Non-Service Incurred	80% of benefit based on calculation for accidental disability retirement.
Child's Pension	10% of pension for each child (maximum 20% paid) based on calculation for accidental disability retirement. Payable to dependent child under age 18 (23 if full-time student).
Guardian's Pension	Same as spouse's pension. Payable (along with child's pension) when no spouse is being paid and there is at least one child under 18 (23, if full-time student).
Accumulated Contributions	Any contributions remaining upon the death of the last beneficiary shall be paid as a lump sum.

Vesting (Termination)  
 Vesting Service Requirement **Tier 1:** 10 years.  
**Tiers 2 & 3:** 15 years.

Non-Vested Benefit **Tier 1:** Lump sum payment of accumulated contributions, plus additional amount based on years of Credited Service.

Service	Additional % of Contributions
Less than 5 years	0%
5 years	25%
6 years	40%
7 years	55%
8 years	70%
9 years	85%
10+ years	100%

**Tiers 2 & 3:** Lump sum payment of accumulated contributions, with interest at rate determined by the Board.

Vested Benefit **Tier 1:** Deferred retirement annuity based on two times member's accumulated contributions, deferred to age 62. Member is not entitled to survivor benefits, benefit increases, or group health insurance subsidy.

**Tiers 2 & 3:** Calculated same as normal retirement pension. Payable if contributions left in fund until reach age requirement. Member is entitled to survivor benefits, benefit increases, and group health insurance subsidy.

Cost-of-Living Adjustment **Payable to retired member or survivor of retired member**  
**Tiers 1 & 2:** Compound cost-of-living adjustment on base benefit. First

payment is made on July 1, 2018, with annual adjustments effective every July 1 thereafter. Adjustment does not apply while in DROP.

Cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. Maximum increase of 2%.

**Tier 3:** Compound cost-of-living adjustment on base benefit beginning earlier of first calendar year after the 7th anniversary of retirement or when the retired member reaches 60 years of age.

A cost-of-living adjustment shall be paid on July 1 each year that the funded ratio for members hired on or after July 1, 2017 is 70% or more.

The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. The cost-of-living adjustment will not exceed:

- 2%, if funded ratio for members who are hired on or after July 1, 2017 is 90% or more;
- 1.5%, if funded ratio for members who are hired on or after July 1, 2017 is 80-90%;
- 1%, if funded ratio for members who are hired on or after July 1, 2017 is 70-80%.

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Deferred Retirement Option Plan (DROP)

Eligibility	Tier 1 and 20 years of Credited Service.	
DROP Period	Maximum 84 months.	
Member Contributions	Cease upon DROP entry.	
Benefit Amount	Calculated based on Credited Service and average monthly compensation as of the beginning of the DROP period, credited to DROP participation account for DROP period.	
Interest on DROP Participation Account	Beginning Year	Interest Rate
	July 1, 2016	7.40%
	July 1, 2018	7.30%
	July 1, 2022	7.20%

Payment of DROP Participation Account	Payable as lump sum distribution to Public Safety Personnel Defined Contribution Retirement Plan at earlier of 1) end of DROP period, 2) at termination, or 3) five years.
Payment Monthly Benefit	System commences payment of benefit amount at the earlier of 1) the end of the DROP period and 2) at termination

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Post-Retirement Health Insurance Subsidy Eligibility Retired member or survivor who elect health coverage provided by the state or participating employer.

Maximum Subsidy Amounts (monthly)	Member Only	With Dependents
Medicare Eligible	\$100	\$170
One w/ Medicare	N/A	\$215
Not Medicare Eligible	\$150	\$260

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Contributions Employee	<p><b>Tiers 1 &amp; 2:</b> 7.65% (effective July 1, 2023).</p> <p><b>Tier 3:</b> 50% of total contribution, which is Normal Cost plus a level-dollar amortization of unfunded actuarial accrued liability over a closed period not to exceed 10 years.</p>
Employer	<p><b>Tiers 1 &amp; 2:</b> Normal Cost plus amortization of unfunded actuarial accrued liability over a closed period not to exceed 20 years (subject to one-time election to extend to closed period not to exceed 30 years).</p> <p><b>Tier 3:</b> 50% of total contribution, which is Normal Cost plus a level-dollar amortization of unfunded actuarial accrued liability over a closed period not to exceed 10 years.</p>

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**CHANGES SINCE THE PRIOR VALUATION**

None.

## ACTUARIAL FUNDING POLICY

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A pension plan funding policy describes how pension funding will improve for underfunded plans or maintain funded benefits for funded plans over time for those benefits defined in Arizona Revised Statutes (ARS). Those benefits defined in ARS are to be equitably managed and administered by the Arizona Public Safety Personnel Retirement System (PSPRS agency).

This Actuarial Funding Policy identifies the funding objectives and elements of the actuarial funding policy set by the Board for the PSPRS agency. The Board adopted this Funding Policy to help ensure the systematic funding of future benefit payments for members of the retirement systems as established by the legislature.

This policy covers all retirements systems administered by the Board: The Public Safety Personnel Retirement System (PSPRS); the Correction Officers Retirement Plan (CORP); and the Elected Officials Retirement Plan (EORP).

To achieve the systematic funding of future benefits, metrics are identified to measure the progress, or the lack of progress, over time to identify trends. These trends inform the continuation of the current policies or identify areas of needed research for consideration.

This funding policy is reviewed annually and adopted by the Board in accordance with ARS 38-863.02. This policy was reviewed and adopted by the Board in September 2025.

### PSPRS STATEMENT OF PURPOSE

The Purpose of the Public Safety Personnel Retirement System is to provide uniform, consistent, and equitable statewide retirement programs for those who have been entrusted to our care.

### FUNDING OBJECTIVES

1. Maintain adequate assets so that current plan assets, plus future contributions and investment earnings, are sufficient to fund all benefits expected to be paid to members and their beneficiaries.
  - a. Corollary 1a: Current and future contributions should be calculated based upon assumptions that reflect the Board's best estimate of future experience and methods that appropriately allocate costs to address generational equity.
  - b. Corollary 1b: While the shorter-term objective is to fully fund the Actuarial Accrued Liability (AAL) that estimates benefits earned as of the valuation date, contributions should target the long-term Present Value of Benefits (PVB) to fund all benefits and help offset risks.
  - c. As closed plans mature, the target funding should be 110% of AAL or 100% of PVB, whichever is greater.

2. Maintain public policy goals of accountability and transparency through stakeholder communication and education. Each policy element is clear in intent and effect, and each should be considered in a balanced approach to determine how and when the funding requirements of the plan will be met.
  - a. Corollary 2a: Board shall provide stakeholders with separate reports and tools to help explain current results as well as to help model future funding requirements.
3. Promote intergenerational equity. Defined benefit pensions are designed with a long-term perspective and designed to minimize contribution volatility that cannot avoid some level of generational cost shift. However, the goal is that each generation of members and employers (taxpayers) should, to the extent possible, incur the cost of benefits for the employees who provide services to them, rather than shifting those costs to other generations of members and employers (taxpayers).
  - a. Corollary 3a: A systematic reduction of the Unfunded Actuarial Accrued Liability (UAAL) over a reasonable time period is paramount to achieving this objective.

Consideration can be given to reduce volatility, to the extent possible, of employer and employee contribution rates as long as the integrity of the objectives listed above is not compromised.

#### **ELEMENTS OF ACTUARIAL FUNDING POLICY**

1. Actuarial Cost Method
  - a. The Entry Age Normal level percent of pay actuarial cost method of valuation shall be used in determining the AAL and Normal Cost. Differences in the past between assumed experience and actual experience (“actuarial gains and losses”) shall become part of the AAL. The Normal Cost shall be determined on an individual basis for each active member.
2. Asset Smoothing Method
  - a. The investment gains or losses of each valuation period, resulting from the difference between the actual investment return and assumed investment return, shall be recognized annually in level amounts over five years (Tier 3) or seven years (Tiers 1 and 2) in calculating the Actuarial Value of Assets (AVA).
  - b. The AVA so determined shall be subject to a 20% corridor relative to the Market Value of Assets (MVA).
3. Amortization Method (Unfunded Amounts)
  - a. The AVA is subtracted from the computed AAL. Any unfunded amount is amortized as a level percent of payroll over a closed period.
  - b. The unfunded liabilities, for EORP and Tiers 1 & 2 for both PSPRS and CORP, determined in the 6/30/2019 actuarial valuation will become the initial layer for each employer beginning with the 6/30/2020 actuarial valuation and amortized using the current closed year period for that employer and continue to decrease each year.
    - i. The payroll growth rate assumption used to amortize the PSPRS Unfunded Liability will be decreased by 0.75% each year with the intention of ultimately achieving 0.0%.

- ii. The payroll growth rate used to amortize the Correction Officers Retirement Plan (CORP) Unfunded Liability will be reduced by 0.5% until 0.0% is reached.
    - iii. The payroll growth rate used to amortize the Elected Officials Retirement Plan (EORP) Unfunded Liability will be 0.0%.
  - c. Gains and losses, for EORP and Tiers 1 & 2 for both PSPRS and CORP, for each employer beginning with the 6/30/2020 actuarial valuation will be amortized as a new layer over the same amortization period as the regular unfunded liability to a minimum of 15 years. Once the amortization period for each employer decreases to 15 years, each subsequent year's gains and losses will be amortized as a new 15-year closed layer.
    - i. The payroll growth rate used to amortize the unfunded liability for all Plans under this paragraph will be 0.0% (i.e. level-dollar amortization).
  - d. Tier 3 amortization methods are established in ARS 38-843.G and ARS 38-891.K.
- 4. Amortization Method (Overfunded Amounts)
  - a. The AVA is subtracted from the target funding level (greater of 110% of AAL or 100% of PVB). Any overfunded amount is amortized as a level dollar amount over an open 10-year period.
- 5. Tier 3 Rate Calculation
  - a. Tier 3 is distinct from Tiers 1 & 2 in PSPRS and CORP as the contributions are a shared percentage (50/50 split for PSPRS: for CORP, employer 1/3 and member 2/3 of the normal cost plus 50 percent each, member and employer, of the UAAL amortization) for employers and members based on the actuarially calculated rate. To reduce the impact of volatility to rates, the Tier 3 rates will be smoothed over a 3-year rolling period based on the actuarially calculated rates for each year's actuarial valuation.
    - i. Beginning with the 6/30/2023 valuation, the prospective Tier 3 rates set by the Board of Trustees are planned to be a rolling average of the actuarial calculated Tier 3 rates using the 6/30/2023, 6/30/2022 and 6/30/2021 rates in the initial process.
    - ii. As assumptions may be updated year-to-year, the prior calculated rates are not updated for those changes, the prior calculated rates are used to smooth in the new rates.
  - b. At the May 2023 Board Meeting, the Board changed the assumed rate of return for CORP Tier 3, which was at 7.2%, to match the 7.0% assumed rate of return for PSPRS Tier 3. The Board committed to continue to monitor market conditions and directions with the intent to ultimately adopt a single assumed rate of return for all investments for retirement systems/plans administered by PSPRS agency.

6. Assumed Rate of Return (ARR)

- a. At the May 2023 Board Meeting, the Board changed the assumed rate of return for CORP Tier 3, which was at 7.2%, to match the 7.0% assumed rate of return for PSPRS Tier 3. The Board will continue to monitor market conditions and directions with the intent to ultimately adopt a single assumed rate of return for all investments for retirement systems/plans administered by PSPRS agency.

7. EORP Floor Considerations

- a. Establish a “floor” for EORP based on the immediately previous valuation by adjusting payroll growth, amortization periods of the original layer or other possible options, to improve funding in maintaining contribution levels opposed to reducing employer contributions.

**METRICS TO MONITOR FUNDING OBJECTIVES**

1. Appropriateness of Assumptions – Gain/Loss Experience (Corollary 1a)

- a. Metric: Do the cumulative gain/loss layers over the prior five years exceed 8% of plan assets?
- b. Measurement: History of annual gain/loss (split by asset and liability experience) and five-year cumulative results will be tracked.
- c. Action Plan: This metric assumes that a full experience study is performed at least every five years so objective of measurement is to monitor interim experience. If the metric answer is yes, a review of the sources or causes of gains and losses should be analyzed and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if assumption changes are warranted between full experience studies.

2. Funding Targets (Corollary 1b)

- a. Metric: Has the funded status, on both an AAL and PVB basis when compared to the MVA, increased over a five-year period?
- b. Measurement: History of funded status measures will be tracked.
- c. Action Plan: If the answer is no and not readily explainable (e.g., significant assumption change), a review of the reason(s) for the decrease should be researched and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if changes to assumptions and/or methods are warranted between full experience studies.

3. Communication with Stakeholders (Corollary 2a)

- a. Metric: Have reports and budgeting tools been provided to stakeholders in a timely fashion?
- b. Measurement: Yes/No answer based on input from PSPRS administrator. (An annual standard survey of stakeholders – 3 to 5 questions.)
- c. Action Plan: If the answer is no, and periodically regardless (e.g., every three years), PSPRS staff will revisit this metric to report to the Advisory Committee to provide a recommendation to the Board of Trustees if current reports / tools are sufficient and if the delivery timing is appropriate.

4. Timely Recognition of Costs (Corollary 3a)

- a. Metric: Has the percentage of unfunded liability subject to negative amortization decreased over a five-year lookback period?
- b. Measurement: History of unfunded liability subject to negative amortization as a percentage of total unfunded liability will be tracked.
- c. Action Plan: If the answer is no, and not readily explainable (e.g., adopted assumption changes being phased in are anticipated to address negative amortization), a review of the reason(s) for negative amortization should be researched and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if changes to assumptions and/or methods are warranted between full experience studies.

## SUPPLEMENTARY INFORMATION

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### GLOSSARY

Accrued Benefit	The benefit earned as of a specific date based on the provisions of the plan and the member's age, service, and salary as of that date.
Actuarial Accrued Liability	The portion of the anticipated future benefits allocated to years prior to the valuation date determined according to the plan's Actuarial Cost Method.
Actuarial Value of Assets	The asset value used in the valuation to determine contribution requirements. It represents the plan's Market Value of Assets (see below), with adjustments according to the plan's Actuarial Asset Method. These adjustments produce a "smoothed" value that is likely to be less volatile from year to year than the Market Value of Assets.
Actuarial Assumptions	Assumptions regarding the occurrence of future events affecting plan costs. These assumptions include rates of investment earnings, changes in compensation, rates of mortality, withdrawal, disablement, and retirement as well as statistics related to marriage and family composition.
Actuarial Cost Method	A method of determining the portion of the cost of a plan to be allocated to each year; sometimes referred to as the "actuarial funding method." Each cost method allocates a certain portion of the actuarial present value of benefits between the Actuarial Accrued Liability and future normal costs to ensure the plan is adequately and systematically funded.
Actuarial Gain or Loss	The change in Unfunded Actuarial Accrued Liability resulting from experience different from Actuarial Assumptions. Gains decrease the Unfunded Actuarial Accrued Liability and losses increase the Unfunded Actuarial Accrued Liability.



attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

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Funded Ratio

A measure of the ratio of the plan assets to liabilities of the system. Typically, the assets used in the measure are the Actuarial Value of Assets as determined by the asset valuation method. The Funded Ratio depends not only on the financial strength of the plan but also on the asset valuation method used to determine the assets and on the Actuarial Cost Method used to determine the liabilities.

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Interest Rate

The assumed long-term rate of return on plan assets.

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Market Value of Assets

The fair market value of plan assets as of the valuation date.

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Normal Cost

The current year's cost for benefits yet to be funded. Under the Entry Age Normal cost method, it is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

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Present Value of Benefits

The single sum value on the valuation date of all future benefits to be paid to current plan participants.

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Projected Annual Payroll

The projected annual rate of pay for the fiscal year following the fiscal year beginning on the valuation date of all covered Members.

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Projected Benefits

The benefits expected to be paid in the future based on the provisions of the plan and the Actuarial Assumptions. The projected values are based on anticipated future advancement in age and accrual of service as well as increases in salary paid to the participant.



## DISCUSSION OF RISK

ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, states that the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition.

Throughout this report, actuarial results are determined using various actuarial assumptions. These results are based on the premise that all future plan experience will align with the plan's actuarial assumptions; however, there is no guarantee that actual plan experience will align with the plan's assumptions. It is possible that actual plan experience will differ from anticipated experience in an unfavorable manner that will negatively impact the plan's funded position.

Below are examples of ways in which plan experience can deviate from assumptions and the potential impact of that deviation. Typically, this results in an actuarial gain or loss representing the current-year financial impact on the plan's unfunded liability of the experience differing from assumptions; this gain or loss is amortized over a period of time determined by the plan's amortization method. When assumptions are selected that adequately reflect plan experience, gains and losses typically offset one another in the long term, resulting in a relatively low impact on the plan's contribution requirements associated with plan experience. When assumptions are too optimistic, losses can accumulate over time and the plan's amortization payment could potentially grow to an unmanageable level.

- **Investment Return:** When the rate of return on the Actuarial Value of Assets falls short of the assumption, this produces a loss representing assumed investment earnings that were not realized. Further, it is unlikely that the plan will experience a scenario that matches the assumed return in each year as capital markets can be volatile from year to year. Therefore, contribution amounts can vary in the future.
- **Salary Increases:** When a plan participant experiences a salary increase that was greater than assumed, this produces a loss representing the cost of an increase in anticipated plan benefits for the participant as compared to the previous year. The total gain or loss associated with salary increases for the plan is the sum of salary gains and losses for all active participants.
- **Payroll Growth:** The plan's payroll growth assumption, if one is used, causes a predictable annual increase in the plan's amortization payment in order to produce an amortization payment that remains constant as a percentage of payroll if all assumptions are realized. If payroll increases less than the plan's payroll growth assumption, the plan's amortization payment can increase significantly as a percentage of payroll even if all assumptions other than the payroll growth assumption are realized.
- **Demographic Assumptions:** Actuarial results take into account various potential events that could happen to a plan participant, such as retirement, termination, disability, and death. Each of these potential events is assigned a liability based on the likelihood of the event and the financial consequence of the event for the plan. Accordingly, actuarial liabilities reflect a blend of financial

consequences associated with various possible outcomes (such as retirement at one of various possible ages). Once the outcome is known (e.g. the participant retires) the liability is adjusted to reflect the known outcome. This adjustment produces a gain or loss depending on whether the outcome was more or less favorable than other outcomes that could have occurred.

- **Contribution risk:** This risk results from the potential that actual employer contributions may deviate from actuarially determined contributions, which are determined in accordance with the Board's funding policy. The funding policy is intended to result in contribution requirements that if paid when due, will result in a reasonable expectation that assets will accumulate to be sufficient to pay plan benefits when due. Contribution deficits, particularly large deficits and those that occur repeatedly, increase future contribution requirements and put the plan at risk for not being able to pay plan benefits when due.

### **IMPACT OF PLAN MATURITY ON RISK**

For newer pension plans, most of the participants and associated liabilities are related to active members who have not yet reached retirement age. As pension plans continue in operation and active members reach retirement ages, liabilities begin to shift from being primarily related to active members to being shared amongst active and retired members. Plan maturity is a measure of the extent to which this shift has occurred. It is important to understand that plan maturity can have an impact on risk tolerance and the overall risk characteristics of the plan. For example, closed plans with a large amount of retired liability do not have as long of a time horizon to recover from losses (such as losses on investments due to lower than expected investment returns) as plans where the majority of the liability is attributable to active members. For this reason, less tolerance for investment risk may be warranted for highly mature closed plans with a substantial inactive liability. Similarly, mature closed plans paying substantial retirement benefits resulting in a small positive or net negative cash flow can be more sensitive to near term investment volatility, particularly if the size of the fund is shrinking, which can result in less assets being available for investment in the market.

To assist with determining the maturity of the plan, we have provided some relevant metrics in the table following titled "Plan Maturity Measures and Other Risk Metrics". For a better understanding of the overall Plan and the impact of these risks, please refer to the consolidated PSPRS valuation report.

### **LOW DEFAULT RISK OBLIGATION MEASURE**

ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, was revised as of December 2021 to include a "low-default-risk obligation measure" (LDRM). This liability measure is consistent with the determination of the actuarial accrued liability shown on page 8 in terms of member data, plan provisions, and assumptions/methods, including the use of the Entry Age Normal Cost Method, except that the interest rate is tied to low-default-risk fixed income securities. The S&P Municipal Bond 20 Year High Grade Rate Index (daily rate closest to, but not later than, the measurement date) was selected to represent a current market rate of low risk but longer-term investments that could be included in a low-risk asset portfolio. The interest rate used in this valuation was 4.81%, resulting in an LDRM of \$1,465,478,754 for Tiers 1 and 2 and \$42,964,925 for Tier 3. The LDRM should not be considered the "correct" liability

measurement; it simply shows a possible outcome if the Board elected to hold a very low risk asset portfolio. The Board actually invests the pension plan's contributions in a diversified portfolio of stocks and bonds and other investments with the objective of maximizing investment returns at a reasonable level of risk. Consequently, the difference between the plan's Actuarial Accrued Liability disclosed earlier in this section and the LDRM can be thought of as representing the expected taxpayer savings from investing in the plan's diversified portfolio compared to investing only in high quality bonds.

The actuarial valuation reports the funded status and develops contributions based on the expected return of the plan's investment portfolio. If instead, the plan switched to investing exclusively in high quality bonds, the LDRM illustrates that reported funded status would be lower (which also implies that the Actuarially Determined Contributions would be higher), perhaps significantly. Unnecessarily high contribution requirements in the near term may not be affordable and could imperil plan sustainability and benefit security.

## PLAN MATURITY MEASURES AND OTHER RISK METRICS – TIERS 1 & 2

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
<b>SUPPORT RATIO</b>					
Total Actives	360	402	432	478	527
Total Inactives	1,010	977	958	915	868
Actives / Inactives	35.6%	41.1%	45.1%	52.2%	60.7%
<b>ASSET VOLATILITY RATIO</b>					
Market Value of Assets (MVA)	630,157,863	563,229,004	499,650,923	454,903,279	462,371,999
Total Annual Payroll	45,862,398	54,756,590	50,456,154	51,446,946	51,778,399
MVA / Total Annual Payroll	1,374.0%	1,028.6%	990.3%	884.2%	893.0%
<b>ACCRUED LIABILITY (AL) RATIO</b>					
Inactive Accrued Liability	841,132,754	795,088,761	760,598,014	700,214,284	643,811,944
Total Accrued Liability	1,072,058,996	1,063,640,663	999,467,697	940,954,891	882,414,474
Inactive AL / Total AL	78.5%	74.8%	76.1%	74.4%	73.0%
<b>FUNDED RATIO</b>					
Actuarial Value of Assets (AVA)	606,139,744	557,427,131	508,861,185	467,287,415	422,708,525
Total Accrued Liability	1,072,058,996	1,063,640,663	999,467,697	940,954,891	882,414,474
AVA / Total Accrued Liability	56.5%	52.4%	50.9%	49.7%	47.9%
<b>NET CASH FLOW RATIO</b>					
Net Cash Flow <sup>1</sup>	4,522,837	11,773,255	9,348,522	11,729,915	1,079,290
Market Value of Assets (MVA)	630,157,863	563,229,004	499,650,923	454,903,279	462,371,999
Net Cash Flow / MVA	0.7%	2.1%	1.9%	2.6%	0.2%

<sup>1</sup> Determined as total contributions minus benefit payments. Administrative expenses are typically included but are considered part of the net interest rate assumption for this plan.

### PLAN MATURITY MEASURES AND OTHER RISK METRICS - TIER 3 <sup>2</sup>

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
<b>SUPPORT RATIO</b>					
Total Actives	387	329	272	227	163
Total Inactives	101	79	67	58	35
Actives / Inactives	383.2%	416.5%	406.0%	391.4%	465.7%
<b>ASSET VOLATILITY RATIO</b>					
Market Value of Assets (MVA)	27,812,386	19,415,288	12,297,063	7,286,186	4,515,411
Total Annual Payroll	38,128,278	32,907,554	24,115,196	18,126,321	11,717,005
MVA / Total Annual Payroll	72.9%	59.0%	51.0%	40.2%	38.5%
<b>ACCRUED LIABILITY (AL) RATIO</b>					
Inactive Accrued Liability	1,613,650	644,924	453,628	308,510	152,944
Total Accrued Liability	24,893,694	16,929,773	10,859,798	6,585,841	3,619,617
Inactive AL / Total AL	6.5%	3.8%	4.2%	4.7%	4.2%
<b>FUNDED RATIO</b>					
Actuarial Value of Assets (AVA)	26,469,650	18,840,617	12,272,654	7,422,385	3,983,135
Total Accrued Liability	24,893,694	16,929,773	10,859,798	6,585,841	3,619,617
AVA / Total Accrued Liability	106.3%	111.3%	113.0%	112.7%	110.0%
<b>NET CASH FLOW RATIO</b>					
Net Cash Flow <sup>1</sup>	5,627,921	5,316,783	4,134,672	3,060,629	1,985,443
Market Value of Assets (MVA)	27,812,386	19,415,288	12,297,063	7,286,186	4,515,411
Net Cash Flow / MVA	20.2%	27.4%	33.6%	42.0%	44.0%

<sup>1</sup> Determined as total contributions minus benefit payments. Administrative expenses are typically included but are considered part of the net interest rate assumption for this plan.

<sup>2</sup> Tier 3 results are shown for the Risk Sharing group, where applicable.