



REDUCTION OF TIER 2 PUBLIC SAFETY PENSION COSTS

Town Council Meeting
December 7, 2022

Public Safety Pension Plans

- Administered by the Arizona Public Safety Personnel Retirement System (PSPRS)
- Each Employer Member Has Their Own Plan and Unique Financial Condition and Funded Status
- Town of Queen Creek Has Two Plans
 1. Fire
 2. Police
- Employees Are In One of Three Tiers Based on Hire Date
 - Tier 2: Employees Hired Between 1/1/12 and 7/1/17



Tier 2 Overview



- Employee Contribution is Based on the Funded Status of Plan (Ranges from 7.65% to 11.65%)
- Fire Plan
 - Employee Contribution Rate: 7.65% (Lowest Possible)
 - Pension Plan is Fully Funded
- Police Plan
 - Employee Contribution Rate: 11.65% (Highest Possible)
 - New Pension Plan Is In Transition to Full Funding From \$26.3M Internal Reserve

Tier 2 Overview

- Prior to July 1, 2022, Employee Contribution Rates Were Incorrect
- Employee Contribution Rates Should Have Based on the Funded Status of the Individual Plan
 - Error was Based on the Contribution Rates of the Entire System, Not the Individual Plan
- Financial Impact of Correction
 - Annual Employee Contribution Reduction: \$3.6M
 - Retroactive Refunds: \$11.2M to 9K employees



QC Fire Plan – Tier 2 (Fully Funded)



1. Employee Contribution Rates

- Decreased July 1, 2022
- Amount of Decrease: 4 Percentage Points (34% from 11.65% of pay to 7.65% of pay)
- Number of Employees: 23
- Annual Employee Contribution Decrease: \$87K
- Per Employee Annual Contribution Decrease (Based on Salary)
 - Low: \$2,772
 - High: \$4,360

QC Fire Plan – Tier 2 (Fully Funded)

2. Overpayments Refunded

- Number of Employees: 25
- Amount Refunded: \$447K
- Per Employee Refunds Varied Based on Employee Salaries (Summarized Below)

Number of Employees	Range of Refund
4	Less than \$12K
14	\$15K to \$20K
7	\$20K to \$38K



QC Police Plan – Tier 2

- Internal Reserve of \$26.3M to Fully Fund Estimated Unfunded Pensions (Our Portion of MCSO) Created in 2018
- PSPRS Police Pension Plan
 - New and Developing with New Hires
 - Transitioning from QC Internal Reserve
 - \$7M Payment Required to Fully Fund (Based on Most Recent Actuary Report)



Staff Recommendation



1. Fully Fund PSPRS Police Pension Plan Consistent with Adopted Pension Funding Policy
2. Transition from \$26.3M Internal Police Pension Reserve to Full Funding of PSPRS Police Plan
 - \$7M Payment Required
3. Police Tier 2 Employee Contributions Will Decrease
 - Decrease by 4 Percentage Points (34%)
 - Contribution Rate Will Decrease from 11.65% (Highest) to 7.65% (Lowest) of Pay
4. Police and Fire Tier 2 Employee Contribution Rates Will Now be at the Same 7.65% of Pay Contribution Rate

Staff Recommendation (concluded)



- Financial Impacts

1. Increased Investment Income on \$7M Held by PSPRS
 - Annual Estimate: \$250K Increase
2. Town's Portion of PD Pension Costs Will Decrease
 - Annual Decrease: \$450K Because Fully Funded
3. Tier 3 Police Employee Contribution Decrease
 - Number of Employees: 23
 - Annual Decrease: \$80K
 - Per Employee Annual Decrease (Based on Salary)
 - Low: \$2,772
 - High: \$4,360

Recommended Motion

Approve a \$7M payment to Fully Fund the Town's Police Pension Plan in the Arizona PSPRS and a \$7M budget adjustment from contingency

Note: This Change Will be Included in the Next Update to the Town's Pension Funding Policy

