Tom Armstrong	Eric Granillo	John McCafferty	Sherri Phillips	Robert Schacherer	Larry Holt	Robert Switzer
Mayor	Vice-Mayor	Councilmember	Councilmember	Councilmember	Councilmember	Councilmember

TOWN COUNCIL NOTICE & AGENDA

REGULAR MEETING
TUESDAY, JUNE 10, 2025
6:00 PM

COUNCIL CHAMBERS | 202 N. STATE ROUTE 89 | CHINO VALLEY, ARIZONA 86323

A majority of the Councilmembers may attend a private invocation in the Council Conference Room immediately prior to the Council meeting. No Town business will be discussed.

AGENDA

1. CALL TO ORDER; PLEDGE OF ALLEGIANCE; ROLL CALL

2. INTRODUCTIONS, PRESENTATIONS, AND PROCLAMATIONS

a. Presentation from Malena Peraza, Walk Manager, Northern Arizona Alzheimer's Association, on "Walk to End Alzheimer's."

b. Presentation and annual update provided by the Chino Valley Area Chamber of Commerce.

c. Yavapai College presentation and annual update provided by Richard Hernandez, Executive Director, Government Relations; and Rodeny Jenkins, Vice President of Community Relations & Student Development.

3. CALL TO THE PUBLIC - Individuals requesting to speak, please complete a Speaker Comment Card and return to the Clerk.

Call to the Public is an opportunity for the public to address the Council on any issue within the jurisdiction of the Council that is not on the agenda. Public comment is at the discretion of the Council and not required by law. Individuals are limited to speak for three (3) minutes, yielding of time will not be permitted. The total time for Call to the Public may be up to 30 minutes per meeting. Council action taken as a result of public comment will be limited to directing staff to study the matter, scheduling the matter for further consideration and decision at a later date, or responding to criticism. Public comment is invited and encouraged, however, personal attacks on individuals is not appropriate. Disrespectful behavior will not be tolerated; this includes loud outbursts, profanity, and disruptive discussions among our audience.

4. CURRENT EVENT SUMMARIES AND REPORTS

This item is for information only. The Mayor, any Councilmember, or Town Manager may present a brief summary or report of current events. If listed below, there may also be a presentation on information requested by the Mayor and Council and questions may be answered. No action will be taken.

a. Status reports by Mayor and Council regarding current events.

b. Status report by Town Manager Terri Denemy regarding Town accomplishments, and current or upcoming projects.

5. CONSENT AGENDA

All those items listed below are considered to be routine and may be enacted by one motion. Any Councilmember may request to remove an item from the Consent Agenda to be considered and discussed separately.

a. Consideration and possible action to adopt Resolution No. 2025-1291, designating Finance Director Kathryn Pehl as Chief Fiscal Officer for officially submitting the Fiscal Year 2026 Expenditure Limitation Report to the Arizona Auditor General.

b. Consideration and possible action to approve the April 30, 2025, study session minutes.

c. Consideration and possible action to approve the May 12, 2025, study session minutes.

6. ACTION ITEMS

The Council may vote to recess the public meeting and hold an Executive Session on any item on this agenda pursuant to A.R.S. § 38-431.03(A)(3) for the purpose of discussion or consultation for legal advice with the Town Attorney. Executive sessions are not open to the public and no action may be taken in executive session.

a. Consideration and possible action to approve Resolution No. 2025-1292 adopting the PSPRS Pension Funding Policy and authorizing the use of $400,000 out of the Town's General Fund Contingency Account to reduce the Public Safety Personnel Retirement System (PSPRS) unfunded liability amount.

Recommended Action: Approve Resolution No. 2025-1292 adopting the PSPRS Pension Funding Policy and authorizing the use of $400,000 out of the Town's General Fund Contingency Account to reduce the Public Safety Personnel Retirement System (PSPRS) unfunded liability amount.

7. ADJOURNMENT

TOWN COUNCIL NOTICE & AGENDA

EXECUTIVE SESSION
TUESDAY, JUNE 10, 2025
6:15 PM

COUNCIL CONFERENCE ROOM | 202 N. STATE ROUTE 89 | CHINO VALLEY, ARIZONA 86323

AGENDA

1. **CALL TO ORDER; ROLL CALL**

2. **An executive session for legal advice pursuant to A.R.S. §38-431.03(A)(3) regarding solar-related matters.**

3. **An executive session for legal advice and consultation with the Town Attorney regarding water-related contract negotiations pursuant to A.R.S. § 38-431.03(A)(3)-(4).**

4. **ADJOURNMENT**

Dated this 3rd day of June, 2025.

By: *Erin N. Deskins, Town Clerk*

The Town of Chino Valley endeavors to make all public meetings accessible to persons with disabilities. Please call 928-636-2646 (voice) or 711 (Telecommunications Arizona Relay Service) 48 hours prior to the meeting to request reasonable accommodation to participate in this meeting.

Council meetings are live-streamed on the Town of Chino Valley website, www.chinoaz.net.

CERTIFICATION OF POSTING

The undersigned hereby certifies that a copy of this notice was duly posted at Chino Valley South Campus, Chino Valley Post Office, and Chino Valley North Campus in accordance with the statement filed by the Town Council with the Town Clerk.

Date: ___________________ Time: ___________________ By: ____________________
Erin N. Deskins, Town Clerk

TOWN COUNCIL
AGENDA ITEM STAFF REPORT

AGENDA ITEM # 5a
MEETING DATE: 6/10/2025
CONTACT PERSON: Katie Pehl, Finance Director
ITEM TYPE: Consent Item

AGENDA ITEM TITLE:
Consideration and possible action to adopt Resolution No. 2025-1291, designating Finance Director Kathryn Pehl as Chief Fiscal Officer for officially submitting the Fiscal Year 2026 Expenditure Limitation Report to the Arizona Auditor General.

SUMMARY:
Pursuant to Arizona Revised Statutes §41-1279.07(E), all counties, cities, towns, and community college districts in the State of Arizona are required to annually designate a Chief Fiscal Officer (CFO) to be responsible for the submission and certification of the Annual Expenditure Limitation Report (AELR). This designation must be reported to the Arizona Auditor General no later than July 31 of each year.

The AELR is a statutory requirement intended to ensure that local governments operate within constitutionally and statutorily imposed budgetary expenditure limitations. The designated CFO plays a key role in maintaining the Town's compliance with these requirements by:

- Preparing and submitting the AELR for the current fiscal year;
- Certifying the accuracy and completeness of the report;
- Ensuring adherence to applicable expenditure limitations established by law.

This certification process is essential to maintaining fiscal transparency and accountability, and it supports the Town's ability to demonstrate compliance with state-imposed financial regulations.

PREVIOUS ACTION:
N/A

STAFF RECOMMENDATION:
Adopt Resolution No. 2025-1291, designating Finance Director Kathryn Pehl as the Town's Chief Fiscal Officer for officially submitting the fiscal year 2026 expenditure limitation report to the Arizona Auditor General.

FISCAL IMPACT?
There is no fiscal impact associated with this request.

ATTACHMENTS:

1.	RES 2025-1291 CFO Designation FY26

RESOLUTION NO. 2025-1291

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY, ARIZONA, ARIZONA, DESIGNATING THE CHIEF FISCAL OFFICER FOR OFFICIALLY SUBMITTING THE FISCAL YEAR 2026 EXPENDITURE LIMITATION REPORT TO THE ARIZONA AUDITOR GENERAL.

WHEREAS, A.R.S. § 41-1279.07(E) requires each county, city, town, and community college district to annually provide to the Arizona Auditor General by July 31 the name of the Chief Fiscal Officer the governing body designated to officially submit the current year's annual expenditure limitation report (AELR) on the governing body's behalf; and

WHEREAS, the Town of Chino Valley Mayor and Council desires to designate Kathryn Pehl as the Town of Chino Valley's Chief Fiscal Officer for the purpose of submitting the Town's AELR for fiscal year 2026; and

WHEREAS, entities must submit an updated form and documentation for any changes in the individuals designated to file the AELR.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Common Council of the Town of Chino Valley, Arizona, as follows:

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

SECTION 2. Finance Director Kathryn Pehl is hereby designated as the Town of Chino Valley's Chief Fiscal Officer for purposes of submitting the fiscal year 2026 AELR to the Arizona Auditor General on the governing body's behalf.

SECTION 3. If any section, subsection, sentence, clause, phrase, or portion of this Resolution is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

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

[SIGNATURES ON FOLLOWING PAGE]

PASSED AND ADOPTED by the Mayor and Common Council of the Town of Chino Valley, Arizona, this 10th day of June 2025.

____
Tom Armstrong, Mayor

ATTEST:

____
Erin N. Deskins, Town Clerk

APPROVED AS TO FORM:

____
Andrew J. McGuire, Town Attorney
Gust Rosenfeld, PLC

I hereby certify that the above foregoing Resolution No. 2025-1291 was duly passed by the Council of the Town of Chino Valley, Arizona, at a regular meeting held on June 10, 2025, and that quorum was present thereat and that the vote thereon was ____ ayes, ____ nays, and ____ abstentions. ____ Council members were absent or excused.

____
Erin N. Deskins, Town Clerk

TOWN COUNCIL
AGENDA ITEM STAFF REPORT

AGENDA ITEM # 5b
MEETING DATE: 6/10/2025
CONTACT PERSON: Erin Deskins, Town Clerk
ITEM TYPE: Consent/Minutes

AGENDA ITEM TITLE:
Consideration and possible action to approve the April 30, 2025, study session minutes.

STAFF RECOMMENDATION:
Approve the April 30, 2025, study session minutes.

ATTACHMENTS:

1.	2025_04_30_CC_SS_MND_wWM

MINUTES OF THE STUDY SESSION OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY WEDNESDAY, APRIL 30, 2025 5:00 PM COUNCIL CHAMBERS | 202 N. STATE ROUTE 89 | CHINO VALLEY, ARIZONA 86323

1. CALL TO ORDER, ROLL CALL

Mayor Armstrong called the meeting to order at 5:00 p.m.

Present:	Mayor Tom Armstrong (left at 7:57 p.m.), Vice-Mayor Eric Granillo, Councilmember John McCafferty, Councilmember Sherri Phillips, Councilmember Robert Schacherer, Councilmember Larry Holt, Councilmember Robert Switzer
Absent:	
Staff Present:	Town Manager Terri Denemy, Finance Director Katie Pehl, Human Resources Director Laura Kyriakakis, Public Works Director/Town Engineer Frank Marbury, Utilities Manager Jesse Holyfield, Public Works Manager Paul Smith, Police Chief Josh McIntire, Lieutenant Amy Chamberlin, Community Services Director Cyndi Thomas, Recreation & Events Coordinator Morgan Heiner, Recreation & Events Coordinator Rebekah Segien, IT Manager Spencer Guest, Audio Visual Technician Nicholas Harwick, Deputy Town Clerk Sara Burchill, Town Clerk Erin N. Deskins

2. DISCUSSION ITEMS

a. Consideration and discussion regarding the Fiscal Year 25/26 budget.

Terri Denemy, Town Manager, presented the following:

- Staff worked to be as conservative as possible with the budget and only included things that they thought were either necessary for compliance or needed to maintain levels of service.
- Staff also worked to include more public input. Some staff recommendations were changed in favor of Capital Improvement Program Citizens Advisory Committee (CIPCAC) recommendations and public survey results.
- Staff worked to make the budget document more user-friendly and understandable.
- Additional meetings were added to give Council enough time to feel comfortable with the decisions they needed to make.
- Council would first hear from outside entities with requests for funding.

Mayor Armstrong called the item.

Katie Pehl, Finance Director, presented the following:

- The first presenter would be Yavapai Family Advocacy Center (YFAC) in partnership with Prevent Child Abuse Arizona.
- The second presenter would be Yavapai Regional Transit (YRT).

- The third presenter would be the Chino Valley Pickleball Association (CVPA).

Missy Sikora, YFAC Executive Director, presented the following:

- The center is a program of Prevent Child Abuse Arizona, and had been serving Yavapai County for 25 years this coming October.
- They provide services to victims of crimes such as domestic violence, child abuse, sexual assault, elder abuse, etc.
- YFAC has had a long-standing partnership with the local municipalities since they opened.
- YFAC also partners with local law enforcement agencies to collect forensic evidence for the cases, including forensic interviews, and they conduct all medical exams at their facility in partnership with Honor Health.
- In 2024, they provided services to 1,300 victims county-wide. 15-20% came from Chino Valley and its unincorporated areas.
- All services were free of charge and insurance information is not collected. YFAC is nationally accredited through the National Children's Alliance.

Council and Ms. Sikora discussed the following:

- Councilmember Holt inquired if YFAC was a private organization.
  - Ms. Sikora stated they are a non-profit.
- Councilmember Holt inquired if the district attorney's office also has a victim advocacy center.
  - Ms. Sikora stated that the district attorney's office has victim services and their specialty is in guiding people through the legal system. They do not do education or advocacy, therapeutic support, etc.
- Councilmember Holt inquired if YFAC assists in sexual assault investigations.
  - Ms. Sikora stated they do and she co-chairs the sexual assault response team and human trafficking task force for the county.
- Councilmember McCafferty inquired if YFAC facilitates trauma therapy for underprivileged families.
  - Ms. Sikora stated they do if the person is a victim of a crime or a caregiver or non-offending caregiver. All therapists contracted with YFAC have to specialize in trauma therapy.
- Mayor Armstrong inquired how much the request was for.
  - Staff stated it was a little over $12,000.
- Councilmember Schacherer inquired about the process when a child makes a report.
  - Ms. Sikora stated that typically children report to an adult who reports to law enforcement, who then call YFAC. Law enforcement is present for interviews via video camera and could feed additional questions to the interviewers.
- Councilmember Holt inquired if YFAC were mandated reporters.
  - Ms. Sikora stated they are, and she is assigned to be the children's justice coordinator for Yavapai County and trains over 800 people county-wide every year on mandated reporting.
- Councilmember Switzer inquired if the County paid for medical evaluations.
  - Ms. Sikora stated that state statute mandated the county attorney's office to pay for necessary sexual assault examinations. Strangulation exams come out of YFAC's budget.

Tom Stultz, Transit Manager for YRT, presented the following:

- YRT was seeking additional financing. They were mainly funded through ADOT, but they needed to provide match money.
- They needed to purchase a new bus this year as another was aging out and their match money for the bus was $30,000. He had requested $40,000, which was one month of overhead.
- Discussed the services they offered and who they served.
- Last year YRT ran 17% under budget. Six months into this year's budget, they were on track to meet budget, but match money was very short for them and they needed help.

Council and Mr. Stultz discussed the following:

- Councilmember McCafferty inquired if Mr. Stultz's definition of "a transport" was one person, one way.
    - Mr. Stultz stated that was correct.
- Councilmember McCafferty inquired if he would also be asking for additional funds for Paulden Plunge.
    - Mr. Stultz stated that it was kept in a separate fund and he would be asking for additional funds for that purpose.
- Councilmember McCafferty inquired if anyone was being charged for rides.
    - Mr. Stultz stated that no one was being charged and stated that when they were charging they were losing $325/month in administrative expenses.
- Councilmember Schacherer stated that he did a ride along with YRT, and they had a good service.

Mary Kelly, Chino Valley Pickleball Association Secretary, presented the following:

- Provided the Council with a handout and reviewed some key points.
- Read a letter that the association received from Jenda Ballard who is the head coach of Chino Valley High School stating the need for outdoor courts in Chino Valley.

Council and Ms. Kelly discussed the following:

- Councilmember Schacherer inquired if the Association had raised any funds to put towards the pickleball courts.
    - Ms. Kelly stated that they had done some fundraising to support the club for general expenses such as printing and to hopefully provide picnic tables and other amenities around the courts.
    - Ms. Kelly stated that they had not been able to approach donors without the Town's commitment. Last year's budget of $500,000 if money could be raised, was not strong enough for the association to go to donors. They would be getting some coaching on how to approach donors.
    - Councilmember McCafferty asked for clarity on the comment that $500,000 was not enough.
        - Ms. Kelly stated that $500,000 to be raised through contributions or grants was not enough of a compelling reason for the association to go to donors; they needed construction dollars. She estimated that they could get eight courts done for $362,000.
- Councilmember McCafferty inquired if the item was presented to the Parks & Recreation Advisory Board (PRAB) and what their feedback was.

- Staff stated that PRAB proposed it in a five-phase project included improvements to Community Center Park, Appaloosa Meadows, Center Street Park, and the dog park. They would first be getting costs for the entire project, followed by getting grading and groundwork done, adding parking at Community Center Park, then move frisbee golf and bringing in amenities starting with the pickleball courts.
- Councilmember Switzer inquired if there was proper acreage for amenities and parking.
  - Staff stated that there was.

Katie Pehl, Finance Director, presented the following:

- Staff would now go over their department requests and answer any questions.
- Green check marks were recommended by the Town Manager, CIPCAC, or Finance. Yellow check marks were recommended with constraints such as partial, or funded through grants or donations. Red "X's" were not being recommended at this time. Council could alter the recommendations as they see fit.

Cyndi Thomas, Community Services Director, presented the following:

- Provided an update on the library including number of visitors, how many residents had a library card, amount of printed materials available for check-out, amount of programs hosted, etc.
- The recent retirement of the Library Director left a void in the cataloging department. Community Services was requesting a Technical Services Librarian to fill that void.
- Due to rising food and materials cost staff was asking for an increase in the Senior Center food budget.
- Pool deck resurfacing was recommended by CIPCAC due to the safety concerns it presented.
  - In 12 weeks last year, staff received 27 complaints of cuts or scrapes on feet due to the uneven deck around the pool. They also had 13 slips and falls which may or may not have been because of the worn-down, 20-year-old deck. Lifeguards were required to wear some sort of foot covering when standing on the deck due to the heat from the deck which could pose a safety concern if jumping in to do a save.

Council and staff discussed the following:

- Councilmember McCafferty clarified that the requested position would replace a position and a half that already existed and only increase the budget by $1,600.
  - Staff stated that was correct.
- Councilmember Schacherer inquired if the $15,000 for food costs was in excess of the $163,000 that is currently spent per year.
  - Staff stated that was correct.
  - Councilmember Switzer inquired if the need was also due to serving more customers.
    - Staff stated that was correct.
    - Councilmember Schacherer stated there was a waiting list.
      - Staff stated that Yavapai County had a waiting list of over 600 people for Meals on Wheels.
- Councilmember Switzer inquired if there had been any cuts to funding from other sources.

    - Staff stated there was not at this time, but as they were on the federal cycle they would know October 1st. Last they were told in April was that providers should expect the same amount from NACOG of approximately $160,000 to $170,000 per year.
- Councilmember Schacherer inquired if the deck would be cool decking.
    - Staff stated that was correct.

- Councilmember Switzer inquired if the pool deck had already been out for bid.
    - Staff stated they received a quote about three years ago, and it was about $250,000.
- Councilmember Holt inquired how many square feet there was of decking.
    - Staff did not have that number on hand.
- Councilmember McCafferty inquired where the pool deck placed on the Council survey.
    - Staff stated it was 25 out of 40.
    - Staff stated that CIPCAC prioritized it because the prior year it was requested but pushed off for a year.
- Councilmember McCafferty inquired if other organizations were ready for the Northern Peavine Trail Alignment.
    - Staff stated there were new ideas about how to plan the project, and they were not sure which way they were going to go. If they chose to go through state land, they would have to fence the area, and it would take well over a year to get the state permits. The item would come up again.
- Councilmember Schacherer inquired about the amount staff had budgeted for pickleball courts versus what the association quoted.
    - Staff stated that the pickleball association had looked at the pickleball courts themselves, but there would need to be a lot of preparation to get them put in place. $650,000 was a place holder but encompassed other things such as grading, engineering, etc.
    - Staff stated that they were recommending the pickleball courts be a placeholder again this year so that if other contributions could be found through different grants, the funding could move forward. This could change with Council direction.

Laurie Lineberry, Development Services Director, presented the following:

- Most of Development Service's budget requests were not identified as priorities by Council, but they were requesting a new GIS position as IT and Public Works were already spending money for contract services that this position could serve.
- This would allow the Town to create a base map and then create data and generate maps as the Town needed.
- Gave a brief summary of the other projects the department is working on.

Council and staff discussed the following:

- Councilmember Schacherer stated that the GIS request was for $109,389 and his search revealed that the top earners in this field were earning $81,540, 75th percentile was $65,200, and the average was $55,288. He inquired if this position would have 10 hours' worth of work for four days per week.
    - Staff stated they would and the dollar amount included benefits.
- Councilmember Schacherer stated that last year $70,000 was budgeted for the GIS contracts, and staff now wanted $109,000.

    - Staff stated the full impact was $58,000 to get the position on board along with the machinery, software, and benefits.
    - Councilmember Schacherer expressed concern that the position would not have work beyond six months.
- Councilmember Switzer inquired what it would cost to contract the position.
    - There was further discussion regarding the challenges with getting that work done by the county.
    - Staff stated that $50,000 of what was budgeted last year for contract services was just needs from utilities. GIS wasn't just drawing maps, but all the data behind it and how you use that data.
    - Staff further stated that the data changes monthly and the map is never just done. Further discussion ensued regarding additional maps that could be made utilizing different types of data.
    - Councilmember Switzer inquired about the education background of a GIS Analyst.
        - Staff stated it required a degree.
    - Councilmember Schacherer inquired about why the Town was starting at the top pay rather than the middle.
        - Staff stated that they always budget a vacancy at the mid-range. The reality would be less than that amount when they hire someone.
        - Councilmember Schacherer felt it was difficult to do a budget when staff did not present the correct numbers.
            - Staff further stated they budget at the mid-range, knowing that some positions will come in a little higher, and some lower.
            - Councilmember Schacherer stated that $109,000 was not the mid-range.
                - Staff stated it was once adding in benefits. Staff worked with external parties to consult about what the range should be for those positions.
                - Council requested details about where staff got their information for the range.
    - Councilmember Holt inquired if the Town had ever done a salary study with areas of comparable size and income such as Cottonwood and Verde Valley.
        - Staff stated they do class and compensation studies via firms and internally. Staff offered to schedule a presentation on how staff does this.
        - Further discussion ensued regarding the differences and similarities between Chino Valley and the surrounding municipalities.
    - Councilmember Switzer inquired if Prescott and Prescott Valley had a GIS Analyst.
        - Staff stated that Prescott Valley had two.
    - Councilmember Holt inquired if staff was requesting a specialist or analyst.
        - Staff stated they were requesting a specialist.
        - Staff stated it needed to be someone who knew how to get in, start, and do the work without someone guiding them.
    - Staff would get Council a breakdown of the $109,000 and schedule staff to discuss class and compensation.
        - Mayor Armstrong requested it all be brought to them at one time.

Katie Pehl, Finance Director, presented the following:

- Finance was requesting an increase in the external audit budget as costs had increased since their last five-year contract.
- They also requested funds to audit the Town's TPT revenue.

Council and staff discussed the following:

- Councilmember McCafferty inquired if the goal with the TPT audit was for that service to pay for itself.
    - Staff stated the TPT auditor says they will bring in two and a half times the amount of their contract.
- Councilmember Schacherer inquired what Council had recently voted on.
    - Staff stated they voted on the external audit with Heinfeld and Meech.

Katie Pehl, Finance Director, presented the following for Laura Kyriakakis, HR Director:

- The Prosecutor's contract fell under the HR Department and increased from $50,000 to $80,000.
- Discussed non-departmental budget requests.

Council and staff discussed the following:

- Councilmember McCafferty inquired if there was a limitation to how many hours the prosecutor worked.
    - Discussion ensued regarding the hours worked by the prosecutor.
- Councilmember Switzer inquired if the Town had shopped insurance carriers.
    - Staff stated the Town was with AMRRP which was specific to municipalities.
- Discussion ensued regarding YFAC and the fact that they hadn't been paid since 2019 even though the money had been budgeted for.
- Further discussion ensued regarding how allegations from children are investigated.
- Vice-Mayor Granillo inquired if YFAC saved the Police Department a lot of time.
    - Staff stated that if they did not use YFAC, victims and family members wouldn't get the resources.
- Councilmember Switzer inquired how much Chino Valley used YFAC.
    - Staff stated they used it a lot even if it didn't result in the arrest of someone.
- Discussion ensued about how much it would cost the Town to hire an outside psychologist to handle these investigations.
- Discussion ensued regarding YRT's charging practices, and how much Council wanted to give them for funding.
- Council discussed wanting to see YRT's financials.
    - Staff stated that there could be a contingency on the contribution to them, and also stated that YRT is funded by United Way and the board does a deep audit on any funded projects.
- Staff stated that they recommended the $20,000 for YRT because they serve a large portion of the population that otherwise would not be able to get to the Senior Center, doctor's appointments, etc.
- Council discussed needing a study session regarding Old Home Manor (OHM).

    - Staff stated they wanted to have the money there in case Council came out of the study session and decided they wanted to engage an outside group in putting something together.
    - Discussed possibilities and potential interests for businesses at OHM.

Spencer Guest, IT Manager, presented the following:

- The department needed to make some server replacements.
- Door access control needed to be expanded to other buildings.
- Replacement of the mobile data computers (MDC) for the Police Department vehicles was needed. Staff recommended replacing a few and putting them on a rotating schedule so that they don't need to be replaced all at once.

Council and staff discussed the following:

- Councilmember Switzer inquired if staff had looked at going cloud-based.
    - Staff stated that they were working on some initiatives this year to accommodate that as some Microsoft updates necessitated it. Staff did have some reluctance to make everything cloud-based.
- Councilmember Switzer inquired what unit of MDC staff was planning to go to.
    - Staff stated they would be moving to G-Tech because the County knows how to work on them.
- Staff stated they were working on a grant to fund more units.

Josh McIntire, Chief of Police, presented the following:

- Discussed the PANT detective being requested. The offset was just over $68,000 due to part of the position being paid by a PANT grant. In addition, staff recommended paying the additional cost of the position with the Smart & Safe Arizona funds the Town had been receiving in the amount of approximately $70,000 to $80,000 per year, which had to be spent on Police Department personnel.
- Discussed the one-time operating costs of getting a PANT officer outfitted.
- Reviewed grants the department applies for and the current state of grant funding.
- A Town Emergency Manager was needed to take some of those tasks and responsibilities off the Chief's plate and ensure management of a critical incident in Chino Valley in the event the County had a critical incident of their own. Staff made this request to open the conversation. This position would be in conjunction with Public Information Officer duties. In case of an emergency, this position would run an emergency operations center and work with the Police Department to get information out.
- Discussed the recommended operating costs.
- Discussed the requested flock expansion to cover some blank areas. Staff felt they could wait a year for that.
- Staff felt they were in a good place with Police Department vehicles and did not recommend the requested replacement vehicles.
- Discussed the requested range bathrooms. NARTA brings their own porta potties because two are not sufficient for them. Staff had not originally recommended this item but CIPCAC recommended the item to Council.

Council and staff discussed the following:

- Councilmember McCafferty inquired how much Smart & Safe money the Town has right now.
    - Staff stated it was a little under $300,000. This would cover the cost for three to four years, but they get that money annually. If the funding changed, the matter would be brought back to Council.
- Discussion ensued regarding Police Department staffing and training.
- Councilmember Schacherer inquired how many patrol cars the Police Department had.
    - Staff stated they had 20 marked vehicles and two undercover, including a secondary detective unit, animal control, and the Chief's vehicle.
- Councilmember Schacherer inquired about a request from the Police Department last year for a liaison between businesses and residents and if that's what staff was asking for with the traffic officers.
    - Staff stated the traffic officers were meant to be just traffic officers. Staff stated they have one officer acting as that liaison in a split position.

- Councilmember Schacherer referred to a call where there were supposedly five officers responding to a call and two officers sat in their cars for an hour and a half.
    - Staff stated that they had looked at their records and could not find a time when five officers were on duty at the same time. Staff inquired what kind of call it was.
    - Councilmember Schacherer stated that the parents called thinking their child was on drugs.
        - Staff stated that one officer would have been on the phone with juvenile hall, another would have been on the phone with probation, leaving two officers to deal with the child.
        - Staff stated that many times officers cruise by to make sure everything is ok.
        - Staff stated that for death investigations they can be on scene for upwards of six hours.
- Vice-Mayor Granillo stated that it sounded like an Emergency Manager would be more important than PANT.
    - Staff stated that they would prefer the PANT officer.
- Councilmember Schacherer inquired about the hours for an Emergency Manager.
    - Staff stated it would be a full-time position.
    - Councilmember Schacherer inquired what would happen if something happened in the middle of the night.
        - Staff stated they would adjust their schedule just as a salaried employee would.
    - Councilmember Schacherer inquired what would happen if the Emergency Manager was out of town.
        - Staff stated that the Police Department could act as the backup. Staff further discussed delegating staff to train for certain tasks.
- Mayor Armstrong inquired if there was funding available for the Emergency Manager position.
    - Staff stated there may be grants, but they didn't have any in the pipeline.
- Councilmember Holt inquired how old the radios were that staff was looking to replace.
    - Staff stated they got a grant for radios a few years ago. Staff didn't want to have to buy them all at once so they purchased a few to rotate through what they currently have. Staff stated they had 55 to 60 radios. Staff was hoping to purchase a minimum of 10 radios per year.

- Staff stated the purchase of radios was built in every year. Last year they wanted to buy eight but could only buy six because of the price increases.
- Councilmember Holt inquired if Motorola was still refurbishing radios.
  - Staff stated that they were like cell phones and technology changes quickly.
- Councilmember Schacherer inquired why the flock expansion was not recommended.
  - Staff stated the Police Department identified other items as priorities, and they felt they could wait for a year on that item.
  - Further discussion ensued regarding the positive results of the flock cameras and where staff plan to expand the system.
- Discussion ensued regarding different options for bathrooms at the shooting range, maintenance of the facility, and potential cost savings on disposal.
- Discussion ensued regarding funds from other agencies to help with building the shooting range and asking for funding for the requested bathroom facility.
- Staff stated that Council could decide to approve funding contingent on some percentage coming from other funding sources.

Frank Marbury, Public Works Director, presented the following:

- Staff was looking to change from a contract to a hired position for cleaning the Police Department and Town Hall.
- Asked Council to consider the GIS position as an interdepartmental need between Development Services, Police Department, Economic Development, and Public Works.
- Regarding the request for engineering code changes, Prescott, Prescott Valley, and Dewey-Humboldt were rolling out new engineering details and standards and the Town intended to utilize those standards with minor modifications. The Development Services zoning code rewrite would now be a Unified Development Ordinance (UDO) that has the engineering code wrapped in so that the zoning official would not have to make engineering judgments.
- Briefly reviewed the minor capital requests.
- Briefly reviewed the major capital requests.
- Briefly reviewed the streets minor capital projects and reviewed how Council placed them in terms of priority.

Council and staff discussed the following:

- Councilmember Schacherer stated that they made the switch to a contractor for cleaning the Police Department and Town Hall because they had multiple people to do cleaning including weekends. He inquired if staff would have someone to do weekends.
  - Staff stated they would be advertising the position as non-standard hours to be able to cover the weekends and have other staff cover the weekdays.
  - Staff stated the contract gives the Town 33 hours per week. A custodian position would give the Town 40 and added flexibility.
  - Staff stated they could continue to evaluate the options to make sure it was the right decision to get the service the Town needs on the weekend as the contract is up in September or October. If staff finds that it would be more beneficial to hire a custodian, approval of the item from Council would give them the authority to do so.
- Vice-Mayor Granillo inquired what the Town supplied the contract cleaners.
  - Staff stated they provided the chemicals, toilet paper, etc.
  - Vice-Mayor Granillo inquired if an employee would need a vehicle.

            - Staff stated they would have to double-check, but they believed they would have a repurposed vehicle for this purpose.
- Mayor Armstrong inquired if the custodian position would only do the Police Department and Town Hall buildings.
    - Staff stated they would be getting seven more hours per week. Staff stated every job description included "other duties as assigned."
    - Councilmember Schacherer stated that one person would not be able to do all the work.
        - Staff stated that one person did it now.
        - Councilmember Schacherer stated that having a contractor put the responsibility of job completion on the company rather than the Town. He did not feel the Town would get the same results from an employee.
            - Councilmember Switzer stated that he felt it was the opposite.
            - Further discussion ensued regarding potential duties and time needed to complete the various jobs, the potential benefit of the facilities being maintained by someone in-house, and increasing contract and employee salary costs.
- Councilmember Holt inquired what the Town would be paying for regarding the engineering code changes.
    - Staff stated it was an entire rewrite of the engineering code to be incorporated into the UDO.

- Councilmember Schacherer inquired why fleet did not have a commercial handwashing station.
    - Staff stated they were working on upgrading the building as they can.
    - Councilmember Schacherer stated it would be about $90 for a large basin sink.
- Referring to the request for pickup trucks, Councilmember Schacherer stated that one sat outside the Senior Center all the time.
    - Staff stated it wasn't for the Parks Department.
    - Councilmember Schacherer stated that it belonged to the Town and was just sitting there and inquired why staff couldn't use that one for what they needed.
        - Staff stated they could talk to the Town Manager about the use of that vehicle.
        - Staff stated that it was a recreation vehicle and, with summer starting, that truck would be used every day.
- Discussion ensued regarding the cost benefit of purchasing portable lights for events and how long it would take to recoup the cost over renting the equipment.
- Councilmember McCafferty inquired why lighting field 4 was estimated to cost $1.5 million when it cost $382,000 to light field 3 in 2017.
    - Staff stated that the conduit and infrastructure was not in place on field 4 like it was on field 3. Additionally, they would be installing LED lights which had a greater initial cost than the HID's that were installed on field 3.
    - Staff stated they were always working on grants for this project.
- Vice-Mayor Granillo inquired if a third party turned off the ballfield lights every night.
    - Staff stated they were able to do it from their phones.
- Staff gave details on the asphalt recycler, stating that it could produce four tons of hot mix per hour from old, dug out asphalt for patching potholes.
- Councilmember Schacherer inquired if the recycler could do more than just potholes.
    - Staff stated they could also use it to patch a crosscut in the road.

- Councilmember McCafferty inquired if staff could use it to do a section like Road 1 East and Road 1 South.
    - Staff stated it would be all handwork. They could patch potholes that were about four feet wide by squaring it up to about six feet by six feet, adding base, and topping it with hot mix.
    - Staff also stated that hot mix was cheaper than cold mix by about $40/ton.
    - Staff could also provide hot mix during the winter months when the plants were shut down.
    - Staff stated that last year's budget included a trailer hot box that holds four tons, but discovered that it would be better to have a recycler unit, so the department had not spent that budget this year to save for the recycler.
- Discussion ensued regarding what types of road repairs the streets crew had the capacity to repair.
- Vice-Mayor Granillo inquired if roads being returned to dirt could be recycled to asphalt.
    - Staff stated that most of the roads were chip seal, not asphalt.
- Councilmember Schacherer inquired what a skid steer was.
    - Staff stated it was like a bobcat (mini-loader). Their current skid steer was a 1994 with 600,000 miles.
- Councilmember Schacherer stated that Public Works has three dump trucks in the yard.
    - Staff stated they needed to replace one that had 600,000 miles that was a repurposed over-the-road truck.
- Councilmember Holt inquired if the dump truck was diesel or gas.
    - Staff stated it was diesel.
    - Councilmember Holt stated that he found a dump truck via Google for $90,000, but it was a v-10, not diesel.
        - Staff stated they would have to go to sealed bids.

Meeting recessed at 8:02 p.m.

Meeting resumed at 8:11 p.m.

Frank Marbury, Public Works Director, presented the following:

- Presented the streets to be chip sealed as prioritized and recommended by CIPCAC.
    - Rather than recommending a complete rebuild like what was just don't on Reed Road, staff wanted to pulverize what was present, grade it out, and put a double-chip seal on it. They could do five miles with this method as opposed to one mile of a complete rebuild.
    - Staff was seeking Council's preference if they would like to spend more or less, etc.
- Discussed water projects including adding drainage improvements to the water fill station and a new well and pump to complement Brightstar or replace it should it ever go down (this was incorporated in the WIFA grant/loan).
- Discussed wastewater projects including a vactor truck and wastewater reclamation facility (WRF) improvement.
    - Presented the Council with a list of maintenance records for the current vactor truck.
        - Staff stated they were asking for the spending authority for the vactor truck, but contingent on looking for funding or a loan or something else.

        - Staff felt the plant work was more important and discussed the reasons why.

Katie Pehl, Finance Director, presented the following:

- Gave a breakdown of the personnel budget with a slight increase of $62,863 over last year, but is offset by PANT grant revenues and operating decreases for GIS and custodial services.
- Discussed personnel COLA and Merit increases.
- Gave a breakdown of the operating expenditures and how they compare from previous years, showing a decrease of $13,543.
- Gave a breakdown of the small-scale one-time operating base budget, which had a decrease of $1,798,045.
    - Staff sought Council's direction for funding an Old Home Manor Strategic Plan to either fund it contingent on Council's authorization based on the outcome of the future study session, or fund it out of contingency if they decide later they want it.
        - Council indicated keeping it in the budget as a placeholder.
    - Gave a brief overview of minor capital requests which had a decrease of 56.7% (or $1.8 million) over last year's capital budget.
    - Gave a brief overview of major capital project requests which had a decrease of $2,940,745 from the current year's budget.
    - Gave a summary of the base budget for $29,332,994 down from $55,983,787 from Fiscal Year 2024-25.
    - Discussed next steps for the budget process.

Council and staff discussed the following:

- Councilmember McCafferty inquired if the Town was spending more on roads this year than the last few years.
    - Staff stated the proposed budget of $2.5 million was more than they were spending in Fiscal Year 25.
- Discussion ensued regarding some chip-sealed roads lasting 20 years and the cost benefit of double chip sealing the roads.
- Councilmember Holt inquired if a double-chip seal would work on Perkinsville Road with the amount of heavy equipment that goes up and down that road.
    - Staff did not believe it would work, but the road was about five years past due for replacement.
    - Councilmember Holt stated that he thought it would be a waste of money to chip seal that road.
        - Councilmember McCafferty agreed, but also stated that it led to the ranges, equestrian center, and future development and felt that the Town needed to do something to make the road more favorable.
        - Discussion ensued regarding making Perkinsville Road dirt.
- Councilmember McCafferty stated he was fine with a $2.5 million budget for roads, but wanted to see it closer to $3 million.
    - Staff stated the additional amount would be transferred from the general capital improvement fund, which would also fund the police bathroom and pool decking.
- Vice-Mayor Granillo inquired if they were still waiting for WIFA to approve the grant for the new well and pump.

    - Staff stated they approved the grant, and staff was waiting on the paperwork. It would come before Council for final approval with the loan terms.
- Councilmember Switzer inquired if the engineering for the new well and pump would be good for a few years.
    - Staff stated they might have to change a few details if the plans sat for a few years, but otherwise they should be pretty solid.
- Councilmember McCafferty inquired if the vactor truck was being included in the financing for the WRF improvements.
    - Staff stated it was not allowed to be financed with that project because it's an equipment item.
    - Vice-Mayor Granillo inquired if staff would sell the current vactor truck.
        - Staff stated they would auction it and hope someone bought it for scrap.
- Councilmember Schacherer inquired if vactor trucks could be rented.
    - Staff stated they could rent one from time to time, but if there was an emergency they might not be able to get one.
    - Staff stated a vactor rental truck was $15,000/month.
    - Councilmember Schacherer inquired about a lease.
        - Staff stated it was the same thing.
- Councilmember Holt inquired about the Town's IGA with Prescott for a vactor truck.
    - Staff stated it was for emergencies only, including equipment and operator. Last time staff asked to borrow it they were told no because it wasn't an emergency.
        - Councilmember Holt stated that he saw a Peterbilt Class 8 vactor truck for $356,000.
        - Staff inquired if it was upfitted for a vactor truck.
            - Councilmember Holt stated it was full vactor truck.
                - Staff stated they would look at it.
- Councilmember McCafferty inquired about using reserves to fund the vactor truck.
    - Staff stated Council could choose to have the General Fund pay for wastewater equipment. Currently, the wastewater fund owed the General Fund over $1.6 million.
- Councilmember McCafferty inquired if the COLA and Merit increases were for all positions.
    - Staff stated that was correct. Not all employees would get the full amount, but they budget as though they would.
- Councilmember McCafferty inquired if the personnel budget included insurance increases.
    - Staff stated it did, but the rates did not increase that much.
- Councilmember McCafferty inquired if Council was in agreement on the amount for YRT.
    - Discussion ensued regarding making the maximum $20,000 contingent on YRT reporting to Council regarding their financials.
- Councilmember McCafferty inquired about the funding for the cemetery being the same as last year.
    - Staff stated they had not used any funds on the cemetery as the Town had not officially taken it over yet.
- Councilmember McCafferty inquired who was taking care of the cemetery.
    - Staff stated it was still being maintained by the volunteer cemetery association.
- Councilmember McCafferty inquired about the $9,300 budget for the cemetery.
    - Staff stated that was the best estimate of Public Works and Parks on what they would need equipment-wise for cemetery maintenance.
- Councilmember McCafferty inquired about the impoundment operating funds.

    - Staff stated that it's for vehicles the Police Department takes for unlicensed drivers. Funds are provided by the state for these purposes, and they cannot be utilized for anything else, so they are kept as a separate standalone fund.
- Discussion ensued regarding rollovers.
- Councilmember McCafferty asked for clarification on the Estimated Ending Cash Balance of $14,511,065 on the Base Net Budget chart.
    - Staff stated that would be the Town's ending cash balance without all the recommendations presented. If all the recommendations were approved, the Estimated Ending Cash Balance would be $10,123,017. Staff stated the required reserve was just under $4.9 million.
- Councilmember Switzer inquired what last year's ending general fund was.
    - Staff stated the balance at the beginning of this year was $8.8 million.
- Discussion ensued regarding legislation for defunding police and the fact that staff moved items out of the Police Department's budget, such as maintenance items like window cleaning, so those items wouldn't be affected if the legislation went through.
- Councilmember McCafferty inquired why the Town spent $71,000 on cell phones.
    - Staff stated that some of them were not cell phones. The police vehicles had axon cameras that had cellular service and were included in that budget. It also included tablets for field work.

3. ADJOURNMENT

MOVED by Councilmember Sherri Phillips, seconded by Councilmember John McCafferty to adjourn the meeting at 9:07 p.m.

AYE: Vice-Mayor Eric Granillo, Councilmember John McCafferty, Councilmember Sherri Phillips, Councilmember Robert Schacherer, Councilmember Larry Holt, Councilmember Robert Switzer

NAY: None

6 - 0 Passed - Unanimously

____
Tom Armstrong, Mayor

ATTEST:

____
Erin N. Deskins, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the Town Council of the Town of Chino Valley, Arizona held on the 30th day of April 2025. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this ______ day of ___________, 2025.

____
Erin N. Deskins, Town Clerk

TOWN COUNCIL
AGENDA ITEM STAFF REPORT

AGENDA ITEM # 5c
MEETING DATE: 6/10/2025
CONTACT PERSON: Erin Deskins, Town Clerk
ITEM TYPE: Consent/Minutes

AGENDA ITEM TITLE:
Consideration and possible action to approve the May 12, 2025, study session minutes.

STAFF RECOMMENDATION:
Approve the May 12, 2025, study session minutes.

ATTACHMENTS:

1.	2025_05_12_CC_SS_MND_wWM

MINUTES OF THE STUDY SESSION OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY MONDAY, MAY 12, 2025 5:00 PM COUNCIL CHAMBERS | 202 N. STATE ROUTE 89 | CHINO VALLEY, ARIZONA 86323

1. CALL TO ORDER, ROLL CALL

Mayor Armstrong called the meeting to order at 6:00 p.m.

Present:	Mayor Tom Armstrong, Vice-Mayor Eric Granillo, Councilmember John McCafferty, Councilmember Sherri Phillips, Councilmember Robert Schacherer, Councilmember Larry Holt, Councilmember Robert Switzer
Absent:	
Staff Present:	Town Manager Terri Denemy, Finance Director Katie Pehl, Human Resources Director Laura Kyriakakis, Development Services Director Laurie Lineberry, Assistant Development Services Director Will Dingee, Public Works Director/Town Engineer Frank Marbury, Police Chief Josh McIntire, Civilian Operations Supervisor Marrilee Easton, Community Services Director Cyndi Thomas, IT Manager Spencer Guest, Audio Visual Technician Nicholas Harwick, Deputy Town Clerk Sara Burchill, Town Clerk Erin N. Deskins

2. DISCUSSION ITEMS

a. Consideration and discussion regarding the Fiscal Year 25/26 budget.

Terri Denemy, Town Manager, presented the following:

- Staff wanted to get direction from Council tonight to keep staff on the budget cycle to meet statutory timelines.
- Discussed employee schedules to attend tonight's meeting.

Katie Pehl, Finance Director, presented the following:

- Gave an overview of budget authority and what responsibilities fall under Council and what responsibilities fall under the Town Manager.
    - Items approved in the budget for more than $50,000 still had to come back to Council for approval. They are not guaranteed to move forward.
- Gave an overview of the requests that would be discussed further, how they were designated in the presentation, and gave a list of all requested items and whether they were moving forward, or were not being recommended.
    - Based on the feedback from Council staff withdrew the request for a public works custodian to allow for further analysis and discussion.
- Moved on to the requests requiring additional discussion to be presented by the department heads.

Council and staff discussed the following:

- Councilmember McCafferty inquired about doing away with the Walgreens fill station.
    - Staff stated it could go away if they ever had a loop system on that side of the highway, but for now it needed to stay because it was the end of the line. Staff stated they would prefer to keep it or move it so the Town had two for redundancy. Behind the north campus could be a future location, but staff didn't foresee it moving in the near future unless development in that area actually happened.
- Councilmember Holt clarified that any items approved in the budget would come back for individual approval.
    - Staff stated that was correct.

Josh McIntire, Police Chief, presented the following:

- Discussed the requested PANT Detective and how that position would be funded, impact to the General Fund (none), etc.
    - Staff stated that Council could designate this position as a grant-funded position that disappears if funding goes away.
    - Council requested to further discuss the Emergency Manager/PIO position as requested.
        - It was difficult for the Police Chief to run Emergency Management along with all of his other duties and also because, in the case of an emergency he would have to tap someone else to act as police chief.
        - The Yavapai County Office of Emergency Management has taken the stance of a supportive role and the Town would now be on its own.
- Discussed the Evidence Management System which was not discussed on April 30th.
    - This is a software that tracks evidence which is no longer able to be updated. It would leave the department with nothing if it went down.
- Staff did not have additional information regarding the requested shooting range bathrooms and asked Council for questions.
- Council and staff discussed the following:
    - Councilmember Schacherer inquired if staff would be taking an experienced officer off duty to fill the PANT position.
        - Staff stated they intended to hire a lateral officer, and they would be out on their own between six and 16 weeks.
    - Councilmember Schacherer inquired if they would need a car for the PANT officer.
        - Staff stated they would not as they would be utilizing a PANT vehicle. They would only need basic equipment to get them started.
    - Further discussion ensued regarding funding of the PANT officer in terms of grants and Smart & Safe funding.
        - Council indicated a desire to move forward with the PANT detective as a grant-funded position.
- Councilmember Holt inquired if an Emergency Manager should be under the Town Manager rather than the Police Department.
    - Staff stated that was correct. Discussion ensued regarding the difficulties and conflicts of having Police Department personnel acting as Emergency Manager and the potential risk of disaster in Chino Valley.
    - Vice-Mayor Granillo inquired if the Emergency Manager position would be under the Police Department budget.
        - Staff stated it would be under the Town Manager's budget.

        - Discussion ensued regarding other department heads being trained in emergency management tasks.
    - Mayor Armstrong inquired if the Police Department could handle a year delay on this item.
        - Staff stated they felt they could.
    - Councilmember Holt inquired about possibly getting an internship from Embry Riddle.
        - Staff stated they could look into that, but worried that staff would have to do a lot of training.
    - Councilmember McCafferty suggested attaching the Emergency Manager to the GIS position.
        - Staff stated they were very different skill sets.
    - Councilmember Holt inquired if they could revisit the item in six months.
        - Staff stated that if it wasn't in the budget they could not add it later.
    - Council expressed a desire to wait a year on the Emergency Manager/PIO position and explore other options in the meantime.
- Councilmember Switzer inquired if the Emergency Management System was a one-time cost.
    - Staff stated it was an ongoing yearly cost.
    - Staff stated that they liked the system and didn't want to leave it, but the guy that developed it decided to go elsewhere and staff needed to get off the system. Staff waited on this software change as long as they could. The new system would integrate with everything the Police Department has. The new system would also track chain of custody.
    - Council expressed a desire to fund the Emergency Management System.
- Councilmember Schacherer stated that the portapotties at the shooting range were clean.
    - Staff stated that they did a good job cleaning them.
- Councilmember Switzer stated that the county put in $40,000 towards the range, but YCSO uses it more than anyone. He would like to see 75% or more of the funding for range restrooms come from outside sources.
- Councilmember Switzer wanted to see a conceptual plan, bids, etc.
    - Further discussion ensued regarding the cost of constructing restrooms, including how much the Town paid for restrooms around Town.
    - Council discussed the fact that the restrooms were only for the police, not the citizens.
    - Council expressed a desire to pull this request and search for funding from outside sources.
- Will Dingee, Assistant Development Services Director, presented the following:
    - Discussed the differences between an analyst and specialist designation.
    - Council had concerns about the pay range. While staff did not recommend changing the range or grade, they could reduce the budgeted amount.
    - Staff also wanted someone that could train other staff to be able to use the software on their own as well.
    - Staff stated they rated the duties and responsibilities rather than the job title.
- Council and staff discussed the following:
    - Councilmember McCafferty inquired about the additional costs that would be needed to get the position going.
        - Staff stated they would need to get a desk, chair, computer, software, etc. These costs would not continue every year other than software licensing.

- Mayor Armstrong clarified that the concern was hiring at a lower range. He asked staff if the proposed range was appropriate.
    - Staff stated that it was.
- Councilmember Schacherer stated that staff said they wanted to hire someone at a higher range so that they wouldn't need to be trained, but there was an ongoing budget for travel and training.
    - Staff stated they made an error, and it should have been labeled as a subscription for the software.
- Councilmember Switzer stated that he disagreed with the pay range.
    - Discussion ensued regarding the GIS positions in the county.
    - Further discussion ensued regarding whether the position should be an analyst or specialist.
- Councilmember McCafferty suggested authorizing the funding amount, but encourage hiring as an analyst position. If staff couldn't find that, then staff would have the budget authority to go up without having to come back to Council.
    - Staff stated that in order to do that, the Council would have to approve two position titles, but staff would only be hiring for one.
- Council discussed leaving the GIS position as recommended by staff to give them flexibility in hiring.

- Katie Pehl, Finance Director, presented the following:
  - Council had requested to further discuss the YRT contribution and make it a total of $20,000 or $20,000 plus $3,000 for the Paulden Plunge.
  - There was mixed input regarding the OHM Strategic Plan and staff was looking for more guidance.
- Council and staff discussed the following:
  - Councilmember McCafferty stated that Mayor Armstrong knew the organization and inquired if the money would be helpful to them and if it was a worthy investment.
    - Mayor Armstrong stated it would be helpful, but he wanted to see them do something to help themselves, such as charging for rides. He stated it should be $23,000 maximum.
  - Discussion ensued regarding giving YRT $17,000 for operational needs and $3,000 for the Paulden Plunge due to the Town funding the pool and costing the Town money every year.
  - Councilmember McCafferty inquired what YRT requested.
    - Staff stated they requested one month of their operating costs, which is $40,000.
  - Council expressed a desire to contribute no more than $20,000 in total.
  - Discussion ensued regarding a future study session regarding OHM and the future of that area.
  - Council expressed a desire to keep the OHM strategic plan funding as a placeholder.
- Frank Marbury, Town Engineer, and Matthew Green, Fleet Manager, presented the following:
  - Staff corrected that the dump truck being requested is a Class 6, not a Class 7 as stated in the last meeting. Staff was trying to get as much utility as possible out of the next dump truck by getting one that could serve multiple purposes.
  - Gave a breakdown of the current dump truck and what staff would need to put into it to get it running.
  - Discussed what staff could possibly get for the vehicle at auction.

    - Gave options for dump trucks to purchase.
    - The vactor truck had already received over $100k in repairs.
    - Staff had a lot of discussions regarding a vactor truck from other departments and considered factors such as what was needed, fitting the vehicle in the shop, etc. Staff were looking at bare-bones trucks with no additional "nice to have" functions. They looked at additional factors such as functions, warranty, product support, location of the company, etc.
    - Gave a comparison of the three vactor trucks staff recommended.
    - Regarding street repairs, staff was seeking guidance on whether Council wanted to allocate an additional $500,000 for more chip seal work on local roads.

Council and staff discussed the following:

- Councilmember McCafferty clarified that the dump truck would be for the roads department.
    - Staff stated that was correct. It would be funded through HURF.
- Councilmember Schacherer stated that staff had three dump trucks and inquired why staff didn't get rid of two dump trucks.
    - Staff stated there were occasional uses for the larger dump truck. They did have four, and would be going down to two.
    - Councilmember Schacherer inquired how often both dump trucks were being used at the same time.
        - Staff stated they would have to look at the mileage and could get that information to Council at a later time.
    - Councilmember Schacherer stated he had an issue with the number of dump trucks the Town had.
        - Staff stated they were all paid off. And when it came up to replace another, they could have a discussion at that time about whether the Town needed a third.
- Councilmember McCafferty inquired if an auctioned vehicle's funds would go to the General Fund.
    - Staff stated if they were purchased with HURF it would go back to HURF.
- Councilmember McCafferty inquired if the City of Prescott had any of the vactor trucks staff was recommending and inquired if there could be an IGA with them to work on the vactor truck.
    - Staff stated they have one and recently utilized it, but it was on an emergency basis only.
    - Staff clarified that after the warranty period they would look at an IGA for service needs. Staff stated there was factory training available for staff on the machine.
- Staff stated they looked at the unit that was brought up at the last meeting, but it was a different type of unit for utility locates and excavation and discussed why that model would not serve the Town's purposes.
- Councilmember McCafferty inquired about funding the vactor truck through a WIFA loan.
    - Staff discussed the parameters of WIFA loans and stated that a vactor truck would have to be funded through a separate WIFA loan and could not be bundled with the other projects. Discussed other options for Council to fund a vactor truck if the WIFA funding did not come through.
- Councilmember Schacherer inquired where the vactor truck would be stored.
    - Staff stated it would be stored in the utility shop at the plant.

- Council expressed a desire to give staff spending authority for the vactor truck, bringing it back to them before final approval.
- Councilmember Switzer stated that the water and sewer were only benefiting 20% of the community.
    - Staff stated that recharging water was very valuable.
- Discussion ensued regarding the amount of money the wastewater fund owed the General Fund and how to get that paid back.
- Councilmember McCafferty stated that he would be happy to put more money towards roads, but would also be happy to leave the roads budget at $2.5 million and putting more money towards pickleball courts.
    - Councilmember Switzer stated that roads benefited more people than pickleball courts.
    - Councilmember McCafferty agreed, but stated that there was economic value to the pickleball courts.
    - Discussion ensued regarding which roads to fund
- Councilmember Phillips inquired if East of Jerome Junction could withstand chip seal.
    - Staff stated they felt it would only last a couple of years. The roads to be prioritized could be done at a later date. Staff was looking for a dollar amount to budget for road repairs.
    - Staff stated they could tentatively budget $3 million and Council could bring it back down to $2.5 million at final adoption.

Cyndi Thomas, Community Services Director, presented the following:

- Provided Council with schematics and plans for park improvements. The plans were done with the $125,000 that was budgeted for this year.
    - Included an outline of the phasing for the park improvements, schematics, and cost estimates.
- Staff needed a clearly defined phasing plan and detailed funding recommendations.

Council and staff discussed the following:

- Councilmember McCafferty inquired if the numbers the Pickleball Association was presenting were inline with what staff had seen.
    - Staff stated the Pickleball Association presented the low end at $350,000, and the high-end was $850,000. However, those quotes did not include anything but the courts themselves. Staff stated that courts would cost about $75,000/court.
- Councilmember McCafferty clarified that they could not go to phase 2 until a new location was found for the disc golf course.
    - Staff stated that was correct.
    - Councilmember McCafferty inquired about the amount of time it would take to get to phase 3.
        - Staff stated it would be a few years. Staff estimated the construction time would be about three months. Funding was the issue.
- Councilmember Switzer inquired if there were estimates on Phase 1.
    - Staff stated they did not have those answers yet.
- Vice-Mayor Granillo inquired what Phase 2 was.
    - Staff stated that they would be expanding and enhancing the dog park.

- Staff recommended funding a certain amount ($250k) to start the first phase. Staff wouldn’t necessarily say that it was for pickleball, but they could get the groundwork done.
- Staff stated the Parks & Recreation Advisory Board was not willing to bring a recommendation forward unless the pickleball association had some skin in the game.
- Staff stated they specify line item details and would provide evidence for the pickleball association to apply for funding.

Katie Pehl, Finance Director, presented the following:

- Presented each department's base operating budgets and staff could answer any questions Council had about them.

Council and staff discussed the following:

- Councilmember Schacherer inquired what was included in recreational programs for $60,000.
    - Staff stated each event had a placeholder, but they did not always spend all the budget. These items included Territorial Days, December to Remember, etc.
- Councilmember Switzer inquired why pool chemicals were so expensive in 23/24.
    - Staff stated there were invoices that came in past the point of the prior fiscal year. They also had mechanical failures that year.
- Councilmember Holt inquired what Clean and Lien was.
    - Staff stated it was their abatement fund. Staff stated they had yet to fully abate a house and usually had good luck in getting property owners to take care of it themselves. If the Town had to do it, the house would have a lien put on it.
- Councilmember McCafferty inquired as to the actual price for neighborhood cleanup.
    - Staff stated the dump cost was about $12,000. That did not include staff time.
- Councilmember Schacherer inquired if it was part of the county dump.
    - Staff stated it was not. They pay United to come and transfer all the waste to Waste Management.
- Councilmember Holt inquired about the process server cost.
    - Staff stated they have a process server for safety liability.
    - Councilmember Holt inquired about the County Code Enforcement serving their own.
        - Staff stated they do and they hate it. If that were included in the job description, it would change the pay scale, liability, and insurance for that role.
- Councilmember McCafferty inquired about the legal services under HR.
    - Staff stated it's a placeholder for spending authority up to that amount whenever they need legal services, as they never know when those issues will come up.
    - Councilmember Holt inquired if the contracted Town Attorney also provided representation in HR matters.
        - Staff stated they do provide some HR-related representation. However, they bill hourly, so staff split those costs with the department if it's related to HR.
- Discussion ensued regarding iPads and having to pay for the contracts whether they are being used or not, and reallocating IPads not being utilized by the Council or Planning & Zoning Commission.
- Councilmember Holt inquired about allocating a new PC for the judge.

    - Staff stated that was in the works.
- Staff stated there were questions about weekend coverage for the court. Staff budgeted $2,600 for Yavapai County Superior Court weekend coverage as the Town's judge was not on call all weekend and there are times that people need to have a hearing over the weekend.
- Vice-Mayor Granillo inquired about the budget for ammunition doubling.
    - Staff stated that additional amounts were added because of their needs for training.
- Councilmember Schacherer inquired if staff could do something about getting more animals licensed.
    - Staff stated the national average is that 13% of the population gets their animals licensed. The animal control officers can't just approach people about whether their animals are licensed, but they can if they have contact with them on a pet-related issue.
- Councilmember Holt inquired about the rental of a weed sprayer for the cemetery and whether the Town already had one.
    - Staff stated Streets had one on a truck and Parks had one on a trailer. It would depend on staff time if they needed to rent an additional one.
- Councilmember Switzer inquired about the increases in Public Works Contract and Support Services and Town Facilities Maintenance.
    - Staff stated that includes the amounts moved over from the police budget for the internal custodian, window, and carpet cleaning.
- Discussion ensued regarding the Economic Development travel budget. Expenditures had decreased over the last few years. However, travel was the nature of that position.
    - Councilmember Holt stated that it was a lot of money spent in five years.
        - Staff stated that only $5,000 was spent last year and this year would likely be under $7,000.
    - Discussion ensued to drop that budget item to $10,000.
- Staff reviewed next steps for this budget cycle, starting with tentative budget adoption on May 27, 2025.
- Councilmember McCafferty stated that he had never heard anything about budgeting for the Chamber and inquired if they would be able to decrease their dependence on the Town as their membership and dues collection were up.
    - Staff stated it was in the non-departmental base budget. They are in a more financially viable position now than they were for a long time, but they were still dealing with a building purchase. Staff felt this level of funding was warranted until the Chamber could determine how they would settle that issue.
    - The Chamber would be presenting an update to Council in June.

3. ADJOURNMENT

MOVED by Councilmember Sherri Phillips, seconded by Councilmember John McCafferty to adjourn the meeting at 7:07 p.m.

AYE: Mayor Tom Armstrong, Vice-Mayor Eric Granillo, Councilmember John McCafferty, Councilmember Sherri Phillips, Councilmember Robert Schacherer, Councilmember Larry Holt, Councilmember Robert Switzer

NAY: None

7 - 0 Passed - Unanimously

____
Tom Armstrong, Mayor

ATTEST:

____
Erin N. Deskins, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the Town Council of the Town of Chino Valley, Arizona held on the 12th day of May, 2025. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this ______ day of ___________, 2025.

____
Erin N. Deskins, Town Clerk

TOWN COUNCIL
AGENDA ITEM STAFF REPORT

AGENDA ITEM # 6a
MEETING DATE: 6/10/2025
CONTACT PERSON: Katie Pehl, Finance Director
ITEM TYPE: Action Item

AGENDA ITEM TITLE:
Consideration and possible action to approve Resolution No. 2025-1292 adopting the PSPRS Pension Funding Policy and authorizing the use of $400,000 out of the Town's General Fund Contingency Account to reduce the Public Safety Personnel Retirement System (PSPRS) unfunded liability amount.

SUMMARY:
The Chino Valley Police Department's retirement benefits are administered through the Arizona Public Safety Personnel Retirement System (PSPRS). This system is subject to an annual actuarial valuation that assesses the health of the pension fund by measuring funding progress and establishing the required contribution rates for the upcoming fiscal year. As part of maintaining fiscal responsibility, the Town annually reviews and revises its Pension Funding Policy based on the latest actuarial results from PSPRS.

Starting in Fiscal Year 2018, the Town implemented a strategy of making additional payments towards the plan's previously unfunded liabilities. These efforts have markedly improved the financial standing of the fund, with the funded ratio climbing from 55.5% to 84.0%. The ultimate goal is to fully fund the pension plan by 2036, achieving 100% funded status. To further this goal, it is crucial for the Town to continue increasing its annual contributions. As of June 30, 2024, the PSPRS reported an unfunded liability amounting to $2,211,534. By increasing the annual contributions, the Town aims to progressively decrease this unfunded liability, thereby strengthening the plan's financial security.

For the current fiscal year, the Town has approximately $400,000 in unspent contingency funds within the General Fund. These funds were originally budgeted to address unforeseen expenditures but were not utilized. Rather than allowing these funds to revert to the fund balance without a targeted purpose, staff recommends reallocating them directly to reduce the PSPRS unfunded liability, similar to what has been done in past years. This proposed action offers several benefits:

- Strengthens the Town’s financial position by reducing long-term pension obligations;
- Demonstrates prudent fiscal stewardship by utilizing available resources for high-impact priorities;
- Supports public safety personnel by reinforcing the long-term viability of their retirement system;
- Potentially lowers future required contributions, thereby freeing up future budget capacity.

Staff believe this aligns with the Town’s commitment to responsible financial management and investment in employee-related obligations. Accordingly, staff is seeking Council approval to authorize the transfer of $400,000 in unused General Fund contingency funds to be applied directly to the PSPRS unfunded liability and approve Resolution No. 2025-1292 adopting the PSPRS Pension Funding Policy.

PREVIOUS ACTION:
N/A

STAFF RECOMMENDATION:
Approve Resolution No. 2025-1292 adopting the PSPRS Pension Funding Policy and authorizing the use of $400,000 out of the Town's General Fund Contingency Account to reduce the Public Safety Personnel Retirement System (PSPRS) unfunded liability amount.

FISCAL IMPACT?
The proposed allocation of $400,000 in unused General Fund contingency funds will not affect current operational budgets and will positively impact the Town's long-term financial position by reducing the PSPRS unfunded liability.

ATTACHMENTS:

1.	RES 2025-1292 - FY 2024-25 Pension Funding Policy
2.	Exhibit A - FY 2024-2025 Pension Funding Policy
3.	109 2024_PSPRS-Valuation-ChinoValleyPoliceDept

RESOLUTION NO. 2025-1292

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY, ARIZONA, ARIZONA, ADOPTING A PENSION FUNDING POLICY.

WHEREAS, the Fifty-Third Legislature, during the 2018 Second Regular Session, adopted House Bill 2097, which requires the Town of Chino Valley (the "Town") to annually adopt a pension funding policy for public safety employees participating in the Public Safety Personnel Retirement System (PSPRS") who were hired before July 1, 2017; and

WHEREAS, the Mayor and Council of the Town of Chino Valley (the "Town Council") desires to adopt the required annual policy (the "Pension Funding Policy") and to determine the amount to be contributed for Fiscal Year 2024-2025 beyond the Town's annual required contribution to continually reduce the amount of the Town's unfunded liability until the funding ratio of 100% is achieved; and

WHEREAS, at its regular meeting on June 10, 2025, the Town Council authorized using $400,000 from the Town's General Fund Contingency Account for Fiscal Year 2024-2025 to reduce the PSPRS unfunded liability amount consistent with the Pension Funding Policy.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Common Council of the Town of Chino Valley, Arizona, as follows:

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

SECTION 2. The Fiscal Year 2024-2025 Pension Funding Policy is hereby adopted in substantially the form attached hereto as Exhibit A and incorporated herein by reference.

SECTION 3. Prior to the end of each fiscal year following adoption of this Resolution, the Town Manager and the Town Finance Director shall prepare a recommendation for action by the Town Council to (i) approve the amount of the unfunded liability contribution for that year; and (ii) update and re-adopt the Pension Funding Policy to account for the additional annual contribution.

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

[SIGNATURES ON FOLLOWING PAGE]

PASSED AND ADOPTED by the Mayor and Common Council of the Town of Chino Valley, Arizona, this 10th day of June 2025.

____
Tom Armstrong, Mayor

ATTEST:

____
Erin N. Deskins, Town Clerk

APPROVED AS TO FORM:

____
Andrew J. McGuire, Town Attorney
Gust Rosenfeld, PLC

I hereby certify that the above foregoing Resolution No. 2025-1292 was duly passed by the Council of the Town of Chino Valley, Arizona, at a regular meeting held on June 10, 2025, and that quorum was present thereat and that the vote thereon was ____ ayes, ____ nays, and ____ abstentions. ____ Council members were absent or excused.

____
Erin N. Deskins, Town Clerk

EXHIBIT A
TO
RESOLUTION NO. 2025-1292

[FY 2024-2025 Pension Funding Policy]

See following pages.

Town Of Chino Valley
Public Safety Personnel Retirement System
Pension Funding Policy
Fiscal Year 2024-2025

The intent of this policy is to clearly communicate the Council's pension funding objectives, its commitment to our employees, and the sound financial management of the Town, and to comply with statutory requirements of A.R.S. §38-863.01, as amended.

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 Town's police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS).

Public Safety Personnel Retirement System (PSPRS)

PSPRS is administered as an agent multiple-employer pension plan. An agent multiple-employer plan has two main functions: 1) to comingle assets of all plans under its administration, thus achieving economy of scale for more cost-efficient investments, and invest those assets for the benefit of all members under its administration; and 2) serve as the statewide uniform administrator for the distribution of benefits.

Under an agent multiple-employer plan, each agency participating in the plan has an individual trust fund reflecting that agency's 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 Town of Chino Valley has one trust fund for police employees.

Council formally accepts the FY 2024-2025 assets, liabilities, and current funding ratio of the Town's PSPRS trust funds from the June 30, 2024, actuarial valuation, which are detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Chino Valley Police	$11,614,444	$13,825,978	$2,211,534	84.0%
Town of Chino Valley Totals	$11,614,444	$13,825,978	$2,211,534	84.0%

PSPRS Funding Goal

Pensions that are less than fully funded place the cost of service provided in earlier periods (amortization of UAAL) on current taxpayers. Fully funded pension plans are the best way to achieve taxpayer and member intergenerational equity.

The Council's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2036. Council established this goal for the following reasons:

- The PSPRS trust funds represent only the Town of Chino Valley's liability
- A fully funded pension is the best way to achieve taxpayer and member intergenerational equity

Council plans to take the following actions to achieve this goal:

- Maintain ARC payment from operating revenues – Council is committed to maintaining the full ARC payment (normal cost and UAAL amortization) from operating funds. The estimated combined ARC for FY26 is $574,202 and will be able to be paid from operating funds without diminishing Town services.
- Additional payments above the ARC – Annually evaluate unexpended contingency funds in the general fund at the end of each fiscal year and make an additional payment above the ARC with a portion of the unexpended contingency funds. Based on these actions, the Council plans to achieve its goal of 100% funding by June 30, 2036, in accordance with the amortization timeline set forth by the PSPRS June 30, 2024, Actuarial Valuation.

ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

CHINO VALLEY POLICE DEPT. (109)

ACTUARIAL VALUATION
AS OF JUNE 30, 2024

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING JUNE 30, 2026

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

November 2024

Board of Trustees
Arizona Public Safety Personnel Retirement System
Phoenix, AZ

Re: Actuarial Valuation Report as of June 30, 2024 for Chino Valley Police Dept. (109)

Dear Members of the Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the Arizona Public Safety Personnel Retirement System (PSPRS). The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

This report was prepared at the request of the Board and is intended for use by PSPRS and those designated or approved by the Board. It documents the valuation of the consolidated plan and provides summary information for PSPRS participating employers. This report may be provided to parties other than PSPRS only in its entirety and only with the permission of the Board. Foster & Foster is not responsible for the unauthorized use of this report.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the valuation, we did not perform an analysis of the potential range of such future measurements.

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 the Plan's liabilities.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by PSPRS through June 30, 2024 and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. 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.

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.

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

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program 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 Board of Trustees of the Arizona Public Safety Personnel Retirement System. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 239-433-5500.

Respectfully Submitted,

Foster & Foster, Inc.

By: __________________________
Bradley R. Heinrichs, FSA, EA, MAAA

By: __________________________
Paul M. Baugher, FSA, EA, MAAA

TABLE OF CONTENTS

I. Summary of Report

The regular annual actuarial valuation of the Arizona Public Safety Personnel Retirement System for the Chino Valley Police Dept., performed as of June 30, 2024, has been completed and the results are presented in this Report. The purpose of this valuation is to:

- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members. This information is contained in the section entitled "Liability Support."
- Compare accumulated assets with the liabilities to assess the funded condition. This information is contained in the section entitled "Liability Support."
- Compute the employers' recommended contribution rates for the Fiscal Year beginning July 1, 2025. This information is contained in the section entitled "Contribution Results."

1. Key Valuation Results

The funded status as of June 30, 2024 and the employer contribution amounts applicable to the plan/fiscal year ending June 30, 2026 are as follows:

	Tier 1 & Tier 2 Members			Tier 3 Members *		
	Pension	**Health**	**Total**	**Pension**	**Health**	**Total**
Employer Contribution Rate	22.51%	0.00%	22.51%	8.41%	0.11%	8.52%
Funded Status	84.0%	177.0%	85.3%	107.9%	216.2%	109.5%

2. Comparison of Key Results to Prior Year

The chart below compares the results from this valuation with the results of the prior year's valuation (as of June 30, 2023):

Contribution Rate

	Tier 1 & Tier 2 Members			Tier 3 Members *		
Valuation Date	**Pension**	**Health**	**Total**	**Pension**	**Health**	**Total**
June 30, 2023	30.55%	0.00%	30.55%	8.63%	0.12%	8.75%
June 30, 2024	22.51%	0.00%	22.51%	8.41%	0.11%	8.52%

Funded Status

	Tier 1 & Tier 2 Members			Tier 3 Members		
Valuation Date	**Pension**	**Health**	**Total**	**Pension**	**Health**	**Total**
June 30, 2023	76.0%	166.1%	77.4%	107.3%	212.5%	108.9%
June 30, 2024	84.0%	177.0%	85.3%	107.9%	216.2%	109.5%

** 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.*

3. Reasons for Change

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

	Tier 1 & Tier 2		**Tier 3 Members**	
	Pension	**Health**	**Pension**	**Health**
Contribution Rate Last Valuation	30.55%	0.00%	8.63%	0.12%
Asset Experience	0.03%	0.00%	(0.08%)	0.00%
Payroll Base	(4.78%)	0.12%	0.00%	0.00%
Liability Experience	0.80%	0.00%	(0.03%)	0.00%
Additional Contribution	(5.41%)	0.00%	0.00%	0.00%
Assumption/Method Change	0.05%	0.00%	0.00%	0.00%
Other	1.27%	(0.12%)	(0.11%)	(0.01%)
Contribution Rate This Valuation	22.51%	0.00%	8.41%	0.11%

Funded Status

	Tier 1 & Tier 2		**Tier 3 Members**	
	Pension	**Health**	**Pension**	**Health**
Funded Status Last Valuation	76.0%	166.1%	107.3%	212.5%
Asset Experience	(0.1%)	0.0%	1.1%	2.5%
Liability Experience	(1.2%)	25.4%	0.5%	4.6%
Additional Contribution	8.7%	0.0%	0.0%	0.0%
Assumption/Method Change	0.0%	0.0%	0.0%	0.0%
Other	0.6%	(14.5%)	(1.0%)	(3.4%)
Funded Status This Valuation	84.0%	177.0%	107.9%	216.2%

Assets 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, 2024 was 10.2% for Tiers 1 and 2 and 11.8% for Tier 3. On a smoothed, actuarial value of assets basis, the average return was 7.1% for Tiers 1 and 2 and 8.2% for Tier 3. The return nearly met the 2023 assumed earnings rate for Tiers 1 and 2 of 7.2% and exceeded the 2023 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, driven by salary increases that were higher than expected.

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 2.00% to 1.50%.

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 inactives. Note that Tier 3 experience will stabilize as the group matures.

4. Looking Ahead

The volatility in annual returns, which have produced both gains and losses in recent years, was dampened by the asset smoothing reflected in the actuarial value of assets. The gain realized this year will, in the absence of other losses, put downward pressure on the contribution rate next year.

If the June 30, 2024 pension valuation results were based on the market value of assets instead of the actuarial value of assets, the pension funded percentage for Tiers 1 and 2 would be 84.9% (instead of 84.0%) and the pension employer contribution requirement would be 22.01% of payroll (instead of 22.51%).

5. Conclusion

The funded status for Tiers 1 and 2 will continue to improve if assumptions are met and contributions at least equal to the rates determined for each employer are made to the fund. The recent adoption of a layered amortization approach along with a plan to systematically lower the payroll growth assumption was an excellent step to improve funding and ensure the Plan is on a viable path.

The funded status for Tier 3 will stabilize as the population continues to grow, as contributions appear sufficient to keep the liabilities fully funded.

II. CONTRIBUTION RESULTS

Contribution Requirements

Development of Employer Contributions - Tiers 1 & 2 Members				
Valuation Date	June 30, 2024		June 30, 2023	
Applicable to Fiscal Year Ending	2026		2025	
	Rate	**Dollar**	**Rate**	**Dollar**
Pension				
Normal Cost				
Total Normal Cost	20.45%	$ 248,481	20.28%	$ 226,510
Employee Cost	(7.65%)	(92,952)	(7.65%)	(85,444)
Employer (Net) Normal Cost	12.80%	155,529	12.63%	141,066
Amortization of Unfunded Liability	9.71%	117,983	17.92%	200,151
Total Employer Cost (Pension)	22.51%	273,512	30.55%	341,217
Health				
Normal Cost	0.42%	5,103	0.45%	5,026
Amortization of Unfunded Liability	(0.42%)	(5,103)	(0.45%)	(5,026)
Total Employer Cost (Health)	0.00%	0	0.00%	0
Total Employer Cost (Pension + Health)	**22.51%**	**273,512**	**30.55%**	**341,217**
Alternate Contribution Rate (ACR) *	9.71%		17.92%	
Underlying Payroll (as of valuation date)		1,197,107		1,095,013

** 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.*

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").

Development of Employer Contributions – Tier 3 Members

Valuation Date	June 30, 2024	June 30, 2023
Applicable to Fiscal Year Ending	2026	2025

Defined Benefit (DB) Retirement Plan

	Rate	Dollar	Rate	Dollar
Pension				
Total Normal Cost	16.82%	$ 198,899	17.25%	$ 125,711
Amortization of Unfunded Liability	0.00%	0	0.00%	0
Total Pension Cost	16.82%	198,899	17.25%	125,711
Health				
Total Normal Cost	0.22%	2,602	0.23%	1,676
Amortization of Unfunded Liability	0.00%	0	0.00%	0
Total Health Cost	0.22%	2,602	0.23%	1,676
Total				
Total Calculated Tier 3 Required EE/ER Individual Cost	8.52%	100,751	8.75%	63,694
Funding Policy Tier 3 Required EE/ER Individual Cost [1]	8.69%	102,760	8.89%	64,787
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities [2]	9.71%	114,822	17.92%	130,593
Total Funding Policy Tier 3 Required ER Defined Benefit Cost	**18.40%**	**217,582**	**26.81%**	**195,380**
Underlying Payroll (as of valuation date)		1,165,036		714,468

[1] 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".

[2] 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 Employer Contributions – Tier 3 Members		
Valuation Date	June 30, 2024	June 30, 2023
Applicable to Fiscal Year Ending	2026	2025

Defined Contribution (DC) Retirement Plan

	Rate	**Dollar**	**Rate**	**Dollar**
Tier 2 & 3 DB / Non-Social Security				
Employee Cost	3.00%		3.00%	
Employer Cost [1]	3.00%		3.00%	
Tier 3 DC Only				
Employee Cost	9.00%	$ 12,583	9.00%	$ 0
Employee Health Subsidy Program Cost	0.20%	280	0.23%	0
Employee Disability Program Cost	1.54%	2,153	1.50%	0
Total Employee Cost	**10.74%**	**15,016**	**10.73%**	**0**
Employer Cost	9.00%	12,583	9.00%	0
Employer Health Subsidy Program Cost	0.20%	280	0.23%	0
Employer Disability Program Cost	1.54%	2,153	1.50%	0
Total Employer Cost (before Legacy)	**10.74%**	**15,016**	**10.73%**	**0**
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities [2]	9.71%	13,576	17.92%	0
Total Employer Cost	**20.45%**	**28,592**	**28.65%**	**0**
Underlying Payroll (as of valuation date)		137,745		0

[1] *Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date.*

[2] *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

	Tier 1	Tier 2		Tier 3		
Membership Date On or After	7/1/1968	1/1/2012		7/1/2017		
Participates in Social Security	N/A	Yes	No	Yes	No	N/A
Available Retirement Plan [1]	DB Only	DB Only	Hybrid	DB Only	Hybrid	DC Only
Employee Contribution Rate						
PSPRS DB Rate	7.65%	7.65%	7.65%	8.69%	8.69%	
PSPRS DC Rate			3.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.20%
PSPDCRP Disability Program Rate						1.54%
Total EE Contribution Rate	7.65%	7.65%	10.65%	8.69%	11.69%	10.74%
Employer Contribution Rate						
PSPRS DB Normal Cost	13.22%	13.22%	13.22%	8.69%	8.69%	
PSPRS DB Tier 1 & 2 Legacy Cost [2]	9.29%	9.29%	9.29%	9.71%	9.71%	9.71%
PSPRS DC Rate			3.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.20%
PSPDCRP Disability Program Rate						1.54%
Total ER Contribution Rate	22.51%	22.51%	25.51%	18.40%	21.40%	20.45%
Employer Alternate Contribution Rate [3]	9.71%	9.71%	9.71%	9.71%	9.71%	9.71%

[1] *Employers that pay into Social Security on behalf of their members do not participate in the Hybrid Plan.*

[2] *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*

[3] *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.*

Exhibit summarizes employee and employer contributions based on Statute and the results of June 30, 2024 actuarial valuation. Pension and health components are combined, where applicable.

Impact of Additional Contributions

	Additional Contribution (000s)										
Impact On	**$0**	**$100**	**$200**	**$300**	**$400**	**$500**	**$600**	**$700**	**$800**	**$900**	**$1,000**
Funded Status - June 30, 2024	84.0%	84.7%	85.5%	86.2%	86.9%	87.6%	88.3%	89.1%	89.8%	90.5%	91.2%
FYE 2026 Contribution Rate	22.51%	22.10%	21.69%	21.28%	20.87%	20.47%	20.06%	19.65%	19.24%	18.83%	18.42%

Table shows the hypothetical change in the funded status and contribution rate from the June 30, 2024 actuarial valuation results for Tiers 1 & 2 if an additional contribution of the amount shown had been made to the Fund on June 30, 2024. This illustration can help estimate the impact of contributing additional monies to the fund in the future.

Historical Summary of Rates

			Pension			Health		
	Valuation Date June 30	Fiscal Year Ending June 30	Normal Cost	Unfunded Amortization	Total	Normal Cost	Unfunded Amortization	Total
TIERS 1 & 2	2020	2022	11.07%	22.65%	33.72%	0.53%	(0.53%)	0.00%
(Employer)	2021	2023	11.02%	21.33%	32.35%	0.56%	(0.56%)	0.00%
	2022	2024	11.38%	15.23%	26.61%	0.49%	(0.49%)	0.00%
	2023	2025	12.63%	17.92%	30.55%	0.45%	(0.45%)	0.00%
	2024	2026	12.80%	9.71%	22.51%	0.42%	(0.42%)	0.00%
TIER 3 *	2020	2022	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
(Employer)	2021	2023	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2022	2024	9.30%	0.00%	9.30%	0.26%	0.00%	0.26%
	2023	2025	8.77%	0.00%	8.77%	0.12%	0.00%	0.12%
	2024	2026	8.46%	0.00%	8.46%	0.23%	0.00%	0.23%
TIER 3 *	2020	2022	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
(Employee)	2021	2023	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2022	2024	9.30%	0.00%	9.30%	0.26%	0.00%	0.26%
	2023	2025	8.77%	0.00%	8.77%	0.12%	0.00%	0.12%
	2024	2026	8.69%	0.00%	8.69%	0.00%	0.00%	0.00%

* *Rates shown 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.*

III. Liability Support

Liabilities and Funded Ratios by Benefit - Tiers 1 & 2

	June 30, 2024	June 30, 2023
Pension		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	$ 8,187,802	$ 6,999,654
DROP Members	1,188,411	2,113,699
Vested Members	609,006	573,257
Active Members	5,287,031	4,662,132
Total Actuarial Present Value of Benefits	15,272,250	14,348,742
Actuarial Accrued Liability (AAL)		
All Inactive Members	9,985,219	9,686,610
Active Members	3,840,759	3,246,104
Total Actuarial Accrued Liability	13,825,978	12,932,714
Actuarial Value of Assets (AVA)	11,614,444	9,833,852
Unfunded Actuarial Accrued Liability	2,211,534	3,098,862
PVB Funded Ratio (AVA / PVB)	76.0%	68.5%
AAL Funded Ratio (AVA / AAL)	84.0%	76.0%
Health		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	$ 87,579	$ 73,169
DROP Members	16,257	46,286
Active Members	122,841	111,995
Total Present Value of Benefits	226,677	231,450
Actuarial Accrued Liability (AAL)		
All Inactive Members	103,836	119,455
Active Members	92,608	80,525
Total Actuarial Accrued Liability	196,444	199,980
Actuarial Value of Assets (AVA)	347,635	332,109
Unfunded Actuarial Accrued Liability	(151,191)	(132,129)
PVB Funded Ratio (AVA / PVB)	153.4%	143.5%
AAL Funded Ratio (AVA / AAL)	177.0%	166.1%

Health liabilities were increased by $5,862 under the lateral transfer methodology. Pension liabilities were not impacted.

Liabilities and Funded Ratios by Benefit - Tier 3

	June 30, 2024	June 30, 2023
Pension		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	$ 7,268,826	$ 2,783,769
Vested Members	9,523,410	6,565,608
Active Members	710,626,649	558,509,014
Total Actuarial Present Value of Benefits	727,418,885	567,858,391
Actuarial Accrued Liability (AAL)		
All Inactive Members	16,792,236	9,349,377
Active Members	148,879,454	101,611,814
Total Actuarial Accrued Liability	165,671,690	110,961,191
Actuarial Value of Assets (AVA)	178,758,433	119,101,476
Unfunded Actuarial Accrued Liability	(13,086,743)	(8,140,285)
PVB Funded Ratio (AVA / PVB)	24.6%	21.0%
AAL Funded Ratio (AVA / AAL)	107.9%	107.3%
Health		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	$ 34,351	$ 0
Active Members	9,825,773	7,842,159
Total Present Value of Benefits	9,860,124	7,842,159
Actuarial Accrued Liability (AAL)		
All Inactive Members	34,351	0
Active Members	2,398,606	1,651,466
Total Actuarial Accrued Liability	2,432,957	1,651,466
Actuarial Value of Assets (AVA)	5,259,235	3,508,666
Unfunded Actuarial Accrued Liability	(2,826,278)	(1,857,200)
PVB Funded Ratio (AVA / PVB)	53.3%	44.7%
AAL Funded Ratio (AVA / AAL)	216.2%	212.5%

The liabilities shown on this page are the liabilities for all Tier 3 members grouped together in the Risk Sharing group. These liabilities are NOT the liabilities solely for Chino Valley 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, 2023	3,098,862	(132,129)	(8,140,285)	(1,857,200)
(2)	Normal Cost Developed in Last Valuation	141,066	5,026	19,953,819	277,457
(3)	Actual Contributions	1,680,184	0	24,962,037	1,397,879
(4)	Expected Interest On (1), (2), and (3)	173,839	(9,151)	(32,441)	(163,191)
(5)	Expected Unfunded Actuarial Accrued Liability as of June 30, 2024 (1)+(2)-(3)+(4)	1,733,583	(136,254)	(13,180,944)	(3,140,813)
(6)	Changes to UAAL Due to Assumptions, Methods and Benefits	0	0	0	0
(7)	Change to UAAL Due to Actuarial (Gain)/Loss	477,951	(14,937)	94,201	314,535
(8)	Unfunded Actuarial Accrued Liability as of June 30, 2024	2,211,534	(151,191)	(13,086,743)	(2,826,278)

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

Amortization of Unfunded Liabilities - Tiers 1 & 2

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate
Pension	6/30/2019	485,050	12	2.19%
	6/30/2021	537,442	12	2.55%
	6/30/2022	(426,875)	13	(1.93%)
	6/30/2023	1,148,081	14	4.96%
	6/30/2024	467,836	15	1.94%
	Total	2,211,534		9.71%
Health	6/30/2019	0	10	0.00%
	6/30/2021	0	10	0.00%
	6/30/2022	0	10	0.00%
	6/30/2023	0	10	0.00%
	6/30/2024	(120,958)	10	(0.65%)
	Total	(120,958)		(0.65%)

Amortization of Unfunded Liabilities - Tier 3

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate *
Pension	6/30/2018	94,700	4	0.01%
	6/30/2019	(893,556)	5	(0.07%)
	6/30/2020	625,762	6	0.04%
	6/30/2021	(2,174,987)	7	(0.13%)
	6/30/2022	(3,694,845)	8	(0.20%)
	6/30/2023	(1,375,088)	9	(0.07%)
	6/30/2024	(5,668,729)	10	(0.26%)
	Total	(13,086,743)		0.00%
Health	6/30/2018	(2,008)	4	0.00%
	6/30/2019	(81,696)	5	(0.01%)
	6/30/2020	(158,912)	6	(0.01%)
	6/30/2021	(314,248)	7	(0.02%)
	6/30/2022	(439,549)	8	(0.02%)
	6/30/2023	(697,896)	9	(0.03%)
	6/30/2024	(1,131,969)	10	(0.05%)
	Total	(2,826,278)		0.00%

* *By Statute, negative total amortization rates are not subtracted in Tier 3 rate calculations.*

IV. Asset Support

Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2024

Market Value Basis

	Tiers 1 & 2		Tier 3	
	Pension	**Health**	**Pension**	**Health**
Additions				
Contributions				
Member Contributions	$ 109,846,477	$ 0	$ 52,985,716	$ 0
Employer Contributions	1,182,413,215	0	51,738,352	0
Health Insurance Contributions	0	4,616,669	0	2,687,373
Total Contributions	1,292,259,692	4,616,669	104,724,068	2,687,373
Investment Income				
Net Increase in Fair Value	1,084,528,765	28,088,330	27,137,658	753,277
Interest and Dividends	270,700,975	7,010,914	6,773,624	188,020
Other Income	151,768,967	3,930,680	3,797,644	105,414
Less Investment Expenses	(25,846,576)	(516,914)	(646,747)	(13,863)
Net Investment Income	1,481,152,131	38,513,010	37,062,179	1,032,848
Non-investment Income	31	0	1	0
Transfers In	169,162	0	0	0
Total Additions	2,773,581,016	43,129,679	141,786,248	3,720,221
Deductions				
Distributions to Members				
Benefit Payments	1,128,489,555	0	632,764	0
Health Insurance Subsidy	0	18,596,076	0	4,920
Refund of Contributions	12,787,280	0	2,469,875	0
Total Distributions	1,141,276,835	18,596,076	3,102,639	4,920
Administrative Expenses	8,403,062	210,006	210,701	5,632
Transfers Out	392,168	0	0	0
Other	0	0	0	0
Total Deductions	1,150,072,065	18,806,082	3,313,340	10,552
Net Increase / (Decrease)	1,623,508,951	24,323,597	138,472,908	3,709,669
Net Position Held in Trust				
Prior Valuation	14,310,242,735	387,517,339	260,225,263	7,335,149
Beginning of the Year Adjustment	0	0	0	0
End of the Year	15,933,751,686	411,840,936	398,698,171	11,044,818

Development of Pension Actuarial Value of Assets - Tiers 1 & 2

A. Investment Income	
A1. Actual Investment Income	$ 1,472,749,069
A2. Expected Amount for Immediate Recognition	1,035,670,507
A3. Amount Subject to Amortization	437,078,562

	Year Ended June 30						
B. Amortization Schedule	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
2024 Experience (A3 / 7)	62,439,795	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	10,197,720	10,197,717	
2022 Experience	(204,451,249)	(204,451,249)	(204,451,249)	(204,451,249)	(204,451,249)		
2021 Experience	238,978,744	238,978,744	238,978,744	238,978,745			
2020 Experience	(68,882,158)	(68,882,158)	(68,882,160)				
2019 Experience	(22,859,275)	(22,859,275)					
2018 Experience	(6,266,351)						
Total Amortization	9,157,226	15,423,577	38,282,850	107,165,011	(131,813,734)	72,637,512	62,439,792

C. Actuarial Value of Assets	**Total**	**Employer**
C1. Actuarial Value of Assets, June 30, 2023	14,574,029,063	
C2. Non-investment Net Cash Flow	150,759,882	
C3. Preliminary Actuarial Value of Assets, June 30, 2024 (A2 + B + C1 + C2)	15,769,616,678	
C4. Market Value of Assets, June 30, 2024	15,933,751,686	11,735,331
C5. Final Actuarial Value of Assets, June 30, 2024 (C3 Within 20% Corridor of C4)	15,769,616,678	11,614,444

D. Rates of Return	
D1. Market Value Rate of Return	10.2%
D2. Actuarial Value Rate of Return	7.1%

Development of Health Actuarial Value of Assets - Tiers 1 & 2

A. Investment Income	
A1. Actual Investment Income	$ 38,303,004
A2. Expected Amount for Immediate Recognition	27,406,736
A3. Amount Subject to Amortization	10,896,268

	Year Ended June 30						
B. Amortization Schedule	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
2024 Experience (A3 / 7)	1,556,610	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	193,035	193,036	
2022 Experience	(6,416,469)	(6,416,469)	(6,416,469)	(6,416,469)	(6,416,471)		
2021 Experience	9,257,478	9,257,478	9,257,478	9,257,481			
2020 Experience	(2,898,713)	(2,898,713)	(2,898,716)				
2019 Experience	(1,075,569)	(1,075,572)					
2018 Experience	(304,656)						
Total Amortization	311,716	616,369	1,691,938	4,590,657	(4,666,826)	1,749,646	1,556,608

C. Actuarial Value of Assets	**Total**	**Employer**
C1. Actuarial Value of Assets, June 30, 2023	392,563,499	
C2. Non-investment Net Cash Flow	(13,979,407)	
C3. Preliminary Actuarial Value of Assets, June 30, 2024 (A2 + B + C1 + C2)	406,302,544	
C4. Market Value of Assets, June 30, 2024	411,840,936	352,374
C5. Final Actuarial Value of Assets, June 30, 2024 (C3 Within 20% Corridor of C4)	406,302,544	347,635

D. Rates of Return	
D1. Market Value Rate of Return	10.1%
D2. Actuarial Value Rate of Return	7.2%

Development of Pension Actuarial Value of Assets - Tiers 3

A. Investment Income	
A1. Actual Investment Income	$ 36,851,478
A2. Expected Amount for Immediate Recognition	21,712,363
A3. Amount Subject to Amortization	15,139,115

	Year Ended June 30				
B. Amortization Schedule	**2024**	**2025**	**2026**	**2027**	**2028**
2024 Experience (A3 / 5)	3,027,823	3,027,823	3,027,823	3,027,823	3,027,823
2023 Experience	885,521	885,521	885,521	885,520	
2022 Experience	(3,259,379)	(3,259,379)	(3,259,381)		
2021 Experience	3,551,936	3,551,938			
2020 Experience	(351,294)				
Total Amortization	3,854,607	4,205,903	653,963	3,913,343	3,027,823

C. Actuarial Value of Assets	**Total**	**Employer**
C1. Actuarial Value of Assets, June 30, 2023	259,708,739	
C2. Non-investment Net Cash Flow	101,621,430	
C3. Preliminary Actuarial Value of Assets, June 30, 2024 (A2 + B + C1 + C2)	386,897,139	
C4. Market Value of Assets, June 30, 2024	398,698,171	184,210,874
C5. Final Actuarial Value of Assets, June 30, 2024 (C3 Within 20% Corridor of C4)	386,897,139	178,758,433

D. Rates of Return	
D1. Market Value Rate of Return	11.8%
D2. Actuarial Value Rate of Return	8.2%

Development of Health Actuarial Value of Assets - Tiers 3

A. Investment Income	
A1. Actual Investment Income	$ 1,027,216
A2. Expected Amount for Immediate Recognition	605,758
A3. Amount Subject to Amortization	421,458

	Year Ended June 30				
B. Amortization Schedule	**2024**	**2025**	**2026**	**2027**	**2028**
2024 Experience (A3 / 5)	84,292	84,292	84,292	84,292	84,290
2023 Experience	23,872	23,872	23,872	23,870	
2022 Experience	(101,792)	(101,792)	(101,790)		
2021 Experience	128,963	128,961			
2020 Experience	(10,557)				
Total Amortization	124,778	135,333	6,374	108,162	84,290

C. Actuarial Value of Assets	**Total**	**Employer**
C1. Actuarial Value of Assets, June 30, 2023	7,297,670	
C2. Non-investment Net Cash Flow	2,682,453	
C3. Preliminary Actuarial Value of Assets, June 30, 2024 (A2 + B + C1 + C2)	10,710,659	
C4. Market Value of Assets, June 30, 2024	11,044,818	5,423,316
C5. Final Actuarial Value of Assets, June 30, 2024 (C3 Within 20% Corridor of C4)	10,710,659	5,259,235

D. Rates of Return	
D1. Market Value Rate of Return	11.8%
D2. Actuarial Value Rate of Return	8.5%

V. MEMBER STATISTICS

Valuation Data Summary

	June 30, 2024		June 30, 2023	
	Tiers 1 & 2	Tier 3	Tiers 1 & 2	Tier 3
Actives				
Number	9	9	9	8
Average Current Age	45.6	31.5	44.6	33.1
Average Age at Employment	32.2	28.7	32.2	30.9
Average Past Service	13.4	2.8	12.4	2.2
Average Annual Salary	$93,390	$74,622	$85,093	$69,295
Actives (transferred)				
Number	4	6	4	2
Average Current Age	49.3	34.0	47.6	26.3
Average Age at Employment	38.9	30.7	37.8	25.3
Average Past Service	10.4	3.3	9.8	1.0
Average Annual Salary	$77,830	$71,504	$71,729	$60,777
Retirees				
Number	10	0	8	0
Average Current Age	66.0	N/A	67.2	N/A
Average Annual Benefit	$42,680	N/A	$44,538	N/A
DROP Retirees				
Number	1	N/A	3	N/A
Average Current Age	61.9	N/A	57.7	N/A
Average Annual Benefit	$62,075	N/A	$41,516	N/A
Beneficiaries				
Number	1	0	1	0
Average Current Age	61.5	N/A	60.5	N/A
Average Annual Benefit	$43,080	N/A	$42,236	N/A
Disability Retirees				
Number	4	0	4	0
Average Current Age	58.9	N/A	57.9	N/A
Average Annual Benefit	$34,547	N/A	$33,869	N/A
Inactive / Vested				
Number	5	1	5	0
Average Current Age	39.8	36.1	38.8	N/A
Average Accumulated Contributions	$19,341	$4,817	$19,989	N/A
Total Number	34	16	34	10
Former Members (transferred)	3	2	2	2

Active Counts and Pay Summary - Tiers 1 & 2

	Past Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total Count	Total Pay	Average Pay
<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	0	0	0	0	0	0	0	0	0
35 - 39	0	2	0	0	0	0	0	2	166,881	83,441
40 - 44	0	2	0	3	0	0	0	5	474,850	94,970
45 - 49	0	1	1	0	0	0	0	2	175,933	87,967
50 - 54	0	1	0	1	0	0	0	2	163,955	81,978
55 - 59	0	0	0	2	0	0	0	2	170,210	85,105
60 - 64	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0
Total	0	6	1	6	0	0	0	13	1,151,829	88,602

Active Counts and Pay Summary - Tier 3

	Past Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total Count	Total Pay	Average Pay
<20	0	0	0	0	0	0	0	0	0	0
20 - 24	1	0	0	0	0	0	0	1	64,966	64,966
25 - 29	6	0	0	0	0	0	0	6	407,279	67,880
30 - 34	2	1	0	0	0	0	0	3	230,575	76,858
35 - 39	2	1	0	0	0	0	0	3	231,470	77,157
40 - 44	0	0	0	0	0	0	0	0	0	0
45 - 49	2	0	0	0	0	0	0	2	166,327	83,164
50 - 54	0	0	0	0	0	0	0	0	0	0
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
Total	13	2	0	0	0	0	0	15	1,100,617	73,374

In-Payment Counts and Benefit Summary – All Tiers

Age	Count	Average Annual Benefit
< 40	0	0
40 - 44	0	0
45 - 49	0	0
50 - 54	4	35,358
55 - 59	2	38,456
60 - 64	2	36,473
65 - 69	1	39,328
70 - 74	4	45,154
75 - 79	2	48,416
80 - 84	0	0
85 - 89	0	0
90 - 94	0	0
95 - 99	0	0
100+	0	0
Total	15	40,538

"In-Payment" refers to retired, beneficiary, and disabled members.

VI. Actuarial Assumptions and Methods

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.
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.
Inflation	2.50%.
Tier 3 Compensation Limit	$140,952 for calendar 2024. Assumed increases of 2.00% per year thereafter.
Cost-of-Living Adjustment	1.85%.
Mortality Rates	These rates are used to project future decrements from the population due to death. ***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.

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.

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.

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.

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

Male spouses are assumed to be four years older than female members and female spouses are assumed to be two years younger than males members.

Benefit Commencement

Deferred members are assumed to commence benefits as follows:

- Tier 1: immediate refund of contributions
- Tiers 2 & 3 (less than 15 years service): immediate refund of contributions
- Tier 2 (15+ years service): life annuity payable at age 52.5
- Tier 3 (15+ years service): life annuity payable at age 55

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

Method described below. 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.

Tiers 1 & 2:
Each year the assumed investment income is recognized in full while the difference between actual and assumed investment income are smoothed over a 7-year period subject to a 20% corridor around the market value.

Tier 3:
Each year the assumed investment income is recognized in full while the difference between actual and assumed investment income are smoothed over a 5-year period subject to a 20% corridor around the market value.

<u>Funding Policy Amortization Method</u>

Tiers 1 & 2:
Any positive UAAL (assets less than liabilities) is amortized using a layered approach beginning with the June 30, 2020 valuation, with new amounts determined according to a Level Dollar method over a closed period of 15 years (phased into from current period of at most 30 years). Initial layer from June 30, 2019 valuation continues to be amortized according to a Level Percentage of Payroll method.

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).

<u>Payroll Growth</u>

1.50% per year. This is annual increase for total employer payroll.

Changes to Actuarial Assumptions and Methods Since the Prior Valuation
The payroll growth assumption was lowered from 2.00% to 1.50%.

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 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 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%

VII. 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 under various assumption scenarios. 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. Whenever possible, the recommended assumptions in this report reflect conservatism to allow for some margin of unfavorable future plan experience. However, it is still 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 does not increase according to 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, 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 plans with a substantial inactive liability. Similarly, mature 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" (LDROM). This liability measure is consistent with the determination of the actuarial accrued liability shown on pages 8 and 9 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 4.21%, resulting in an LDROM of $20,605,899 for Tiers 1 and 2 and $406,148,719 for Tier 3. The LDROM 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 LDROM 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 LDROM 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

	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Support Ratio					
Total Actives	13	13	14	16	18
Total Inactives	21	21	18	18	16
Actives / Inactives	61.9%	61.9%	77.8%	88.9%	112.5%
Asset Volatility Ratio					
Market Value of Assets (MVA)	11,735,331	9,655,862	8,549,363	8,429,048	6,196,403
Total Annual Payroll	1,151,829	1,052,753	986,072	1,041,206	1,154,142
MVA / Total Annual Payroll	1,018.8%	917.2%	867.0%	809.5%	536.9%
Accrued Liability (AL) Ratio					
Inactive Accrued Liability	9,985,219	9,686,610	8,247,790	7,566,289	7,389,146
Total Accrued Liability	13,825,978	12,932,714	11,214,803	10,866,908	10,459,688
Inactive AL / Total AL	72.2%	74.9%	73.5%	69.6%	70.6%
Funded Ratio					
Actuarial Value of Assets (AVA)	11,614,444	9,833,852	8,782,108	7,705,982	6,671,588
Total Accrued Liability	13,825,978	12,932,714	11,214,803	10,866,908	10,459,688
AVA / Total Accrued Liability	84.0%	76.0%	78.3%	70.9%	63.8%
Net Cash Flow Ratio					
Net Cash Flow [1]	1,022,573	454,490	460,156	482,263	349,166
Market Value of Assets (MVA)	11,735,331	9,655,862	8,549,363	8,429,048	6,196,403
Net Cash Flow / MVA	8.7%	4.7%	5.4%	5.7%	5.6%

[1] *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 [1]

	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Support Ratio					
Total Actives	3,658	3,054	2,417	2,560	1,408
Total Inactives	570	450	327	307	130
Actives / Inactives	641.8%	678.7%	739.1%	833.9%	1,083.1%
Asset Volatility Ratio					
Market Value of Assets (MVA)	184,210,874	119,338,352	74,774,123	51,992,240	22,964,925
Total Annual Payroll	295,480,312	226,680,964	165,151,543	115,883,115	84,448,996
MVA / Total Annual Payroll	62.3%	52.6%	45.3%	44.9%	27.2%
Accrued Liability (AL) Ratio					
Inactive Accrued Liability	16,792,236	9,349,377	4,598,114	2,290,610	1,173,104
Total Accrued Liability	165,671,690	110,961,191	68,939,204	42,733,537	23,239,599
Inactive AL / Total AL	10.1%	8.4%	6.7%	5.4%	5.0%
Funded Ratio					
Actuarial Value of Assets (AVA)	178,758,433	119,101,476	76,171,857	45,863,401	23,570,444
Total Accrued Liability	165,671,690	110,961,191	68,939,204	42,733,537	23,239,599
AVA / Total Accrued Liability	107.9%	107.3%	110.5%	107.3%	101.4%
Net Cash Flow Ratio					
Net Cash Flow [2]	47,922,185	36,208,171	25,802,686	18,607,209	13,192,598
Market Value of Assets (MVA)	184,210,874	119,338,352	74,774,123	51,992,240	22,964,925
Net Cash Flow / MVA	26.0%	30.3%	34.5%	35.8%	57.4%

[1] *Tier 3 results are shown for the Risk Sharing group, where applicable.*
[2] *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.*

VIII. Summary of Current Plan

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

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

Tier	Hire Date
1	Hired before January 1, 2012
2	Hired on or after January 1, 2012 but before July 1, 2017
3	Hired on or after July 1, 2017

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).
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.
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.
<u>Early Retirement</u>	***Only applicable to Tier 3 members:***
Date	Attainment of age 52.5 and 15 years of Credited Service.
Benefit	Actuarial equivalent of Normal Retirement benefit.
<u>Disability Benefit – Accidental (duty-related)</u>	
Eligibility	Total and permanent disability incurred in performance of duty.
Benefit Amount	A maximum of: a.) 50% of Average Monthly Benefit Compensation, and; b.) The monthly Normal Retirement pension that the member is entitled to receive if he or she retired immediately.
<u>Disability Benefit – Ordinary (not duty-related)</u>	
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).
<u>Disability Benefit – Other</u>	
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.
<u>Pre-Retirement Death Benefit</u>	*Payable following death of active member*
Service Incurred	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 of Credited Service.
Tiers 2 & 3:
15 years of Credited Service.

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%.

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.

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

Employee Contributions

Tiers 1 & 2:
7.65% (effective July 1, 2023).

Tier 3:
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.

Employer Contributions

Tiers 1 & 2:
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).

Tier 3:
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.

Changes to Benefit Provisions Since the Prior Valuation

None.

IX. ACTUARIAL FUNDING POLICY

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 2024.

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 6/30/2019 Unfunded Liability will be decreased by 0.5% beginning with the 6/30/2021 actuarial valuation and again each year with the intention of ultimately achieving 0.0%.
        ii. The payroll growth rate used to amortize the Correction Officers Retirement Plan (CORP) 6/30/2019 Unfunded Liability will be 3.0% beginning with the 6/30/2020 actuarial valuation, and future years 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) 6/30/2019 Unfunded Liability will be 2.5% beginning with the 6/30/2020 actuarial valuation, and future years will be reduced by 0.5% until 0.0% is reached.
    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.

X. GLOSSARY

Actuarial Accrued Liability – Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the actuarial present value of benefits attributable to service credit earned (or accrued) as of the valuation date.

Actuarial Present Value of Benefits – Amount which, together with future interest, is expected to be sufficient to pay all benefits to be paid in the future, regardless of when earned, as determined by the application of a particular set of actuarial assumptions; equivalent to the actuarial accrued liability plus the present value of future normal costs attributable to the members.

Actuarial Assumptions – Assumptions as to the occurrence of future events affecting pension costs. These assumptions include rates of investment earnings, changes in salary, 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 pension 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.

Actuarial Equivalence – Series of payments with equal actuarial present values on a given date when valued using the same set of actuarial assumptions.

Actuarial Present Value - The amount of funds required as of a specified date to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payments between the specified date and the expected date of payment.

Actuarial Value of Assets – The value of cash, investments, and other property belonging to the pension plan as used by the actuary for the purpose of the actuarial valuation. This may correspond to market value of assets, or some modification using an asset valuation method to reduce the volatility of asset values.

Asset Gain (Loss) – That portion of the actuarial gain attributable to investment performance above (below) the expected rate of return in the actuarial assumptions.

Amortization – Paying off an interest-discounted amount with periodic payments of interest and (generally) principal, as opposed to paying off with a lump sum payment.

Amortization Payment – That portion of the pension plan contribution designated to pay interest and reduce the outstanding principal balance of unfunded actuarial accrued liability. If the amortization payment is less than the accrued interest on the unfunded actuarial accrued liability the outstanding principal balance will increase.

Assumed Earnings Rate – The interest rate used in developing present values to reflect the time value of money.

Decrements – Events which result in the termination of membership in the system such as retirement, disability, withdrawal, or death.

Entry Age Normal (EAN) Funding Method – A standard actuarial funding method whereby each member's normal costs (service costs) are generally level as a percentage of pay from entry age until retirement. The annual cost of benefits is comprised of the normal cost plus an amortization payment to reduce the UAL.

Experience Gain (Loss) – The difference between actual unfunded actuarial accrued liabilities and anticipated unfunded actuarial accrued liabilities during the period between two valuation dates. It is a measurement of the difference between actual and expected experience, and may be related to investment earnings above (or below) those expected or changes in the liability due to fewer (or greater) than expected numbers of retirements, deaths, disabilities, or withdrawals, or variances in pay increases relative to assumed pay increases. The effect of such gains (or losses) is to decrease (or increase) future costs.

Funded Ratio – A measure of the ratio of the actuarial value of 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 funding method used to determine the liabilities.

Market Value of Assets (MVA) – The value of assets as they would trade on an open market.

Normal Cost – Computed differently under different funding methods, generally that portion of the actuarial present value of benefits allocated to the current plan year.

Unfunded Actuarial Accrued Liability (UAAL) – The excess of the actuarial accrued liability over the valuation assets; sometimes referred to as "unfunded past service liability". UAAL increases each time an actuarial loss occurs and when new benefits are added without being fully funded initially and decreases when actuarial gains occur.