



Sedona Fire District

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SFD PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM LOCAL BOARD MEETING ZOOM

Tuesday, January 9, 2024 / 1:00 PM

~ MINUTES ~

I. CALL TO ORDER/ROLL CALL

Pursuant to notice, a regular meeting of the Sedona Fire District (SFD) Public Safety Personnel Retirement System (PSPRS) Local Board was called to order by Chairman Dave Soto at 1:04 p.m. on, Tuesday, January 9, 2024. Executive Assistant Kim Smathers recorded the minutes. A quorum was present, and the meeting, having been duly convened, proceeded with business.

Board Present: Dave Soto-Chairman, Craig Cushenberry; Lynn Zionakis, Greg Eberlein, Kai Kincheloe – Members. Kim Smathers and Keona Freeman, SFD, Helen McNeal, SFD Governing Board, and Sara Simonton, JVG.

Chairman Soto: Well, welcome everybody to the to the uh, PSPRS meeting of January 1, ahss January 9, 2024. Uhh, we have a couple items to cover. Uhh, first all, first of, we should go through, uhh we don't have a call to public so we don't have anybody speaking. Regular business coming up is the first item on the agenda is to review the actual, actuarial evaluation of Sedona Fire District for presentation of 2023 PSPRS Valuation Reported presented by JVG and I believe Sara's on the line.

II. CALL TO THE PUBLIC

There was no one in attendance and no requests to speak.

III. REGULAR BUSINESS

A. **Discussion/Possible Action:** Review actuarial valuation of SFD, per presentation of 2023 PSPRS Valuation Report as presented by JVG.

Sara Simonton: I am...I am Mr. Soto. Can you guys here me okay?

Chairman Soto: Yes, we can.

Sara: Perfect. Well, as Chairman Soto mentioned um, it is that time of year again, where we have the um PSPRS um.Actuarial Report. I believe, Keona have you sent that out to them, do they have it in front of them or ?

Keona Freeman: Yes, Kim sent that out.

Chairman Soto: Yes, we received it.

Sara: Perfect, um, I'm going to just hit on a couple of things um, and then if you guys have questions I'll be happy to answer whatever I can, umm, but, kind of focusing on the, it's a lot of documents, a lot of words, um, so I just want to hit on a few things that really mean the most to uh the District and to the Pension Board, um, and then we'll go from there. Um, so overall um, if you look at page one and two of the documents, in the pdf it's actually page five and six, you can see that our Tier One and Tier Two rates, um, increased from 44.86 to 46.27 for next fiscal year, uh, which is about a one and a half uh percentage points increase. Um, Tier Three did decrease it went from 8.81 to 8.75 which is about a 6/10ths uh of a percentage point down. Um, the biggest drivers of that really relates to our payroll assumption changes and um PSPRS's payroll assumption changes along with any kind of um COLA that we provide, uh, if that COLA that Sedona Fire District has provided is different than what their assumptions are, that can cause the um issue in it or a change in the assumptions. Growth assumptions and our payroll costs, um, increases in staffing,

those kind of things can drive that, as well as how the assets or the investments are performing. So those are the big drivers um, of both the increase for the uh, Tier One, Tier Two, and then the decrease in the Tier Three. Overall what this means, um, if you look at our current payroll costs for Fiscal Year 24, if we look at that compared to ends and multiply that out by the new rates, we're looking at about a hundred and fifty thousand dollar impact to the budget for Sedona Fire District. Um, moving on and also on that page one of um document, or page five of the pdf, umm, the funding status is also big key component for the District, um, I'm happy to report that the funding status has increased, um, so were at 61.9 percent in our Tier One, Tier Two. We're at 63.8 percent, or almost 2 percent increase there, Tier Three has um, gone down slightly by about three and a um, three and a quarter percentage points from 110.5 to 107.3. Moving on, on to um, page 9 of the document or page 13 of the pdf, um the real big one that we focus on is our unfunded liability, um, unfunded liability did increase, it went from 25.2 million to just over 26 million which is about a 900,000 dollar increase, however, umm, our perc, as I mentioned earlier our percentage points, um, percentage of funding has actually increased and that's um, really just driven by the fact that our assets grew by 12 percent year over year, um, while our liability only grew about 9 percent, so with that, um, we're actually able to have, um, our funding ratio go up to that 63.8 percent. And then finally, I just took a look at real quick to kind of give the Board, um, some points of reference so that you guys can kind of see that we do look at that unfunded liability and that ratio quite uh often, it's something that's near and dear to the District's heart (chuckling) trying to figure out how to manage that, and just so that you guys have it, we have actually uh, in looking back about the last six years, that funding um, ratio has gone up about eight percent, so we're doing everything we possibly that, uh, we can, really while even though that unfunded amount is going up, um, we're actually chipping away at that unfunded liability and we've increased that uh, funding by about eight percent over that last six years. And with that, I'd be happy to answer any questions the Board may have.

Chairman Soto: Yeah, Sara, I've got a question for ya, uh,

Sara: Yeah

Chairman Soto: A couple years ago the rate at which we were contributing to PSPRS, uh, it either extended the time or somehow allowed the participants to lower their payment and we chose to maintain out payment, uh, it's could be a couple of years ago at the very least... with the fluctuation of the rate of contributions into the system, are we still at a steady rate or do we fluctuate also, and if we are steady, uh, is there going to be a point down the road where we're gonna, the current rate is gonna catch up to what we're paying and then we'll have to raise our rate again?

Sara: So, it's all, unfortunately, it's all driven by assumption-based, right? So, one of the, I think that you're discussing, Chairman Soto, is around the refinancing or the uh, basically paying down that unfunded liability to get more in line, uh, that is something that some of the District's did do, um, a couple of years ago, umm, unfortunately we are still seeing rate increases for them similar to other District's that did not do that and that's driven by the higher inflation that we've seen so, therefore, potentially COLAs have increased so those assumptions are really just changing. Eventually I do see that we will be kind of stagnant, where we're, and like I've said, we've seen that rate kind of not go up quite as much, year over year, it is increasing it's not, we're not seeing, you know, the double-digit growth that we were potentially seeing, you know, six years ago.

Chairman Soto: That's kind of what prompted a lot of changes and, and then, so then if I could just kind of summarize what you said then, so that I can understand it, it means that we paid at a slightly higher rate while the rest of the system is still chipping away, so we will then eventually be at a point where we're going to be even and then eventually fall behind or raise our rate to stay abreast of it?

Sara: We will be re, raising our rate to stay abreast with it, ummm, and then we make that decision of um, what we wanna do as far as paying down that unfunded liability. Our cautionary item on that is just that you're taking an actual that is based off of assumptions, those assumptions can change, and you're potentially applying a real debt that the organization then has to pay um, and that, that is not assumption based, so, uh, we just wanna make sure that we're managing that, um, but at the end of the day, it's really what's in the best interest um of the District, and with the Board's input, uh, how best to handle that.

Chairman Soto: Okay, and I think just for the members, the membership here at the meeting, uh, the question is always asked, uh, of JVG, of Finance, that, uh, you know, is there something we can do to pay down on the unfunded

liability, based on the amount of monies we have on-hand? And it's been, pretty much, because of the fluctuation, it's probably best to maintain what we are paying and not touch it because we don't know what it's gonna do tomorrow.

Sara: Absolutely, Chairman Soto, that, uh, that's one of the cautionary things about it, is we don't know what it's going to do tomorrow and we are doing well, uh, by increasing our funding umm, and paying down or getting more funding towards that liability, so, right now, you know, JVG continues the recommendation of keep doing what we're doing, uh, and um, we'll continue to see that, uh our expectation is that we will continue to see that coming down, so...

Craig Cushenberry: I have a question that's kind of, didn't we do a thing where we instead of a 30 year we changed to a 20 year paydown at some point? (At this point the video recording cut out)

Ms. Simonton responded to Mr. Cushenberry that yes, the plan is to be paid down in 20 years. If SFD continues to pay what the actuarial is recommending, the debt will be 100 percent funded in 2036.

Chairman Soto asked Ms. Simonton according to PSPRS, how is SFD as it related to PSPRS and could there be a more personal report. Ms. Simonton stated that what was presented was the report for the District, not PSPRS overall. She went on to say that SFD is well off, the unfunded liability is good and that SFD should continue to do what we are doing.

Mr. Cushenberry asked about the number of retirees being considered in the plan. Ms. Simonton replied that while we have the DROP, so we know if people are going within the next 5 years, there is no way to anticipate how many will leave in a particular year. Keona Freeman stated that SFD has 7 in the DROP right now, but none of them are going out this year.

Chairman Soto asked if there were other comments or concerns and none were stated. At this time, Chairman Soto made a motion to approve the 2023 PSPRS Valuation Report. Member Cushenberry seconded the motion. There was no further discussion and the vote was unanimous in favor of approval.

B. Discussion/Possible Action: Possible approval of Board minutes for 8-20-23, and 10-31-23.

Chairman Soto made a motion to approve the minutes of 8/20/23 and 10/31/23. Member Zionakis seconded the motion. Member Cushenberry made a point that the 8-20-23 minutes had a mistake listing the new members of SFD, with the title being incorrect for Justin Wassell. It was directed that the title be changed from Fire to Firefighter. Chairman Soto stated that the motion stood, with the correction taken, and the vote was taken. The vote was unanimous and the motion to approve was passed.

VII. ADJOURNMENT: 1:21 p.m.

Dave Soto, Board Chairman

SFD Multipurpose Room is accessible to the handicapped. In compliance with Americans with Disabilities Act, those with special needs, such as large print or other reasonable accommodations, may request them by calling 928-282-6800.