



Tucson Police and Fire PSPRS Boards
P O Box 27210
Tucson, AZ 85726-7210
(520) 791-4282 (Voice)
(520) 791-2676 (Fax)

MEETING MINUTES
Tucson Fire PSPRS Board
Thursday, February 3, 2022 at 9:00 a.m.

COVID-19 UPDATE

The Public Safety Personnel Retirement System and the Board of Trustees are committed to helping slow the spread of COVID-19. Following the recommendations from the Center for Diseases Control and Prevention (CDC), to avoid gatherings of 10 or more people, as well as federal and state emergency declarations related to COVID-19, *physical attendance at the meeting held in Fire Central Room 262 was limited to members of the Tucson Police and Fire Public Safety Personnel Retirement System Boards and necessary staff only. Some members of the Boards and staff attended remotely, through technological means.*

MEETING NOTE: This meeting was conducted using measures to protect public health. It was held remotely through technological means, as permitted under Arizona law. Specifically, a conference call bridge was established so that members of the public could access the meeting via telephone.

Access to the meeting by telephone was provided through the Microsoft Teams conference call bridge, by dialing (213) 293-2303 then entering access code 694 510 535#

Members of the public were encouraged **NOT TO ATTEND THE MEETING IN PERSON** but instead to access the meeting via telephone using the conference call bridge.

Public access to the meeting in Fire Central Room 262 was restricted in order to prevent a large or close gathering of the members of the public and to promote social distancing.

Again, in recognition of the current public health emergency, members of the public were encouraged **NOT TO ATTEND THE MEETING IN PERSON** but instead to access the meeting via telephone by dialing the Microsoft Teams conference call bridge at (213) 293-2303 then entering access code 694 510 535#

PLEASE BE AWARE THAT THESE MEASURES WERE IN PLACE TO LIMIT THE NEED FOR MEMBERS OF THE PUBLIC TO PARTICIPATE IN A LARGE PUBLIC GATHERING, WHILE ENSURING THAT THE DISCUSSIONS, DELIBERATIONS AND ACTIONS OF THE TUCSON POLICE AND FIRE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARDS WERE TRANSPARENT AND CONDUCTED OPENLY.

Ms. Perez called the Tucson Police and Tucson Fire PSPRS Board meetings to order at 9:05 a.m.

1. ROLL CALL

Fire Board Members:

Present:	Regina Romero	Chair
	Liana Perez	Member
	Nathan Weber	Member
	Jason Adler	Member

Also Present:	Mickey Petersen	Police Board Member
	Rob Brandt	Police Board Member
	David McEvoy	Board Attorney
	Michael Jesse	Board Secretary
	Susanna Horn	Local Board Office
	Tammy Webb	Local Board Office
	Jeffrey Yates	City of Tucson
	Marilene Southard	

A Fire Board quorum was established with Ms. Perez, Mr. Weber, and Mr. Adler attending remotely. Mayor Romero joined the meeting remotely as the Fire Consent Agenda (Item 3) motion was being made.

2. POLICE CONSENT AGENDA: ITEMS A – D

AUDIO RECORD ON FILE IN THE TUCSON POLICE AND FIRE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARDS’ OFFICE LOCATED AT THE TUCSON FIRE DEPARTMENT, FIRE CENTRAL, ROOM 131, 300 S. FIRE CENTRAL PLACE, TUCSON, ARIZONA – AVAILABLE UPON REQUEST.

FIRE MINUTES

02/03/2022

APPROVED

03/03/2022

A. MINUTES FOR APPROVAL –January 6, 2022**B. PENSION PAYROLL – Additions and deletions to benefits**

Name	Transaction Type	LDW	Eff Date	Ben Amount
Smith, Richard	NSR	01/20/2022	02/01/2022	\$3,128.63
Deakin, Ronald	NSR out of DROP	01/14/2022	02/01/2022	\$3,437.79
Briamonte III, William	NSR out of DROP	01/20/2022	02/01/2022	\$6,293.43
Stevenson, Rusty	NSR	01/06/2022	02/01/2022	\$3,093.32
Timpf, Mark	NSR out of DROP	01/31/2022	02/01/2022	\$9,138.38
Riddell, Steven	NSR out of DROP	01/28/2022	02/01/2022	\$6,489.35
Cox, Lonnie	Death of Retiree	01/06/2022	02/01/2022	(\$4,131.63)
Cox, Bonnie	Surviving Spouse	N/A	02/01/2022	\$3,305.30
Scott, Edward	Death of retiree	12/22/2021	01/01/2022	(\$4,350.20)
Scott, Patricia	Surviving Spouse	N/A	01/01/2022	\$3,480.16
Brooks, Nancy	Death of Surviving Spouse	12/29/2021	01/01/2022	(\$3,021.42)

C. ELECTION TO PARTICIPATE IN DROP

Name	Yrs of Srv	Date	Eff. Date
Higginbotham, Joseph	25.107	01/28/2022	02/01/2022
Wakefield, Scott	21.577	01/28/2022	02/01/2022
Baker, Jeffrey	20.044	01/28/2022	02/01/2022
Badilla Jr., Fernando	20.274	01/28/2022	02/01/2022
Wakeman, James	20.274	01/28/2022	02/01/2022
Stark, Warren	20.044	01/28/2022	02/01/2022
Scherzinger, David	25.098	01/28/2022	02/01/2022

D. APPROVAL OF EXPENDITURES

Company Name	Description	Date	Amount	Method
McEvoy, Daniels, Darcy	February Retainer	02/03/2022	\$ 400.00	DA-23
Sunnyside Medicenter	Ann. Disability Eval.	12/9/2021	\$ 400.00	DA-23

No action taken by the Fire Board on this Police Item.

3. FIRE CONSENT AGENDA: ITEMS A – D**A. MINUTES FOR APPROVAL – January 6, 2022**

AUDIO RECORD ON FILE IN THE TUCSON POLICE AND FIRE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARDS' OFFICE LOCATED AT THE TUCSON FIRE DEPARTMENT, FIRE CENTRAL, ROOM 131, 300 S. FIRE CENTRAL PLACE, TUCSON, ARIZONA – AVAILABLE UPON REQUEST.

FIRE MINUTES

02/03/2022

APPROVED

03/03/2022

B. PENSION PAYROLL – Additions and deletions to benefits

<u>Name</u>	<u>Transaction Type</u>	<u>LDW</u>	<u>Eff Date</u>	<u>Ben Amount</u>
Barzar Jr., Joseph	Death of retiree	12/30/2021	01/01/2022	(\$4,735.33)
Barzar, Tabitha	Surviving Spouse	N/A	01/01/2022	\$3,788.26
Kanyur., Joseph	Death of retiree	12/31/2021	01/01/2022	(\$4,129.73)
Kanyur, Susan	Surviving Spouse	N/A	01/01/2022	\$3,303.78
Bruning, Francis	Death of Retiree	12/17/2021	01/01/2022	(\$4010.57)
Bruning, Penelope	Surviving Spouse	N/A	01/01/2022	\$3,208.54
Simmons, Jack	Death of Retiree	12/20/2021	01/01/2022	(\$4,123.97)
Abitz, Gerald	Death of Retiree	11/28/2021	12/01/2022	(\$3,715.70)

C. ELECTION TO PARTICIPATE IN DROP

<u>Name</u>	<u>Yrs of Srv</u>	<u>Date</u>	<u>Eff. Date</u>
Kelagher, James	27.097	01/28/2022	02/01/2022
Moss, Clinton	21.155	01/28/2022	02/01/2022

D. APPROVAL OF EXPENDITURES

<u>Company Name</u>	<u>Description</u>	<u>Date</u>	<u>Amount</u>	<u>Method</u>
McEvoy, Daniels, Darcy	February Retainer	02/03/2022	\$ 400.00	DA-23

Motion by Mr. Adler, seconded by Mr. Weber, that Fire Items A-D are adopted as written. Motion **CARRIED** by a roll call vote of 4-0.

4. LINE OF DUTY DEATH FOR POLICE- Attachments

Jason Southard- DOD 11/26/2021, Surviving spouse Marilene Southard

No action taken by the Fire Board on this Police Item.

5. FUND/OFFICE INFORMATION

- Pension Bond Funds Update-Mr. Jeffrey Yates

AUDIO RECORD ON FILE IN THE TUCSON POLICE AND FIRE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARDS' OFFICE LOCATED AT THE TUCSON FIRE DEPARTMENT, FIRE CENTRAL, ROOM 131, 300 S. FIRE CENTRAL PLACE, TUCSON, ARIZONA – AVAILABLE UPON REQUEST.

FIRE MINUTES

02/03/2022

APPROVED

03/03/2022

Mr. Yates provided the following information for the pension bonds:

- The City of Tucson sold \$660 million in certificates of participation with proceeds designated for the long-term funding of PSPRS obligations
- Net proceeds were \$645 million after transaction expenses
- The true interest cost is about 1.6%
- The 115 Pension Bond Trust board developed an investment policy for the funds
- Dollar cost averaging was used to put the funds into the market over the first year with all money now deployed into investments
- At the end of the year, the balance stood at \$690 million
- Mr. Yates met with PSPRS to discuss the long-term plans for the funds – it might be a 5-year window
- Funds were not immediately deposited to the PSPRS pension trust due to some historical concerns, but those issues seem to have been resolved
- Funding now sits at 75%-76%, with about 32% at PSPRS and the remainder in the 115 Pension Bond Trust

Mr. Weber thanked Mr. Yates for his time and for providing the update. Mr. Weber addressed several changes at PSPRS that should address some of the historical concerns the City of Tucson might have regarding the PSPRS pension trust. There has been a management change that includes a new plan administrator. The PSPRS state board has been reconstituted. The PSPRS trust earned 27% gross of fees for the fiscal year ended June 30, 2021. There have also been some legislative changes made to help the overall situation. He emphasized positive progress had been made.

Mr. Weber was concerned that the actual funded ratio was around 31% because the PSPRS trust has not realized the funds raised by the City of Tucson. In holding the funds, the City of Tucson needs to overcome the 7.3% interest charge on the unfunded liability, the assumed 3.4% payroll increase assumption, and the 1.6% interest charge on the bond debt. He noted that was about a 10% to 12% that the 115 Pension Bond trust would have to overcome each year. He noted that the employer contribution rates are not being helped if the PSPRS trust does not realize those assets to reduce the unfunded liability.

Mr. Yates acknowledge that he was aware of the issues Mr. Weber raised. He explained that the 115 Pension Bond Trust pays the PSPRS contributions. It cannot pay the debt service. The debt service is paid by the General Fund and the difference between the budgeted PSPRS obligation payable from the General Fund and the debt service covered by the General Fund is moved into

AUDIO RECORD ON FILE IN THE TUCSON POLICE AND FIRE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARDS' OFFICE LOCATED AT THE TUCSON FIRE DEPARTMENT, FIRE CENTRAL, ROOM 131, 300 S. FIRE CENTRAL PLACE, TUCSON, ARIZONA – AVAILABLE UPON REQUEST.

FIRE MINUTES

02/03/2022

APPROVED

03/03/2022

the 115 Pension Bond Trust. The only real risk is if investments do not outpace the 1.6% cost of the cash. The remainder of the issues had all been considered. The analysis done by the City of Tucson along with its financial advisor indicates the City is neither advantaged nor disadvantaged by keeping the funds in the 115 Pension Bond Trust. Funds in the trust are earmarked for PSPRS obligations. They cannot be used for anything else. For all intents and purposes there is no material difference, other than retaining control of the assets, which was a primary consideration in deciding to keep the money in the 115 Pension Bond Trust. The estimated lifespan of the 115 Pension Bond Trust will likely be about five years at the end of which the money would reside entirely within the PSPRS trust.

Mayor Romero wanted to confirm with Mr. Yates the yearly PSPRS payments were being made toward the pension obligations. Mr. Yates said the Actuarially Required Contribution (ARC) was being paid.

Mayor Romero asked Mr. Yates about the 115 Pension Bond Trust board's comfort level with the PSPRS investment portfolio. He said he could not speak for the board as whole because they had not had much opportunity to meet. He said that over time he suspects the comfort level will grow. The City wanted to hedge against any losses at the outset. He mentioned that as FY 2022 comes to an end, the 115 Pension Bond Trust cash-flow plan would be adjusted as needed. Mr. Yates acknowledged the 32% funded ratio with PSPRS but said that from a financial position the City is above the target the 70% funding target when 115 Pension Bond Trust assets are considered.

Mr. Weber reiterated his concern about the employer contribution growth which will hit the General Fund if the pension bond assets are not sent to PSPRS.

Mr. Yates explained that payments from the General Fund are currently capped at \$77.5 million - \$32 million to debt service and the balance to the 115 Pension Bond Trust. He said that PSPRS contributions will increase but 115 Pension Bond Trust earnings will go toward paying that increase – not the General Fund. The net impact is no different than if the entirety of the 115 Pension Bond Trust assets were sent to PSPRS.

Mr. Weber said he thought there was a significant difference between the funds staying in the 115 Pension Bond Trust and being sent to PSPRS. He cited the interest rate charged on the unfunded liability and the 1.6% interest owed on the funds as being the hurdle that had to be overcome. Only earnings above that would benefit the City's position. In explaining his point of view, he said the interest paid on \$900 million unfunded liability was more than interest that

AUDIO RECORD ON FILE IN THE TUCSON POLICE AND FIRE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARDS' OFFICE LOCATED AT THE TUCSON FIRE DEPARTMENT, FIRE CENTRAL, ROOM 131, 300 S. FIRE CENTRAL PLACE, TUCSON, ARIZONA – AVAILABLE UPON REQUEST.

FIRE MINUTES

02/03/2022

APPROVED
03/03/2022

would be owed on the \$300 million unfunded that would remain if all the funds were sent to the PSPRS trust.

Ms. Perez said all were good comments and asked if there was anything else.

Mr. Yates stated the financial statements were posted on online should anyone want to review them.

- Actuarial Valuation Reports- Summary of Results

Mr. Jesse briefly discussed the PSPRS June 30, 2021 actuarial valuation results for Tucson Fire and Tucson Police. Those results determine the FY 2023 employer contribution rates. The Tier 1/Tier 2 employer contribution rates effective July 1, 2022 (FY 2023) will be 72.13% for Fire and 92.01% for Police. The Tier 3 employer contribution rates will be 68.95% for Fire and 89.29% for Police.

- Board Legal Counsel

Mr. Jesse provided board members with the names and contact information Mr. McEvoy had forwarded for two attorneys that could possibly be considered as candidates to replace him as legal counsel upon his retirement later this year. Ms. Perez suggested a timeline and sub-committee be created for the search.

- PSPRS Annual Conference Update

Mr. Jesse reminded board members of the PSPRS email he forwarded to them regarding the PSPRS Annual Conference being held on February 17, 2022. It stated that the event would be held virtually (no in person attendance) and it provided a link to register.

- Miscellaneous / Other

Mr. Jesse mentioned that he would provide information for the upcoming Local Board elections at the March meeting. He also said he hoped to provide preliminary Local Board Office budget information at the March meeting, subject to it being available from the City of Tucson budgeting system by then.

AUDIO RECORD ON FILE IN THE TUCSON POLICE AND FIRE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARDS' OFFICE LOCATED AT THE TUCSON FIRE DEPARTMENT, FIRE CENTRAL, ROOM 131, 300 S. FIRE CENTRAL PLACE, TUCSON, ARIZONA – AVAILABLE UPON REQUEST.

FIRE MINUTES

02/03/2022

APPROVED

03/03/2022

6. ADJOURNMENT

The next regular meeting of the Tucson Police and Fire Public Safety Personnel Retirement System Boards is scheduled for **9:00 a.m.** on **Thursday, March 3, 2022** in Fire Central **Room 262**, Tucson Fire Department, 300 S. Fire Central Place, Tucson, AZ.

Ms. Perez adjourned the Fire Board meeting at 10:02 a.m.

Michael J. Jesse, Board Secretary	Date	Regina Romero, Chair	Date

AUDIO RECORD ON FILE IN THE TUCSON POLICE AND FIRE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARDS' OFFICE LOCATED AT THE TUCSON FIRE DEPARTMENT, FIRE CENTRAL, ROOM 131, 300 S. FIRE CENTRAL PLACE, TUCSON, ARIZONA – AVAILABLE UPON REQUEST.

FIRE MINUTES
02/03/2022

APPROVED
03/03/2022