

City of Somerton

Public Safety Personnel Retirement System

Pension Funding Policy 2026

The intent of this policy is to clearly communicate the Council's pension funding objectives and its commitment to our employees and the sound financial management of the City and to comply with new statutory requirements of Laws 2018, Chapter 112.

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 City's police and fire 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 commingle 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 agencies' 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 City of Somerton has three funds, one for police, one for fire and one for dispatcher employees.

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

	ASSETS	ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO
SOMERTON POLICE	6,133,629	10,222,706	4,089,077	60.0%
SOMERTON FIRE DEPARTMENT	6,513,182	8,702,299	2,189,117	74.8%
SOMERTON DISPATCHERS	1,030,157	1,880,106	849,949	54.8%
CITY OF SOMERTON TOTALS	13,676,968	20,805,111	7,128,143	65.74%

PSPRS Funding Goal

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

The Council's PSPRS funding ratio goal is 100% (fully funded) by June 30, 2038.

Council established this goal for the following reasons:

- The PSPRS trust funds represent only the City of Somerton'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 Fiscal Ending June 30, 2026, is \$513,813 and will be able to be paid from operating funds without diminishing City services.



City of Somerton

Regular Council Meeting

Minutes

Monday, August 18, 2025 7:00 PM
City Hall, Council Chambers 143 N. State Ave., Somerton, AZ 85350

PRESENT: Mayor Gerardo Anaya, Council Member Jesus Roldan, Council Member Luis Galindo, Council Member Juan Castillo, Council Member Martha Gonzalez, and Vice Mayor Lorena Delgadillo

LATE:

ABSENT: Council Member Miguel Villalpando

1. **CALL TO ORDER**

Meeting called to order at 7:00 p.m. by Mayor Gerardo Anaya.

2. **PLEDGE OF ALLEGIANCE**

Mayor Gerardo Anaya led the Pledge of Allegiance.

3. **ROLL CALL**

Council Member Jesus Roldan called in remotely.

4. **CALL TO PUBLIC**

This is the time for the public to comment. Members of the City Council may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01 (G), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism or scheduling the matter for further consideration and decision at a later time.

Mayor Anaya opened the meeting to receive comments from the public. The public offered no comments.

5. **PROCLAMATION**

5.1. **Carolina Moreno Day**

Ms. Moreno expressed her gratitude for the recognition, stating that she has always carried the City of Somerton with her during every competition, practice, and challenge in college. She noted that representing a community larger than herself gave her strength and purpose, and she is forever proud to be part of Somerton.

6. **OLD BUSINESS**

All items are for discussion and possible action.

- 6.1. Discussion and possible action to approve second reading by title only of Ordinance No. 2025-002. An Ordinance of the City of Somerton, Arizona, City Council amending Chapter 2 Mayor and Council, Article 2.1 Council, Section 2-4-1 regular meetings, cancelling the council meeting scheduled for the first Tuesday in July, confirming that Council will continue to meet on the third Tuesday in July of each year, and updating the location of council meetings; providing for repeal of conflicting ordinances and providing for severability.

1. Motion to approve second reading by title only of Ordinance No. 2025-002.

Andrea Moreno, City Clerk, read second reading by title only of Ordinance No. 2025-002.

RESULT:	Carried
MOVER:	Council Member Juan Castillo
SECONDER:	Council Member Luis Galindo
AYES:	Mayor Gerardo Anaya, Council Member Jesus Roldan, Council Member Luis Galindo, Council Member Juan Castillo, Council Member Martha Gonzalez, and Vice Mayor Lorena Delgadillo

ABSENT:	Council Member Miguel Villalpando
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2. Motion to approve Ordinance No. 2025-002.

RESULT:	Carried
MOVER:	Council Member Juan Castillo
SECONDER:	Council Member Luis Galindo
AYES:	Mayor Gerardo Anaya, Council Member Jesus Roldan, Council Member Luis Galindo, Council Member Juan Castillo, Council Member Martha Gonzalez, and Vice Mayor Lorena Delgadillo
ABSENT:	Council Member Miguel Villalpando

7. NEW BUSINESS

All items are for discussion and possible action.

- 7.1.** Discussion and possible action to approve waiving special event fees for all teams and clubs affiliated with Somerton High School and Somerton Elementary School District No. 11 for Fiscal Year 2026.

James Jones, Parks and Recreation Director, reported that during the August 5, 2025, work session, Parks and Recreation was directed to return to Council with a motion to formalize the waiving of fees for special events for all teams and clubs affiliated with Somerton High School and Somerton Elementary School District #11 for fiscal year 2026.

This item seeks Council approval to formally establish fee waivers for school-related special events and activities for fiscal year 2026. The fee waiver is limited to school-affiliated groups and does not extend to outside individuals or families.

Louie Galaviz, City Manager clarified that the motion should ensure all proceeds from special events go directly to the specific programs supported by the teams or clubs, preventing funds from being used for unrelated purposes.

Motion to approve waiving special event fees for all teams and clubs affiliated with Somerton High School and Somerton Elementary School District No. 11 for Fiscal Year 2026; ensuring that all proceeds go directly to the programs they supported.

RESULT:	Carried
MOVER:	Council Member Juan Castillo
SECONDER:	Council Member Luis Galindo
AYES:	Mayor Gerardo Anaya, Council Member Jesus Roldan, Council Member Luis Galindo, Council Member Juan Castillo, Council Member Martha Gonzalez, and Vice Mayor Lorena Delgadillo
ABSENT:	Council Member Miguel Villalpando

- 7.2.** Discussion and possible action to adopt the Fiscal Year 2026 Public Safety Personnel Retirement System Pension Funding Policy.

Chona Medel, Finance Director, presented the annual Fiscal Year 2026 Public Safety Personnel Retirement System (PSPRS) policy. She explained that PSPRS is administered as a multiple-employer pension plan, where each participating agency maintains its own trust fund while benefiting from statewide investment management.

The City of Somerton maintains three PSPRS trust funds for police, fire, and dispatch employees. Each fund has its own contribution rate and actuarial valuation. Adoption of this annual funding policy affirms the Council's commitment to meeting pension obligations and ensuring sound financial management in accordance with state statutes.

Staff requested Council approval of the Fiscal Year 2026 PSPRS pension funding policy.

Motion to approve adoption of the Fiscal Year 2026 Public Safety Personnel Retirement System Pension Funding Policy.

RESULT:	Carried
MOVER:	Council Member Jesus Roldan

SECONDER:	Vice Mayor Lorena Delgadillo
AYES:	Mayor Gerardo Anaya, Council Member Jesus Roldan, Council Member Luis Galindo, Council Member Juan Castillo, Council Member Martha Gonzalez, and Vice Mayor Lorena Delgadillo
ABSENT:	Council Member Miguel Villalpando

8. SUMMARY OF CURRENT EVENTS / FUTURE AGENDA ITEMS

Human Resources – Terri Trujillo

- Recruitments:
 - *Police Officer Cadets*: Four new cadets started the Police Academy today.
 - *Current Week Interviews*: Facilities Maintenance Worker (1), Grounds Maintenance Crew Leader (1), Billing Specialist (1).
 - *Next Week Interviews*: Wastewater Apprentice (1), Animal Control Officer (1), Administrative Specialist – Police Department (1).
- Non-Certified Police Officer Testing: Scheduled at the Somerton Community Center on August 25th for 306 invited candidates. Physical agility testing will follow on August 26th for those who pass the written exam.
- Personnel Committee: Meetings continue every two weeks since March 2025 to revise the City of Somerton Personnel Handbook 2020; currently reviewing the final articles.
- Safety: HR continues to send heat-related safety reminders, emphasizing hydration, checking on outdoor coworkers, and summer safety precautions.

Public Works – Charles Gutierrez

- APS Project:
 - All power lines installed; splicing underway.
 - Water Plant Electrical Crossover scheduled for Saturday, August 9, 2025, from 8:00 a.m. to 12:00 p.m.
 - No service outages expected during crossover.

Economic Development – Jazmin Zamudio

- EDD staff, along with Council Member Galindo, will attend the ICSC conference in September.

Council Member Updates – Martha Gonzalez

- Announced a vaccine clinic scheduled for Thursday, August 21, 2025, at the Cultural Center.

9. ADJOURNMENT

Mayor Gerardo Anaya adjourned the meeting at approximately 7:19 p.m.

Gerardo Anaya, Mayor

Andrea Moreno, City Clerk