

TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Wednesday, September 4, 2024 | 3:00 p.m. | TAA Board Room and [Microsoft Teams](#)

Pursuant to [A.R.S. § 38-431.02](#), notice is hereby given to the members of the Tucson Airport Authority (TAA) and to the public that the **Board of Directors** will hold a meeting open to the public on **Wednesday, September 4, 2024, beginning at 3:00 p.m.** Directors and the public may attend in person or remotely.

In-Person: The TAA Board Room is on the departure level of the Tucson International Airport terminal and is situated between the Delta and Southwest ticket counters, and behind the Arroyo Trading Post. The address is 7250 South Tucson Boulevard, Tucson, Arizona, 85756.

Remote: Members of the public interested in observing the proceedings remotely may do so via Microsoft Teams. Click [HERE](#) to be taken to the registration form. Upon registering, you will receive an email confirmation containing the hyperlink, telephone number, and access code to join the meeting online or by phone.

The agenda for the meeting is as follows:

1. CALL TO ORDER | ROLL CALL

<input type="checkbox"/> Keri Silvyn, Chair	<input type="checkbox"/> Mike Hammond, Vice Chair
<input type="checkbox"/> Phil Swaim, Secretary	<input type="checkbox"/> Vance Falbaum, Treasurer
<input type="checkbox"/> Judy Rich, Director	<input type="checkbox"/> Todd Jackson, Director
<input type="checkbox"/> Calline Sanchez, Director	<input type="checkbox"/> Fran Katz, Director
<input type="checkbox"/> Rhonda Piña, Director	<input type="checkbox"/> Ellen Wheeler, Director

2. CONSENT AGENDA

Matters listed under the Consent Agenda are routine and will be enacted by one motion and one vote. There will be no separate discussion of the items on the Consent Agenda unless removed from the Consent Agenda by the Board Chair after a request of a member of the Board of Directors. If removed from the Consent Agenda, the item(s) will be considered separately and individually.

a. Approval of Minutes

Approve the minutes of the Board of Directors Regular Meeting held on June 5, 2024, and the Board of Directors Special Meeting held on July 26, 2024.

b. Parking Management Services Contract Extension

Adopt Resolution No. 2024-12 Resolution No. 2024-12 authorizing the President/CEO or her designee(s) to execute an extension of the current parking management services contract with ACE Parking on a month-to-month basis, terminating no later than January 30, 2026.

c. 49 CFR Part 23 ACDBE Program Goals for FY 2025 through FY 2027

Adopt Resolution No. 2024-13 approving the Tucson Airport Authority Airport Concession Disadvantaged Business Enterprise (ACDBE) Program aspirational goals and policy statement for FY 2025 through FY 2027 and authorizing its submittal to the FAA in compliance with 49 CFR Part 23.

d. PSPRS Pension System Funding Policy for FY 2025

Adopt Resolution No. 2024-14 approving the Tucson Airport Authority policy on funding pension obligations under the Arizona Public Safety Personnel Retirement System for FY 2025.

3. BOARD CHAIR REPORT

TAA and Staff Recognition | New or Promoted Employees, Awards, and Acknowledgments

4. PRESIDENT/CEO REPORT

- a. State of the Industry | Update**
- b. TAA Strategic Plan 2.1 | Update and Progress**

5. ACTION ITEMS

a. Compensation Plan

The Board will consider and may adopt Resolution No. 2024-15 approving the Tucson Airport Authority Compensation Plan dated October 1, 2024.

b. Operating Budget and Capital Budget for FY 2025

The Board will consider and may adopt Resolution No. 2024-16 approving the Tucson Airport Authority Operating Budget, Major Maintenance Program, Capital Outlay Program, Capital Improvement Program, and authorizing environmental expenditures for the fiscal year beginning on October 1, 2024 and ending on September 30, 2025.

6. DIVISION UPDATES

At the discretion of the Board Chair, the Board of Directors may receive a short presentation or ask questions of division representatives based upon material in the Board packet.

a. Airport Development

b. Marketing and Air Service Development

7. NEXT MEETING

Wednesday, November 6, 2024, 3:00 p.m. | Hybrid Meeting – TAA Board Room and Microsoft Teams

8. ADJOURN

TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Wednesday, June 5, 2024 | 3:00 p.m. | TAA Board Room and Microsoft Teams

THIS MEETING OF THE TUCSON AIRPORT AUTHORITY (TAA) BOARD OF DIRECTORS WAS HELD IN A HYBRID MANNER, WITH BOARD MEMBERS PRESENT IN THE TAA BOARD ROOM OR VIRTUALLY VIA MICROSOFT TEAMS. MEMBERS OF THE PUBLIC WERE ABLE TO ATTEND IN PERSON. MEMBERS OF THE PUBLIC WHO COMPLETED A REGISTRATION FORM RECEIVED A LINK TO VIEW THE MEETING VIA MICROSOFT TEAMS OR TO LISTEN TELEPHONICALLY.

1. CALL TO ORDER | ROLL CALL

Chair Silvyn called the meeting to order at 3:12 p.m.

Directors Present: Chair Keri Silvyn, Vice Chair Mike Hammond, Secretary Phil Swaim, Director Judy Rich, Director Todd Jackson, Director Fran Katz, and Director Rhonda Piña

Directors Absent: Treasurer Vance Falbaum, Director Calline Sanchez, and Director Ellen Wheeler

Others Present: Attorney Michael Foy (*Salmon, Lewis, & Weldon, P.L.C.*) and Attorney James Murphy

Staff Present: President/CEO Danette Bewley, Executive Vice President/Chief Operating Officer (COO) Bruce Goetz, Executive Vice President/General Counsel Chris Schmaltz, Vice President/Chief Revenue Officer (CRO) John Voorhees, Vice President of Airport Development Ken Nichols, Vice President/Chief Financial Officer (CFO) Kim Allison, Vice President of Operations Christopher Deitz, Chief Communications Officer Austin Wright, Chief People Officer Kim DeLaTorre, Deputy General Counsel Kim Outlaw Ryan, IT Customer Support Technician Hector Lopez, and TAA Clerk Byron Jones

2. CONSENT AGENDA

Approval of Minutes (From March 6, 2024)

Motion by Secretary Swaim, seconded by Director Jackson, to approve the Consent Agenda. The motion carried by the following vote:

Ayes (7) Silvyn, Hammond, Swaim, Rich, Jackson, Katz, and Piña

Nays (0)

3. BOARD CHAIR REPORT

TAA and Staff Recognition | New or Promoted Employees, Awards, and Acknowledgments

Chair Keri Silvyn reported the following:

- TAA continues to fill critical roles in the organization. Recent hires included Projects Control Director Lance Belhumeur and Director of Grants and Compliance Carolyn Laurie. Both positions will be heavily involved in supporting the Airfield Safety Enhancement (ASE) Program.
- TAA was selected as the recipient of the Mentorship Award from the San Miguel High School Cristo Rey Network for the 2023-2024 school year.
- TAA's Warm Welcome Volunteer, Warren Beneville, was awarded Visit Tucson's Certified Tourism Ambassador of the Year Award.
- TAA Firefighter/Paramedic Fabian Sanchez was recognized by Banner Hospital University Medical Center as Paramedic Provider of the Year.

4. PRESIDENT/CEO REPORT

State of the Industry | Update

President/CEO Danette Bewley reported the following:

- The United States Congress has passed, and President Joseph R. Biden, has signed into law the FAA Reauthorization Act of 2024. Highlights in the bill include a \$4B appropriation to the Airport Improvement Program (AIP), expanded AIP eligibility, and a separate appropriation for runway incursion mitigation. Also included in the bill were provisions to streamline the Section 163 land-use policies, and a \$350M grant program to assist airports in transitioning to firefighting foam that is free of per- and polyfluoroalkyl substances (PFAS).
- March 2024 was the busiest month in 16 years with 400,000 passengers. TUS is on track to serve nearly 4M passengers in FY 2024.
- Construction of the new monument sign is on schedule for completion in July 2024.

Executive Vice President/COO Bruce Goetz gave an update on Strategic Plan initiatives. A detailed report was included in the agenda packet.

- Employee attrition decreased 6.3% year over year due to continued enhancements to employee compensation. TAA has strategized starting new employees higher in the market range based on previous experience and bringing employees lower in the range up the midpoint.
- A new lightning warning system was installed to aid during monsoon season.
- Implementation of the new payroll system is underway.
- Staff has had to re-prioritize IT resources to implement cybersecurity and other security measures mandated by the Transportation Security

Administration (TSA). This has caused a delay in some projects such as implementation of an enterprise document management system.

5. DIVISION UPDATES

a. Airport Development

Vice President of Airport Development Ken Nichols provided an update on the Airfield Safety Enhancement (ASE) Program. A detailed report was included in the agenda packet.

- Construction continues on the first phase of the new runway and the outboard taxiway (Taxiway C). TAA has submitted grant applications for the second and third phases of runway construction and the middle Taxiway (Taxiway B).
- The land exchange with the United States Air Force for Parcels F and G was completed.
- Prior to the September 2024 board of directors meeting, staff anticipates completing the closeout of DBB1 and finishing construction of Taxiway C. Notices to Proceed will be issued for completion of the Hughes Wash drainage improvements and construction of the second and third phases of the new runway and Taxiway B.

b. Finance and Regulatory Administration

Vice President/CFO Kim Allison gave an overview of the FY 2024 second quarter and the March 2024 financials and aviation activity. Detailed reports were included in the agenda packet.

- Total passengers for the first six months of FY 2024 were 2,093,066. The average load factor was 89.0%, with an average daily seat capacity of 6,710.
- Total passengers for March 2024 were 398,009. The average load factor was 88.3% with 59.2 average daily departures.
- Operating revenues for the first and second quarters was \$26,435,644, compared to operating expenses, which were \$20,340,845. Revenues and expenses were both favorable to budget.
- Concession revenues from rental cars, food and beverage, and parking were below budget, but these numbers are projected to level out before the end of the fiscal year.
- The balance in the Special Reserve Fund as of February 28, 2024, was \$34,035,242.95.

c. Marketing and Air Service Development

Chief Communications Officer Austin Wright reported the following:

- Enplanements increased 12.5% year over year from October 2023 through March 2024. The United States Department of Transportation ranked TUS as the fourth fastest growing airport of the top 75 in the country.
- Alaska Airlines will operate two flights daily to Portland, Oregon (PDX).
- Southwest Airlines is adding daily flights to Los Angeles, California (LAX).

d. Business and Commercial Development

Vice President/CRO John Voorhees gave an update on several key projects which are ongoing.

- Sonora South Environmental Assessment:** This project involves the development of 800 acres of greenfield land approximately located between Alvernon Way and Country Club Road and south of Corona Road. Schnitzer Properties plans to develop 96 acres on the north end for non-aeronautical use. This project had been on hold due to changes in the FAA review process. TAA is also in initial discussions with two aeronautical companies interested in developing 150 acres on the south end. These companies engage in the manufacture of electric vehicles and aircraft retrofitting.
- Skywest Airlines Hangar Construction:** Construction is ongoing on this 160K maintenance, repair, and overhaul facility. Skywest changed subcontractors due to a safety issue at another facility. This has caused a delay in the project, with projected occupancy shifting from December 2024 to February 2025.
- AES Solar Development:** This project involves the construction of a 100-megawatt photovoltaic array. AES is currently reviewing the lease agreement. TAA anticipates executing the lease in June 2024. AES is competing for an RFP to establish an interconnect with Tucson Electric Power; however, they plan to construct the facility whether or not they are selected. Completion of the facility is projected in 2027.
- Raytheon Engine Test Facility:** Raytheon recently agreed to terms to move ahead with this project. Staff will seek approval from the Board of Directors at the board meeting in September. Ascent Aviation has been given a notice to vacate by December 31, 2024. Raytheon intends to move ahead with construction once the lease is executed, which beneficial occupancy also scheduled for December 31, 2024.

- Stella Energy Storage:** Stella has approved the lease terms. TAA is in the process of providing a legal description to Stella at which point they will execute the lease.
- TBM Facility Lease:** TBM is taking over the facility from Aergo, which was unable to find a compatible tenant to sublease to. The early termination of Aergo's lease, and the execution of the lease with TBM will occur in June 2024. TBM will perform various tenant improvements, with beneficial occupancy slated for December 2024.
- Million Air Lease Extension:** Million Air is making multiple improvements to the facility totaling \$3.1M in exchange for a 15-year lease extension. The project has been delayed due to several reasons. The ramp and taxilane need to be widened to accommodate larger aircraft. Also, TAA is in the process of having the property rezoned to allow for a restaurant Million Air wants to operate.
- Project Farm:** This client wants to develop a construction equipment proving ground on a 560-acre parcel to the south of Raytheon. In addition to constructing a small facility, the company also intends to level the disturbed soil to accommodate the proving ground. In addition to the lease revenue, this will save TAA between \$10M and \$14M in costs to bring the property to a marketable condition.

6. EXECUTIVE SESSION

Environmental Matters with EPA and ADEQ - Tucson Airport Remediation Project, Soils Remediation Project, PFAS Issues (Pursuant to [A.R.S. § 38-431\(A\)\(3\) and \(4\)](#)).

Motion by Director Rich, seconded by Director Katz, to recess the public meeting and convene in executive session. The motion carried by the following vote:

Ayes (7) Silvyn, Hammond, Swaim, Rich, Jackson, Katz, and Piña

Nays (0)

The public meeting recessed, and the Board of Directors went into executive session at 4:21 p.m. Also participating in the executive sessions were President/CEO Danette Bewley, Executive Vice President/General Counsel Chris Schmaltz, Director of Airport Development Ken Nichols, Vice President/CFO Kim Allison, Attorney Michael Foy, and Attorney James Murphy.

Director Rich left the executive session and left the public meeting at 4:30 p.m.

7. RETURN FROM EXECUTIVE SESSION

The executive session adjourned at 4:57 p.m. Chair Silvyn reconvened the public meeting at 4:58 p.m.

8. NEXT MEETING

Wednesday, September 4, 2024, 3:00 p.m. | Hybrid Meeting – TAA Board Room and Microsoft Teams

9. ADJOURN

There being no further business to discuss, Chair Silvyn adjourned the meeting at p.m.

APPROVED BY:

Phil Swaim, Secretary

Date: _____

Prepared by:

Byron Jones, TAA Clerk

Date: _____

TUCSON AIRPORT AUTHORITY | Board of Directors Special Meeting
Friday, July 26, 2024 | 10:00 a.m. | Remote Only

THIS MEETING OF THE TUCSON AIRPORT AUTHORITY (TAA) BOARD OF DIRECTORS WAS HELD REMOTELY, WITH DIRECTORS ATTENDING VIA MICROSOFT TEAMS OR TELEPHONICALLY. MEMBERS OF THE PUBLIC WHO COMPLETED A REGISTRATION FORM RECEIVED A LINK TO VIEW THE MEETING VIA MICROSOFT TEAMS OR TO LISTEN TELEPHONICALLY.

1. CALL TO ORDER | ROLL CALL

Chair Silvyn called the meeting to order at 10:03 a.m.

Directors Present: Chair Keri Silvyn, Vice Chair Mike Hammond, Secretary Phil Swaim, Treasurer Vance Falbaum, Director Todd Jackson, Director Calline Sanchez, Director Fran Katz, Director Rhonda Piña, and Director Ellen Wheeler

Directors Absent: Director Judy Rich

Others Present: Attorney Michael Foy (*Salmon, Lewis, & Weldon, P.L.C.*) and Attorney James Murphy

Staff Present: President/CEO Danette Bewley, Executive Vice President/Chief Operating Officer (COO) Bruce Goetz, Executive Vice President/General Counsel Chris Schmaltz, Vice President/Chief Revenue Officer (CRO) John Voorhees, Vice President of Airport Development Ken Nichols, Deputy General Counsel Kim Outlaw Ryan, IT Customer Support Technician Hector Lopez, and TAA Clerk Byron Jones

At the discretion of Chair Silvyn, Item 4.a. was considered before Item 2 to permit employees not required for the executive session to leave the meeting.

Director Sanchez joined the meeting at 10:06 a.m.

2. EXECUTIVE SESSION

Agreement with the United States Environmental Protection Agency (EPA) (Pursuant to [A.R.S. § 38-431\(A\)\(3\) and \(4\)](#)).

Chair Silvyn noted that this issue has been discussed in previous executive sessions and covered in the confidential materials distributed for the executive session by Executive Vice President/General Counsel Chris Schmaltz. The option to enter into executive session was available but not required if none of the directors had questions.

Responding to an inquiry made by Secretary Swaim regarding the position of the Arizona Air National Guard, Mr. Schmaltz stated that TAA would be in a better position having executed the agreement than not. He also reiterated that this action item is not to approve the agreement but to authorize the President/CEO to execute the agreement once it is finalized.

3. RETURN FROM EXECUTIVE SESSION

The Board did not enter into executive session.

4. ACTION ITEMS

a. Raytheon Company Ground Lease | Engine Test Facility

Vice President/CRO John Voorhees referred the directors to the memorandum that was included in the agenda packet, which addressed in depth the history and recent events regarding this ground lease. Thanks to the intercession of Raytheon, TAA was able to negotiate a lease that moves Ascent Aviation from their current location on Ramp A-17 to a permanent facility on the east side of the airfield. This move provides them with additional space for their operations and remains within the airport's current noise contours.

Motion by Secretary Swaim, seconded by Director Jackson, to adopt Resolution No. 2024-10 authorizing the President/CEO or her designee(s) to execute a new ground lease with Raytheon Company to construct an Engine Test Facility on TAA-owned property, subject to key business terms. The motion carried by the following vote:

Ayes (9) Silvyn, Hammond, Swaim, Falbaum, Jackson, Sanchez, Katz, Piña, and Wheeler

Nays (0)

b. Agreement with the United States Environmental Protection Agency (EPA)

There were no questions or discussion on this matter. *

Motion by Vice Chair Hammond, seconded by Director Piña, to adopt Resolution No. 2024-11 authorizing the President/CEO or her designee(s) to execute an agreement (in substantially similar form as provided to the Board under attorney-client privilege protections) with the United States Environmental Protection Agency related to TAA per- and polyfluoroalkyl substances (PFAS) investigations and remediation planning. The motion carried by the following vote:

Ayes (9) Silvyn, Hammond, Swaim, Falbaum, Jackson, Sanchez, Katz, Piña, and Wheeler

Nays (0)

Executive Vice President/General Counsel Chris Schmaltz committed to keeping the Board informed as the process moves along and once the agreement is finalized.

5. NEXT MEETING

Wednesday, September 4, 2024, 3:00 p.m. | Hybrid Meeting – TAA Board Room and Microsoft Teams

6. ADJOURN

There being no further business to discuss, Chair Silvyn adjourned the meeting at 10:13 a.m.

APPROVED BY:

Phil Swaim, Secretary

Date: _____

Prepared by:

Byron Jones, TAA Clerk

Date: _____

***NOTE re: Item 4.b:** The Resolution No. 2024-11 was revised to strike reference to the executive session since it did not take place. A copy of the redlined resolution and the final resolution are attached to these minutes.

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO OR HER DESIGNEE(S) TO EXECUTE AN AGREEMENT ~~(IN SUBSTANTIALLY SIMILAR FORM AS CONSIDERED AND DISCUSSED IN EXECUTIVE SESSION)~~ (SUBSTANTIALLY SIMILAR TO THE VERSION PROVIDED TO THE BOARD OF DIRECTORS UNDER ATTORNEY-CLIENT PRIVELEG PROTECTION) WITH THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY RELATED TO TAA PER- AND POLYFLUOROALKYL SUBSTANCES (PFAS) INVESTIGATIONS AND REMEDIATION PLANNING.

WHEREAS on April 17, 2024, the Environmental Protection Agency (EPA) promulgated hazardous substance designations, pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. §§ 9601-9675 (CERCLA), for per- and polyfluoroalkyl substances (PFAS) and contaminants, PFOA and PFOS, including their salts and structural isomers. The designation states that EPA reached this decision after evaluating the available scientific and technical information about PFOA and PFOS and determining that they may present a substantial danger to the public health or welfare or the environment when released; and

WHEREAS as a Part 139 commercial service airport, the Federal Aviation Administration (FAA) has regulatorily required all commercial service airports, including Tucson International Airport (TUS), to use PFAS containing aqueous film forming foam (AFFF) as part of maintaining TUS's aviation related firefighting responsibilities to protect the health and safety of the aviation and non-aviation users of TUS and the traveling public; and

WHEREAS TAA, while recognizing that PFAS contamination comes from a variety of sources that do not include AFFF, TAA embraces the important role that TUS has in southern Arizona as not only an economic engine, but as a key stakeholder in the community's health and safety, TAA is committed to being a community partner in the collective and comprehensive effort to address the PFAS presence in greater Tucson.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The President/CEO or her designee(s) is authorized to execute an agreement ~~(in substantially similar form as considered and discussed in executive session)~~ (SUBSTANTIALLY SIMILAR TO THE VERSION PROVIDED TO THE BOARD OF DIRECTORS UNDER ATTORNEY-CLIENT PRIVELEG PROTECTION) with the United States Environmental Protection Agency (EPA) related to TAA per- and polyfluoroalkyl substances (PFAS) investigation and remediation planning.

[CONTINUES ON FOLLOWING PAGE]

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this twenty-sixth day of July, 2024.

Keri Silvyn, Chair of the Board

ATTEST:

Phil Swaim, Secretary

APPROVED AS TO FORM:

Christopher Schmaltz, Executive Vice
President and General Counsel

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO OR HER DESIGNEE(S) TO EXECUTE AN AGREEMENT (SUBSTANTIALLY SIMILAR TO THE VERSION PROVIDED TO THE BOARD OF DIRECTORS UNDER ATTORNEY-CLIENT PRIVILEGE PROTECTION) WITH THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY RELATED TO TAA PER- AND POLYFLUOROALKYL SUBSTANCES (PFAS) INVESTIGATIONS AND REMEDIATION PLANNING.

WHEREAS on April 17, 2024, the Environmental Protection Agency (EPA) promulgated hazardous substance designations, pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. §§ 9601-9675 (CERCLA), for per- and polyfluoroalkyl substances (PFAS) and contaminants, PFOA and PFOS, including their salts and structural isomers. The designation states that EPA reached this decision after evaluating the available scientific and technical information about PFOA and PFOS and determining that they may present a substantial danger to the public health or welfare or the environment when released; and

WHEREAS as a Part 139 commercial service airport, the Federal Aviation Administration (FAA) has regulatorily required all commercial service airports, including Tucson International Airport (TUS), to use PFAS containing aqueous film forming foam (AFFF) as part of maintaining TUS's aviation related firefighting responsibilities to protect the health and safety of the aviation and non-aviation users of TUS and the traveling public; and

WHEREAS TAA, while recognizing that PFAS contamination comes from a variety of sources that do not include AFFF, TAA embraces the important role that TUS has in southern Arizona as not only an economic engine, but as a key stakeholder in the community's health and safety, TAA is committed to being a community partner in the collective and comprehensive effort to address the PFAS presence in greater Tucson.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The President/CEO or her designee(s) is authorized to execute an agreement (substantially similar to the version provided to the Board of Directors under attorney-client privilege protection) with the United States Environmental Protection Agency (EPA) related to TAA per- and polyfluoroalkyl substances (PFAS) investigation and remediation planning.

[CONTINUES ON FOLLOWING PAGE]

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this twenty-sixth day of July, 2024.

Keri Silvyn (Aug 2, 2024 06:17 MDT)

Keri Silvyn, Chair of the Board

ATTEST:

Phil Swaim
Phil Swaim (Jul 31, 2024 10:46 PDT)

Phil Swaim, Secretary

APPROVED AS TO FORM:

Chris Schmaltz
Chris Schmaltz (Aug 5, 2024 08:04 PDT)

Christopher Schmaltz, Executive Vice
President and General Counsel

Date: September 4, 2024

To: Board of Directors
From: John Voorhees, Vice President/Chief Revenue Officer
Re: Request to Extend the TUS Parking Management Contract

Background:

TAAC conducted a Request for Proposal (RFP) for parking management services in FY 2019. The highest scoring company, ACE Parking, entered into an initial contract term from February 1, 2019, to January 31, 2022. The agreement was extended three times and expires on January 31, 2025.

Business and Commercial Development (BCD) and Procurement have begun work on a new RFP for Parking Management. Staff have evaluated the timeline required to complete the RFP and select a Parking Management company and recommend that the current contract be extended an additional year to give ample time for the selection committee to select a successful bidder.

The Parking and Revenue Control System (PARCS) project is in its implementation phase. The project consists of major upgrades to the hardware, software, and user interfaces of the new parking system. The management of the parking lots and customer service interfaces will be affected by the final design and implementation of the PARCS project. It would be premature to begin the selection process for the parking manager prior to installing the PARCS system and analyzing how the new design may affect the scope of work for the next parking manager.

Staff desires to extend the contract on a month-to-month basis for up to one year. Once a successful bidder has been selected through the RFP process, TAAC will execute a contract with the company.

Strategic Plan | Analysis:

This action supports the TAAC Strategic Initiative to Expand Prosperity. Staff desires to procure the next vendor through a full and thoughtful procurement process. Extending the contract for one year on a month-to-month basis will enable staff to complete the PARCS project and competently select a successful vendor. It will also provide time for adequate cross-over if another company wins the contract other than the incumbent parking manager, Ace Parking.

Ace Parking is an effective business partner in good standing with the TAAC. The staff have been very helpful providing input to the design and implementation of the new PARCS project.

Cost Analysis:

The TUS parking revenue represents a significant portion of overall TAA operating revenue - \$9,805,773 in FY23. The parking management fees paid to ACE Parking are \$190,000, and as part of the contract, TAA reimburses Ace Parking for the company's operating costs which amount to approximately \$1.5M. Ace Parking has agreed to the extension of the contract for an additional year at the current rates. The funds are budgeted for FY2025 through the Business and Commercial Development Division.

Recommendation:

Adopt Resolution No. 2024-12 authorizing the President/CEO or her designee(s) to execute an extension of the current parking management services contract with ACE Parking on a month-to-month basis, terminating no later than January 30, 2026.

Attachments:

Resolution No. 2024-12

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO OR HER DESIGNEE(S) TO EXECUTE AN EXTENSION OF THE CURRENT PARKING MANAGEMENT SERVICES CONTRACT WITH ACE PARKING ON A MONTH-TO-MONTH BASIS, TERMINATING NO LATER THAN JANUARY 30, 2026.

WHEREAS the Tucson Airport Authority (TAA) intends to conduct a Request for Proposal (RFP) process to potentially select a new vendor to provide parking management services at Tucson International Airport (TUS); and

WHEREAS staff has determined that the timeline for completing the RFP process will extend beyond the January 31, 2025, termination date of the current contract with ACE Parking; and

WHEREAS the continuous operation of the TUS parking lots is a vital source of revenue and essential to TAA's continued economic prosperity; and

WHEREAS the Board of Directors accepts the staff recommendations as detailed in the Board Memorandum.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The President/CEO or her designee(s) is authorized to execute an extension of the current parking management services contract with ACE Parking on a month-to-month basis, terminating no later than January 30, 2026.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this sixth day of September, 2024.

Keri Silvyn, Chair of the Board

ATTEST:

Phil Swaim, Secretary

Christopher Schmaltz, Executive Vice
President and General Counsel

APPROVED AS TO FORM:

Date: September 4, 2024

To: Board of Directors
From: Carolyn Laurie, Director of Grants and Compliance
Re: 49 CFR Part 23 Airport Concessions Disadvantaged Business Enterprise (ACDBE)
Participation Goal for Fiscal Years 2025-2027 (Three-Year Submittal)

Background:

ACDBE Participation Goal:

As a condition of receiving financial assistance from the Federal Aviation Administration (FAA), the Tucson Airport Authority (TAA), certificated operator of Tucson International Airport, is required to establish and implement an Airport Concessions Disadvantaged Business Enterprise (ACDBE) Program in compliance with the Department of Transportation regulations as outlined in 49 CFR Part 23 (Part 23). Under Part 23, TAA is required to ensure that ACDBEs, defined as small businesses that are majority owned by one or more socially and economically disadvantaged individuals, are provided a fair and equal opportunity to participate in TAA's contracting opportunities.

TAA must also periodically establish an aspirational ACDBE participation goal for airport concession contracts. In setting the overall goal, TAA reviews contracting opportunities, determines the types of goods and services needed, and analyzes the local market availability of ACDBEs able to provide the necessary work. After review of ACDBE participation levels, a three-year goal is established and published with a request for public comment and input. Following this public comment period, the goal must be submitted to the FAA for acceptance.

TAA's previous aspirational ACDBE participation goals for fiscal years 2022-2024 were:

- 9.6% for Airport Concessions (Other than Car Rental Contracts)
- 1.2% for Car Rental Contracts

After the necessary review and analysis of actual revenue for fiscal years 2021-2023 and estimated revenues for fiscal years 2025-2027, TAA's proposed aspirational goals for ACDBE participation in its airport concession contracting for fiscal years 2025-2027 are:

- 9.6% for Airport Concessions (Other than Car Rental Contracts)
- 8% for Car Rental Contracts

The previous FY 2024-2026 ACDBE participation goal for Airport Concessions (Other than Car Rental Contracts) was 9.6%. The new participation goal for this segment remains the same

due to moderate post-COVID revenue increases during the review/analysis years of 2021-2023.

The 8% participation goal for Car Rental Contracts increased from the previous 1.2% goal due to increased ACDBE goods/services purchases for the review/analysis period years of 2021-2023.

Public Consultation:

As required by Part 23, TAA has taken the following actions to provide public notice of the proposed goal and solicit public input.

- May 10, 2024 – TAA posted and sent out a notice for a public consultation meeting to discuss the availability of ACDBE and non-ACDBE firms, the effects of discrimination on opportunities for ACDBEs and TAA's efforts to establish a level playing field for the participation of ACDBEs.
- May 28, 2024 – TAA held a public virtual consultation meeting to review the ACDBE three-year goal methodology for FY 2025-2027.
- May 29, 2024 – TAA published a notice with the proposed goal for ACDBE participation at 9.6% for Airport Concessions Other than Car Rental Contracts and 8% for Car Rental contracts for the fiscal years beginning October 1, 2024, through September 30, 2027. Comments with respect to the proposed goal and the rationale for its determination were accepted until July 17, 2024. TAA has received no comments regarding the proposed goal and its development.

Recommendation:

Adopt Resolution No. 2024-13 approving the Airport Concession Disadvantaged Business Enterprise Program aspirational goals and policy statement for FY 2025 through FY 2027 and authorizing its submittal to the FAA in compliance with 49 CFR Part 23.

Attachments:

1. Resolution No. 2024-13
2. TAA 49 CFR Part 23 ACDBE Program Policy Statement

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING THE TUCSON AIRPORT AUTHORITY AIRPORT CONCESSION DISADVANTAGED BUSINESS ENTERPRISE PROGRAM ASPIRATIONAL GOALS AND POLICY STATEMENT FOR FY 2025 THROUGH FY 2027 AND AUTHORIZING ITS SUBMITTAL TO THE FAA IN COMPLIANCE WITH 49 CFR PART 23.

WHEREAS the United States Department of Transportation (USDOT) requires entities receiving grants from the Federal Aviation Administration (FAA) to establish and implement an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program in compliance with Title 49 of the Code of Federal Regulations, Part 23 ("49 CFR Part 23" or "Part 23"); and

WHEREAS the Tucson Airport Authority (TAA) desires to apply for and receive such grants from the FAA to fund various programs and initiatives; and

WHEREAS USDOT regulations require TAA to establish aspirational goals every three years for ACDBE participation in airport concession contracts; and

WHEREAS TAA conducted a review and analysis and solicited feedback from interested parties and developed its proposed ACDBE aspirational goals for FY 2025 through FY 2027 as follows:

- 9.6% for Airport Concessions (Other than Car Rental Contracts)
- 8% for Car Rental Contracts; and

WHEREAS the Board of Directors accepts the staff recommendations as detailed in the Board Memorandum.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

1. The Board of Directors supports the Airport Concession Disadvantaged Business Enterprise (ACDBE) Program aspirational goals for FY 2025 through FY 2027 as follows: **9.6% for Airport Concessions (Other than Car Rental Contracts) and 8% for Car Rental Contracts.**
2. The Board of Directors directs the President/CEO to sign the ACDBE Program Policy Statement, attached to this resolution and incorporated herein by reference, and authorizes the President/CEO or her designee(s) to take all actions and to submit all documents to the Federal Aviation Administration (FAA) to comply with Title 49 of the Code of Federal Regulations, Part 23.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this fourth day of September, 2024.

Keri Silvyn, Chair of the Board

ATTEST:

Phil Swaim, Secretary

APPROVED AS TO FORM:

Christopher Schmaltz, Executive Vice President and General Counsel

DRAFT

**Tucson Airport Authority Airport
Concession Disadvantaged Business
Enterprise (ACDBE) Program Policy
Statement**

Policy No.	2024-09
Effective Date	09/04/2024
Authorized By	President/CEO
Supersedes Policy No.	New Policy

Tucson Airport Authority (TAA), certificated operator of Tucson International Airport, has established an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program in accordance with regulations of the U.S. Department of Transportation (DOT), 49 CFR part 23. TAA is a primary airport and has received federal funds authorized for airport development after January 1988 (authorized under Title 49 of the United States Code). TAA has signed airport grant assurances that it will comply with 49 CFR part 23.

It is the policy of TAA to ensure that ACDBEs as defined in part 23 have an equal opportunity to receive and participate in concession opportunities. It is also our policy:

1. To ensure nondiscrimination in the award and administration of opportunities for concessions by airports receiving DOT financial assistance;
2. To create a level playing field on which ACDBEs can compete fairly for opportunities for concessions;
3. To ensure that our ACDBE program is narrowly tailored in accordance with applicable law;
4. To ensure that only firms that fully meet this part's eligibility standards are permitted to participate as ACDBEs;
5. To help remove barriers to the participation of DBEs in opportunities for concessions at our airport(s);
6. To promote the use of ACDBEs in all types of concessions activities at our airport(s);
7. To assist the development of firms that can compete successfully in the marketplace outside the ACDBE program; and
8. To provide appropriate flexibility to our airports receiving DOT financial assistance in establishing and providing opportunities for ACDBEs.

The Compliance Administrator has been designated as the ACDBE Liaison Officer (ACDBELO). In that capacity, the Compliance Administrator is responsible for implementing all aspects of the ACDBE program. Implementation of the ACDBE program is accorded the same priority as

compliance with other legal obligations incurred by the TAA in its financial assistance agreements with the Department of Transportation.

TAA has disseminated this policy statement to the TAA Board of Directors, for their approval, and all of the components of our organization. Upon TAA Board of Directors' approval, this policy statement will be distributed to ACDBE and non-ACDBE concessionaire communities in our area. The distribution will be accomplished by reviewing and disseminating the policy at the public comment meeting for the ACDBE program and via the TAA website at the earliest opportunity. A copy of this policy statement shall be available through the solicitation processes for all concession contracts.

After the necessary review and analysis of actual revenue for fiscal years 2021-2023 and estimated revenues for fiscal years 2025-2027, TAA's proposed aspirational goals for ACDBE participation in its airport concession contracting for fiscal years 2025-2027 are:

- 9.6% for Airport Concessions (Other than Car Rental Contracts)
- 8% for Car Rental Contracts

Authorized by:

Danette Bewley
President/CEO

Date

Date: September 4, 2024

To: Board of Directors
From: Kim Allison, Vice President of Finance / CFO
Re: PSPRS Pension System Funding Policy FY 2025

Background:

Arizona Revised Statute (A.R.S.) § 38-863.01 requires that the governing body of an employer participating in the Arizona Public Safety Personnel Retirement System (PSPRS) adopt a pension funding policy for employees hired before July 1, 2017. The policy is to include:

- Objectives to address the maintenance of the stability of contributions
- How and when funding requirements will be met
- A funded ratio target and a timeline to reach the target

The policy must also include a formal acceptance of the pension assets and liabilities based on published PSPRS actuarial reports.

The TAA PSPRS Pension System Funding Policy for FY 2025 (Included as an exhibit to the attached Resolution No. 2024-14) is the legally required TAA policy which was prepared with the intent of satisfying the requirements established by A.R.S. § 38-863.01 in both letter and spirit.

The policy broadly describes the nature and function of the two TAA PSPRS pension plans, formalizes the commitment to required bi-weekly funding of required pension contributions, accepts the pension assets and liabilities as presented in recent annual reports provided by PSPRS and declares TAA's goal of maintaining a 100% funded ratio.

The Finance and Risk Management Council considered the policy during its meeting on August 19, 2024. The Council, by 6 to 0, voted to recommend that the Board of Directors approve the policy as presented.

Recommendation:

Adopt Resolution No. 2024-14 approving the TAA policy on funding pension obligations under the Arizona Public Safety Personnel Retirement System for FY 2025.

Attachments:

1. Resolution No. 2024-14
2. Exhibit – Policy No. 2024-10 – Proposed PSPRS Pension System Funding Policy for FY 2025
3. Copy of Arizona Revised Statutes § 38-863.01
4. TAA Fire Department (124) Actuarial Valuation as of June 30, 2023
5. TAA Police Department (125) Actuarial Valuation as of June 30, 2023

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING THE TAA POLICY ON FUNDING PENSION OBLIGATIONS UNDER THE ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM FOR FY 2025.

WHEREAS Arizona Revised Statute (A.R.S.) § 38-863.01 mandates that each governing body shall annually adopt a pension funding policy for the Public Safety Personnel Retirement System (PSPRS) for employees hired before July 1, 2017; and

WHEREAS the Finance and Risk Management Council considered the staff-proposed policy for FY 2025 during its meeting on August 19, 2024, and by 6 to 0 voted to recommend to the Board of Directors that it approve the policy as presented; and

WHEREAS the Board of Directors accepts the staff recommendations as detailed in the Board Memorandum and the proposed *TAA Policy No. 2024-10 – Public Safety Personnel Retirement System Funding Policy for FY 2025*.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The Board of Directors approves *TAA Policy No. 2024-10 – Public Safety Personnel Retirement System Funding Policy for FY 2025*, attached hereto, incorporated herein by reference, and made a part of this resolution. The Board of Directors further directs the President/CEO or her designee(s) to execute the policy, to transmit the policy to the Public Safety Personnel Retirement System, and to take any further actions necessary to comply with A.R.S. § 38-863.01.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this sixth day of September, 2024.

Keri Silvyn, Chair of the Board

ATTEST:

Phil Swaim, Secretary

Christopher Schmaltz, Executive Vice President and General Counsel

APPROVED AS TO FORM:

Public Safety Personnel Retirement System Funding Policy for FY 2025

Policy No.	2024-10
Effective Date	09/04/2024
Authorized By	D. Bewley
Supersedes Policy No.	N/A

Objective:

This policy is a statement of the objectives of the Tucson Airport Authority (TAA) regarding the funding of the public safety pension in which it participates for public safety employees participating in the Public Safety Personnel Retirement System (PSPRS) hired before July 1, 2017. It represents a commitment to our participating PSPRS employees and was specifically prepared to ensure TAA's compliance with A.R.S § 38-863.01.

Scope:

This policy will be submitted to PSPRS upon authorization to comply with A.R.S. § 38-863.01. Additionally, in accordance with A.R.S. § 38-863.01, TAA is required to make this policy available on the company website. The aspects of this policy that relate to payroll withholdings and payment of contributions into the PSPRS programs applies to the Finance department and the bi-weekly payroll process.

Definitions/Terminology:

The below terms are used throughout this policy:

Unfunded Actuarial Accrued Liability (UAAL) – This represents the calculated difference between trust assets and the estimated future cost of pensions earned by employees. UAAL arises when actual results in the pension program differ from the assumptions used in previous actuarial valuations.

Annual Required Contribution (ARC) – This represents the annual amount that TAA is required to pay into the pension funds. This amount is a percentage of current payroll expense. The percentage is determined by PSPRS through actuarial valuations. It is comprised of two primary components: normal pension cost – estimated cost of pension benefits earned by participating employees in the current plan year; and amortization of UAAL.

Procedure:

Employees of the TAA participate in PSPRS if they are employed in either police or firefighting capacities and meet the minimum work qualifications. The PSPRS administers an agent multiple-employer defined benefit pension plan. PSPRS acts as a common investment and administrative agent which issues, on an annual basis, financial reports detailing pension plan assets, liabilities, pertinent funding information and actuarial assumptions. Under this structure, PSPRS comingles investment resources of all participating agencies and serves as the statewide uniform distributor

of benefits. However, each participating agency is treated as an individual trust fund, with separately identifiable assets and liabilities. There are two separate participating agencies within TAA: Tucson Airport Authority Police Department (TAAPD), and Tucson Airport Authority Fire Department (TAAFD).

Stability and Frequency of Contributions:

Upon completion of the bi-weekly payroll process, TAA shall remit to the PSPRS all required pension contributions for participating employees as defined by the PSPRS. In general, the required contributions are derived by applying the required percentage contribution rate (published by PSPRS annually) to each employee's pensionable wages (as defined by PSPRS).

Acceptance of Pension Assets and Liabilities:

TAA formally accepts the reported share of pension assets and liabilities for both TAAPD and TAAFD as presented in the GASB 68 statements provided by PSPRS.

GASB 68 statements published by PSPRS for the plan year ended June 30, 2023 for TAAPD and TAAFD reflected the following:

	TAAFD	TAAPD	Total
Total Pension Liability	\$ 21,035,885	\$ 24,254,182	\$ 45,290,067
Plan Fiduciary Net Position	18,927,171	23,027,511	41,954,682
Net Pension Liability (Asset)	\$ 2,108,714	\$ 1,226,671	\$ 3,335,385
Funded Ratio*	89.98%	94.94%	92.64%

**Plan fiduciary net position as a percent of total pension liability*

TAA's funded ratio goal is 100% (fully funded) over a period of 15 years. This is consistent with the standard amortization period per the PSPRS's Actuarial Valuation Report as of June 30, 2023.

Funded Ratio Target:

TAA will continue to remit ARC payments on a bi-weekly basis as defined by PSPRS with the goal of maintaining a 100% funded ratio. PSPRS reviews its pension assumptions annually. Accordingly, the ARC and amortization period may be adjusted as a result of these reviews. TAA plans to remit ARC as required by PSPRS to achieve its goal of 100% funding within a 15-year period.

Authorized by:

Danette Bewley
President/CEO

Date

DRAFT

38-863.01. Pension funding policies; employers

A. Each governing body of an employer shall annually:

1. Adopt a pension funding policy for the system for employees who were hired before July 1, 2017. The pension funding policy shall include funding objectives that address at least the following:

- (a) How to maintain stability of the governing body's contributions to the system.
- (b) How and when the governing body's funding requirements of the system will be met.
- (c) Defining the governing body's funded ratio target under the system and the timeline for reaching the targeted funded ratio.

2. Formally accept the employer's share of the assets and liabilities under the system based on the system's actuarial valuation report.

B. The governing body shall post the pension funding policy on the governing body's public website and transmit the pension funding policy to the board.

ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

TUCSON AIRPORT AUTHORITY FIRE DEPT. (124)

ACTUARIAL VALUATION
AS OF JUNE 30, 2023

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING JUNE 30, 2025



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

December 2023

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

Re: Actuarial Valuation Report as of June 30, 2023 for Tucson Airport Authority Fire Dept. (124)

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, 2023 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.

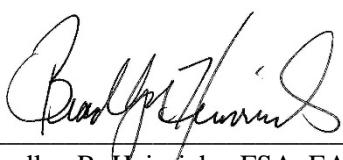
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the Arizona Public Safety Personnel Retirement System, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the 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,

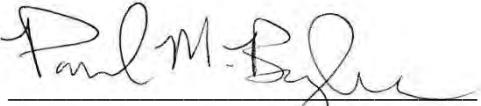
Foster & Foster, Inc.

By:



Bradley R. Heinrichs, FSA, EA, MAAA

By:



Paul M. Baugher, FSA, EA, MAAA

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I. SUMMARY OF REPORT

The regular annual actuarial valuation of the Arizona Public Safety Personnel Retirement System for the Tucson Airport Authority Fire Dept., performed as of June 30, 2023, 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, 2024. This information is contained in the section entitled “Contribution Results.”

1. Key Valuation Results

The funded status as of June 30, 2023 and the employer contribution amounts applicable to the plan/fiscal year ending June 30, 2025 are as follows:

	Tier 1 & Tier 2 Members			Tier 3 Members *		
	Pension	Health	Total	Pension	Health	Total
Employer Contribution Rate	32.73%	0.12%	32.85%	8.63%	0.12%	8.75%
Funded Status	90.0%	120.7%	90.4%	107.3%	212.5%	108.9%

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, 2022):

Contribution Rate

Valuation Date	Tier 1 & Tier 2 Members			Tier 3 Members *		
	Pension	Health	Total	Pension	Health	Total
June 30, 2022	29.35%	0.19%	29.54%	8.69%	0.12%	8.81%
June 30, 2023	32.73%	0.12%	32.85%	8.63%	0.12%	8.75%

Funded Status

Valuation Date	Tier 1 & Tier 2 Members			Tier 3 Members		
	Pension	Health	Total	Pension	Health	Total
June 30, 2022	91.8%	118.0%	92.2%	110.5%	212.1%	112.1%
June 30, 2023	90.0%	120.7%	90.4%	107.3%	212.5%	108.9%

* 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	29.35%	0.19%	8.69%	0.12%
Asset Experience	0.43%	0.00%	(0.02%)	0.00%
Payroll Base	(1.10%)	0.02%	0.00%	0.00%
Liability Experience	0.47%	(0.23%)	(0.16%)	0.00%
Additional Contribution	0.00%	0.00%	0.00%	0.00%
Assumption/Method Change	0.06%	0.00%	0.00%	0.00%
Actuarial Audit	1.82%	0.01%	0.33%	0.00%
Other	<u>1.70%</u>	<u>0.13%</u>	<u>(0.21%)</u>	<u>0.00%</u>
Contribution Rate This Valuation	32.73%	0.12%	8.63%	0.12%

Funded Status

	Tier 1 & Tier 2		Tier 3 Members	
	Pension	Health	Pension	Health
Funded Status Last Valuation	91.8%	118.0%	110.5%	212.1%
Asset Experience	(0.3%)	0.0%	0.3%	1.1%
Liability Experience	(0.3%)	9.0%	2.5%	7.2%
Additional Contribution	0.0%	0.0%	0.0%	0.0%
Assumption/Method Change	0.0%	0.0%	0.0%	0.0%
Actuarial Audit	(1.0%)	(0.3%)	(1.6%)	(0.7%)
Other	<u>(0.2%)</u>	<u>(6.0%)</u>	<u>(4.4%)</u>	<u>(7.2%)</u>
Funded Status This Valuation	90.0%	120.7%	107.3%	212.5%

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, 2023 was 7.7% for Tiers 1 and 2 and 9.2% for Tier 3. On a smoothed, actuarial value of assets basis, however, the average return was 6.9% for Tiers 1 and 2 and 7.3% for Tier 3. These returns nearly met the 2022 assumed earnings rate for Tiers 1 and 2 of 7.2% and exceeded the 2022 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 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 2.50% to 2.00%.

Audit Adjustment – An independent actuarial audit was performed during 2023, with recommendations made in a detailed report. Following discussions with staff, several changes (both numeric and written) were made as part of this valuation to improve the report going forward. The most notable change was prorating the COLA benefit in the first year of retirement.

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. This also includes the change due to HB2088, which removes the “maintenance of effort” adjustment to the unfunded liability amortization. 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 significant loss realized this year will, in the absence of other gains, put upward pressure on the contribution rate next year.

If the June 30, 2023 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 88.3% (instead of 90.0%) and the pension employer contribution requirement would be 35.24% of payroll (instead of 32.73%).

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, 2023		June 30, 2022	
Applicable to Fiscal Year Ending	2025		2024	
	Rate	Dollar	Rate	Dollar
Pension				
Normal Cost				
Total Normal Cost	24.18%	\$ 264,434	23.11%	\$ 229,705
Employee Cost	(7.65%)	(83,661)	(7.65%)	(76,038)
Employer (Net) Normal Cost	16.53%	180,773	15.46%	153,667
Amortization of Unfunded Liability	<u>16.20%</u>	<u>177,164</u>	<u>13.89%</u>	<u>138,061</u>
Total Employer Cost (Pension)	32.73%	357,937	29.35%	291,728
Health				
Normal Cost	0.37%	4,046	0.41%	4,075
Amortization of Unfunded Liability	(0.25%)	(2,734)	(0.22%)	(2,187)
Total Employer Cost (Health)	0.12%	1,312	0.19%	1,888
Total Employer Cost (Pension + Health)	32.85%	359,249	29.54%	293,616
Alternate Contribution Rate (ACR) *	16.20%		13.89%	
Underlying Payroll (as of valuation date)		1,072,163		969,719

* 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, 2023		June 30, 2022	
Applicable to Fiscal Year Ending	2025		2024	
Defined Benefit (DB) Retirement Plan				
	Rate	Dollar	Rate	Dollar
Pension				
Total Normal Cost	17.25%	\$ 46,552	17.37%	\$ 40,292
Amortization of Unfunded Liability	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>
Total Pension Cost	17.25%	46,552	17.37%	40,292
Employee (EE) Pension Cost	8.63%	23,276	8.69%	20,146
Employer (ER) Pension Cost	8.63%	23,276	8.69%	20,146
Health				
Total Normal Cost	0.23%	621	0.24%	557
Amortization of Unfunded Liability	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>
Total Health Cost	0.23%	621	0.24%	557
Employee (EE) Health Cost	0.12%	311	0.12%	279
Employer (ER) Health Cost	0.12%	311	0.12%	279
Total				
Total Calculated Tier 3 Required EE/ER Individual Cost	8.75%	23,587	8.81%	20,425
Funding Policy Tier 3 Required EE/ER Individual Cost ¹	8.89%	23,991	9.56%	22,176
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities ²	16.20%	43,718	13.89%	32,220
Total Funding Policy Tier 3 Required				
ER Defined Benefit Cost	25.09%	67,709	23.45%	54,395
Underlying Payroll (as of valuation date)		264,573		226,305

¹ The “Funding Policy” cost was adopted in 2023 and first reflected in the June 30, 2023 valuation.

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, 2023	June 30, 2022	
Applicable to Fiscal Year Ending	2025	2024	

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%	\$ 7,000	9.00%	\$ 7,053
Employee Health Subsidy Program Cost	0.23%	179	0.17%	133
Employee Disability Program Cost	<u>1.50%</u>	<u>1,167</u>	<u>1.43%</u>	<u>1,121</u>
Total Employee Cost	10.73%	8,346	10.60%	8,307
Employer Cost	9.00%	7,000	9.00%	7,053
Employer Health Subsidy Program Cost	0.23%	179	0.17%	133
Employer Disability Program Cost	<u>1.50%</u>	<u>1,167</u>	<u>1.43%</u>	<u>1,121</u>
Total Employer Cost (before Legacy)	10.73%	8,346	10.60%	8,307
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities ²	16.20%	12,600	13.89%	10,886
Total Employer Cost	26.93%	20,946	24.49%	19,193
Underlying Payroll (as of valuation date)		76,250		76,460

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%	8.89%	8.89%	
PSPRS DC Rate			3.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.23%
PSPDCRP Disability Program Rate						1.50%
Total EE Contribution Rate	7.65%	7.65%	10.65%	8.89%	11.89%	10.73%
Employer Contribution Rate						
PSPRS DB Normal Cost	16.90%	16.90%	16.90%	8.89%	8.89%	
PSPRS DB Tier 1 & 2 Legacy Cost ²	15.95%	15.95%	15.95%	16.20%	16.20%	16.20%
PSPRS DC Rate ³			4.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.23%
PSPDCRP Disability Program Rate						1.50%
Total ER Contribution Rate	32.85%	32.85%	36.85%	25.09%	28.09%	26.93%

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 4.00% employer match for Tier 2 Hybrid members is for a short period of time depending on the membership date of the employee at which point the rate will change to 3.00% (ARS § 38-868(C)).

Exhibit summarizes employee and employer contributions based on Statute and the results of June 30, 2023 actuarial valuation. Pension and health components are combined, where applicable.

Impact of Additional Contributions

	\$0	\$100	\$200	\$300	\$400	\$500	\$600	\$700	\$800	\$900	\$1,000
Impact On											
Funded Status - June 30, 2023	90.0%	90.5%	90.9%	91.4%	91.9%	92.4%	92.8%	93.3%	93.8%	94.3%	94.7%
FYE 2025 Contribution Rate	32.73%	32.01%	31.29%	30.57%	29.85%	29.13%	28.41%	27.69%	26.97%	26.25%	25.53%

Table shows the hypothetical change in the funded status and contribution rate from the June 30, 2023 actuarial valuation results for Tiers 1 & 2 if an additional contribution of the amount shown had been made to the Fund on June 30, 2023. This illustration can help estimate the impact of contributing additional monies to the fund in the future.

Historical Summary of Employer Rates

	Valuation Date June 30	Fiscal Year Ending June 30	Normal Cost	Pension Unfunded Amortization	Total	Normal Cost	Health Unfunded Amortization	Total
TIERS 1 & 2	2019	2021	15.74%	79.45%	95.19%	0.48%	(0.48%)	0.00%
	2020	2022	14.60%	86.86%	101.46%	0.44%	(0.44%)	0.00%
	2021	2023	14.10%	12.15%	26.25%	0.45%	(0.43%)	0.02%
	2022	2024	15.46%	13.89%	29.35%	0.41%	(0.22%)	0.19%
	2023	2025	16.53%	16.20%	32.73%	0.37%	(0.25%)	0.12%
TIER 3 ¹	2019	2021	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2020	2022	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2021 ²	2023	9.00%	0.00%	9.00%	0.12%	0.00%	0.12%
	2021	2023	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2022 ²	2024	8.69%	0.00%	8.69%	0.12%	0.00%	0.12%
	2022	2024	9.30%	0.00%	9.30%	0.26%	0.00%	0.26%
	2023 ²	2025	8.63%	0.00%	8.63%	0.12%	0.00%	0.12%
	2023	2025	8.77%	0.00%	8.77%	0.12%	0.00%	0.12%

¹ Rates shown are Board approved EE/ER rates, unless otherwise noted. Does not reflect Legacy costs that the employer must also contribute.

² Rates shown are calculated EE/ER rates

III. LIABILITY SUPPORT

Liabilities and Funded Ratios by Benefit - Tiers 1 & 2

	June 30, 2023	June 30, 2022
Pension		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 14,707,744	\$ 13,364,101
DROP Members	2,776,853	3,402,437
Vested Members	15,715	15,715
Active Members	<u>5,966,159</u>	<u>5,648,662</u>
Total Actuarial Present Value of Benefits	23,466,471	22,430,915
Actuarial Accrued Liability (AAL)		
All Inactive Members	17,500,312	16,782,253
Active Members	<u>3,535,573</u>	<u>3,756,353</u>
Total Actuarial Accrued Liability	21,035,885	20,538,606
Actuarial Value of Assets (AVA)	18,927,171	18,847,435
Unfunded Actuarial Accrued Liability	2,108,714	1,691,171
PVB Funded Ratio (AVA / PVB)	80.7%	84.0%
AAL Funded Ratio (AVA / AAL)	90.0%	91.8%
Health		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 177,332	\$ 169,745
DROP Members	54,281	59,090
Active Members	<u>109,945</u>	<u>111,604</u>
Total Present Value of Benefits	341,558	340,439
Actuarial Accrued Liability (AAL)		
All Inactive Members	231,613	228,835
Active Members	<u>73,584</u>	<u>77,721</u>
Total Actuarial Accrued Liability	305,197	306,556
Actuarial Value of Assets (AVA)	368,427	361,646
Unfunded Actuarial Accrued Liability	(63,230)	(55,090)
PVB Funded Ratio (AVA / PVB)	107.9%	106.2%
AAL Funded Ratio (AVA / AAL)	120.7%	118.0%

Health liabilities were increased by \$6,704 under the lateral transfer methodology. Pension liabilities were not impacted.

Liabilities and Funded Ratios by Benefit - Tier 3

	June 30, 2023	June 30, 2022
Pension		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 2,783,769	\$ 944,111
Vested Members	6,565,608	3,654,003
Active Members	<u>558,509,014</u>	<u>403,144,180</u>
Total Actuarial Present Value of Benefits	567,858,391	407,742,294
Actuarial Accrued Liability (AAL)		
All Inactive Members	9,349,377	4,598,114
Active Members	<u>101,611,814</u>	<u>64,341,090</u>
Total Actuarial Accrued Liability	110,961,191	68,939,204
Actuarial Value of Assets (AVA)	119,101,476	76,171,857
Unfunded Actuarial Accrued Liability	(8,140,285)	(7,232,653)
PVB Funded Ratio (AVA / PVB)	21.0%	18.7%
AAL Funded Ratio (AVA / AAL)	107.3%	110.5%
Health		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	0	0
Active Members	<u>7,842,159</u>	<u>5,807,514</u>
Total Present Value of Benefits	7,842,159	5,807,514
Actuarial Accrued Liability (AAL)		
All Inactive Members	0	0
Active Members	<u>1,651,466</u>	<u>1,075,733</u>
Total Actuarial Accrued Liability	1,651,466	1,075,733
Actuarial Value of Assets (AVA)	3,508,666	2,281,928
Unfunded Actuarial Accrued Liability	(1,857,200)	(1,206,195)
PVB Funded Ratio (AVA / PVB)	44.7%	39.3%
AAL Funded Ratio (AVA / AAL)	212.5%	212.1%

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 Tucson Airport Authority Fire 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, 2022	1,691,171	(55,090)	(7,232,653)	(1,206,195)
(2) Normal Cost Developed in Last Valuation	153,667	4,075	14,710,461	203,136
(3) Actual Contributions	317,042	208	18,581,041	1,010,859
(4) Expected Interest On (1), (2), and (3)	121,613	(3,680)	(118,890)	(107,979)
(5) Expected Unfunded Actuarial Accrued Liability as of June 30, 2023 (1)+(2)-(3)+(4)	1,649,409	(54,903)	(11,222,123)	(2,121,897)
(6) Changes to UAAL Due to Assumptions, Methods and Benefits	0	0	0	0
(7) Change to UAAL Due to Actuarial (Gain)/Loss	<u>459,305</u>	<u>(8,327)</u>	<u>3,081,838</u>	<u>264,697</u>
(8) Unfunded Actuarial Accrued Liability as of June 30, 2023	2,108,714	(63,230)	(8,140,285)	(1,857,200)

Amortization of Unfunded Liabilities - Tiers 1 & 2

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate
Pension	6/30/2019	355,844	13	2.60%
	6/30/2021	1,032,041	13	8.24%
	6/30/2022	227,118	14	1.74%
	6/30/2023	<u>493,711</u>	15	<u>3.62%</u>
	Total	2,108,714		16.20%
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	<u>(26,869)</u>	10	<u>(0.25%)</u>
	Total	(26,869)		(0.25%)

Amortization of Unfunded Liabilities - Tier 3

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate *
Pension	6/30/2018	114,634	5	0.01%
	6/30/2019	(1,038,772)	6	(0.09%)
	6/30/2020	707,518	7	0.05%
	6/30/2021	(2,409,872)	8	(0.17%)
	6/30/2022	(4,031,414)	9	(0.26%)
	6/30/2023	<u>(1,482,379)</u>	10	<u>(0.09%)</u>
Total		(8,140,285)		0.00%
Health	6/30/2018	(2,431)	5	0.00%
	6/30/2019	(94,973)	6	(0.01%)
	6/30/2020	(179,674)	7	(0.01%)
	6/30/2021	(348,185)	8	(0.02%)
	6/30/2022	(479,588)	9	(0.03%)
	6/30/2023	<u>(752,349)</u>	10	<u>(0.04%)</u>
Total		(1,857,200)		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, 2023

Market Value Basis

	Tiers 1 & 2		Tier 3	
	Pension	Health	Pension	Health
Additions				
Contributions				
Member Contributions	\$ 117,410,792	\$ 0	\$ 40,441,215	\$ 0
Employer Contributions	1,211,172,334	0	40,447,269	0
Health Insurance Contributions	0	<u>3,595,544</u>	0	<u>1,975,775</u>
Total Contributions	1,328,583,126	3,595,544	80,888,484	1,975,775
Investment Income				
Net Increase in Fair Value	723,642,201	19,640,174	13,157,112	371,761
Interest and Dividends	205,449,236	5,576,041	3,735,435	105,547
Other Income	126,441,141	3,435,000	2,298,928	65,020
Less Investment Expenses	(29,675,754)	(668,527)	(539,558)	(12,654)
Net Investment Income	1,025,856,824	27,982,688	18,651,917	529,674
Non-investment Income	32,684	0	594	0
Transfers In	66,736	0	40,465	0
Total Additions	2,354,539,370	31,578,232	99,581,460	2,505,449
Deductions				
Distributions to Members				
Benefit Payments	1,067,901,240	0	382,013	0
Health Insurance Subsidy	0	17,880,074	0	1,800
Refund of Contributions	<u>12,146,940</u>	0	<u>1,476,602</u>	0
Total Distributions	1,080,048,180	17,880,074	1,858,615	1,800
Administrative Expenses	6,611,492	206,872	120,063	3,916
Transfers Out	433,659	0	0	0
Other	0	0	0	0
Total Deductions	1,087,093,331	18,086,946	1,978,678	5,716
Net Increase / (Decrease)	1,267,446,039	13,491,286	97,602,782	2,499,733
Net Position Held in Trust				
Prior Valuation	13,042,796,696	374,026,053	162,622,481	4,835,416
Beginning of the Year Adjustment	0	0	0	0
End of the Year	14,310,242,735	387,517,339	260,225,263	7,335,149

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

A. Investment Income	
A1. Actual Investment Income	\$ 1,019,245,332
A2. Expected Amount for Immediate Recognition	947,861,295
A3. Amount Subject to Amortization	71,384,037

B. Amortization Schedule	Year Ended June 30						
	2023	2024	2025	2026	2027	2028	2029
2023 Experience (A3 / 7)	10,197,720	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)	(204,451,249)	(204,451,249)
2021 Experience	238,978,744	238,978,744	238,978,744	238,978,744	238,978,745		
2020 Experience	(68,882,158)	(68,882,158)	(68,882,158)	(68,882,160)			
2019 Experience	(22,859,275)	(22,859,275)	(22,859,275)				
2018 Experience	(6,266,349)	(6,266,351)					
2017 Experience	33,380,148						
Total Amortization	(19,902,419)	(53,282,569)	(47,016,218)	(24,156,945)	44,725,216	(194,253,529)	10,197,717

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, June 30, 2022	13,397,869,480	
C2. Non-investment Net Cash Flow	248,200,707	
C3. Preliminary Actuarial Value of Assets, June 30, 2023 (A2 + B + C1 + C2)	14,574,029,063	
C4. Market Value of Assets, June 30, 2023	14,310,242,735	18,584,594
C5. Final Actuarial Value of Assets, June 30, 2023 (C3 Within 20% Corridor of C4)	14,574,029,063	18,927,171

D. Rates of Return	
D1. Market Value Rate of Return	7.7%
D2. Actuarial Value Rate of Return	6.9%

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

A. Investment Income	
A1. Actual Investment Income	\$ 27,775,816
A2. Expected Amount for Immediate Recognition	26,424,570
A3. Amount Subject to Amortization	1,351,246

B. Amortization Schedule	Year Ended June 30						
	2023	2024	2025	2026	2027	2028	2029
2023 Experience (A3 / 7)	193,035	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)	(6,416,469)	(6,416,471)	
2021 Experience	9,257,478	9,257,478	9,257,478	9,257,478	9,257,481		
2020 Experience	(2,898,713)	(2,898,713)	(2,898,713)	(2,898,716)			
2019 Experience	(1,075,569)	(1,075,569)	(1,075,572)				
2018 Experience	(304,653)	(304,656)					
2017 Experience	1,532,136						
Total Amortization	287,245	(1,244,894)	(940,241)	135,328	3,034,047	(6,223,436)	193,036

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, June 30, 2022	380,136,214	
C2. Non-investment Net Cash Flow	(14,284,530)	
C3. Preliminary Actuarial Value of Assets, June 30, 2023 (A2 + B + C1 + C2)	392,563,499	
C4. Market Value of Assets, June 30, 2023	387,517,339	363,691
C5. Final Actuarial Value of Assets, June 30, 2023 (C3 Within 20% Corridor of C4)	392,563,499	368,427

D. Rates of Return	
D1. Market Value Rate of Return	7.6%
D2. Actuarial Value Rate of Return	7.2%

Development of Pension Actuarial Value of Assets - Tiers 3

A. Investment Income

A1. Actual Investment Income	\$ 18,531,854
A2. Expected Amount for Immediate Recognition	14,104,250
A3. Amount Subject to Amortization	4,427,604

Year Ended June 30

B. Amortization Schedule	2023	2024	2025	2026	2027
2023 Experience (A3 / 5)	885,521	885,521	885,521	885,521	885,520
2022 Experience	(3,259,379)	(3,259,379)	(3,259,379)	(3,259,381)	
2021 Experience	3,551,936	3,551,936	3,551,938		
2020 Experience	(351,296)	(351,294)			
2019 Experience	44,437				
Total Amortization	871,219	826,784	1,178,080	(2,373,860)	885,520

C. Actuarial Value of Assets

Total Employer

C1. Actuarial Value of Assets, June 30, 2022	165,662,342	
C2. Non-investment Net Cash Flow	79,070,928	
C3. Preliminary Actuarial Value of Assets, June 30, 2023 (A2 + B + C1 + C2)	259,708,739	
C4. Market Value of Assets, June 30, 2023	260,225,263	119,338,352
C5. Final Actuarial Value of Assets, June 30, 2023 (C3 Within 20% Corridor of C4)	259,708,739	119,101,476

D. Rates of Return

D1. Market Value Rate of Return	9.2%
D2. Actuarial Value Rate of Return	7.3%

Development of Health Actuarial Value of Assets - Tiers 3

A. Investment Income	
A1. Actual Investment Income	\$ 525,758
A2. Expected Amount for Immediate Recognition	406,400
A3. Amount Subject to Amortization	119,358

B. Amortization Schedule	Year Ended June 30				
	2023	2024	2025	2026	2027
2023 Experience (A3 / 5)	23,872	23,872	23,872	23,872	23,870
2022 Experience	(101,792)	(101,792)	(101,792)	(101,790)	
2021 Experience	128,963	128,963	128,961		
2020 Experience	(10,555)	(10,557)			
2019 Experience	1,508				
Total Amortization	41,996	40,486	51,041	(77,918)	23,870

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, June 30, 2022	4,875,299	
C2. Non-investment Net Cash Flow	1,973,975	
C3. Preliminary Actuarial Value of Assets, June 30, 2023 (A2 + B + C1 + C2)	7,297,670	
C4. Market Value of Assets, June 30, 2023	7,335,149	3,526,686
C5. Final Actuarial Value of Assets, June 30, 2023 (C3 Within 20% Corridor of C4)	7,297,670	3,508,666

D. Rates of Return	
D1. Market Value Rate of Return	9.0%
D2. Actuarial Value Rate of Return	7.6%

V. MEMBER STATISTICS

Valuation Data Summary

	June 30, 2023		June 30, 2022	
	Tiers 1 & 2	Tier 3	Tiers 1 & 2	Tier 3
Actives				
Number	7	2	8	2
Average Current Age	43.7	31.1	43.6	30.1
Average Age at Employment	28.6	29.3	28.4	29.3
Average Past Service	15.1	1.8	15.2	0.8
Average Annual Salary	\$90,585	\$80,257	\$88,510	\$68,965
Actives (transferred)				
Number	5	1	3	1
Average Current Age	35.2	33.0	36.2	32.0
Average Age at Employment	24.7	28.3	24.5	28.3
Average Past Service	10.5	4.8	11.7	3.8
Average Annual Salary	\$78,588	\$89,544	\$73,780	\$74,620
Retirees				
Number	17	0	16	0
Average Current Age	65.7	N/A	65.3	N/A
Average Annual Benefit	\$59,210	N/A	\$57,230	N/A
Drop Retirees				
Number	3	N/A	3	N/A
Average Current Age	47.0	N/A	47.5	N/A
Average Annual Benefit	\$53,922	N/A	\$61,315	N/A
Beneficiaries				
Number	1	0	1	0
Average Current Age	82.7	N/A	81.7	N/A
Average Annual Benefit	\$54,373	N/A	\$53,307	N/A
Disability Retirees				
Number	2	0	2	0
Average Current Age	63.3	N/A	62.3	N/A
Average Annual Benefit	\$42,028	N/A	\$41,204	N/A
Inactive / Vested				
Number	2	1	2	0
Average Current Age	53.1	36.8	52.1	N/A
Average Accumulated Contributions	\$7,858	\$8,351	\$7,858	N/A
Total Number	37	4	35	3
Former Members (transferred)	0	0	0	0

Active Counts and Pay Summary - Tiers 1 & 2

Age	Past Service							Total Count	Total Pay	Average Pay
	0-4	5-9	10-14	15-19	20-24	25-29	30+			
<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	2	0	0	0	0	0	2	150,055	75,028
35 - 39	0	1	4	2	0	0	0	7	583,271	83,324
40 - 44	0	0	0	1	0	0	0	1	85,069	85,069
45 - 49	0	0	0	0	0	0	0	0	0	0
50 - 54	0	0	0	1	0	0	0	1	84,755	84,755
55 - 59	0	0	0	1	0	0	0	1	123,885	123,885
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	3	4	5	0	0	0	12	1,027,035	85,586

Active Counts and Pay Summary - Tier 3

Age	Past Service							Total Count	Total Pay	Average Pay
	0-4	5-9	10-14	15-19	20-24	25-29	30+			
<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	1	0	0	0	0	0	0	1	80,486	80,486
30 - 34	1	0	0	0	0	0	0	1	89,544	89,544
35 - 39	1	0	0	0	0	0	0	1	80,027	80,027
40 - 44	0	0	0	0	0	0	0	0	0	0
45 - 49	0	0	0	0	0	0	0	0	0	0
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	3	0	0	0	0	0	0	3	250,057	83,352

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	1	46,015
55 - 59	2	60,988
60 - 64	4	48,527
65 - 69	9	58,427
70 - 74	3	67,561
75 - 79	0	0
80 - 84	1	54,373
85 - 89	0	0
90 - 94	0	0
95 - 99	0	0
100+	0	0
Total	20	57,250

“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

\$115,868 for calendar 2023. 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.

Funding Policy Amortization Method

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).

Payroll Growth

2.00% 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 2.50% to 2.00%.

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 4.13%, resulting in an LDROM of \$31,059,044 for Tiers 1 and 2 and \$277,283,390 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

	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Support Ratio				
Total Actives	12	11	13	14
Total Inactives	25	24	23	23
Actives / Inactives	48.0%	45.8%	56.5%	60.9%
Asset Volatility Ratio				
Market Value of Assets (MVA)	18,584,594	18,347,937	20,205,933	5,607,863
Total Annual Payroll	1,027,035	929,423	1,054,218	1,120,421
MVA / Total Annual Payroll	1,809.5%	1,974.1%	1,916.7%	500.5%
Accrued Liability (AL) Ratio				
Inactive Accrued Liability	17,500,312	16,782,253	15,329,252	14,518,345
Total Accrued Liability	21,035,885	20,538,606	19,884,116	19,179,700
Inactive AL / Total AL	83.2%	81.7%	77.1%	75.7%
Funded Ratio				
Actuarial Value of Assets (AVA)	18,927,171	18,847,435	18,472,615	6,037,915
Total Accrued Liability	21,035,885	20,538,606	19,884,116	19,179,700
AVA / Total Accrued Liability	90.0%	91.8%	92.9%	31.5%
Net Cash Flow Ratio				
Net Cash Flow ¹	(1,122,348)	(1,093,274)	12,234,060	190,964
Market Value of Assets (MVA)	18,584,594	18,347,937	20,205,933	5,607,863
Net Cash Flow / MVA	(6.0%)	(6.0%)	60.5%	3.4%

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

	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Support Ratio				
Total Actives	3,052	2,417	2,560	1,408
Total Inactives	450	327	307	130
Actives / Inactives	678.2%	739.1%	833.9%	1,083.1%
Asset Volatility Ratio				
Market Value of Assets (MVA)	119,338,352	74,774,123	51,992,240	22,964,925
Total Annual Payroll	226,680,964	165,151,543	115,883,115	84,448,996
MVA / Total Annual Payroll	52.6%	45.3%	44.9%	27.2%
Accrued Liability (AL) Ratio				
Inactive Accrued Liability	9,349,377	4,598,114	2,290,610	1,173,104
Total Accrued Liability	110,961,191	68,939,204	42,733,537	23,239,599
Inactive AL / Total AL	8.4%	6.7%	5.4%	5.0%
Funded Ratio				
Actuarial Value of Assets (AVA)	119,101,476	76,171,857	45,863,401	23,570,444
Total Accrued Liability	110,961,191	68,939,204	42,733,537	23,239,599
AVA / Total Accrued Liability	107.3%	110.5%	107.3%	101.4%
Net Cash Flow Ratio				
Net Cash Flow ²	36,208,171	25,802,686	18,607,209	13,192,598
Market Value of Assets (MVA)	119,338,352	74,774,123	51,992,240	22,964,925
Net Cash Flow / MVA	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:

<u>Tier</u>	<u>Hire Date</u>
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):

<u>Credited Service</u>	<u>Benefit Adjustment</u>
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):

<u>Credited Service</u>	<u>Benefit Multiplier</u>
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):

<u>Credited Service</u>	<u>Benefit Multiplier</u>
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>	<i>Only applicable to Tier 3 members:</i>
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>	
Service Incurred	<i>Payable following death of active member</i> 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.

<u>Service</u>	<u>Additional % of Contributions</u>
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.

	<u>Beginning Year</u>	<u>Interest Rate</u>
Interest on DROP Participation Account	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)	<u>Member Only</u>	<u>With Dependents</u>
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 August 2023.

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%. Once the payroll growth assumption reaches 2.0%, however, the Board will reevaluate the payroll growth assumption and decide whether to continue to let it track down to 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.

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". UAL increases each time an actuarial loss occurs and when new benefits are added without being fully funded initially and decreases when actuarial gains occur.

ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

TUCSON AIRPORT AUTHORITY POLICE DEPT. (125)

ACTUARIAL VALUATION
AS OF JUNE 30, 2023

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING JUNE 30, 2025



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

December 2023

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

Re: Actuarial Valuation Report as of June 30, 2023 for Tucson Airport Authority Police Dept. (125)

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, 2023 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.

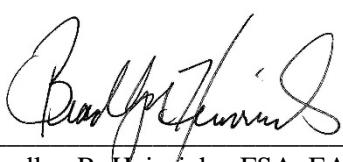
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the Arizona Public Safety Personnel Retirement System, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the 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,

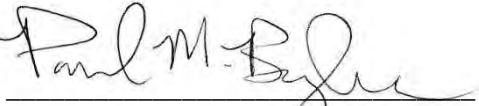
Foster & Foster, Inc.

By:



Bradley R. Heinrichs, FSA, EA, MAAA

By:



Paul M. Baugher, FSA, EA, MAAA

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I. SUMMARY OF REPORT

The regular annual actuarial valuation of the Arizona Public Safety Personnel Retirement System for the Tucson Airport Authority Police Dept., performed as of June 30, 2023, 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, 2024. This information is contained in the section entitled “Contribution Results.”

1. Key Valuation Results

The funded status as of June 30, 2023 and the employer contribution amounts applicable to the plan/fiscal year ending June 30, 2025 are as follows:

	Tier 1 & Tier 2 Members			Tier 3 Members *		
	Pension	Health	Total	Pension	Health	Total
Employer Contribution Rate	29.23%	0.00%	29.23%	8.63%	0.12%	8.75%
Funded Status	94.9%	128.4%	95.3%	107.3%	212.5%	108.9%

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, 2022):

Contribution Rate

Valuation Date	Tier 1 & Tier 2 Members			Tier 3 Members *		
	Pension	Health	Total	Pension	Health	Total
June 30, 2022	23.96%	0.00%	23.96%	8.69%	0.12%	8.81%
June 30, 2023	29.23%	0.00%	29.23%	8.63%	0.12%	8.75%

Funded Status

Valuation Date	Tier 1 & Tier 2 Members			Tier 3 Members		
	Pension	Health	Total	Pension	Health	Total
June 30, 2022	95.4%	133.6%	95.8%	110.5%	212.1%	112.1%
June 30, 2023	94.9%	128.4%	95.3%	107.3%	212.5%	108.9%

* 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	23.96%	0.00%	8.69%	0.12%
Asset Experience	0.45%	0.00%	(0.02%)	0.00%
Payroll Base	0.78%	(0.04%)	0.00%	0.00%
Liability Experience	(1.01%)	0.00%	(0.16%)	0.00%
Additional Contribution	0.00%	0.00%	0.00%	0.00%
Assumption/Method Change	0.00%	0.00%	0.00%	0.00%
Actuarial Audit	1.19%	0.00%	0.33%	0.00%
Other	<u>3.86%</u>	<u>0.04%</u>	<u>(0.21%)</u>	<u>0.00%</u>
Contribution Rate This Valuation	29.23%	0.00%	8.63%	0.12%

Funded Status

	Tier 1 & Tier 2		Tier 3 Members	
	Pension	Health	Pension	Health
Funded Status Last Valuation	95.4%	133.6%	110.5%	212.1%
Asset Experience	(0.3%)	0.0%	0.3%	1.1%
Liability Experience	0.6%	4.7%	2.5%	7.2%
Additional Contribution	0.0%	0.0%	0.0%	0.0%
Assumption/Method Change	0.0%	0.0%	0.0%	0.0%
Actuarial Audit	(0.6%)	(0.4%)	(1.6%)	(0.7%)
Other	<u>(0.2%)</u>	<u>(9.5%)</u>	<u>(4.4%)</u>	<u>(7.2%)</u>
Funded Status This Valuation	94.9%	128.4%	107.3%	212.5%

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, 2023 was 7.7% for Tiers 1 and 2 and 9.2% for Tier 3. On a smoothed, actuarial value of assets basis, however, the average return was 6.9% for Tiers 1 and 2 and 7.3% for Tier 3. These returns nearly met the 2022 assumed earnings rate for Tiers 1 and 2 of 7.2% and exceeded the 2022 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 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 2.50% to 2.00%.

Audit Adjustment – An independent actuarial audit was performed during 2023, with recommendations made in a detailed report. Following discussions with staff, several changes (both numeric and written) were made as part of this valuation to improve the report going forward. The most notable change was prorating the COLA benefit in the first year of retirement.

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. This also includes the change due to HB2088, which removes the “maintenance of effort” adjustment to the unfunded liability amortization. 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 significant loss realized this year will, in the absence of other gains, put upward pressure on the contribution rate next year.

If the June 30, 2023 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 93.2% (instead of 94.9%) and the pension employer contribution requirement would be 31.87% of payroll (instead of 29.23%).

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, 2023		June 30, 2022	
Applicable to Fiscal Year Ending	2025	2024	Rate	Dollar
Pension				
Normal Cost				
Total Normal Cost	28.54%	\$ 374,409	25.10%	\$ 379,614
Employee Cost	(7.65%)	(100,358)	(7.65%)	(115,699)
Employer (Net) Normal Cost	20.89%	274,051	17.45%	263,915
Amortization of Unfunded Liability	8.34%	109,410	6.51%	98,458
Total Employer Cost (Pension)	29.23%	383,461	23.96%	362,373
Health				
Normal Cost	0.32%	4,198	0.35%	5,293
Amortization of Unfunded Liability	(0.32%)	(4,198)	(0.35%)	(5,293)
Total Employer Cost (Health)	0.00%	0	0.00%	0
Total Employer Cost (Pension + Health)	29.23%	383,461	23.96%	362,373
Alternate Contribution Rate (ACR) *	8.34%		8.00%	
Underlying Payroll (as of valuation date)		1,286,152		1,475,519

* 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, 2023		June 30, 2022	
Applicable to Fiscal Year Ending	2025		2024	
Defined Benefit (DB) Retirement Plan				
	Rate	Dollar	Rate	Dollar
Pension				
Total Normal Cost	17.25%	\$ 61,986	17.37%	\$ 55,167
Amortization of Unfunded Liability	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>
Total Pension Cost	17.25%	61,986	17.37%	55,167
Employee (EE) Pension Cost	8.63%	30,993	8.69%	27,584
Employer (ER) Pension Cost	8.63%	30,993	8.69%	27,584
Health				
Total Normal Cost	0.23%	826	0.24%	762
Amortization of Unfunded Liability	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>
Total Health Cost	0.23%	826	0.24%	762
Employee (EE) Health Cost	0.12%	413	0.12%	381
Employer (ER) Health Cost	0.12%	413	0.12%	381
Total				
Total Calculated Tier 3 Required EE/ER Individual Cost	8.75%	31,406	8.81%	27,965
Funding Policy Tier 3 Required EE/ER Individual Cost ¹	8.89%	31,945	9.56%	30,363
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities ²	8.34%	29,969	6.51%	20,676
Total Funding Policy Tier 3 Required				
ER Defined Benefit Cost	17.23%	61,914	16.07%	51,039
Underlying Payroll (as of valuation date)		352,295		309,856

¹ The “Funding Policy” cost was adopted in 2023 and first reflected in the June 30, 2023 valuation.

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, 2023	June 30, 2022	
Applicable to Fiscal Year Ending	2025	2024	

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%	\$ 0	9.00%	\$ 0
Employee Health Subsidy Program Cost	0.23%	0	0.17%	0
Employee Disability Program Cost	<u>1.50%</u>	<u>0</u>	<u>1.43%</u>	<u>0</u>
Total Employee Cost	10.73%	0	10.60%	0
Employer Cost	9.00%	0	9.00%	0
Employer Health Subsidy Program Cost	0.23%	0	0.17%	0
Employer Disability Program Cost	<u>1.50%</u>	<u>0</u>	<u>1.43%</u>	<u>0</u>
Total Employer Cost (before Legacy)	10.73%	0	10.60%	0
ER Legacy Cost of Tiers 1 & 2 Amort of Unfunded Liabilities ²	8.34%	0	6.51%	0
Total Employer Cost	19.07%	0	17.11%	0
Underlying Payroll (as of valuation date)		0		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%	8.89%	8.89%	
PSPRS DC Rate			3.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.23%
PSPDCRP Disability Program Rate						1.50%
Total EE Contribution Rate	7.65%	7.65%	10.65%	8.89%	11.89%	10.73%
Employer Contribution Rate						
PSPRS DB Normal Cost	21.21%	21.21%	21.21%	8.89%	8.89%	
PSPRS DB Tier 1 & 2 Legacy Cost ²	8.02%	8.02%	8.02%	8.34%	8.34%	8.34%
PSPRS DC Rate ³			4.00%		3.00%	9.00%
Employer Health Subsidy Program Cost						0.23%
PSPDCRP Disability Program Rate						1.50%
Total ER Contribution Rate	29.23%	29.23%	33.23%	17.23%	20.23%	19.07%

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 4.00% employer match for Tier 2 Hybrid members is for a short period of time depending on the membership date of the employee at which point the rate will change to 3.00% (ARS § 38-868(C)).

Exhibit summarizes employee and employer contributions based on Statute and the results of June 30, 2023 actuarial valuation. Pension and health components are combined, where applicable.

Impact of Additional Contributions

	\$0	\$100	\$200	\$300	\$400	\$500	\$600	\$700	\$800	\$900	\$1,000
Impact On											
Funded Status - June 30, 2023	94.9%	95.4%	95.8%	96.2%	96.6%	97.0%	97.4%	97.8%	98.2%	98.7%	99.1%
FYE 2025 Contribution Rate	29.23%	28.61%	27.99%	27.37%	26.75%	26.13%	25.51%	24.89%	24.27%	23.64%	23.02%

Table shows the hypothetical change in the funded status and contribution rate from the June 30, 2023 actuarial valuation results for Tiers 1 & 2 if an additional contribution of the amount shown had been made to the Fund on June 30, 2023. This illustration can help estimate the impact of contributing additional monies to the fund in the future.

Historical Summary of Employer Rates

	Valuation Date June 30	Fiscal Year Ending June 30	Normal Cost	Pension Unfunded Amortization	Total	Normal Cost	Health Unfunded Amortization	Total
TIERS 1 & 2	2019	2021	12.59%	82.49%	95.08%	0.45%	(0.23%)	0.22%
	2020	2022	15.90%	81.63%	97.53%	0.39%	(0.37%)	0.02%
	2021	2023	17.03%	7.14%	24.17%	0.43%	(0.43%)	0.00%
	2022	2024	17.45%	6.51%	23.96%	0.35%	(0.35%)	0.00%
	2023	2025	20.89%	8.34%	29.23%	0.32%	(0.32%)	0.00%
TIER 3 ¹	2019	2021	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2020	2022	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2021 ²	2023	9.00%	0.00%	9.00%	0.12%	0.00%	0.12%
	2021	2023	9.68%	0.00%	9.68%	0.26%	0.00%	0.26%
	2022 ²	2024	8.69%	0.00%	8.69%	0.12%	0.00%	0.12%
	2022	2024	9.30%	0.00%	9.30%	0.26%	0.00%	0.26%
	2023 ²	2025	8.63%	0.00%	8.63%	0.12%	0.00%	0.12%
	2023	2025	8.77%	0.00%	8.77%	0.12%	0.00%	0.12%

¹ Rates shown are Board approved EE/ER rates, unless otherwise noted. Does not reflect Legacy costs that the employer must also contribute.

² Rates shown are calculated EE/ER rates

III. LIABILITY SUPPORT

Liabilities and Funded Ratios by Benefit - Tiers 1 & 2

	June 30, 2023	June 30, 2022
Pension		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 18,381,578	\$ 17,337,960
DROP Members	1,838,160	1,722,922
Vested Members	364,400	130,139
Active Members	<u>6,155,991</u>	<u>6,959,808</u>
Total Actuarial Present Value of Benefits	26,740,129	26,150,829
Actuarial Accrued Liability (AAL)		
All Inactive Members	20,584,138	19,191,021
Active Members	<u>3,670,044</u>	<u>4,302,822</u>
Total Actuarial Accrued Liability	24,254,182	23,493,843
Actuarial Value of Assets (AVA)	23,027,511	22,415,389
Unfunded Actuarial Accrued Liability	1,226,671	1,078,454
PVB Funded Ratio (AVA / PVB)	86.1%	85.7%
AAL Funded Ratio (AVA / AAL)	94.9%	95.4%
Health		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 165,903	\$ 132,924
DROP Members	28,529	26,362
Active Members	<u>107,123</u>	<u>132,145</u>
Total Present Value of Benefits	301,555	291,431
Actuarial Accrued Liability (AAL)		
All Inactive Members	194,432	159,286
Active Members	<u>76,104</u>	<u>94,048</u>
Total Actuarial Accrued Liability	270,536	253,334
Actuarial Value of Assets (AVA)	347,242	338,460
Unfunded Actuarial Accrued Liability	(76,706)	(85,126)
PVB Funded Ratio (AVA / PVB)	115.2%	116.1%
AAL Funded Ratio (AVA / AAL)	128.4%	133.6%

Health liabilities were increased by \$11,912 under the lateral transfer methodology. Pension liabilities were not impacted.

Liabilities and Funded Ratios by Benefit - Tier 3

	June 30, 2023	June 30, 2022
Pension		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 2,783,769	\$ 944,111
Vested Members	6,565,608	3,654,003
Active Members	<u>558,509,014</u>	<u>403,144,180</u>
Total Actuarial Present Value of Benefits	567,858,391	407,742,294
Actuarial Accrued Liability (AAL)		
All Inactive Members	9,349,377	4,598,114
Active Members	<u>101,611,814</u>	<u>64,341,090</u>
Total Actuarial Accrued Liability	110,961,191	68,939,204
Actuarial Value of Assets (AVA)	119,101,476	76,171,857
Unfunded Actuarial Accrued Liability	(8,140,285)	(7,232,653)
PVB Funded Ratio (AVA / PVB)	21.0%	18.7%
AAL Funded Ratio (AVA / AAL)	107.3%	110.5%
Health		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	0	0
Active Members	<u>7,842,159</u>	<u>5,807,514</u>
Total Present Value of Benefits	7,842,159	5,807,514
Actuarial Accrued Liability (AAL)		
All Inactive Members	0	0
Active Members	<u>1,651,466</u>	<u>1,075,733</u>
Total Actuarial Accrued Liability	1,651,466	1,075,733
Actuarial Value of Assets (AVA)	3,508,666	2,281,928
Unfunded Actuarial Accrued Liability	(1,857,200)	(1,206,195)
PVB Funded Ratio (AVA / PVB)	44.7%	39.3%
AAL Funded Ratio (AVA / AAL)	212.5%	212.1%

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 Tucson Airport Authority 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, 2022	1,078,454	(85,126)	(7,232,653)	(1,206,195)
(2) Normal Cost Developed in Last Valuation	263,915	5,293	14,710,461	203,136
(3) Actual Contributions	386,691	0	18,581,041	1,010,859
(4) Expected Interest On (1), (2), and (3)	82,972	(5,748)	(118,890)	(107,979)
(5) Expected Unfunded Actuarial Accrued Liability as of June 30, 2023 (1)+(2)-(3)+(4)	1,038,650	(85,581)	(11,222,123)	(2,121,897)
(6) Changes to UAAL Due to Assumptions, Methods and Benefits	0	0	0	0
(7) Change to UAAL Due to Actuarial (Gain)/Loss	<u>188,021</u>	<u>8,875</u>	<u>3,081,838</u>	<u>264,697</u>
(8) Unfunded Actuarial Accrued Liability as of June 30, 2023	1,226,671	(76,706)	(8,140,285)	(1,857,200)

Amortization of Unfunded Liabilities - Tiers 1 & 2

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate
Pension	6/30/2019	0	13	0.00%
	6/30/2021	999,708	13	6.89%
	6/30/2022	31,745	14	0.21%
	6/30/2023	<u>195,218</u>	15	<u>1.24%</u>
	Total	1,226,671		8.34%
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	<u>(45,687)</u>	10	<u>(0.37%)</u>
	Total	(45,687)		(0.37%)

Amortization of Unfunded Liabilities - Tier 3

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate *
Pension	6/30/2018	114,634	5	0.01%
	6/30/2019	(1,038,772)	6	(0.09%)
	6/30/2020	707,518	7	0.05%
	6/30/2021	(2,409,872)	8	(0.17%)
	6/30/2022	(4,031,414)	9	(0.26%)
	6/30/2023	<u>(1,482,379)</u>	10	<u>(0.09%)</u>
Total		(8,140,285)		0.00%
Health	6/30/2018	(2,431)	5	0.00%
	6/30/2019	(94,973)	6	(0.01%)
	6/30/2020	(179,674)	7	(0.01%)
	6/30/2021	(348,185)	8	(0.02%)
	6/30/2022	(479,588)	9	(0.03%)
	6/30/2023	<u>(752,349)</u>	10	<u>(0.04%)</u>
Total		(1,857,200)		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, 2023 Market Value Basis

	Tiers 1 & 2		Tier 3	
	Pension	Health	Pension	Health
Additions				
Contributions				
Member Contributions	\$ 117,410,792	\$ 0	\$ 40,441,215	\$ 0
Employer Contributions	1,211,172,334	0	40,447,269	0
Health Insurance Contributions	0	<u>3,595,544</u>	0	<u>1,975,775</u>
Total Contributions	1,328,583,126	3,595,544	80,888,484	1,975,775
Investment Income				
Net Increase in Fair Value	723,642,201	19,640,174	13,157,112	371,761
Interest and Dividends	205,449,236	5,576,041	3,735,435	105,547
Other Income	126,441,141	3,435,000	2,298,928	65,020
Less Investment Expenses	(29,675,754)	(668,527)	(539,558)	(12,654)
Net Investment Income	1,025,856,824	27,982,688	18,651,917	529,674
Non-investment Income	32,684	0	594	0
Transfers In	66,736	0	40,465	0
Total Additions	2,354,539,370	31,578,232	99,581,460	2,505,449
Deductions				
Distributions to Members				
Benefit Payments	1,067,901,240	0	382,013	0
Health Insurance Subsidy	0	17,880,074	0	1,800
Refund of Contributions	<u>12,146,940</u>	0	<u>1,476,602</u>	0
Total Distributions	1,080,048,180	17,880,074	1,858,615	1,800
Administrative Expenses	6,611,492	206,872	120,063	3,916
Transfers Out	433,659	0	0	0
Other	0	0	0	0
Total Deductions	1,087,093,331	18,086,946	1,978,678	5,716
Net Increase / (Decrease)	1,267,446,039	13,491,286	97,602,782	2,499,733
Net Position Held in Trust				
Prior Valuation	13,042,796,696	374,026,053	162,622,481	4,835,416
Beginning of the Year Adjustment	0	0	0	0
End of the Year	14,310,242,735	387,517,339	260,225,263	7,335,149

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

A. Investment Income	
A1. Actual Investment Income	\$ 1,019,245,332
A2. Expected Amount for Immediate Recognition	947,861,295
A3. Amount Subject to Amortization	71,384,037

B. Amortization Schedule	Year Ended June 30						
	2023	2024	2025	2026	2027	2028	2029
2023 Experience (A3 / 7)	10,197,720	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)	(204,451,249)	(204,451,249)
2021 Experience	238,978,744	238,978,744	238,978,744	238,978,744	238,978,745		
2020 Experience	(68,882,158)	(68,882,158)	(68,882,158)	(68,882,160)			
2019 Experience	(22,859,275)	(22,859,275)	(22,859,275)				
2018 Experience	(6,266,349)	(6,266,351)					
2017 Experience	33,380,148						
Total Amortization	(19,902,419)	(53,282,569)	(47,016,218)	(24,156,945)	44,725,216	(194,253,529)	10,197,717

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, June 30, 2022	13,397,869,480	
C2. Non-investment Net Cash Flow	248,200,707	
C3. Preliminary Actuarial Value of Assets, June 30, 2023 (A2 + B + C1 + C2)	14,574,029,063	
C4. Market Value of Assets, June 30, 2023	14,310,242,735	22,610,719
C5. Final Actuarial Value of Assets, June 30, 2023 (C3 Within 20% Corridor of C4)	14,574,029,063	23,027,511

D. Rates of Return	
D1. Market Value Rate of Return	7.7%
D2. Actuarial Value Rate of Return	6.9%

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

A. Investment Income	
A1. Actual Investment Income	\$ 27,775,816
A2. Expected Amount for Immediate Recognition	26,424,570
A3. Amount Subject to Amortization	1,351,246

B. Amortization Schedule	Year Ended June 30						
	2023	2024	2025	2026	2027	2028	2029
2023 Experience (A3 / 7)	193,035	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)	(6,416,469)	(6,416,471)	
2021 Experience	9,257,478	9,257,478	9,257,478	9,257,478	9,257,481		
2020 Experience	(2,898,713)	(2,898,713)	(2,898,713)	(2,898,716)			
2019 Experience	(1,075,569)	(1,075,569)	(1,075,572)				
2018 Experience	(304,653)	(304,656)					
2017 Experience	1,532,136						
Total Amortization	287,245	(1,244,894)	(940,241)	135,328	3,034,047	(6,223,436)	193,036

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, June 30, 2022	380,136,214	
C2. Non-investment Net Cash Flow	(14,284,530)	
C3. Preliminary Actuarial Value of Assets, June 30, 2023 (A2 + B + C1 + C2)	392,563,499	
C4. Market Value of Assets, June 30, 2023	387,517,339	342,778
C5. Final Actuarial Value of Assets, June 30, 2023 (C3 Within 20% Corridor of C4)	392,563,499	347,242

D. Rates of Return	
D1. Market Value Rate of Return	7.6%
D2. Actuarial Value Rate of Return	7.2%

Development of Pension Actuarial Value of Assets - Tiers 3

A. Investment Income

A1. Actual Investment Income	\$ 18,531,854
A2. Expected Amount for Immediate Recognition	14,104,250
A3. Amount Subject to Amortization	4,427,604

Year Ended June 30

B. Amortization Schedule	2023	2024	2025	2026	2027
2023 Experience (A3 / 5)	885,521	885,521	885,521	885,521	885,520
2022 Experience	(3,259,379)	(3,259,379)	(3,259,379)	(3,259,381)	
2021 Experience	3,551,936	3,551,936	3,551,938		
2020 Experience	(351,296)	(351,294)			
2019 Experience	44,437				
Total Amortization	871,219	826,784	1,178,080	(2,373,860)	885,520

C. Actuarial Value of Assets

Total Employer

C1. Actuarial Value of Assets, June 30, 2022	165,662,342
C2. Non-investment Net Cash Flow	79,070,928
C3. Preliminary Actuarial Value of Assets, June 30, 2023 (A2 + B + C1 + C2)	259,708,739
C4. Market Value of Assets, June 30, 2023	260,225,263
C5. Final Actuarial Value of Assets, June 30, 2023 (C3 Within 20% Corridor of C4)	119,338,352
	259,708,739
	119,101,476

D. Rates of Return

D1. Market Value Rate of Return	9.2%
D2. Actuarial Value Rate of Return	7.3%

Development of Health Actuarial Value of Assets - Tiers 3

A. Investment Income	
A1. Actual Investment Income	\$ 525,758
A2. Expected Amount for Immediate Recognition	406,400
A3. Amount Subject to Amortization	119,358

B. Amortization Schedule	Year Ended June 30				
	2023	2024	2025	2026	2027
2023 Experience (A3 / 5)	23,872	23,872	23,872	23,872	23,870
2022 Experience	(101,792)	(101,792)	(101,792)	(101,790)	
2021 Experience	128,963	128,963	128,961		
2020 Experience	(10,555)	(10,557)			
2019 Experience	1,508				
Total Amortization	41,996	40,486	51,041	(77,918)	23,870

C. Actuarial Value of Assets	Total	Employer
C1. Actuarial Value of Assets, June 30, 2022	4,875,299	
C2. Non-investment Net Cash Flow	1,973,975	
C3. Preliminary Actuarial Value of Assets, June 30, 2023 (A2 + B + C1 + C2)	7,297,670	
C4. Market Value of Assets, June 30, 2023	7,335,149	3,526,686
C5. Final Actuarial Value of Assets, June 30, 2023 (C3 Within 20% Corridor of C4)	7,297,670	3,508,666

D. Rates of Return	
D1. Market Value Rate of Return	9.0%
D2. Actuarial Value Rate of Return	7.6%

V. MEMBER STATISTICS

Valuation Data Summary

	June 30, 2023		June 30, 2022	
	Tiers 1 & 2	Tier 3	Tiers 1 & 2	Tier 3
Actives				
Number	6	3	9	3
Average Current Age	45.9	27.6	46.5	26.9
Average Age at Employment	30.7	26.6	31.7	26.7
Average Past Service	15.2	1.0	14.8	0.2
Average Annual Salary	\$101,531	\$67,103	\$92,916	\$58,419
Actives (transferred)				
Number	7	2	7	2
Average Current Age	41.6	38.2	39.9	24.3
Average Age at Employment	28.3	36.5	27.4	23.9
Average Past Service	13.3	1.7	12.6	0.4
Average Annual Salary	\$90,049	\$66,713	\$83,503	\$58,919
Retirees				
Number	16	0	15	0
Average Current Age	65.6	N/A	65.3	N/A
Average Annual Benefit	\$53,206	N/A	\$52,212	N/A
Drop Retirees				
Number	2	N/A	2	N/A
Average Current Age	62.1	N/A	61.1	N/A
Average Annual Benefit	\$55,596	N/A	\$55,596	N/A
Beneficiaries				
Number	4	0	4	0
Average Current Age	70.7	N/A	69.7	N/A
Average Annual Benefit	\$51,957	N/A	\$50,938	N/A
Disability Retirees				
Number	8	0	8	0
Average Current Age	59.9	N/A	58.9	N/A
Average Annual Benefit	\$44,650	N/A	\$43,775	N/A
Inactive / Vested				
Number	5	1	3	0
Average Current Age	47.7	32.3	45.6	N/A
Average Accumulated Contributions	\$41,401	\$3,603	\$2,176	N/A
Total Number	48	6	48	5
Former Members (transferred)	5	3	4	3

Active Counts and Pay Summary - Tiers 1 & 2

Age	Past Service							Total Count	Total Pay	Average Pay
	0-4	5-9	10-14	15-19	20-24	25-29	30+			
<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	2	0	0	0	0	0	2	175,786	87,893
35 - 39	0	2	1	0	0	0	0	3	275,508	91,836
40 - 44	0	0	0	3	0	0	0	3	322,294	107,431
45 - 49	0	0	0	0	0	0	0	0	0	0
50 - 54	0	0	0	4	0	0	0	4	389,551	97,388
55 - 59	0	0	0	0	0	1	0	1	76,391	76,391
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	4	1	7	0	1	0	13	1,239,530	95,348

Active Counts and Pay Summary - Tier 3

Age	Past Service							Total Count	Total Pay	Average Pay
	0-4	5-9	10-14	15-19	20-24	25-29	30+			
<20	0	0	0	0	0	0	0	0	0	0
20 - 24	1	0	0	0	0	0	0	1	74,446	74,446
25 - 29	2	0	0	0	0	0	0	2	142,734	71,367
30 - 34	1	0	0	0	0	0	0	1	59,516	59,516
35 - 39	0	0	0	0	0	0	0	0	0	0
40 - 44	0	0	0	0	0	0	0	0	0	0
45 - 49	0	0	0	0	0	0	0	0	0	0
50 - 54	1	0	0	0	0	0	0	1	58,039	58,039
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	5	0	0	0	0	0	0	5	334,735	66,947

In-Payment Counts and Benefit Summary – All Tiers

Age	Count	Average Annual Benefit
< 40	0	0
40 - 44	0	0
45 - 49	1	39,285
50 - 54	3	45,264
55 - 59	4	52,746
60 - 64	8	48,710
65 - 69	4	52,752
70 - 74	5	51,841
75 - 79	1	68,714
80 - 84	1	46,795
85 - 89	1	54,859
90 - 94	0	0
95 - 99	0	0
100+	0	0
Total	28	50,583

“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

\$115,868 for calendar 2023. 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.

Funding Policy Amortization Method

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).

Payroll Growth

2.00% 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 2.50% to 2.00%.

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 4.13%, resulting in an LDROM of \$35,293,387 for Tiers 1 and 2 and \$277,283,390 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

	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Support Ratio				
Total Actives	13	16	18	16
Total Inactives	35	32	31	31
Actives / Inactives	37.1%	50.0%	58.1%	51.6%
Asset Volatility Ratio				
Market Value of Assets (MVA)	22,610,719	21,821,332	23,820,740	5,401,168
Total Annual Payroll	1,239,530	1,420,759	1,527,913	1,481,859
MVA / Total Annual Payroll	1,824.1%	1,535.9%	1,559.0%	364.5%
Accrued Liability (AL) Ratio				
Inactive Accrued Liability	20,584,138	19,191,021	18,153,736	17,570,309
Total Accrued Liability	24,254,182	23,493,843	22,684,942	22,309,081
Inactive AL / Total AL	84.9%	81.7%	80.0%	78.8%
Funded Ratio				
Actuarial Value of Assets (AVA)	23,027,511	22,415,389	21,777,335	5,815,369
Total Accrued Liability	24,254,182	23,493,843	22,684,942	22,309,081
AVA / Total Accrued Liability	94.9%	95.4%	96.0%	26.1%
Net Cash Flow Ratio				
Net Cash Flow ¹	(849,454)	(1,054,223)	15,830,277	(273,570)
Market Value of Assets (MVA)	22,610,719	21,821,332	23,820,740	5,401,168
Net Cash Flow / MVA	(3.8%)	(4.8%)	66.5%	(5.1%)

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

	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Support Ratio				
Total Actives	3,052	2,417	2,560	1,408
Total Inactives	450	327	307	130
Actives / Inactives	678.2%	739.1%	833.9%	1,083.1%
Asset Volatility Ratio				
Market Value of Assets (MVA)	119,338,352	74,774,123	51,992,240	22,964,925
Total Annual Payroll	226,680,964	165,151,543	115,883,115	84,448,996
MVA / Total Annual Payroll	52.6%	45.3%	44.9%	27.2%
Accrued Liability (AL) Ratio				
Inactive Accrued Liability	9,349,377	4,598,114	2,290,610	1,173,104
Total Accrued Liability	110,961,191	68,939,204	42,733,537	23,239,599
Inactive AL / Total AL	8.4%	6.7%	5.4%	5.0%
Funded Ratio				
Actuarial Value of Assets (AVA)	119,101,476	76,171,857	45,863,401	23,570,444
Total Accrued Liability	110,961,191	68,939,204	42,733,537	23,239,599
AVA / Total Accrued Liability	107.3%	110.5%	107.3%	101.4%
Net Cash Flow Ratio				
Net Cash Flow ²	36,208,171	25,802,686	18,607,209	13,192,598
Market Value of Assets (MVA)	119,338,352	74,774,123	51,992,240	22,964,925
Net Cash Flow / MVA	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:

<u>Tier</u>	<u>Hire Date</u>
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):

<u>Credited Service</u>	<u>Benefit Adjustment</u>
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):

<u>Credited Service</u>	<u>Benefit Multiplier</u>
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):

<u>Credited Service</u>	<u>Benefit Multiplier</u>
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>	<i>Only applicable to Tier 3 members:</i>
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>	
Service Incurred	<i>Payable following death of active member</i> 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.

<u>Service</u>	<u>Additional % of Contributions</u>
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.

	<u>Beginning Year</u>	<u>Interest Rate</u>
Interest on DROP Participation Account	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.
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Maximum Subsidy Amounts (monthly)	<u>Member Only</u>	<u>With Dependents</u>
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 August 2023.

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%. Once the payroll growth assumption reaches 2.0%, however, the Board will reevaluate the payroll growth assumption and decide whether to continue to let it track down to 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.

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". UAL increases each time an actuarial loss occurs and when new benefits are added without being fully funded initially and decreases when actuarial gains occur.

Date: September 4, 2024

To: Board of Directors
From: Bruce Goetz, Executive Vice President/COO
Re: TAA Strategic Plan 2.1 Update | May-July 2024.

TAA staff has been focused on goals associated with Strategic Plan 2.1, adopted by the TAA Board in September 2022.

The attached report provides full detail of the progress made for the months of May through July 2024; however, I want to highlight a few specific items since our last report at the June 5th Board meeting.

1. Accelerate Performance

- a. Implementation of a new fully integrated payroll and Human Resources Information System (HRIS) was completed in July. This new system is a significant improvement in efficiency over the antiquated software it replaced. It will be expanded to fully leverage the connected automation for talent acquisition, benefits enrollment, learning, surveys, new hire experience, and off-boarding processes.
- b. Annualized attrition is down 7% for the same period (October – July). The implementation of retention strategies to ensure we are competitive with pay in the job market are showing results.

2. Expand Prosperity

The TAA continues its' efforts to lease/develop non-aeronautical land at TUS and RYN.

A few notable updates include:

- a. Sonora South: Final lease revisions are with AES Solar for the development of 1000+ acre solar array.
- b. Sonora North/Country Club: We are awaiting a response from Schnitzer Properties. We are talking to other developers to garner interest in this property.
- c. Airline Use Agreement (AUA): Initial draft is complete and under review by the airlines. The airlines have asked to extend the additional agreement by one year to allow for additional review time of the new proposed agreement.

3. Upgrade to First Class Systems and Efficiencies

- a. Sustainability: Work is underway to develop goals and initiatives. Estimated completion of the study is now Q1FY25. This project has experienced delays due to the attention required on TAA/EPA discussions (separate environmental matter).
- b. Technology: Work has started on several important technology upgrades that were included in the FY24 budget.
 - The new Lightning Detection System was completed in May.
 - Payroll management system project is complete.
 - Installation of Common Use Gating System was completed in June.
 - Implementation of the Parking and Revenue Control System is now underway and we are targeting November for completion.
- c. Cybersecurity: In June, the IT staff completed a major milestone completing required Action Plans, Assessments, and other required items to fulfill the requirements for the new TSA mandated Cyber Security Directive.

4. Create TAA External Champions

- a. Air Service/Airlines:
 - TUS continues to see increased air service offerings due to active engagement between the TAA and our airline partners. Alaska Airlines has announced new nonstop service to Sacramento (SMF) starting in January 2025. Additionally, The TAA welcomed a leading Mexican airline to TUS in July 2024 to discuss nonstop flights to Mexico.
 - For the twelve-month period ending March 2024, TUS produced the highest average fare among all peer airports in the southwest US. In the first quarter 2024, TUS also enjoyed the highest average load factor among all small and medium hub airports in the southwest US. In response, airlines have added more capacity at TUS than at any other airport in the southwest US for the August 2024-January 2025 time period (12% year-over-year capacity growth).
- b. Advocacy Planning: The Marketing and Strategic Communications Team has created a resource for our Board and Membership called 'The Top 3 for Advocacy.' This monthly email communication allows our membership to be fully engaged in our most critical advocacy efforts. In addition, the TAA continues to send a monthly 'Member Advisory,' which includes timely information.

Accelerate Performance

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Leverage and Implement the TAA Learning Strategy	Kim DeLaTorre						On Track	NEW Kim DeLaTorre: The TAA aligns learning to strategic objectives, prioritizing learning for safety, compliance, and leadership development. To enhance the learning experience, TAA identified a new learning management system (LMS), to be fully implemented by September 2024. The modernized LMS provides learning owners the ability to build, assign, and track learning across learning paths.
Increase Efficiency of People Operations Talent Process	Kim DeLaTorre						On Track	NEW Kim DeLaTorre: The TAA successfully launched a fully integrated payroll and Human Resources Information System (HRIS) in July. The new system provides team members with expanded self-service options to manage their personal data. The improved system will allow for less manual entry, reducing data-entry errors and increasing People Operations efficiency. The payroll and HRIS modules form the foundation for the system, which will be expanded to fully leverage the connected automation for talent acquisition, benefits enrollment, learning, surveys, new hire experience, and off-boarding processes.
Evaluate Causes of Attrition and Implement Retention Strategies	Kim DeLaTorre						On Track	NEW Kim DeLaTorre: There is a continued reduction in attrition rates with year over year attrition down 7% for the same period (October - July). Several retention strategies have been implemented this year to include retention and sign on agreements for Police hires (recruits and laterals), enhancements to new employee orientation and onboarding experience, and exit feedback.
TAA is a "Great Place To Work"	Kim DeLaTorre						On Track	NEW Kim DeLaTorre: Development of a team member pulse survey is now in progress to be launched by September 2024. The pulse surveys provide important feedback on our progress to be recognized as an employer of choice. As we look into the next fiscal year, People Operations will conduct research into data-driven best practices for employer value propositions.

Expand Prosperity

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Commercial Development Planning and Marketing	John Voorhees						On Track	<p>NEW John Voorhees: BCD and Picor continue to work with prospective clients on land and facility leases. Most notably the team is finalizing a 500+ acre agreement with a construction equipment manufacturer for the development of a corporate proving ground. Expect terms in the November Board meeting.</p> <p>Delaware North sales are up 19% from July 2023. Customer satisfaction is also up year over year. The tenant refurbishment project is complete and is projected to generate over \$220K in additional revenue to TAA.</p> <p>New Rental Car agreements are in place. TAA welcomed new entrant Sixt Car Rental which offers premium rental car service to TUS customers. Tenant Improvements are ongoing. The new agreements and the reconfiguration of rental car space will increase TAA revenue by over \$100K.</p> <p>Marketing - BCD has contracted with local marketing firm Amped marketing for digital brochures and marketing presentations that feature TAA land. BCD had a conversation with national firm Golden Shovel and Amped Marketing regarding the redesign of the TAA Business Development website.</p>
Shovel Ready Infrastructure (both TAA land and our utility and community partners)	John Voorhees						On Track	<p>NEW John Voorhees: Sonora North – Environmental Assessment on hold pending detailed 5-Year Development Plan from TAA (new FAA requirement). VP/CRO in conversation with developers to determine interest in large-scale development opportunity.</p> <p>Sonora East – Sonoran Corridor (SR-410) Tier 2 EIS study group has taken stakeholder input (including TAA advocacy for the inclusion of the SR-210 extension into the planning effort). Public surveys for the route have begun. ADOT has been given a Temporary Right of Entry onto TAA land to conduct visual surveys of the SR-410 study area.</p> <p>TAA has finalized the lease of 40-acres to Stella ES for battery storage along Swan Road. Pending the completion of an ALTA survey on the parcel, TAA will execute the lease.</p> <p>Sonora South – Final lease revisions are with AES Solar for the development of 1000+ acre PV array. Lease draft in review by client. ALTA survey in progress.</p>



TAA 2024 PLAN

Expand Prosperity

TAA QUARTERLY BOARD REPORT 2024

Period Ending 7/31/2024

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Shovel Ready Infrastructure (both TAA land and our utility and community partners) Continued	John Voorhees						On Track	<p>NEW John Voorhees:</p> <p>Aeronautical – EV Company that conducted a site visit in January 2024 will conduct a nation-wide site selection. TUS still a front runner for the 300K+ facility construction.</p> <p>Skywest Airlines vertical construction has begun. Project is behind but is proceeding. 160K SF hangar in works. Expected occupancy date March 2025.</p> <p>Raytheon Engine test facility land. Lease is being drafted for tenant's execution.</p> <p>Picor Client evaluating 1920 E Aero Park Blvd for use as aerospace manufacturing/final assembly space. Multiple Tenant Improvements required for the space to be useable.</p> <p>Smith Group desires to construct 30K SF hangar for aircraft storage at TUS. Discussion ongoing.</p> <p>Scott Group real estate company desires to construct up to 60K SF hangars (GA and Executive) at TUS and RYN. Site visit scheduled for October 7.</p>
Negotiate Airline Use Agreement	Austin Wright						On Track	<p>NEW Austin Wright:</p> <p>The TAA has provided a new Airport Use Agreement draft to the airlines. While the all-new AUA may not be implemented until FY 2026, we have made extraordinary progress in modernizing our AUA and are at the stage of collaborating with the airlines to ensure the agreement helps advance the TAA and our business partners growth at TUS. While our desire is to execute a new 10-year agreement beginning in FY25, the timing depends on the airlines.</p>
Expand Air Service Development Options	Austin Wright						On Track	<p>NEW Austin Wright:</p> <p>TUS continues to see increased air service offerings due to active engagement between the TAA and our airline partners. Alaska Airlines has announced new nonstop service to Sacramento (SMF) starting in January 2025.</p> <p>The TAA welcomed a leading Mexican airline to TUS in July 2024 to discuss nonstop flights to Mexico.</p> <p>For the twelve-month period ending March 2024, TUS produced the highest average fare among all peer airports in the southwest US. In the first quarter 2024, TUS also enjoyed the highest average load factor among all small and medium hub airports in the southwest US. In response, airlines have added more capacity at TUS than at any other airport in the southwest US for the August 2024-January 2025 time period (12% year-over-year capacity growth).</p>

Upgrade to First Class Systems

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Scope Enterprise Documentation Strategy	Anthony Casella						On Track – Phase 1 Behind – Phase 2	<p>Anthony Casella: This is a multi-phased project that is behind schedule due to the efforts needed to comply with TSA Cyber Security mandates. The two phases are as follows:</p> <p>Phase 1:</p> <ul style="list-style-type: none"> Converting all users to Microsoft OneDrive – complete Converting and cleaning up departmental share drives and moving to backend SharePoint – meeting with departments to clean up files <p>Phase 2: (On hold)</p> <ul style="list-style-type: none"> Procure a document management system to manage both digital and paper documents. This system will assist in the retention and deletion of files as well as archiving <p>The impacts of the TSA Cybersecurity mandates required the diversion of resources, which resulted in a pause of this work effort (the IT department has not had an opportunity to start Phase 2). We may push this item out further based on other system replacements that are a higher priority.</p>
TAA Cyber Security Program	Anthony Casella						On Track	<p>NEW Anthony Casella: As we continue to enhance our Cybersecurity posture and adhere to TSA mandates, the IT department has made excellent progress towards completing the following initiatives:</p> <p>Governance:</p> <ul style="list-style-type: none"> TSA Assessment – complete with ongoing activities Cybersecurity Incident Response Plan - complete TAA/TSA/CISA Cyber Incident Reporting Policy – complete Technology Room Access Policy - complete Cyber Risk Assessment Policy – Final review MFA/Zero Trust – complete Critical System(s) Identification – complete Least Privileged Access to critical systems – in testing phase Information Security Contract Addendum – complete Cybersecurity Training Awareness Policy – complete

Upgrade to First Class Systems

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
TAA Cyber Security Program (Continued)	Anthony Casella						On Track	NEW Anthony Casella: Projects: <ul style="list-style-type: none"> • Firewall Replacement – Complete • Hybrid Data Center – Complete • Microsoft Teams Voice – Complete • Multi Factor Authentication (MFA) – Complete
Establish a Technology Roadmap to Meet all Stakeholder Needs	Anthony Casella						On Track	NEW Anthony Casella: The IT department has completed a 5-year Strategic IT Plan. This Plan encompasses: Capital projects <ul style="list-style-type: none"> • Technology Lifecycle Replacement • Enterprise Software Systems The IT department has had discussions with other TAA departments to provide input based on their needs. Numerous projects identified in the 5-year IT Plan have been included in the FY24 budget and are as follows: <ul style="list-style-type: none"> • New ERP System – this is behind schedule since there are many interconnected modules – evaluation will begin 2nd qtr. FY25 • New Payroll /HRIS System – Complete • Common Use Gate Management System –Complete • Replacement of Access Control System – Phase 1 complete. Phase 2 SOW review – 1st qtr FY25 • Parking and Revenue Control System – Installation begin Sep '24 • Lightning Detection System – Complete • Airport Management System – Scoping to begin in November 2024.
Complete Sustainability Master Plan	Ken Nichols						Behind	NEW Ken Nichols: This item is behind schedule due to efforts needed for the Airfield Safety Enhancement Program and those needed for voluntary efforts to investigate PFAS related to fire fighting activities. Development of the Sustainability Management Plan is in progress. Goals and initiatives have been developed by the consultant for review with the internal working group. The end date for completion is now estimated as Q1 FY25.

Create External Champions

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Determine and Activate a Community Value Proposition Based on Community Survey Results	Austin Wright						On Track	<p>NEW Austin Wright: The TAA continues to evolve the marketing strategy to align with the Community Value Proposition (CVP) to highlight the ease of use at TUS. Highlighting the benefits of our airports ease of use, will help us retain local travel traffic and slow leakage.</p> <p>The economic impact of our airport system to our community is of critical importance to Southern Arizona. We are launching new billboards in Marana, AZ which has a high leakage rate to Phoenix. This strategic decision was made to create awareness about the importance of flying local. Retaining our communities traffic, will help maintain the airports strong economic impact and continue to grow air service offerings for our community.</p>
Continue Outreach and Partnerships within the Tourism Sector	Austin Wright						On Track	<p>NEW Austin Wright: Austin Wright (Chief Communications Officer) and Brian Kidd (Director of Air Service and Marketing) continue to collaborate with Visit Tucson. Most recently Visit Tucson, The Mayor of Tucson, and the Mexican Consulate participated in the Mexican airline during their visit to Tucson.</p> <p>In addition, the TAA is building new community partnerships, most notably with the Reid Park Zoo on a campaign to stop wildlife trafficking, while also cross promoting the airport in the zoo for locals and tourists alike.</p> <p>The TAA continues to maintain community partnership with local organizations including the Tucson Roadrunners hockey team and University of Arizona Athletics.</p> <p>TUS will also once again be featured in the 'Broadway in Tucson' show booklets. Highlighting our ease of use in the booklet for the entire season of shows.</p>

Create External Champions

Goal	Owner	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Status	Board Update
Identify and Cultivate Member Value Proposition with an Accompanying Advocacy Plan for Membership Engagement Opportunities	Austin Wright						On Track	<p>NEW Austin Wright:</p> <p>The TAA continues to be highly engaged in communication with our Board and Membership to ensure they have the resources they need to be impactful advocates for our airport system. Our Board and Members receive two communications each month, the 'Member Advisory' and the 'Top 3 for Advocacy.' These resources are a top priority for the Marketing team to always ensure we are consistently communicating and move the needle of change for our airport system and community.</p>

Date: September 4, 2024

To: Board of Directors
From: Kimberly DeLaTorre, Chief People Officer
Re: Compensation Plan

Background:

In 2020, The TAA implemented a comprehensive-market driven Compensation Plan, approved by the Executive Council on August 26, 2020. To remain market competitive and equipped to attract and retain high caliber talent, the TAA committed to conduct a comprehensive market study to validate and update, if necessary, the overall structure, bands, and position classifications at least every three years. In response to the turbulent COVID and post-COVID labor market, TAA has proactively monitored the labor market, industry trends, and legal requirements beyond the original three-year commitment. As a result, the TAA has updated the plan periodically with strategic adjustments that maintain pace with the market. Consistent and thoughtful maintenance of the Compensation Plan and individual team member compensation since 2020 has enabled the TAA to strategically bring our workforce to the market without overburdening the system. For FY25, TAA conducted a thorough analysis of the full Compensation Plan to develop a holistic update for the Board's consideration and possible approval.

If approved, the updated Compensation Plan will go into effect on October 1, 2024. The update includes adjusted ranges for the 100 – 108, 110, 112, and 114 – 118 salary bands; regrading of 14 positions; and an update in the Compensation Philosophy section to clarify that team member pay rates are limited to the maximum of the pay grade assigned to their position.

The Compensation Plan analysis was scoped into three distinct segments to capitalize on availability of national, local, and industry specific data. Each segment employed a consistent methodology to match positions based on job functions with a minimum of three market-based sources.

- The TAA engaged Korn Ferry to conduct an independent review of the range structure and positions in the grades 114 – 118. Korn Ferry specializes in executive compensation and has specialized experience in the analysis of airport industry executive roles.
- Grades 109 – 113 were independently reviewed by G. Merryman Putnam of Gain Maximum Potential (GMP). Putnam is a Certified Executive Compensation Professional who developed a tailored analysis that provided market matches for both airport specific roles as well as regional and national compensation survey data that is not readily available to the public.
- The TAA internally analyzed grades 100 – 108, using market data provided by Korn Ferry, Arizona State minimum wage, as well as benchmarking of local and industry peers.

TAA also reviewed the overall salary structure, ensuring that each segment of the updated Compensation Plan will fit into an overall salary structure that reflects compensation management best practices.

The employment market continues to experience significant shifts. Competitive compensation continues to be a critical aspect of the TAA's ability to attract top talent to fulfill key aspects of the Strategic Plan and maintain our operational requirements. This update to the Compensation Plan is necessary for the TAA to equitably determine competitive compensation for current and future team members in the local, national, and industry employment markets.

Strategic Plan | Analysis:

Since the development of Strategic Plan 1.0 in 2020, the TAA has focused on initiatives to support the airport system during challenging, uncertain times to build a foundation for the future. The attraction, development, and retention of talent is inextricably linked to success throughout the Strategic Plan.

The TAA has an unwavering commitment to Accelerate Performance in pursuit of being recognized as a workplace of choice. This commitment has been reaffirmed in every iteration of the TAA strategic plan. With the updates of Strategic Plan 3.0, this mandate is renewed with updated goals, one of which is "Attract and retain top-tier talent through investments in compensation and benefits". An essential ingredient in TAA's pursuit of being recognized as a workplace of choice for the workforce of the future, is our ability to provide competitive total rewards packages.

Cost Analysis:

There are minimal costs to the changes in the Compensation Plan; the estimated impact of raising the salary bands is approximately \$96,389 for equity adjustments in FY25. The FY25 Personnel Budget before the Board, of \$30.8 million, includes the full impact of implementing these adjustments to the Compensation Plan.

Please note the FY25 Budget was discussed with the Airline and Airport Affairs Committee (AAAC) on August 14, 2024. The airlines had no objection to the proposed FY25 Budget.

Recommendation:

Adopt Resolution No. 2024-15 to approving the Tucson Airport Authority Compensation Plan dated October 1, 2024.

Attachments:

1. Resolution No. 2024-15
2. Exhibit - TAA Compensation Plan

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING THE TUCSON AIRPORT AUTHORITY COMPENSATION PLAN DATED OCTOBER 1, 2024.

WHEREAS the Tucson Airport Authority (TAA) strives to attract, retain, and motivate high-quality employees who are dedicated to the continued prosperity and growth of Tucson International Airport (TUS), Ryan Airfield (RYN), and the airport system as a whole; and

WHEREAS periodic updates to TAA's compensation plan are essential for the organization to maintain its competitiveness in ever-changing economic and market conditions; and

WHEREAS the Board of Directors accepts the staff recommendations as detailed in the Board Memorandum.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The Tucson Airport Authority Compensation Plan dated October 1, 2024, attached hereto by this reference, incorporated herein, and made a part hereof, is approved. The Chair of the Board and the President/CEO are hereby authorized to execute the Compensation Plan.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this fourth day of September, 2024.

Keri Silvyn, Chair of the Board

ATTEST:

Phil Swaim, Secretary

APPROVED AS TO FORM:

Christopher Schmaltz, Executive Vice President and General Counsel



Tucson Airport Authority Compensation Plan

October 1, 2024

FOREWORD

Since the inception of the Tucson Airport Authority (TAA) in 1948, it has provided Tucsonans and visitors to Southern Arizona with excellence in aviation services and facilities, hallmarked by unparalleled safety, security and customer service at Tucson International Airport (TUS) and Ryan Airfield (RYN). To deliver on our mission, vision and guiding principles requires we attract and retain a diverse and talented work force.

The TAA compensation and reward programs are designed to be externally competitive, transparent, and internally equitable, to enhance the organization's ability to attract, retain, and motivate high-quality, enthusiastic staff who contribute to TAA's continued success. Further, through well designed pay structures and programs, TAA aims to motivate team members to meet and exceed the requirements of their jobs, which includes obtaining and maintaining proper certifications, licensure, and credentials, and maintaining expected performance, behaviors, and conduct. TAA promotes team members' professional growth by having a pay structure where progress within pay ranges is based on a consistent and systematic process of pay increases, subject to availability of financial resources and executive approval.

Through this Compensation Plan, your TAA team plans to deliver results, work smart, remain curious, and play for the team!

Sincerely,



Danette M. Bewley, A.A.E.
President/Chief Executive Officer
Tucson Airport Authority



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Mission, Vision and Guiding Principles

Our Mission	Provide a sustainable airport system and constantly pursue initiatives that promote and grow business opportunities.
Our Vision	Landing Prosperity in Southern Arizona.
Our Guiding Principles	<p>Our guiding principles shape our culture; who we are and who we want to be. The members of the Executive Team are ambassadors of our culture, and will engage everyone in these expectations.</p>
	<p>We deliver results.</p> <ul style="list-style-type: none"> → We manage an airport system where safety, security and customer service are our top priorities. → We are accountable. We do what we say we will do. → We clearly communicate expectations and listen to make sure others understand and agree with deadlines. → We work collaboratively for the greater good of travelers, customers, employees, business and community partners.
	<p>We work smart.</p> <ul style="list-style-type: none"> → We are good at what we do, and we learn from each other. → We are critical thinkers who anticipate, prioritize, and act with urgency. → We move quickly with what works and commit to continuous improvement. → We not only identify problems, we offer solutions.
	<p>We are curious.</p> <ul style="list-style-type: none"> → We embrace change, are unafraid to question our assumptions, and use mistakes for learning. → We value feedback, growth, agility and self-improvement. → We anticipate future needs and possibilities. → We see opportunities others may miss.
	<p>We play for the team.</p> <ul style="list-style-type: none"> → Because we care, we contribute to the quality of the lives of our employees and the people we serve. → We embrace diversity, equity and inclusion, working in furtherance of these principles. → We are transparent and treat everyone with respect and dignity. → We are connected. We make sure everyone understands their unique contribution to our overall success. → We encourage leadership from everyone.

TAA COMPENSATION PLAN

Authority and Administration of the Compensation Plan	<p>The TAA Board of Directors has adopted the TAA Compensation Plan and has delegated its administration of the Compensation Plan to the President/CEO. The President/CEO has the authority to periodically review and make market adjustments to the pay ranges to remain current and aligned with the relevant labor market. Implementation of pay structure changes are subject to the availability of financial resources and must be included in the respective fiscal year budget as authorized by the TAA Board of Directors.</p>
Compensation Philosophy	<p>The TAA compensation and reward programs are designed to be externally competitive, transparent, and internally equitable, to enhance the organization's ability to attract, retain, and motivate high-quality, enthusiastic staff who contribute to TAA's mission, vision, guiding principles and initiatives to achieve success. Further, through well designed pay structures and programs, TAA aims to motivate team members to meet and exceed the requirements of their jobs, which includes obtaining and maintaining proper certifications, licensure, and credentials, and maintaining expected performance, behaviors, and conduct. TAA promotes team members' professional growth through a pay structure where progress within pay ranges is based on recognizing performance accompanied by a consistent and systematic process of pay increases, subject to availability of financial resources and executive approval.</p> <p>TAA bases pay grades on external competitive market analysis and internal equity. TAA sets its compensation philosophy to meet the relevant labor market. Where possible and appropriate, TAA targets the 50th percentile of the market for the midpoint of the pay grades for similar jobs while remaining flexible for those classifications which require either higher or lower percentiles based upon market data and internal equity.</p>
Market Analysis	<p>To remain competitive in the market and attract and retain the highest caliber of talent, the TAA will conduct a comprehensive review of the pay structure and pay bands, using industry and market data, every three years subject to availability of financial resources.</p> <p>The market analysis will compare TAA classifications to similar classifications in the external market by matching job responsibilities and requirements with other similar organizations. Comparative data is evaluated at the local, statewide, regional, or national level, based on the breadth of the recruiting area needed to acquire appropriate candidates for the position. Data collected from other geographic areas are adjusted to align with the cost of living and cost of wages in the relevant labor market.</p> <p>Not all classifications are easily matched with the external market. For these classes, an internal equity analysis, or job evaluation, will be conducted to define an appropriate pay grade. Classifications are compared with other TAA classifications that have similar licensing, knowledge, skills, responsibilities, and training required to perform the job.</p>

Pay Structure	<p>The pay structure represents an open-range concept, where each job is assigned to a pay grade that best reflects the relevant labor market range for similar jobs and has three reference points - Minimum, Midpoint, and Maximum - for the range (Appendix A).</p> <p>The pay rate of a team member with little or no experience for their position is typically assigned close to the minimum of the pay grade of the assigned job classification. Whereas, the pay rate of a team member who is experienced for their position and acts at the level of full performance may be assigned at the midpoint of the pay grade of the assigned job classification or higher with the approval of the President/CEO. Team member pay rates are limited to the maximum of the pay grade assigned to their position.</p> <p>The pay structure is administered by the President/CEO, who will periodically review and adjust the pay ranges, as appropriate, to remain current and aligned with the relevant labor market. Adjustments are subject to the availability of financial resources and must be included in the respective fiscal year budget as authorized by the TAA Board of Directors.</p>
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AUTHORIZATION

Keri Silvyn Chair, Board of Directors Tucson Airport Authority	Danette Bewley President/Chief Executive Officer Tucson Airport Authority
Date	Date

Appendix A

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Tucson Airport Authority | Pay Structure and Grade Parameters

Position Title	Grade	Tier	Min	Mid	Max
President/CEO	120	Negotiated			
Executive Vice President/Chief Operating Officer (COO)	118	4	234,480	293,100	351,720
Executive Vice President/General Counsel					
Vice President/Chief Financial Officer (CFO)	117	4	169,680	212,100	254,520
Vice President/Chief Information Officer (CIO)		4			
Vice President/Airport Development		4			
Vice President/Chief Revenue Officer (CCO)		4			
Vice President/Operations		4			
No positions assigned to grade	116	4	156,160	195,200	234,240
Chief Communications Officer	115	4	139,680	174,600	209,520
Chief People Officer		4			
Deputy General Counsel	114	4	127,920	159,900	191,880
Director of Applications and Support	113	3	97,368	125,361	153,355
Director of Finance		3			
Director of Governance and Cyber Security		3			
Director of Grants and Compliance		3			
Director of Infrastructure and Special Systems		3			
Director of Major Programs		3			
Director of Marketing and Air Service Development		3			
Director of Operations and Maintenance		3			
Director of Planning & Environmental Services		3			
Director of Project Controls		3			
Director of Project Management Office		3			
Director of Facilities Development	112	3	87,719	117,700	147,681
Director of Procurement		3			
Director of Properties and Concessions		3			

Position Title	Grade	Tier	Min	Mid	Max
Deputy Director of Airside Operations	111	3	79,026	99,672	120,317
IT Project Manager		3			
IT - Systems Administrator - Cloud Engineer		3			
Manager of Employee Services		3			
Manager of Planning		3			
Network Systems Engineer		3			
Airport Duty Manager	110	2	71,195	89,794	108,394
Airport Emergency Manager		2			
Application Design/Systems Administrator		2			
Manager of Airport Communications		2			
Manager of Airport Maintenance		2			
Manager Airport Security/Airport Security Coordinator		2			
Manager of Concessions and Ground Transportation		2			
Manager Financial Accounting and Reporting		2			
Manager Financial Planning, Budgeting and Analysis		2			
People Business Partner		2			
Project Manager I		2			
Safety Program Manager		2			
Assistant Portfolio Manager	109	2	64,139	80,896	97,652
Assistant Project Manager		2			
Electrical Supervisor		2			
Manager of Office, Records and Warehouse		2			
Property Administrator		2			
Senior Accountant		2			
Senior Supervisor - Airfield and Landscape Maintenance		2			
TAA Clerk		2			

Position Title	Grade	Tier	Min	Mid	Max
Airfield Maintenance Supervisor	108	2	57,783	73,264	88,744
Airport Communications Supervisor		2			
Airport Security Office Supervisor		2			
Airside Operations Officer		2			
Compliance Audit Administrator		2			
Construction Services Supervisor		2			
Facilities Maintenance Supervisor		2			
Financial Analyst		2			
Insurance and Liability Administrator		2			
IT Customer Support Technician		2			
IT Systems Technician		2			
Office, Records and Warehouse Assistant Manager		2			
Procurement Administrator		2			
Electrician	107	2	52,057	66,004	79,950
Environmental Specialist		2			
Executive Assistant to President/CEO		2			
Fleet Mechanic		2			
HVAC Technician		2			
Police Programs Coordinator		2			
Senior Employment Specialist		2			
Staff Accountant		2			
Airfield Maintenance Specialist	106	2	47,386	59,707	72,027
CAD/Mapping Specialist		2			
Communications Specialist		2			
Custodial Supervisor		2			
Energy Management Control Systems Technician		2			
Facilities Maintenance Specialist		2			
GIS Specialist		2			
Legal Assistant		2			
Payroll and Finance Coordinator		2			
Police Administrative Technician		2			
Public Service Officer Supervisor		2			
Airport Communications Specialist	105	2	45,990	56,797	67,604
Customer Engagement Specialist		1			
Procurement Services Specialist		1			

Position Title	Grade	Tier	Min	Mid	Max
Access Control Specialist	104	1	42,981	53,081	63,181
Accounts Payable Specialist		1			
Accounts Receivable Specialist		1			
Business Support Specialist		1			
Ground Transportation and Concessions Coordinator		1			
Maintenance Support Specialist		1			
Public Service Officer		1			
Warehouse Lead	103	1	40,934	50,553	60,172
Landscaping Specialist	102	1	38,984	48,146	57,307
Warehouse Specialist	101	1	37,128	45,853	54,578
Custodian	100	1	35,360	43,670	51,979
Fleet Preventative Maintenance Technician		1			
Police	Grade	Tier	Min	Mid	Max
Chief of Police	Police	3	98,734	127,120	155,506
Police Captain		3	91,699	116,951	142,203
Police Lieutenant		3	84,663	106,782	128,900
Police Sergeant		2	72,986	92,053	111,120
Police Corporal		2	64,022	80,748	97,474
Police Corporal (Canine Handler) Base +8% Assignment		2			
Police Officer		2	62,400	76,024	89,648
Police Officer (Detective) Base +8% Assignment					
Police Officer (Canine Handler) Base +8% Assignment		2			
Fire	Grade	Tier	Min	Mid	Max
Fire Chief	Fire	3	98,734	127,120	155,506
Fire Captain		2	83,882	92,491	101,099
Firefighter		2	57,850	72,932	88,013

Part Time Intermittent	Grade	Tier	Min	Mid	Max
Project Officers (Set Rate Per Hour)	PO	1	17		

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Appendix B

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TAA Team Member Vacation Allotment (Except 24-hour Fire):

Tier Level	Years of Service or Role Experience Required*	Annual Vacation Days
Tier 1	0 - 5 years (New Hire)	12 days (3.70hrs / pay period)
Tier 2	5 - 10 years	17 days (5.24hrs / pay period)
Tier 3	10 - 15 years	22 days (6.77hrs / pay period)
Tier 4	15+ years	25 days (7.70hrs / pay period)

*Leadership may choose to place a role at a higher tier due to difficulty in recruiting new employees, placement will affect both new and existing employees

24 Hour TAA Team Member Vacation Allotment:

Tier Level	Years of Service or Role Experience Required	Annual Vacation Days
Tier 1	0 - 5 years (New Hire)	5.55hrs / pay period
Tier 2	5 - 10 years	7.86hrs / pay period
Tier 3	10 - 15 years	10.16hrs / pay period
Tier 4	15+ years	11.55hrs / pay period

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FY 2025 TAA Operating Budget

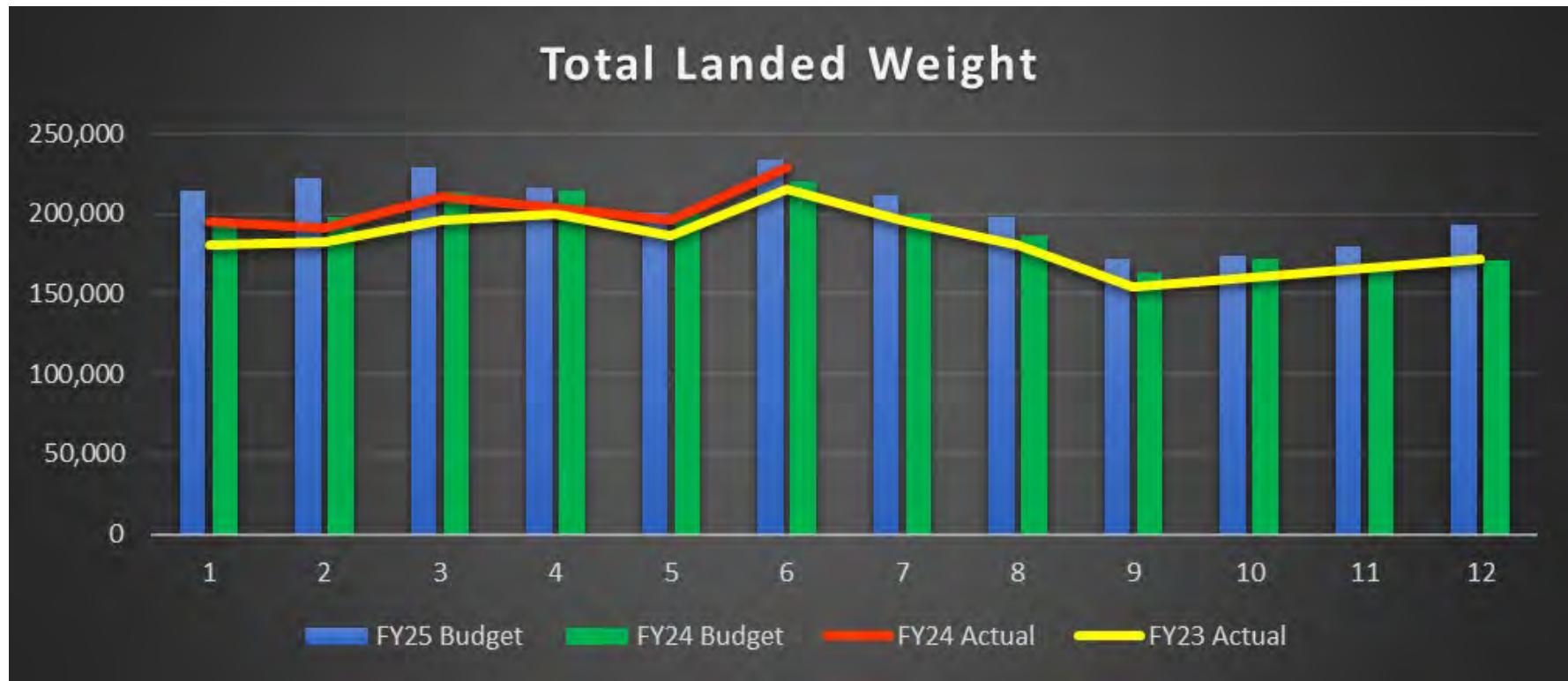
Board of Directors Meeting

September 4, 2024



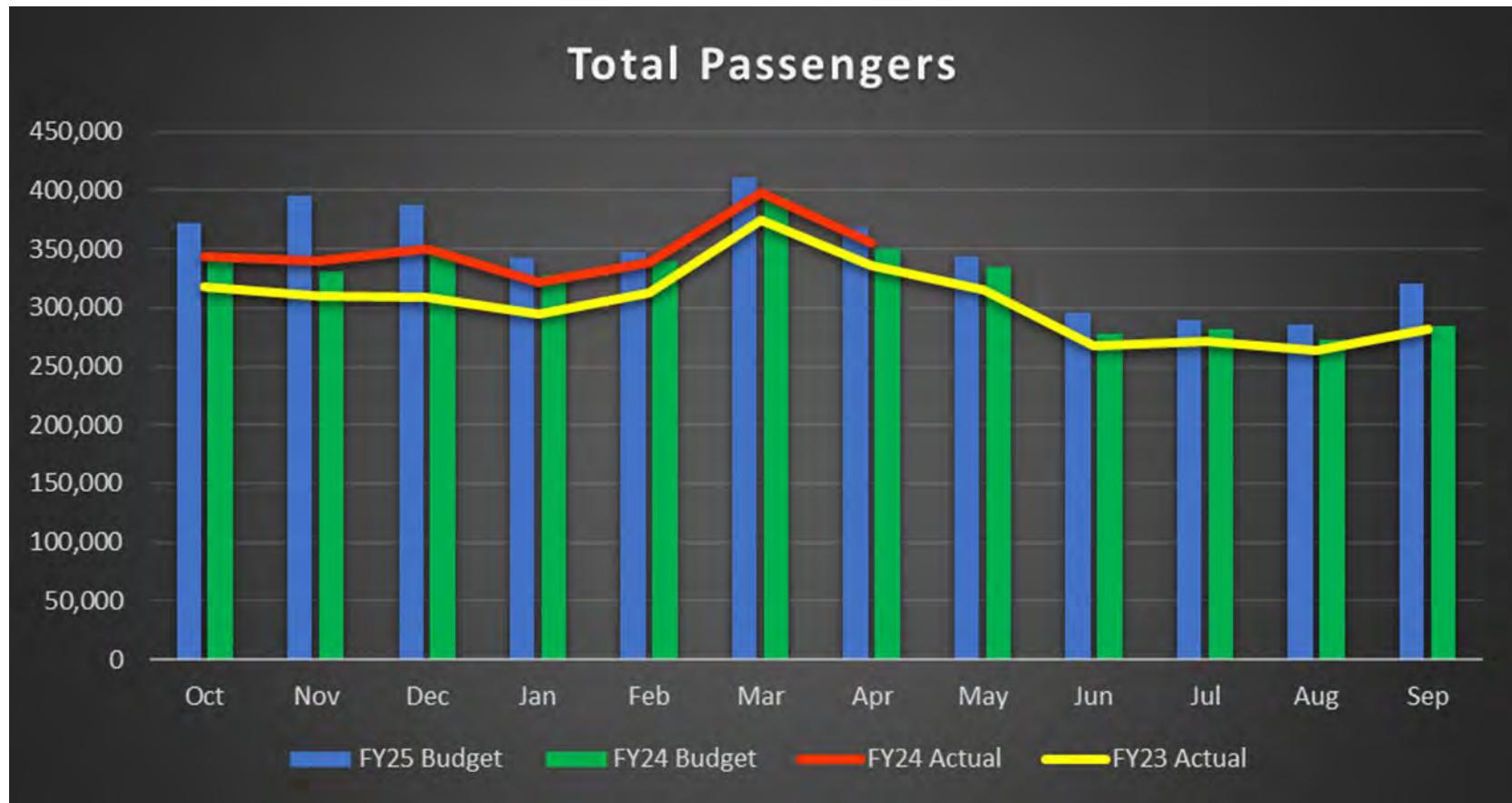
FY2025 Budget

FY25 Landed Weight Budget



- Forecasted 10.72% increase in total landed weight over FY 2024
- 5.7% increase YTD in actual landed weight year over year Oct-Apr

FY25 Passenger Budget



- 7.1% increase in forecasted passengers FY24 – FY25
- 8.6% increase YTD in actual passengers year over year Oct-Apr

YTD 2024 Flight & Passenger Activity

	<u>FY2024</u>	<u>FY2023</u>	<u>FY2022</u>
<u>Nine Months Year-To-Date</u>			
Total Passengers	3,052,748	2,836,550	2,558,711
Average Load Factor	88.5%	85.2%	86.5%
Average Daily Seat Capacity	6,593	6,248	5,496
Average Seat Count per Departure	125.5	140.1	127.6

FY25 Budget Rate Trend Proposal

Tucson Airport Authority
Terminal Rate Trend - FY2025 Proposal

Space/Charge Type	Fee Basis	FY 2024	FY2025 Proposed
Rates effective October 1,		2023	2024
Ticket counter, kiosk, phone bank	per sq/ft per year	\$ 92.01	\$ 100.29
Airline ticket office (ATO)	per sq/ft per year	\$ 92.01	\$ 100.29
Baggage makeup	per sq/ft per year	\$ 30.66	\$ 33.42
Baggage storage	per sq/ft per year	\$ 92.01	\$ 100.29
Operations area	per sq/ft per year	\$ 78.18	\$ 85.22
Baggage claim	per sq/ft per year	\$ 87.26	\$ 95.11
TSA EDS Bag Screening Pods	per sq/ft per year	\$ 55.22	\$ 60.18
Holdroom per gate	per gate per year	\$ 134,167.77	\$ 146,242.87
Aircraft parking position at leased gate	per position per year	\$ 9,625.68	\$ 10,491.99
TAA-owned jet bridge at leased gate/2	per bridge per month	\$ 4,316.76	\$ 4,705.27

FY 2025 Landing Fee Requirement

Description	2025 Budget	2024 Forecast	2024 Budget	2023 Actual - Unaudited	2025 Budget vs 2024 Budget Dollar Incr/(Decr)	% Inc (% Dec)
Net Operating Income	\$ 5,135,202	\$ 10,935,281	\$ 2,451,659	\$ 7,919,283	\$ 2,683,543	24.5%
Debt Service						
Airport Revenue Bonds	\$ 3,998,174	\$ 3,996,652	\$ 3,996,652	\$ 3,996,806	\$ 1,522	0.0%
PFC Payment	\$ (3,998,174)	\$ (3,996,652)	\$ (3,996,652)	\$ (3,996,806)	\$ (1,522)	0.0%
Special Reserve Advances	\$ 2,900,510	\$ 4,013,059	\$ 4,013,059	\$ 3,728,357	\$ (1,112,549)	-27.7%
Insurance Reserve Advances	\$ 956,829	\$ 956,829	\$ 956,829	\$ 956,829	\$ -	0.0%
Total Debt Service	\$ 3,857,339	\$ 4,969,888	\$ 4,969,888	\$ 4,685,186	\$ (1,112,549)	-22.4%
Fund Transfers						
Operations & Maintenance Reserve	\$ 1,675,825	\$ 1,096,829	\$ 3,215,192	\$ (4,017)	\$ (1,539,368)	-47.9%
Capital Improvement Fund	\$ 1,654,808	\$ 1,576,007	\$ 1,576,007	\$ 1,500,959	\$ 78,801	5.0%
Special Reserve Fund - Industrial Revenue 52%	\$ 1,867,320	\$ 1,769,560	\$ 1,753,553	\$ 1,711,387	\$ 113,767	6.5%
Maintenance Reserve Fund	\$ 1,500,000	\$ 500,000	\$ 500,000	\$ -	\$ 1,000,000	200.0%
Common Area Major Maintenance Funds	\$ 143,670	\$ 143,670	\$ 144,899	\$ 143,670	\$ (1,229)	-0.8%
Airfield Safety Enhancement Project (ASE)	\$ (29,549,144)	\$ (29,237,344)	\$ (40,165,058)	\$ (65,953)	\$ 10,615,914	-26.4%
Total Fund Transfers	\$ (22,707,522)	\$ (24,151,277)	\$ (32,975,407)	\$ 3,286,047	\$ 10,267,885	-31.1%

FY 2025 Landing Fee

Description	2025 Budget	2024 Forecast	2024 Budget	2023 Actual - Unaudited	2025 Budget vs 2024 Budget Dollar Incr/(Decr)	% Inc (% Dec)
Capital Requirements						
Capital Improvement Projects (CIP)	28,246,269	33,654,907	33,654,907	7,917,408	\$ (5,408,638)	-16.1%
Capital Outlay	3,777,000	1,706,591	1,706,591	140,975	2,070,409	121.3%
Capitalized Major Maintenance	927,634	996,004	996,004	1,009,366	(68,370)	-6.9%
Special Funding Sources						
Capital Improvement Fund	(1,654,808)	(1,576,007)	(1,576,007)	(1,500,959)	(78,801)	5.0%
Special Reserve Fund uses	-	-	-	(4,326,766)	-	-
Maintenance Reserve Fund	-	-	-	(769,394)	-	-
Total Capital Requirements	\$ 31,296,095	\$ 34,781,495	\$ 34,781,495	\$ 2,470,630	\$ (3,485,400)	-10.0%
Signatory Landing Fee Requirement	\$ 7,310,711	\$ 4,664,825	\$ 4,324,317	\$ 2,522,579	2,645,886	61.2%
Landed Weight Signatory Airlines	2,442,078	2,313,081	2,142,102	2,198,422	128,997	6.0%
Landing Fee per 1,000 lbs	\$2.99	\$2.02	\$2.02	\$1.15	\$0.97	48%

FY 2025 Funding Highlights

- \$31.6 million in Capital Requirements (CIP, CO, MM)
- \$30 million of funds from ASE Fund (Formerly Airline Reserve Fund and Federal Rescue Fund)
- No new debt service in FY25

Federal Rescue Funds Status	
Total Awards	\$ 44,500,000
<i>Applied to Balance System:</i>	
FY2020	(2,331,682)
FY2021	(4,186,826)
FY2022	(428,674)
FY2023 (Unaudited)	(65,953)
FY24 forecast	(29,237,344)
Remaining Balance Transferred to ASE fund	<u>\$ 8,249,521</u>

FY 2025 Budget

Questions?

THANK YOU



Date: September 4, 2024

To: Board of Directors
From: Kim Allison, Vice President of Finance / CFO
Re: FY 2025 Tucson Airport Authority Operating Budget

Purpose:

Attached for your review is the FY 2025 Tucson Airport Authority (TAA) Operating Budget. The document entitled, "Statement of Airport System Requirements" (Exhibit A) presents a comparative analysis of major revenue and expense categories for the FY 2025 budget, the current fiscal year forecast and approved budget (FY 2024).

Activity FY 2024 Forecast vs FY 2024 Budget:

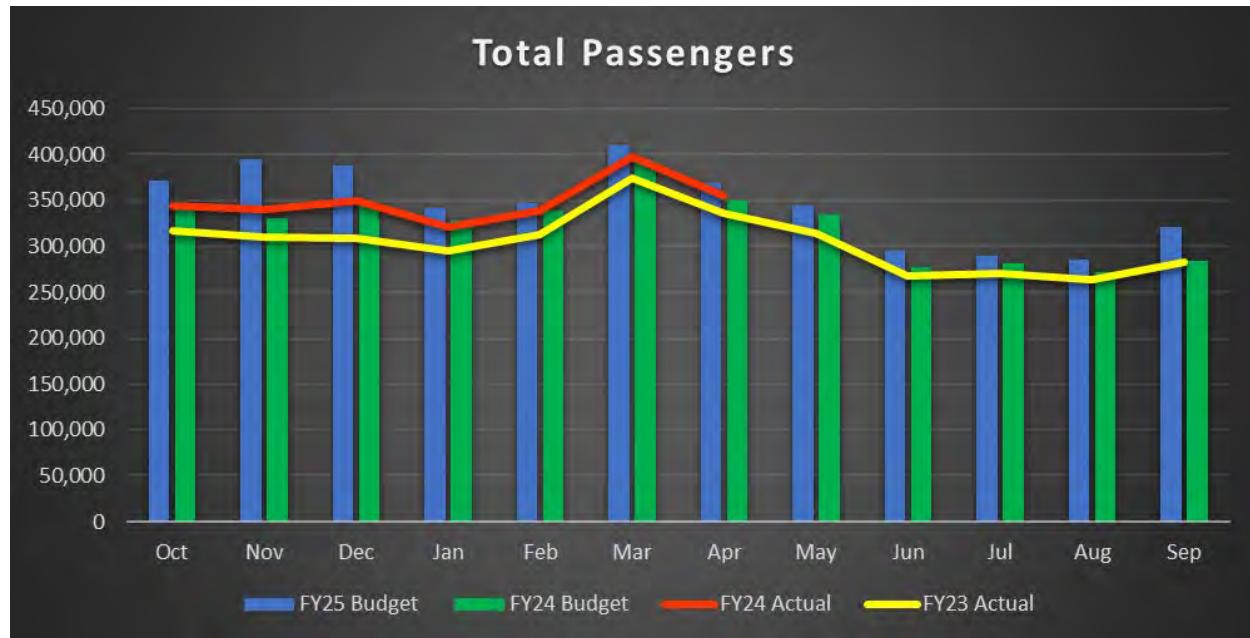
Overall, the fiscal year results have tracked favorably to the annual budget. Year-to-date through June 2024, enplaned passenger activity has slightly exceeded budget by 0.2%. The overall passenger volume expectation for FY 2024 was approximately 106% of FY 2023 levels. The current year-to-date volume is just over 135% of FY 2023 levels.

FY 2025 Budget Volume Assumptions:

Volume assumptions drive critical components of airport revenue planning, including Concessions and Landing Fees. Significant changes in volume have the potential to affect operating expenses as well. Overall, TAA's operating costs are largely fixed. The most significant cost drivers are FAA Part 139 requirements and the specific infrastructure and resources managed and maintained, which do not significantly change year-to-year. For FY 2025, budgeted landed weight volume for signatory airlines is expected to increase by 7.1% over the budgeted volume for FY 2024. Accordingly, this is expected to be a driver in increasing TAA's Operating Revenue for the year.

FY 2025, passenger activity is budgeted to increase 7.1% compared to the FY 2024 budget, with 4.2 million total expected passengers at TUS. Load factors are expected to remain relatively high.

Landed weight is highly correlated with passenger volume. With the expectation of elevated load factors, the budgeted landed weight for FY 2025 is 6.1% higher than the FY 2024 budget.



Debt Service:

There will be no new airport system debt service for FY 2025. This is due to utilizing remaining Federal Rescue Funds of \$8.2 million, the expected balance after applying projected \$29 million to fund the Airfield Safety Enhancement Project in FY 2024. See the Appendix section for additional details on current outstanding airport system debt service.

Fund Transfers:

All fund transfers are budgeted and executed in accordance with the terms of the Airport Use Agreement (AUA).

- The Operations and Maintenance Reserve Fund is required to be maintained at a balance of 25% of budgeted operating expenses. The \$1.7M transfer is required to maintain this balance.
- The transfer to the Capital Improvement Fund is budgeted to increase 5.0% in FY 2025, as prescribed by the AUA.
- Transfers to the Special Reserve Fund are expected to be \$1.8 million, which largely represents 52% of anticipated net operating income of the industrial area.
- A planned transfer of \$1.5M to the Maintenance Reserve fund for unplanned maintenance expenditures. This is the maximum annual amount allowed by the AUA.
- Common area maintenance transfers are flat.
- Remaining prior collections of the CARES, CRRSAA, and ARPA grants of \$8.2 million will be used to fund capital program expenses in FY 2025.
- The remaining balance of \$21.7M from the Airline Reserve Fund is used to fund the Airfield Safety Enhancement Project.

Total Capital Requirements:

Total capital requirements are budgeted to increase by \$3.4 million compared to FY 2024 budget. Attached are three separate exhibits detailing budgeted project information for FY 2025 Major Maintenance (Exhibit B), Capital Outlay (Exhibit C), and the Capital Improvement Program (CIP) (Exhibit D).

Funding of Capital Requirements

TAA will be continuing work on the Airfield Safety Enhancement Project (ASE) in FY 2025. TAA plans to apply \$29.8M of funds previously designated for ASE to fund this project in FY 2025. Those funds were previously remaining Airline Reserve Funds and Federal Rescue Funds.

TAA is in the favorable position of having cash on hand to fund the local portion of planned ASE project phases in FY 2025 and other capital project priorities at TUS, while it continues to aggressively seek grant funding from federal and state sources. TAA has identified \$8.2 million of expected remaining receipts from the CARES, CRRSAA, and ARPA grants and \$21.6 million of Airline Reserve Funds for use in funding the capital program for FY 2025. (TAA is reserving \$29.2 million of CARES, CRRSAA, and ARPA grant collections to cover the forecasted shortfall of the airport system in FY 2024.) TAA recommends this fiscally responsible approach, as it avoids adding debt financing to the airport system during this time of elevated interest rates.

Net Results and Summary:

All budgeted items result in a signatory landing fee requirement of \$7.3 million. When divided by the budgeted signatory landed weight, the calculated landing fee is \$2.99 per thousand-pound unit, as required by the AUA amendment and extension.

The ASE program will continue to require significant investment by TAA through its completion. TAA plans to use the remaining balance of the Airline Reserve Fund and any remaining CARES, CRRSAA, and ARPA collections remaining after the airport system is balanced for FY 2024 for the capital program in FY 2025. The fund balances above do not include the \$31M allocation from the Bipartisan Infrastructure Law (BIL), as TAA also plans to apply all BIL proceeds directly to the ongoing Airfield Safety Enhancement (ASE) project. The increase in landing fee for FY 2025 will allow the TAA to preserve airport system funds for future phases of the ASE program. Additionally, it will require the non-signatory and cargo operators to contribute more into the airport system.

Additional Information:

Included with your agenda packet are updated summaries of the rates and charges that will become effective October 1, 2024. The information provided includes terminal rentals, general rental rates and charges and baggage claim allocations for the next fiscal year. The referenced rates will also be communicated to each airline's local station manager and accounts payable contact person.

In addition, on August 14, 2024, the TAA met with the Airline and Airport Affairs Committee (AAAC), a group of designated representatives from each airline (corporate executives). Members of the AAAC indicated no issue with the TAA's proposed FY2025 Budget. On August 19, 2024, the TAA met with the Finance and Risk Management Council. The Council fully supported the FY2025 Budget.

Staff will be available at the September 4, 2024 meeting to discuss the budget and to answer any questions you may have.

Recommendation:

Adopt Resolution No. 2024-16 approving the Tucson Airport Authority Operating Budget, Major Maintenance Program, Capital Outlay Program, Capital Improvement Program, and authorizing environmental expenditures for the fiscal year beginning on October 1, 2024 and ending on September 30, 2025.

Attachments:

1. Appendix A – FY2025 Interfund Loans Summary
2. Resolution No. 2024-16
 - a. Exhibit A – Statement of Airport System Requirements FY2024
 - b. Exhibit B – FY2025 Major Maintenance Program
 - c. Exhibit C – FY2025 Capital Outlay Program
 - d. Exhibit D – FY2025 Capital Improvement Program
3. Majority-in-Interest (Landed Weights Summary) – July 2023 through June 2024
4. Signatory Airline Majority-in-Interest Voting Ballot – FY2025 Budget Items
5. TUS General Rates and Charges (Effective October 1, 2024)
6. Monthly Baggage Claim Area Rental Charges – October 2024 through September 2025

Appendix A

The tables below provide details of the interfund loans included in the budget assumption for FY 2025.

Special Reserve Fund Loans	Principal Payments	Interest Payments	Total Payments
Jet Bridge B6	\$20,513	52,618	\$73,131
ARDCO Hangar	\$19,941	\$19,190	\$39,131
HIDTA Hangar	38,616	38,771	77,387
Jet Bridges	106,766	85,996	192,762
Public Safety Personnel Retirement System	1,478,186	581,876	2,060,062
Series 2018 Refunding	269,199	68,941	338,140
Universal Hangar	46,050	29,286	75,336
Velocity Ryan Apron Improvement	40,936	3,625	44,561
Total Budgeted Special Reserve Fund Interfund Loan Payment FY 2025	\$2,020,207	\$880,303	\$2,900,510

Insurance Reserve Fund Loans	Principal Payments	Interest Payments	Total Payments
QTA Expansion	\$52,844	\$14,023	\$66,867
RAC & Garage	709,239	180,723	889,962
Total	\$762,083	\$194,746	\$956,829
Total Budgeted Insurance Reserve Fund Interfund Loan Payment FY 2025			\$956,829

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING THE TUCSON AIRPORT AUTHORITY OPERATING BUDGET, MAJOR MAINTENANCE PROGRAM, CAPITAL OUTLAY PROGRAM, CAPITAL IMPROVEMENT PROGRAM, AND AUTHORIZING ENVIRONMENTAL EXPENDITURES FOR THE FISCAL YEAR BEGINNING ON OCTOBER 1, 2024 AND ENDING ON SEPTEMBER 30, 2025.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

1. The FY 2025 Operating Budget (Exhibit A), the FY 2025 Major Maintenance Program (Exhibit B), the FY 2025 Capital Outlay Program (Exhibit C), and the FY 2025 Capital Improvement Program (Exhibit D), are hereby approved. The aforementioned exhibits are incorporated herein by reference and made a part of this resolution.
2. The President/CEO or her designee(s) is authorized to take all actions necessary to implement the FY 2025 Operating Budget, the Major Maintenance Program, the Capital Outlay Program, and Capital Improvement Program, including making all environmental remediation liability expenditures for the fiscal year from available TAA funds that may be legally required or determined necessary associated with TAA environmental obligations under applicable law.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this fourth day of September, 2024.

Keri Silvyn, Chair of the Board

ATTEST:

Phil Swaim, Secretary

APPROVED AS TO FORM:

Christopher Schmaltz, Executive Vice President and General Counsel

EXHIBIT A

TUCSON AIRPORT AUTHORITY
AIRPORT SYSTEM RESIDUAL LANDING FEE CALCULATION
FY2025 Budget

Description	2025 Budget	2024 Forecast	2024 Budget	2023 Actual - Unaudited	2025 Budget vs 2024 Budget Dollar Incr/(Decr)	% Inc (% Dec)
Operating Revenue						
Revenue from Signatory Airlines (excluding landing fees and fuel sales)	\$ 10,764,416	\$ 10,552,000	\$ 9,671,803	\$ 8,510,040	\$ 1,092,613	11.3%
Fees and Rental Revenue	11,601,807	10,945,101	10,511,128	9,606,387	1,090,679	10.4%
Concession Revenue	25,105,911	25,105,911	22,390,019	21,883,906	2,715,892	12.1%
Fuel Sales (net of cost of sales)	32,000	32,000	26,136	31,333	5,864	22.4%
Other System Revenue	3,963,269	3,963,269	4,035,087	4,238,974	(71,818)	-1.8%
Operating Revenue Total	A \$ 51,467,403	\$ 50,598,281	\$ 46,634,173	\$ 44,270,641	\$ 4,833,230	10.4%
Non-Operating Revenue						
Interest Revenue	B	2,175,000	2,175,000	526,646	1,099,325	1,648,354
Total Revenue	C=A+B	\$ 53,642,403	\$ 52,773,281	\$ 47,160,819	\$ 45,369,966	\$ 6,481,584
Less: Operating Expenses						
Personnel Expenses	\$ 30,835,930	\$ 27,666,000	\$ 27,666,000	\$ 24,751,170	\$ 3,169,930	11.5%
Contractual/Purchased Services	12,347,139	9,911,000	10,839,818	8,956,126	1,507,321	13.9%
Materials/Supplies	3,421,053	2,738,000	4,389,633	2,195,186	(968,580)	-22.1%
Other Operating Expenses	1,903,079	1,523,000	1,813,709	1,548,201	89,370	4.9%
Total Operating Expenses	D \$ 48,507,201	\$ 41,838,000	\$ 44,709,160	\$ 37,450,683	\$ 3,798,041	8.5%
Net Operating Income	\$ 5,135,202	\$ 10,935,281	\$ 2,451,659	\$ 7,919,283	\$ 2,683,543	24.5%
Debt Service						
Airport Revenue Bonds	\$ 3,998,174	\$ 3,996,652	\$ 3,996,652	\$ 3,996,806	\$ 1,522	0.0%
PFC Payment	(3,998,174)	(3,996,652)	(3,996,652)	(3,996,806)	(1,522)	0.0%
Special Reserve Advances	2,900,510	4,013,059	4,013,059	3,728,357	(1,112,549)	-27.7%
Insurance Reserve Advances	956,829	956,829	956,829	956,829	-	0.0%
Total Debt Service	\$ 3,857,339	\$ 4,969,888	\$ 4,969,888	\$ 4,685,186	\$ (1,112,549)	-22.4%
Fund Transfers						
Operations & Maintenance Reserve	1,675,825	1,096,829	3,215,192	(4,017)	\$ (1,539,368)	-47.9%
Capital Improvement Fund	1,654,808	1,576,007	1,576,007	1,500,959	78,801	5.0%
Special Reserve Fund - Industrial Revenue 52%	1,867,320	1,769,560	1,753,553	1,711,387	113,767	6.5%
Maintenance Reserve Fund	1,500,000	500,000	500,000	-	1,000,000	200.0%
Common Area Major Maintenance Funds	143,670	143,670	144,899	143,670	(1,229)	-0.8%
Airfield Safety Enhancement Project (ASE)	(29,549,144)	(29,237,344)	(40,165,058)	(65,953)	10,615,914	-26.4%
Total Fund Transfers	\$ (22,707,522)	\$ (24,151,277)	\$ (32,975,407)	\$ 3,286,047	\$ 10,267,885	-31.1%
Capital Requirements						
Capital Improvement Projects (CIP)	28,246,269	33,654,907	33,654,907	7,917,408	\$ (5,408,638)	-16.1%
Capital Outlay	3,777,000	1,706,591	1,706,591	140,975	2,070,409	121.3%
Capitalized Major Maintenance	927,634	996,004	996,004	1,009,366	(68,370)	-6.9%
Special Funding Sources						
Capital Improvement Fund	(1,654,808)	(1,576,007)	(1,576,007)	(1,500,959)	(78,801)	5.0%
Special Reserve Fund uses	-	-	-	(4,326,766)	-	
Maintenance Reserve Fund	-	-	-	(769,394)	-	
Total Capital Requirements	\$ 31,296,095	\$ 34,781,495	\$ 34,781,495	\$ 2,470,630	\$ (3,485,400)	-10.0%
Signatory Landing Fee Requirement	\$ 7,310,711	\$ 4,664,825	\$ 4,324,317	\$ 2,522,579	2,645,886	61.2%
Landed Weight Signatory Airlines	2,442,078	2,313,081	2,142,102	2,198,422	128,997	6.0%
Landing Fee per 1,000 lbs	\$2.99	\$2.02	\$2.02	\$1.15	\$0.97	48%

EXHIBIT B

FY 2025 Proposed Budget

Program: (MM) Major Maintenance

Initiative ID	Initiative	Total
20223578	Repair and coat roofs on TAA hangars at RYN	\$ 225,000
10220409	Upgrade controls for wash rack and triturator	42,634
10223570	B230 mechanical overhaul energy conservation	375,000
10224615	Reno Glass	40,000
10224619	Phase II door wraps	35,000
20224616	RYN Landscaping	80,000
10223586	Fire Department Laundry Room Drain Repairs design	30,000
10224617	Terminal Electrical Study for PC Air and Seat Power	<u>100,000</u>
TOTAL		\$ <u>927,634</u>

EXHIBIT C

FY 2025 Proposed Budget

Program: (CO) Capital Outlay

Initiative ID	Initiative	Total
10324600	New Equinox for PMO	39,000
10323535	Fire Department Paging System	50,000
10323565	Technology Lifecycle Mgmt Program - Network Switches	52,000
10323573	Replace Air Conditioners on Aergo Building	60,000
10395002	FY25 Art Acquisition	75,000
10323522	Replace TAA 513 K9 Vehicle	75,000
10323576	Convert Pole Lighting on Aeropark to LED	83,000
10323591	Replace SCBA's at Fire Department (\$10,400 ea)	125,000
10323540	Private Wireless Phase 2	143,000
10323596	Phase I Interior Terminal Signage	350,000
10324610	Seat Back Power Chargers	150,000
10324611	Blast Fence for Cargo Ramp	400,000
10324612	Seat Coverings for Terminal	500,000
10324614	Add PC Air units to Common Use Gates	825,000
10324597	Terminal Carpet	850,000
TOTAL		\$ <u>3,777,000</u>

EXHIBIT D

TUCSON AIRPORT AUTHORITY
Tucson International Airport (TUS) / Ryan Airfield (RYN)

FISCAL YEAR 2025 CAPITAL IMPROVEMENT PROGRAM

TUS AIP Projects:		Total	Federal	State	PFC/OTA	TAA	See Note
10119102	ASE Program	\$ 90,000,000	\$ 63,151,231	\$ 3,100,000	\$ 750,000	\$ 23,748,769	*
	Checked Baggage Inspection System	\$ 750,000	\$ -	\$ -	\$ 750,000		
	TUS AIP Total:	\$ 90,750,000	\$ 63,151,231	\$ 3,100,000	\$ 750,000	\$ 23,748,769	
TUS ADOT Projects:		Total	Federal	State		TAA	
		\$ -					
	TUS ADOT Total:	\$ -	\$ -	\$ -		\$ -	
RYN AIP Grant Projects:		Total	Federal	State		TAA	
	Runway 6L-24R Emergency Repairs	\$ 250,000	\$ 237,500	\$ 6,250		\$ 6,250	
	Runway 15-33 Reconstruction Taxiway B Hotspot Correction Design	\$ 850,000	\$ 807,500	\$ 21,250		\$ 21,250	
	RYN AIP Total:	\$ 1,100,000	\$ 1,045,000	\$ 27,500		\$ 27,500	
RYN ADOT Grant Projects:		Total	Federal	State		TAA	
		\$ -	\$ -	\$ -		\$ -	
	RYN ADOT Total:	\$ -	\$ -	\$ -		\$ -	
	Grant Total:	\$ 91,850,000	\$ 64,196,231	\$ 3,127,500		\$ 23,776,269	
TAA Funded Projects:		Total	Federal	State		TAA	
10120385	Terminal Roadway Rehab (sidewalk, landscaping additional budget)	\$ 500,000	\$ -	\$ -		\$ 500,000	
10123546	CBIS Inline Bag System PM/CM (additional budget)	\$ 100,000	\$ -	\$ -		\$ 100,000	
10123546	CBIS Inline Bag System Design (additional budget)	\$ 1,000,000	\$ -	\$ -		\$ 1,000,000	
10213570	Outbound BHS Project (additional budget)	\$ 1,500,000	\$ -	\$ -		\$ 1,500,000	
20124620	RYN 6L-24R Prelim Design 30%	\$ 500,000	\$ -	\$ -		\$ 500,000	
10219213	Rehab Park Ave (Teton to PCC) (additional budget)	\$ 870,000	\$ -	\$ -		\$ 870,000	
	TAA Total:	\$ 4,470,000	\$ -	\$ -		\$ 4,470,000	
	TOTAL TAA FUNDS NEEDED:					\$ 28,246,269	

Note:

* Project does not require Majority-In-Interest (MII) approval pursuant to the threshold limit of Section 6.1 or is covered under an exception listed under section 6.3 of the Airline Use Agreement.

MAJORITY-IN-INTEREST

LANDED WEIGHTS SUMMARY

Jul 2023 - Jun 2024
(Based on 12 Month Period)

AIRLINE	Landed Weight	% of Total	Ranking
American	758,298,000	36.13%	1
Southwest	559,627,000	26.66%	2
Delta	348,705,000	16.61%	3
United	302,531,000	14.41%	4
Alaska	129,981,000	6.19%	5
TOTAL	2,099,142,000	100.00%	

"Majority-In-Interest" is defined in the "Airport Use Agreement" as follows:

It shall mean a numerical majority of Signatory Airlines, which numerical majority shall have landed more than 50% of the Total Landed Weight at the Airport in the latest 12 months for which such data is available and which months were not affected by schedule reductions resulting from labor disputes.

Signatory Airline Majority-In-Interest (MII)
Voting Ballot
FY 2025 Budget Items

Project Name	Cost	Yes	No
1. Terminal Carpet (10324597)	\$850,000		
2. Add PC Air Units to Common Use Gates (10324614)	\$825,000		
3. Seat Coverings for Terminal (10324612)	\$500,000		
4. Terminal Roadway Rehab (10120385)	\$500,000		
5. CBIS Inline Bag System Design Additional Budget (10123546)	\$1,100,000		
6. RYN 6L-24R Prelim Design 30% (20124620)	\$500,000		
7. Rehab Park Ave Additional Construction Budget(10219213)	\$870,000		
8. Outbound BHS Project Additional Budget (10213570)	\$1,500,000		

Airline _____

Printed Name _____

Title _____

Signature _____

Date _____

Tucson International Airport (TUS)

General Rates & Charges

Effective October 1, 2024 - September 30, 2025

Space/Charge Type	Signatory Rates Effective 11/01/2023	Signatory Rates Effective 10/1/2024	Non-Signatory Rates Effective 10/1/2024	Fee Basis
Landing fee/1	\$2.02	\$2.99	\$3.74	per 1,000 lbs
Ticket counter, kiosk, phone bank	\$92.01	\$100.29	\$125.36	per sq/ft per year
Airline ticket office (ATO)	\$92.01	\$100.29	\$125.36	per sq/ft per year
Baggage makeup	\$30.66	\$33.42	\$41.78	per sq/ft per year
Baggage storage	\$92.01	\$100.29	\$125.36	per sq/ft per year
Operations area	\$78.18	\$85.22	\$106.53	per sq/ft per year
Baggage claim	\$87.26	\$95.11	N/A	per sq/ft per year
TSA EDS Bag Screening Pods/2	\$55.22	\$60.18	N/A	per sq/ft per year
Holdroom per gate/3	\$134,167.77	\$146,242.87	\$182,803.59	per gate per year
Custodial - exclusive space	\$29.89	\$32.58	N/A	per hour
Custodial - exclusive space with supplies	\$32.28	\$35.18	N/A	per hour
TAA-owned jet bridge at leased gate/3	\$4,316.76	\$4,705.27	\$5,881.59	per bridge per month
Aircraft parking position at leased gate/3	\$9,625.68	\$10,491.99	\$13,114.99	per position per year
Ramp scrubber at leased gate/3	\$2,514.52	\$2,740.83	\$3,426.03	per position per year
Terminal Operations Charge/4	N/A	N/A	\$2.41	per enplaned passenger
Non-leased ticket counter use fee	N/A	N/A	\$22.51	per turn per position
Non-leased bag makeup belt use fee	N/A	N/A	\$84.63	per turn
FIS facility fee - international flights	\$1.00	\$1.00	\$1.00	per deplaned passenger
Aircraft parking fees (in non-leased area):				
Remote apron RON	\$80.21	\$87.43	\$109.29	per day, max 10 days/month
Common Use Gates				
Holdroom, apron, support systems (A-1 - ground load only)/5	\$154.98	\$168.93	\$211.17	per turn
Holdroom, apron, support systems, bridge/5	\$209.39	\$228.23	\$285.29	per turn
Prorata security	\$189,525.44	\$189,525.44	N/A	per month
Main bag claim common use - Signatory Airlines/6	\$335,841.93	\$366,054.61	N/A	per month
Main bag claim common use - Non-Signatory Airlines/7	N/A	N/A	2.73	per enplaned passenger
Triturator	\$6.13	\$6.68	\$6.68	per key turn
Wash rack	\$3.67	\$4.00	\$4.00	per key turn

1 - Qualifying non-signatory cargo airlines pay the signatory landing fee rate.

2 - 8,016 square feet - this charge is included in the prorata security fee

3 - For airlines qualifying as low volume carriers and electing to lease one-half of a gate, this rate is reduced by half.

4 - Applies only to non-signatory airlines using the main terminal (A and B gates).

5 - TURN rates will be charged in 90 minute increments when the flight is operating as a turn between the hours of 8 am and 9 pm.

6 - 46,185 square feet. Allocated to signatory airlines on a 90/10 common use formula.

7 - Calculated based on average signatory airline cost per enplanement using budgeted signatory enplanements, plus 25% non-signatory premium.

Non-Signatory Premium

125% of signatory rates

TUCSON AIRPORT AUTHORITY
MONTHLY BAGGAGE CLAIM AREA RENTAL CHARGES OCT 2024 - SEP 2025

BASED ON

AIRLINE	JUL 2023-JUN 2024 ENPLANEMENTS	Percent of Total	90% of Total	10% of Total	Signatory Total
ALASKA *	123,681	6.2%	\$20,288.54	\$7,321.09	\$ 27,609.64
AMERICAN *	746,426	37.2%	\$122,443.20	\$7,321.09	\$ 129,764.29
DELTA *	333,021	16.6%	\$54,628.53	\$7,321.09	\$ 61,949.62
SOUTHWEST	519,214	25.9%	\$85,171.50	\$7,321.09	\$ 92,492.59
UNITED *	286,013	14.2%	\$46,917.37	\$7,321.09	\$ 54,238.46
TOTAL Jul-Jun	2,008,355	100%	\$ 329,449.15	\$36,605.46	\$ 366,054.61

Combined Total from 90% and 10% columns

*NOTE: Operating Affiliate airline enplanements have been added to the mainline carriers' enplanement totals.

BAG CLAIM AREA IS BASED ON 46,185 SQ FT MULTIPLIED BY \$97.56 PER SQ FT PER YEAR AT SIGNATORY RATES. ANNUAL CHARGE EQUALS \$4,505,979.24; MONTHLY CHARGE EQUALS \$375,498.27 PRORATED AS FOLLOWS: 10% DIVIDED EQUALLY AMONG USERS AND 90% APPORTIONED AMONG USERS SO THAT EACH PAYS THE PRORATED PERCENTAGE OF ITS ENPLANEMENTS TO THE TOTAL COMPUTED FOR TWELVE MONTHS ENDING THE FIRST OF JULY.

NON-SIGNATORY USE OF THE BAG CLAIM WILL BE ASSESSED AT A RATE OF \$2.80 PER ENPLANED PASSENGER, CALCULATED BY DIVIDING THE ANNUAL BAG CLAIM RENT OF \$4,505,979.24 BY THE NUMBER OF BUDGETED ENPLANED SIGNATORY PASSENGERS 2,008,355 TO ARRIVE AT AN AVERAGE SIGNATORY BAG CLAIM COST OF \$2.24. THE NON-SIGNATORY PERMIUM OF 25% IS APPLIED TO THIS RATE TO ARRIVE AT \$2.80.



TAA Board Meeting

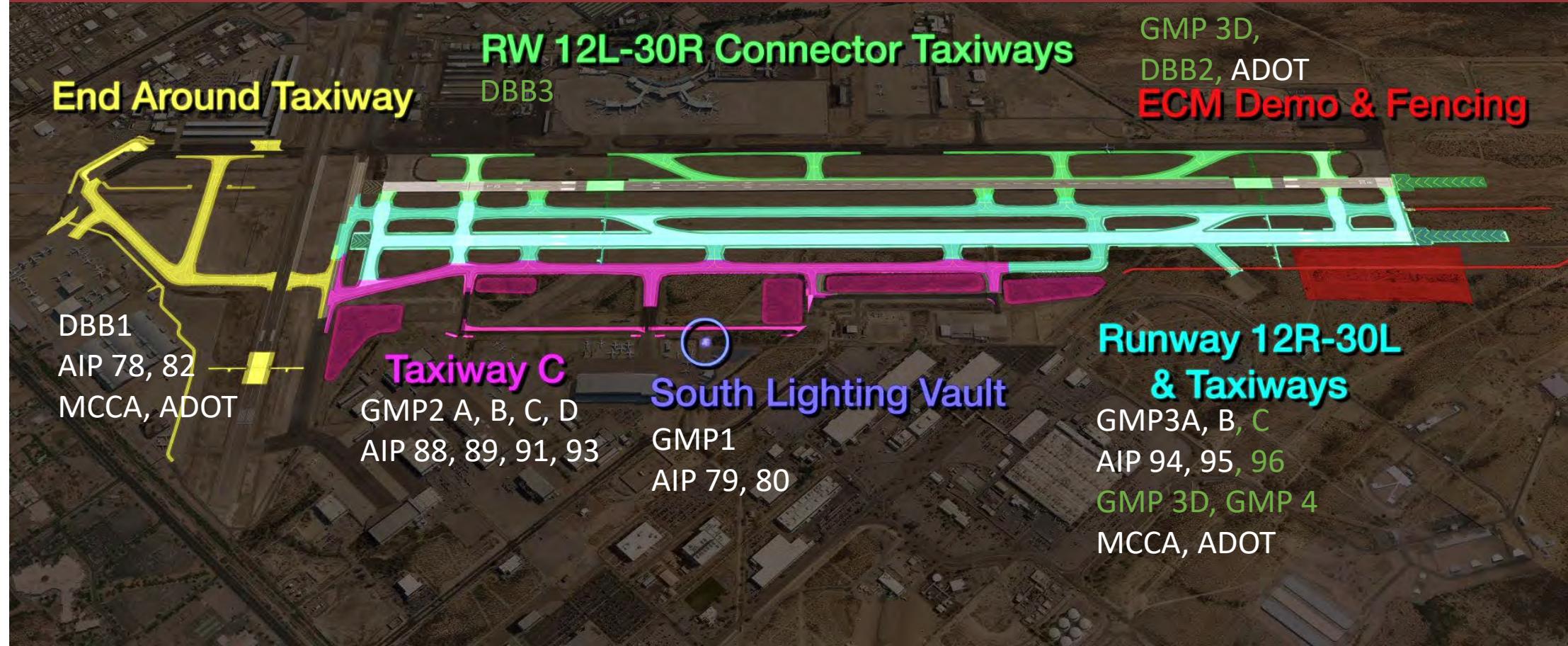
Ken Nichols
VP Airport Development

September 4, 2024

Overall ASE Program



ASE Program Projects



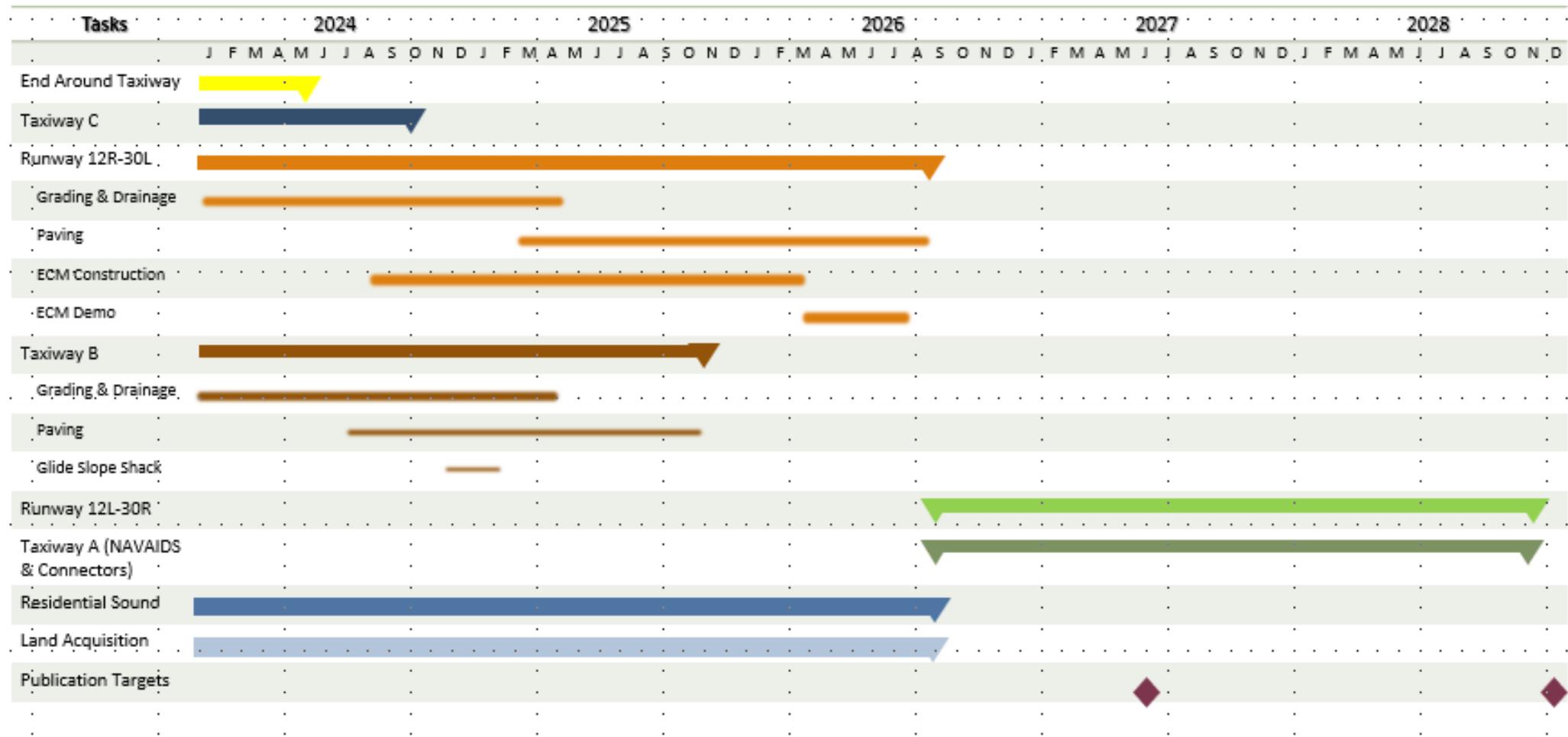
ASE Funding Strategy



<u>Year</u>	<u>Phase Description</u>	<u>Total Cost</u>	<u>Federal</u>	<u>State</u>	<u>TAA Funds</u>
FY 2025	New Runway Construction (CMAR)	\$ 90,000,000	\$ 63,151,231	\$ 3,100,000	\$ 23,748,769
FY 2026	Roadway and Fencing (DBB2)	\$ 6,000,000	\$ 5,463,600	\$ -	\$ 536,400
FY 2026	New Runway Construction (CMAR)	\$ 6,726,980	\$ 6,125,588	\$ -	\$ 601,392
FY 2027	Land Exchange Reimbursement	\$ 19,000,000	\$ 17,301,400	\$ -	\$ 1,698,600
FY 2027	Connecting Taxiways (DBB3)	\$ 30,522,330	\$ 27,793,634	\$ -	\$ 2,728,696
FY 2028	Connecting Taxiways (DBB3)	\$ 29,477,670	\$ 32,967,954	\$ 1,618,348	\$ 1,618,348
<hr/>					
Total		\$ 181,726,980	\$ 152,803,407	\$ 4,718,348	\$ 30,932,205

TAA will always seek maximum grants to minimize TAA Costs

ASE Program | Construction Schedule





Thank You!
knichols@flytucson.com
520-339-1200

Date: September 4, 2024

To: Board of Directors
From: Ken Nichols, Vice President of Airport Development
Re: Airport Development Division Update

This report provides an update on activities since the last report, which was prepared for the June 5, 2024 Board meeting.

Airfield Safety Enhancement (ASE) Program:

The Airfield Safety Enhancement (ASE) Program remains a critical safety project and the largest capital program in the history of the TAA. The multi-year \$400+ million program of projects (in 2024 dollars) will transform the airfield layout at TUS to meet the latest FAA safety standards as part of the FAA Runway Incursion Mitigation Program. The program includes four major projects, land exchanges, and noise mitigation.

Recent Accomplishments (since June 2024 Board Meeting)

- Continuing construction of the first phase of the new runway.
- Received grant offer from FAA for the second phase of the new runway.
- Continuing construction of the outboard taxiway (Taxiway C).
- Met with FAA to reaffirm funding strategy.
- Submitted final grant application to the FAA for the third phase of the new runway and center taxiway (Taxiway B).
- Notice to Proceed (NTP) issued for Hughes Wash drainage improvements (funded by Pima County)

Anticipated Activities (prior to October 2024 Board meeting)

- Completion of the first phase of the new runway.
- Completion of the outboard taxiway (Taxiway C).
- FAA to provide a grant offer for the third phase of the new runway and center taxiway (Taxiway B).
- NTP for third phase of new runway and center taxiway (Taxiway B).
- Completion of Hughes Wash drainage improvements (funded by Pima County).

Funding Needs and Strategy

The funding strategy presented below has been developed in close consultation with the FAA and ADOT to ensure the ASE Program is completed in a few years.

Current Funding Strategy:

REMAINING ASE PROGRAM FUNDING REQUIREMENTS PROJECTION (September 2024)						
Year	Phase Description	Total Cost	Federal	State	TAA Funds	
FY 2025	New Runway Construction (CMAR)	\$ 90,000,000	\$ 63,151,231	\$ 3,100,000	\$ 23,748,769	
FY 2026	Roadway and Fencing (DBB2)	\$ 6,000,000	\$ 5,463,600	\$ -	\$ 536,400	
FY 2026	New Runway Construction (CMAR)	\$ 6,726,980	\$ 6,125,588	\$ -	\$ 601,392	
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FY 2028	Connecting Taxiways (DBB3)	\$ 29,477,670	\$ 32,967,954	\$ 1,618,348	\$ 1,618,348	
Total		\$ 181,726,980	\$ 152,803,407	\$ 4,718,348	\$ 30,932,205	

The Airport Improvement Program (AIP) for FY24 through FY28 includes a new and separate funding source (\$200M/yr.) for runway safety projects. The TAA will coordinate with the FAA on how we can apply for this additional grant funding to accelerate the ASE Program. The funding chart will be updated, as appropriate, when additional guidance is provided from FAA on AIP funding options for FY25 and beyond. We will continue to keep you abreast of this important project.

Date: September 4, 2024

To: Board of Directors
From: Austin Wright, Chief Communications Officer
Re: September 2024 Air Service Development Update

For the twelve-month period ending March 2024, TUS produced the highest average fare among all peer airports in the southwest US. In the first quarter 2024, TUS also enjoyed the highest average load factor among all small and medium hub airports in the southwest US. In response, airlines have added more capacity at TUS than at any other airport in the southwest US for the August 2024-January 2025 time period (12% year-over-year capacity growth).

Summer did see a slowing of passenger growth industry-wide as domestic airlines proved to be too aggressive with adding capacity, outstripping demand. TUS was not immune to those factors. We are using our marketing channels to ensure residents and visitors “check TUS first” when booking travel in the second half of the calendar year. TUS has escaped almost all capacity cuts to fall and winter schedules thus far, in contrast to many cities.

In the past quarter we had an in-person meeting in Tucson with a Mexican carrier and are also in serious discussion with a large domestic carrier for 2025 service.

Alaska Airlines has added Sacramento to its list of destinations, a seasonal daily service operating January 6-April 21, 2025. At the time of this report, a second season of Orange County service remains in the winter schedule.

Other destinations seeing substantial year-over-year increases in capacity for the August 2024-January 2025 period include Minneapolis/St. Paul, Chicago-O’Hare, San Francisco, Denver, and Dallas-Ft. Worth. American Airlines has reemphasized Phoenix its western hub and increased TUS-PHX capacity and connections through PHX. These service improvements expand the number of itineraries, increasing access for customers to and from over 400 airports worldwide with one connection.