



Arizona Elected Officials' Retirement Plan

CONSOLIDATED REPORT

Actuarial Valuation

As of June 30, 2025

*Contributions Applicable to the Plan/
Fiscal Year Ending June 30, 2027*

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

November 2025

Board of Trustees
Arizona Elected Officials' Retirement Plan

Re: Actuarial Valuation as of June 30, 2025

Dear Members of the Board,

This report details the annual actuarial valuation of the Arizona Elected Officials' Retirement Plan (EORP) as of June 30, 2025. The valuation was performed to measure the plan's liability and funding levels and to determine the actuarially appropriate funding requirements for the applicable plan year. This report was prepared for use by the Board and those designated or approved by the Board. Use of the results for other purposes may not be applicable and could produce significantly different results.

DATA AND ASSUMPTIONS

In preparing this report, we have relied on personnel, plan design, and asset information supplied by the Public Safety Personnel Retirement System (PSPRS). In our opinion, the assumptions used in the valuation, as adopted by the Board, represent reasonable expectations of anticipated fund experience. Other sets of assumptions and methods could also be reasonable and could produce materially different results. 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.

DISCLOSURES AND LIMITATIONS

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

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 its liabilities.

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.

ACTUARIAL CERTIFICATION

The valuation has been conducted in accordance with all applicable laws and regulations, as well as generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board; specifically No. 6 for Measuring Retiree Group Benefit Obligations/No. 4 for Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, No. 23 for Data Quality, No. 27 for Selection of Economic Assumptions for Measuring Pension Obligations, No. 35 for Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, No. 44, Selection and Use of Asset Valuation Methods for Pension Valuations, and No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations.

In our opinion, the Minimum Required Contribution set forth in this report constitutes a reasonable actuarially determined contribution under Actuarial Standard of Practice No. 4.

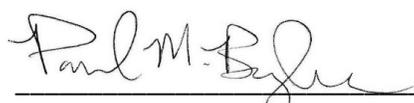
The undersigned are familiar with the immediate and long-term aspects of pension/OPEB valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of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

To our knowledge, no associate of Foster & Foster, Inc. working on this report has any direct financial interest or indirect material interest in the Arizona Elected Officials' Retirement Plan, nor does anyone at Foster & Foster, Inc. act as a member of the PSPRS Board of Trustees. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

Respectfully submitted,
Foster & Foster, Inc.



Bradley R. Heinrichs, FSA, EA, MAAA



Paul M. Baugher, FSA, EA, MAAA

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SUMMARY

The regular annual actuarial valuation of the Arizona Elected Officials' Retirement Plan, performed as of June 30, 2025, has been completed and the results are presented in this Report. The purpose of this valuation is to:

- Compute the employers' recommended contribution rates for the fiscal year ending June 30, 2027. This information is contained in the section entitled "Contribution Results".
- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members and compare accumulated assets with the liabilities to assess the funded condition. This information is contained in the section entitled "Liability Support."

Valuation Date Applicable to Fiscal Year Ending	June 30, 2025 2027	June 30, 2024 2026
EMPLOYER CONTRIBUTION REQUIREMENTS (AS A PERCENTAGE OF PAYROLL)		
Pension	70.44%	70.70%
Health	0.00%	0.00%
Total	70.44%	70.70%
FUNDED STATUS		
Pension	43.6%	41.6%
Health	220.1%	210.2%
Total	45.9%	43.7%

CHANGES FROM PRIOR YEAR

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

	Tiers 1 & 2	
	Pension	Health
Contribution Rate Last Valuation	70.70%	0.00%
Asset Experience	(0.43%)	(0.03%)
Payroll Base	0.12%	0.00%
Liability Experience	(0.96%)	0.01%
Assumption/Method Change	2.66%	0.00%
Other	<u>(1.65%)</u>	<u>0.02%</u>
Contribution Rate This Valuation	70.44%	0.00%

FUNDED STATUS

	Tiers 1 & 2	
	Pension	Health
Funded Status Last Valuation	41.6%	210.2%
Asset Experience	0.3%	1.6%
Liability Experience	0.0%	7.2%
Assumption/Method Change	0.0%	0.0%
Other	<u>1.7%</u>	<u>1.1%</u>
Funded Status This Valuation	43.6%	220.1%

Assets Experience – Asset gains and losses (relative to the assumed earnings rate) are smoothed over seven years. The return on the market value of assets for the year ending June 30, 2025 was 11.0%. On a smoothed, actuarial value of assets basis, however, the average return was 8.1%. This exceeded the assumed earnings rate of 7.2%.

Payroll Base – Under the current amortization policy, the contribution rate is developed based on a percentage of payroll. Payroll for this purpose includes members of this plan and defined contribution plans' members that would have been in this plan (EODCRS and ASRS DC). To the extent that overall payroll is lower/greater than last year's projected payroll, the contribution rate will increase / decrease as a result. The payroll increased significantly from the prior year, resulting in a decrease in the contribution rate.

Liability Experience – Experience overall was unfavorable, driven by greater salary increases than expected. This was offset in part by greater than expected turnover and inactive mortality.

Assumption / Method Change – In keeping with the “floor” contribution rate of the funding policy, the amortization period for all unfunded liabilities was reduced from 16 years to 15 years.

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 and members returning to employment.

NOTICE

This plan is closed to new hires and relies on a statutory contribution that amortizes unfunded liabilities over a period that is much too long for the active plan membership. The contributions are based on the combined payroll of both current active members and defined contribution members that would have been part of this plan (EODCRS and ASRS DC). The intergenerational equity implications of this approach should be kept in mind, since members who are not benefiting are helping to cover the cost of benefits.

CONTRIBUTION RESULTS

DEVELOPMENT OF EMPLOYER CONTRIBUTIONS – TIERS 1 & 2 MEMBERS

Valuation Date Applicable to Fiscal Year Ending	June 30, 2025		June 30, 2024	
	2027		2026	
	Rate	Dollar	Rate	Dollar
PENSION				
Normal Cost				
Total Normal Cost	23.84%	\$ 6,977,962	24.09%	\$ 7,640,257
Employee Cost	<u>(7.00%)</u>		<u>(7.00%)</u>	
Employer (Net) Normal Cost	16.84%		17.09%	
Amortization of Unfunded Liability	<u>75.31%</u>		<u>73.38%</u>	
Total Statutory Contribution Rate	92.15%	70,741,247	90.47%	68,387,524
Total Employer Cost (Pension)	70.44%	51,741,247	70.70%	51,387,524
HEALTH				
Normal Cost	0.46%	136,119	0.53%	169,593
Amortization of Unfunded Liability	<u>(0.46%)</u>		<u>(0.53%)</u>	
Total Employer Cost (Health)	0.00%	0	0.00%	0
Total Employer Cost (Pension + Health)	70.44%	51,741,247	70.70%	51,387,524
Alternate Contribution Rate (ACR) ¹	53.60%		53.61%	

As outlined in Section 38-810 of the Arizona Revised Statutes, the contribution rate, effective July 1, 2018, is determined actuarially as a combination of normal cost and an amortization of the plan's unfunded liability. This results in the "Total Statutory Contribution Rate" above. The statutes also outline that additional sources of funding will be provided through court fees (assumed to be approximately \$12 million annually) and appropriation (\$5 million each year through fiscal 2043). The "Total Employer Cost (Pension)" nets out this additional funding from the total rate to arrive at an employer rate to be paid by the combined payrolls for members that would have been in this plan had it not been closed (EORP defined benefit, EORP defined contribution, and ASRS defined contribution members).

¹ The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to an 10% minimum) and is charged when retirees return to active status.

DEVELOPMENT OF CONTRIBUTIONS – TIER 3 DEFINED CONTRIBUTION (DC) MEMBERS (EODCRS)

Applicable to Fiscal Year Ending	2027	2026
EMPLOYEE		
Employee DC Cost	8.00%	8.00%
Employee Disability Program Cost	<u>0.14%</u>	<u>0.14%</u>
Total Employee Cost	8.14%	8.14%
EMPLOYER		
Employer DC Cost	6.00%	6.00%
Employer Disability Program Cost	0.14%	0.14%
Employer Legacy Cost	<u>53.60%</u>	<u>53.61%</u>
Total Employer Cost	59.74%	59.75%

The rates above are only for those Tier 3 members who are participating in the Elected Officials' Defined Contribution Retirement System (EODCRS). Some Tier 3 members will participate in the defined contribution system provided by the Arizona State Retirement System (ASRS); those costs, most notably the disability program cost, are not prepared by Foster & Foster. As such, the ASRS costs are not summarized here.

HISTORICAL SUMMARY OF RATES

EMPLOYER PENSION RATES

Valuation Date June 30	Fiscal Year Ending June 30	Normal Cost	Unfunded Amortization	Total ¹
2021	2023	21.84%	48.58%	70.42%
2022	2024	17.94%	58.57%	76.51%
2023	2025	17.82%	52.62%	70.44%
2024	2026	17.09%	53.61%	70.70%
2025	2027	16.84%	53.60%	70.44%

EMPLOYER HEALTH RATES

Valuation Date June 30	Fiscal Year Ending June 30	Normal Cost	Unfunded Amortization	Total
2021	2023	0.59%	(0.59%)	0.00%
2022	2024	0.57%	(0.57%)	0.00%
2023	2025	0.57%	(0.57%)	0.00%
2024	2026	0.53%	(0.53%)	0.00%
2025	2027	0.46%	(0.46%)	0.00%

¹ Percent applied to combined DB/DC payroll and added to fees and regular \$5 million appropriation.

LIABILITY SUPPORT

LIABILITIES AND FUNDED RATIOS BY BENEFIT

	June 30, 2025	June 30, 2024
PENSION		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 846,039,486	\$ 830,263,886
Vested Members	20,790,573	15,464,178
Active Members	<u>205,934,656</u>	<u>223,315,393</u>
Total Actuarial Present Value of Benefits	1,072,764,715	1,069,043,457
Actuarial Accrued Liability (AAL)		
All Inactive Members	866,830,059	845,728,064
Active Members	<u>174,914,266</u>	<u>188,127,016</u>
Total Actuarial Accrued Liability	1,041,744,325	1,033,855,080
Actuarial Value of Assets (AVA)	454,700,571	429,842,079
Unfunded Actuarial Accrued Liability	587,043,754	604,013,001
PVB Funded Ratio (AVA / PVB)	42.4%	40.2%
AAL Funded Ratio (AVA / AAL)	43.6%	41.6%
HEALTH		
Actuarial Present Value of Benefits (PVB)		
Retirees and Beneficiaries	\$ 11,610,236	\$ 11,286,040
Active Members	<u>2,200,010</u>	<u>2,786,929</u>
Total Present Value of Benefits	13,810,246	14,072,969
Actuarial Accrued Liability (AAL)		
All Inactive Members	11,610,236	11,286,040
Active Members	<u>1,603,688</u>	<u>2,035,536</u>
Total Actuarial Accrued Liability	13,213,924	13,321,576
Actuarial Value of Assets (AVA)	29,082,429	27,999,629
Unfunded Actuarial Accrued Liability	(15,868,505)	(14,678,053)
PVB Funded Ratio (AVA / PVB)	210.6%	199.0%
AAL Funded Ratio (AVA / AAL)	220.1%	210.2%

DERIVATION OF EXPERIENCE (GAIN)/LOSS

Actual experience will never exactly match assumed experience, except by coincidence. Ideally, gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience (gain) / loss is shown below, along with sources of the gains and losses.

	Pension	Health
(1) Unfunded Actuarial Accrued Liability as of June 30, 2024	604,013,001	(14,678,053)
(2) Normal Cost Developed in Last Valuation	5,003,243	155,162
(3) Actual Contributions	67,757,118	0
(4) Expected Interest On (1), (2), and (3)	41,452,307	(1,045,648)
(5) Expected Unfunded Actuarial Accrued Liability as of June 30, 2025: (1)+(2)-(3)+(4)	582,711,433	(15,568,539)
(6) Changes to UAAL Due to Assumptions, Methods and Benefits	0	0
(7) Change to UAAL Due to Actuarial (Gain)/Loss	<u>4,332,321</u>	<u>(299,966)</u>
(8) Unfunded Actuarial Accrued Liability as of June 30, 2025	587,043,754	(15,868,505)

FY 2025 GAINS AND LOSSES BY SOURCE

	Pension		Health	
	(Gain) / Loss	% of Liabilities	(Gain) / Loss	% of Liabilities
Investment Return	(3,644,860)	(0.3%)	(210,836)	(1.6%)
Salary Increases	5,593,531	0.5%	0	0.0%
Retirement	764,090	0.1%	(282,614)	(2.1%)
Turnover	(2,921,329)	(0.3%)	9,713	0.1%
Disability	55,535	0.0%	285	0.0%
Death-In-Service	342,076	0.0%	(3,381)	0.0%
Retiree Mortality	(2,834,460)	(0.3%)	(184,815)	(1.4%)
Audit Adjustment	0	0.0%	0	0.0%
Other ¹	<u>6,977,738</u>	<u>0.7%</u>	<u>371,682</u>	<u>2.7%</u>
Total	4,332,321	0.4%	(299,966)	(2.3%)

¹ The combination of all other factors that could impact liabilities year-over-year, with the primary sources being changes in member data.

AMORTIZATION OF UNFUNDED LIABILITIES

	Date Established	Outstanding Balance	Years Remaining	Amortization Rate
PENSION	6/30/2019	0	15	0.00%
	6/30/2025	<u>603,264,864</u>	15	<u>75.31%</u>
	Total	603,264,864		75.31%
HEALTH	6/30/2019	0	10	0.00%
	6/30/2025	<u>(14,547,113)</u>	10	<u>(2.31%)</u>
	Total	(14,547,113)		(2.31%)

ASSET SUPPORT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR YEAR ENDED JUNE 30, 2025

	Pension	Health
ADDITIONS		
Contributions		
Member Contributions	\$ 2,671,831	\$ 0
Employer Contributions	48,691,818	0
Health Insurance Contributions	0	0
Other Contributions	<u>19,065,300</u>	<u>0</u>
Total Contributions	70,428,949	0
Investment Income		
Net Increase in Fair Value	37,604,045	2,422,377
Interest and Dividends	6,997,618	450,772
Other Income	4,056,330	261,301
Less Investment Expenses	<u>(949,506)</u>	<u>(61,165)</u>
Net Investment Income	47,708,487	3,073,285
Non-investment Income	0	0
Transfers In	0	0
Total Additions	118,137,436	3,073,285
DEDUCTIONS		
Distributions to Members		
Benefit Payments	79,756,598	0
Health Insurance Subsidy	0	1,104,256
Refund of Contributions	<u>69,067</u>	<u>0</u>
Total Distributions	79,825,665	1,104,256
Administrative Expenses	368,837	23,760
Transfers Out	0	0
Other	0	0
Total Deductions	80,194,502	1,128,016
NET INCREASE / (DECREASE)	37,942,934	1,945,269
NET POSITION HELD IN TRUST		
Prior Valuation	436,507,978	28,368,431
Beginning of the Year Adjustment	0	0
End of the Year	474,450,912	30,313,700

DEVELOPMENT OF PENSION ACTUARIAL VALUE OF ASSETS

A. Investment Income

A1. Actual Investment Income	\$ 47,339,650
A2. Expected Amount for Immediate Recognition	31,096,172
A3. Amount Subject to Amortization	16,243,478

B. Amortization Schedule	Year Ended June 30						
	2025	2026	2027	2028	2029	2030	2031
Experience (A3 / 7)	2,320,497	2,320,497	2,320,497	2,320,497	2,320,497	2,320,497	2,320,496
Experience	1,626,910	1,626,910	1,626,910	1,626,910	1,626,910	1,626,911	
Experience	351,020	351,020	351,020	351,020	351,020		
Experience	(5,518,818)	(5,518,818)	(5,518,818)	(5,518,815)			
Experience	7,491,790	7,491,790	7,491,787				
Experience	(2,138,405)	(2,138,403)					
Experience	<u>(973,958)</u>						
Total Amortization	3,159,036	4,132,996	6,271,396	(1,220,388)	4,298,427	3,947,408	2,320,496

C. Actuarial Value of Assets

C1. Actuarial Value of Assets, June 30, 2024	429,842,079
C2. Non-investment Net Cash Flow	(9,396,716)
C3. Preliminary Actuarial Value of Assets, June 30, 2025: (A2 + B + C1 + C2)	454,700,571
C4. Market Value of Assets, June 30, 2025	474,450,912
C5. Final Actuarial Value of Assets, June 30, 2025 (C3 Within 20% Corridor of C4)	454,700,571

D. Rates of Return

D1. Market Value Rate of Return	11.0%
D2. Actuarial Value Rate of Return	8.1%

DEVELOPMENT OF HEALTH ACTUARIAL VALUE OF ASSETS - TIERS 1 & 2

A. Investment Income

A1. Actual Investment Income	\$ 3,049,525
A2. Expected Amount for Immediate Recognition	2,003,465
A3. Amount Subject to Amortization	1,046,060

B. Amortization Schedule	Year Ended June 30						
	2025	2026	2027	2028	2029	2030	2031
Experience (A3 / 7)	149,437	149,437	149,437	149,437	149,437	149,437	149,438
Experience	107,987	107,987	107,987	107,987	107,987	107,986	
Experience	25,582	25,582	25,582	25,582	25,581		
Experience	(448,794)	(448,794)	(448,794)	(448,796)			
Experience	607,293	607,293	607,293				
Experience	(175,817)	(175,815)					
Experience	<u>(82,097)</u>						
Total Amortization	183,591	265,690	441,505	(165,790)	283,005	257,423	149,438

C. Actuarial Value of Assets

C1. Actuarial Value of Assets, June 30, 2024	27,999,629
C2. Non-investment Net Cash Flow	(1,104,256)
C3. Preliminary Actuarial Value of Assets, June 30, 2025: (A2 + B + C1 + C2)	29,082,429
C4. Market Value of Assets, June 30, 2025	30,313,700
C5. Final Actuarial Value of Assets, June 30, 2025 (C3 Within 20% Corridor of C4)	29,082,429

D. Rates of Return

D1. Market Value Rate of Return	11.0%
D2. Actuarial Value Rate of Return	8.0%

MEMBER STATISTICS

STATISTICAL DATA

	June 30, 2025	June 30, 2024
ACTIVES		
Number	236	285
Average Current Age	60.9	60.7
Average Age at Employment	45.0	45.0
Average Past Service	15.9	15.7
Average Annual Salary	\$119,972	\$107,631
RETIREEES		
Number	1,047	1,051
Average Current Age	74.6	74.4
Average Annual Benefit	\$64,903	\$63,310
BENEFICIARIES		
Number	254	250
Average Current Age	80.7	80.5
Average Annual Benefit	\$46,123	\$44,509
DISABILITY RETIREES		
Number	14	14
Average Current Age	74.4	75.5
Average Annual Benefit	\$112,953	\$120,493
INACTIVE / VESTED		
Number	181	167
Average Current Age	60.7	60.0
Average Accumulated Contributions	\$29,646	\$27,765
TOTAL NUMBER	1,732	1,767

Note that while transfer records are reflected in the valuation data, the Plan is considered as a whole so members are only reflected once in the headcounts shown above.

ACTIVE AGE, SERVICE AND PAY DISTRIBUTIONS

Age	Past Service							Total Count	Total Pay	Average Pay
	0-4	5-9	10-14	15-19	20-24	25-29	30+			
<40	0	0	2	0	0	0	0	2	123,000	61,500
40 - 44	1	0	3	0	0	0	0	4	137,741	34,435
45 - 49	1	0	12	2	0	0	0	15	843,192	56,213
50 - 54	2	0	18	7	2	0	0	29	3,719,317	128,252
55 - 59	3	3	25	15	2	0	0	48	6,280,370	130,841
60 - 64	3	5	24	28	5	2	0	67	9,401,138	140,315
65 - 69	6	2	12	17	10	1	1	49	6,352,074	129,634
70 - 74	0	1	4	8	1	1	1	16	1,362,359	85,147
75+	<u>0</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>6</u>	<u>94,204</u>	15,701
Total	16	11	101	79	21	5	3	236	28,313,395	119,972

AGE DISTRIBUTIONS – INACTIVE MEMBERS

Age	Retirees, Disableds and Beneficiaries	
	Count	Average Annual Pensions
<40	1	138,159
40-45	1	43,023
45-49	9	22,598
50-54	17	42,521
55-59	37	52,292
60-64	84	62,085
65-69	174	61,188
70-74	274	66,009
75-79	301	67,045
80-84	206	58,126
85-89	127	56,375
90-94	66	61,194
95-99	14	53,034
100+	4	41,048
Total	1,315	61,787

ACTUARIAL ASSUMPTIONS AND METHODS

Interest Rate 7.20% per year. This is the assumed earnings rate on System assets, compounded annually, net of investment and administrative expenses.

Mortality Rate

Active Lives:
PubG-2010 (Above Median) Employee mortality, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).

Inactive Lives:
PubG-2010 (Above Median) Healthy Retiree mortality, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).

Beneficiaries:
PubG-2010 (Above Median) Survivor mortality, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).

Disabled Lives:
PubNS-2010 Disabled mortality, 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 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 (age 62 before attaining 20 years of service) & Tier 2:
Service-related rates based on service at retirement: 40% per year with 20 years of service, 30% per year with 21 years of service, 15% per year with 22-34 years of service, and 100% assumed with 35+ years of service.

Tier 1 – age 62 after attaining 20 years of service:
Age-related rates based on age at retirement: 20% per year from age 62 - 74 and 100% assumed at age 75.

Tier 1 - eligible for early retirement:
4.0% per year for each year of eligibility.

Disability Rate

These rates are used to project future decrements from the active population due to disability. Sample age-related rates based on age at disability are provided below. These rates are based on a 2022 experience study using actual plan experience.

Age	Rate
30	0.00%
35	0.00%
40	0.00%
45	0.00%
50	0.13%
55	0.17%

Termination Rate

These rates are used to project future decrements from the active population due to termination. Service-related rates based on service at termination: 7.0% per year for up to 8 years of service and 1.0% per year for 9+ years of service. These rates are based on a 2022 experience study using actual plan experience.

Inflation

2.50%.

Cost-of-Living Adjustment

1.85%.

Salary Increases

3.25%. This is an annual increase for individual member's salary. This rate is based on a 2022 experience study using actual plan experience.

Marital Status

For active members, 80% of males and 70% of females are assumed to be married. Actual marital status is used, where applicable, for inactive members.

Spouse's Age

Males are assumed to be three years older than females.

Benefit Commencement	Deferred members are assumed to commence benefits as follows: <ul style="list-style-type: none">• Less than 5 years service: immediate refund of contributions• (5+ years service): life annuity payable at age 62
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.
Actuarial Asset Method	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. 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.
Amortization Method	See Funding Policy for complete details. In short: <ul style="list-style-type: none">• Any positive UAAL (assets less than funding policy targets) is amortized using a layered approach according to a Level Dollar method over a closed period of 15 years (phased into from current period).• Any negative UAAL (assets greater than funding policy targets) is amortized according to a Level Dollar method over an open period of 10 years.
Payroll Growth	0.00% per year. This is the annual increase expected on total employer payroll.

CHANGES SINCE THE PRIOR VALUATION

The amortization period was lowered from the scheduled 16 years to 15 years.

There were no method changes since the prior valuation.

PLAN PROVISIONS

The following is a summary of the benefit provisions provided in Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes.

Membership	Eligible elected officials, justices, judges, and administrators who were members of the plan on December 31, 2013.
Benefit Tiers	Benefits differ for members based on their hire date: Tier 1: Hired before January 1, 2012 Tier 2: Hired on or after January 1, 2012
Average Yearly Salary	Total salary paid during a considered period divided by the number of years (including fractional years) in which the salary was received. Tier 1: Considered period is the three highest consecutive years within the last ten completed years of service. Tier 2: Considered period is the five highest consecutive years within the last ten completed years of service..
Credited Service	Total periods of service, both from other State plans and those compensated periods of service for which the member made contributions to the Fund.
Normal Retirement	
Date	First of the month following attainment of 1) age 62 years with 10 years of Credited Service or 2) age 65 with 5 years of Credited Service. Members hired before January 1, 2012 are also eligible upon attainment of 20 years of Credited Service.
Benefit	Tier 1: 4.00% times Average Yearly Salary times Credited Service (maximum 80% of Average Yearly Salary). Tier 2: 3.00% times Average Yearly Salary times Credited Service (maximum 75% of Average Yearly Salary).

Form of Benefit	For married retirees, an annuity payable for the life of the member with 75% continuing to the eligible spouse upon death (50% for members hired on/after January 1, 2012). For unmarried retirees, the normal form is a single life annuity.								
<hr/>									
Early Retirement	Only applicable to Tier 1 members								
Date	5 years of Credited Service.								
Benefit	Normal Retirement benefit reduced by 0.25% for each month Early Retirement precedes the member's Normal Retirement date. Maximum reduction is 30%.								
Form of Benefit	Same as Normal Retirement								
<hr/>									
Disability Benefit									
Eligibility	Permanent mental or physical incapacitation that would prevent the member from performing the duties of their office.								
Benefit Amount	Percentage (below) times Average Yearly Salary.								
	Tier 1								
	<table border="0" style="width: 100%;"><thead><tr><th style="text-align: left;">Credited Service</th><th style="text-align: left;">Percentage</th></tr></thead><tbody><tr><td>Less than 5 years</td><td>20%</td></tr><tr><td>5 years to less than 10</td><td>40%</td></tr><tr><td>10+ years</td><td>80%</td></tr></tbody></table>	Credited Service	Percentage	Less than 5 years	20%	5 years to less than 10	40%	10+ years	80%
Credited Service	Percentage								
Less than 5 years	20%								
5 years to less than 10	40%								
10+ years	80%								
	Tier 2								
	<table border="0" style="width: 100%;"><thead><tr><th style="text-align: left;">Credited Service</th><th style="text-align: left;">Percentage</th></tr></thead><tbody><tr><td>Less than 5 years</td><td>18.75%</td></tr><tr><td>5 years to less than 10</td><td>37.50%</td></tr><tr><td>10+ years</td><td>75.00%</td></tr></tbody></table>	Credited Service	Percentage	Less than 5 years	18.75%	5 years to less than 10	37.50%	10+ years	75.00%
Credited Service	Percentage								
Less than 5 years	18.75%								
5 years to less than 10	37.50%								
10+ years	75.00%								
<hr/>									
Pre-Retirement Death Benefit	Payable following death of active member								
Payable to Eligible Survivor	75% (50% for members hired on/after January 1, 2012) of benefit calculated in same manner as disability benefit. Payable to eligible spouse for life; payable to eligible children until adopted, age 18, or age 23 if full-time student.								
No Survivors	Accumulated contributions.								
<hr/>									

Vesting (Termination)

Vesting Service Requirement **5 years.**

Vested Benefit Normal Retirement Benefit is payable upon reaching age requirement if contributions are left in fund.

Non-Vested Benefit **Tier 1:** Lump sum payment of accumulated contributions, plus additional amount based on years of Credited Service. Contributions left on deposit more than 30 days receive interest (as determined by the Board) from termination.

Service	Additional % of Contributions
Less than 5 years	0%
5 years	25%
6 years	40%
7 years	55%
8 years	70%
9 years	85%
10+ years	100%

Tier 2: Lump sum payment of accumulated contributions, with interest at rate determined by the Board.

Cost-of-Living Adjustment

Compound cost-of-living adjustment on base benefit, payable to retired member or survivor of retired member. First payment is made on July 1, 2019, with annual adjustments effective every July 1 thereafter.

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%.

Post-Retirement Health Insurance Subsidy

Eligibility Retired member or survivor who elect health coverage provided by the state or participating employer.

Maximum Subsidy Amounts (monthly)	Member Only	With Dependents
Medicare Eligible	\$100	\$170
One w/ Medicare	N/A	\$215
Not Medicare Eligible	\$150	\$260

Retired members or survivors with at least five years of service, but less than 8 years of service receive a proportionate share of full subsidy.

Contributions

Employee

Tier 1: 7.00%.

Tier 2: 13.00%. Amounts in excess of 7.00% are not used to reduce the employer contribution ("maintenance of effort").

Employer

Normal Cost plus amortization of unfunded actuarial accrued liability over a closed period not to exceed 30 years. Total employer and employee contributions cannot be less than the normal cost.

CHANGES SINCE THE PRIOR VALUATION

None.

ACTUARIAL FUNDING POLICY

A pension plan funding policy describes how pension funding will improve for underfunded plans or maintain funded benefits for funded plans over time for those benefits defined in Arizona Revised Statutes (ARS). Those benefits defined in ARS are to be equitably managed and administered by the Arizona Public Safety Personnel Retirement System (PSPRS agency).

This Actuarial Funding Policy identifies the funding objectives and elements of the actuarial funding policy set by the Board for the PSPRS agency. The Board adopted this Funding Policy to help ensure the systematic funding of future benefit payments for members of the retirement systems as established by the legislature.

This policy covers all retirements systems administered by the Board: The Public Safety Personnel Retirement System (PSPRS); the Correction Officers Retirement Plan (CORP); and the Elected Officials Retirement Plan (EORP).

To achieve the systematic funding of future benefits, metrics are identified to measure the progress, or the lack of progress, over time to identify trends. These trends inform the continuation of the current policies or identify areas of needed research for consideration.

This funding policy is reviewed annually and adopted by the Board in accordance with ARS 38-863.02. This policy was reviewed and adopted by the Board in September 2025.

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.

continue to monitor market conditions and directions with the intent to ultimately adopt a single assumed rate of return for all investments for retirement systems/plans administered by PSPRS agency.

7. EORP Floor Considerations

- a. Establish a "floor" for EORP based on the immediately previous valuation by adjusting payroll growth, amortization periods of the original layer or other possible options, to improve funding in maintaining contribution levels opposed to reducing employer contributions.

METRICS TO MONITOR FUNDING OBJECTIVES

1. Appropriateness of Assumptions – Gain/Loss Experience (Corollary 1a)

- a. Metric: Do the cumulative gain/loss layers over the prior five years exceed 8% of plan assets?
- b. Measurement: History of annual gain/loss (split by asset and liability experience) and five-year cumulative results will be tracked.
- c. Action Plan: This metric assumes that a full experience study is performed at least every five years so objective of measurement is to monitor interim experience. If the metric answer is yes, a review of the sources or causes of gains and losses should be analyzed and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if assumption changes are warranted between full experience studies.

2. Funding Targets (Corollary 1b)

- a. Metric: Has the funded status, on both an AAL and PVB basis when compared to the MVA, increased over a five-year period?
- b. Measurement: History of funded status measures will be tracked.
- c. Action Plan: If the answer is no and not readily explainable (e.g., significant assumption change), a review of the reason(s) for the decrease should be researched and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if changes to assumptions and/or methods are warranted between full experience studies.

3. Communication with Stakeholders (Corollary 2a)

- a. Metric: Have reports and budgeting tools been provided to stakeholders in a timely fashion?
- b. Measurement: Yes/No answer based on input from PSPRS administrator. (An annual standard survey of stakeholders – 3 to 5 questions.)
- c. Action Plan: If the answer is no, and periodically regardless (e.g., every three years), PSPRS staff will revisit this metric to report to the Advisory Committee to provide a recommendation to the Board of Trustees if current reports / tools are sufficient and if the delivery timing is appropriate.

4. Timely Recognition of Costs (Corollary 3a)

- a. Metric: Has the percentage of unfunded liability subject to negative amortization decreased over a five-year lookback period?
- b. Measurement: History of unfunded liability subject to negative amortization as a percentage of total unfunded liability will be tracked.
- c. Action Plan: If the answer is no, and not readily explainable (e.g., adopted assumption changes being phased in are anticipated to address negative amortization), a review of the reason(s) for negative amortization should be researched and presented to the Advisory Committee to provide a recommendation to the Board of Trustees. The analysis and presentation are intended to provide a basis for consideration if changes to assumptions and/or methods are warranted between full experience studies.

SUPPLEMENTARY INFORMATION

GLOSSARY

Accrued Benefit	The benefit earned as of a specific date based on the provisions of the plan and the member's age, service, and salary as of that date.
Actuarial Accrued Liability	The portion of the anticipated future benefits allocated to years prior to the valuation date determined according to the plan's Actuarial Cost Method.
Actuarial Value of Assets	The asset value used in the valuation to determine contribution requirements. It represents the plan's Market Value of Assets (see below), with adjustments according to the plan's Actuarial Asset Method. These adjustments produce a "smoothed" value that is likely to be less volatile from year to year than the Market Value of Assets.
Actuarial Assumptions	Assumptions regarding the occurrence of future events affecting plan costs. These assumptions include rates of investment earnings, changes in compensation, 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 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 to ensure the plan is adequately and systematically funded.
Actuarial Gain or Loss	The change in Unfunded Actuarial Accrued Liability resulting from experience different from Actuarial Assumptions. Gains decrease the Unfunded Actuarial Accrued Liability and losses increase the Unfunded Actuarial Accrued Liability.

Actuarial Present Value The estimated 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.

Amortization Payment The portion of the 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.

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

Entry Age Normal Cost Method

Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

(ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's

attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

Funded Ratio

A measure of the ratio of the plan 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 Actuarial Cost Method used to determine the liabilities.

Interest Rate

The assumed long-term rate of return on plan assets.

Market Value of Assets

The fair market value of plan assets as of the valuation date.

Normal Cost

The current year's cost for benefits yet to be funded. Under the Entry Age Normal cost method, it is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Present Value of Benefits

The single sum value on the valuation date of all future benefits to be paid to current plan participants.

Projected Annual Payroll

The projected annual rate of pay for the fiscal year following the fiscal year beginning on the valuation date of all covered Members.

Projected Benefits

The benefits expected to be paid in the future based on the provisions of the plan and the Actuarial Assumptions. The projected values are based on anticipated future advancement in age and accrual of service as well as increases in salary paid to the participant.

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 using various actuarial assumptions. 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. It is 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 increases less than 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, closed 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 closed plans with a substantial inactive liability. Similarly, mature closed 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". Highlights of this information are discussed below:

- The Support Ratio, determined as the ratio of active to inactive members, has decreased from 25.0% on June 30, 2021 to 15.8% on June 30, 2025. This is expected since the plan is closed to new active members.
- The Accrued Liability Ratio, determined as the ratio of the Inactive Accrued Liability, which is the liability associated with members who are no longer employed but are due a benefit from the plan, to the Total Accrued Liability, is 83.2%. With a plan of this maturity, losses due to lower than expected investment returns or demographic factors will need to be made up for over a shorter time horizon than would be needed for a less mature plan.
- The Funded Ratio, determined as the ratio of the Actuarial Value of Assets to the Total Accrued Liability, has increased from 33.2% on June 30, 2021 to 43.6% on June 30, 2025. The contributions will need to continue at least at the statutory levels for the funded status to improve over time.

- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments) to the Market Value of Assets, increased from (3.7%) on June 30, 2021 to (2.0%) on June 30, 2025, meaning that contributions are not currently covering the plan's benefit payments.

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 page 8 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 , resulting in an LDROM of \$1,378,467,509. 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.

It is important to note that the actuary has identified the risks above as the most significant risks based on the characteristics of the plan and the nature of the project, however, it is not an exhaustive list of potential risks that could be considered. Additional advanced modeling, as well as the identification of additional risks, can be provided at the request of the reader.

PLAN MATURITY MEASURES AND OTHER RISK METRICS

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
SUPPORT RATIO					
Total Actives	236	285	296	354	373
Total Inactives	1,496	1,482	1,497	1,471	1,492
Actives / Inactives	15.8%	19.2%	19.8%	24.1%	25.0%
ASSET VOLATILITY RATIO					
Market Value of Assets (MVA)	474,450,912	436,507,978	394,559,282	317,866,299	346,481,987
Total Annual Payroll	28,313,395	30,674,962	29,631,972	32,503,680	33,967,975
MVA / Total Annual Payroll	1,675.7%	1,423.0%	1,331.5%	977.9%	1,020.0%
ACCRUED LIABILITY (AL) RATIO					
Inactive Accrued Liability	866,830,059	845,728,064	848,726,874	813,285,243	785,585,336
Total Accrued Liability	1,041,744,325	1,033,855,080	1,021,306,781	992,999,010	955,044,405
Inactive AL / Total AL	83.2%	81.8%	83.1%	81.9%	82.3%
FUNDED RATIO					
Actuarial Value of Assets (AVA)	454,700,571	429,842,079	398,641,756	323,944,540	317,024,916
Total Accrued Liability	1,041,744,325	1,033,855,080	1,021,306,781	992,999,010	955,044,405
AVA / Total Accrued Liability	43.6%	41.6%	39.0%	32.6%	33.2%
NET CASH FLOW RATIO					
Net Cash Flow ¹	(9,396,716)	2,078,524	49,485,843	(14,761,366)	(12,913,613)
Market Value of Assets (MVA)	474,450,912	436,507,978	394,559,282	317,866,299	346,481,987
Net Cash Flow / MVA	(2.0%)	0.5%	12.5%	(4.6%)	(3.7%)

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.