BOARD OF SUPERVISORS AGENDA ITEM REPORT

Requested Board Meeting Date: **4/16/2024**

= Mandatory, information must be provided

Click or tap the boxes to enter text. If not applicable, indicate "N/A".

***Title**:

Use of Public Safety Personnel Retirement System and Correction Officer Retirement Plan Reserve

***Introduction/Background**:

As of June 30, 2020, Pima County faced a significant unfunded actuarial accrued liability for both our Public Safety Personnel Retirement System (PSPRS) and Correction Officer Retirement Plan (CORP). The actuarially assumed unfunded liability for PSPRS stood at $260 million, while for CORP, it was $83.2 million. At these levels, the County only had enough funding in the pension plans to cover 41.1% of its PSPRS pensions and 46.5% of its CORP pensions. To address this shortfall, County staff devised a financing plan, which received approval at the February 16, 2021, Board of Supervisors (BOS) meeting. This plan entailed the issuance of $300 million in Pledged Revenue Obligation debt in May 2021, at an interest rate of 1.99%.

***Discussion**:

The County updated BOS Policy – D 22.11 – Public Safety Personnel Retirement System and Corrections Officer Retirement Plan Pension Funding, establishing a $25 million Pension Fund Reserve funded from projected savings achieved through financing. This Reserve serves as a source of funds for additional contributions to the County's pension funds, aiming to maintain sufficiently high funded levels in the future.

In FY 2022/23, the combined total of unfunded liabilities for both plans has increased to $99.3 million. Over the past two fiscal years, no budgetary savings have been realized from the Sheriff's Department General Fund, leaving no funds available to offset the rise in unfunded liabilities. Consequently, employer contribution rates are also increasing. Currently, the resources available to mitigate these rises in liabilities and contribution rates are limited to the Pension Fund Reserve.

***Conclusion**:

To mitigate the increasing unfunded liabilities in the PSPRS and CORP, maintain lower employer contribution rates, and bolster the funded ratio of these retirement plans, County Administration recommends allocating $10 million from the $25 million Pension Fund Reserve this fiscal year. Given that the CORP plan is currently funded at approximately the 90% level, the proposed $10 million would be allocated to the PSPRS plan, raising its funding level to approximately 86%. Utilizing $10 million of the Pension Fund Reserve at this juncture will fortify the funded levels of the PSPRS, while preserving significant amounts in the Reserve for potential future needs.

***Recommendation**:

Authorize the Director of Finance and Risk Management to take appropriate steps to transfer $10 million from the Pension Fund Reserve to PSPRS in FY 2023/24, to reduce the unfunded liability in the PSPRS plan.

***Fiscal Impact**:

By addressing the unfunded liability in the PSPRS plan, we will bring the Pension Fund Reserve down to $15 million but also mitigate future increases in employer contribution rates.

***Board of Supervisor District**:

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Department Director Signature: EMoulton Date: 3/26/24

Deputy County Administrator Signature: Date:

County Administrator Signature: Date: 3/27/24