



# MEMORANDUM

Date: May 22, 2023

To: The Honorable Chair and Members  
Pima County Board of Supervisors

From: Jan Leshy   
County Administrator

Re: **Public Safety Personnel Retirement System and Corrections Officer Retirement Plan Pension Funding Policy**

In accordance with A.R.S. §38-863.01, each governing body of an employer that contributes to a Public Safety Personnel Retirement System (PSPRS) administered plan shall annually adopt a pension funding policy. To comply with this statute, the updated Board of Supervisors' Public Safety Personnel Retirement System and Corrections Officer Retirement Plan Pension Funding Policy, D.22.11, will be presented for your consideration and approval on the June 6, 2023, Board agenda. In previous years, Pima County had a significant unfunded actuarial accrued liability for our PSPRS and Correction Officer Retirement Plan (CORP). However, in May 2021, the County issued \$300 million in Pledged Revenue Obligation debt at an interest rate of 1.99% to substantially reduce this unfunded liability.

Prior to the debt issuance in FY 2020/21, the pension liability was scheduled to be paid off through annual contributions made by the County through FY 2037/38. PSPRS and its actuaries determined that those annual contributions were amortized at a 7.30% rate (much higher than the County's rate of 1.99% on the Obligations) for all employer plans in PSPRS, including the County's plans. As a result of the County's issuance of its Obligations, the savings to the County is currently estimated to be over \$180 million for the period through FY 2037/38.

During FY 2020/21 and 2021/22, \$300 million of debt proceeds were used to pay the plans, which resulted in substantially lower employer contribution rates, decreased PSPRS/CORP retirement costs, and increased the funded ratio for these plans.

Below is the unfunded liability and funding ratio by plan, as of the updated June 30, 2022, Actuarial Report.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Public Safety Personnel	\$ 414,222,176	\$ 472,478,725	\$ 58,256,549	88%
Corrections Officers	150,733,374	160,210,138	9,476,764	94%
County Attorney Investigators*	3,089,821	4,602,813	1,512,992	67%
Total	\$ 568,045,371	\$ 637,291,676	\$ 69,246,305	89%

\*PSPRS administers this plan; however, this plan was not included in the \$300 million in Pledged Revenue Obligation Debt.

The Honorable Chair and Members, Pima County Board of Supervisors

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The unfunded liability for the three pension plans increased by \$31,180,413 between FY 2020/21 and FY 2021/22, primarily due to volatile market conditions during FY 2021/22. Although PSPRS achieved a -4% return on investments in FY 2021/22, the negative return was more than offset by the 27% return achieved in FY 2020/21. As retirement plans are long-term investments, year-over-year investment returns must be managed with that longer-term perspective. The average rate of return for PSPRS investments over the past ten years has been approximately 7.5% per year.

Finance and Risk Management continues to closely monitor the unfunded liability and investment returns in collaboration with PSPRS.

JKL/anc

c: Carmine DeBonis, Jr., Deputy County Administrator  
Francisco García, Deputy County Administrator and Chief Medical Officer  
Steve Holmes, Deputy County Administrator  
Ellen Moulton, Director, Finance and Risk Management  
Andy Welch, Deputy Director, Finance and Risk Management  
Xavier Rendon, Budget Division Manager, Finance and Risk Management