



MEMORANDUM

Date: May 1, 2024

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

From: Jan Leshor 
County Administrator

Re: **Additional Information for the May 7, 2024 Board of Supervisors Meeting - Public Safety Personnel Retirement System and Corrections Officer Retirement Plan Pension Funding Policy**

Finance and Risk Management has placed the Pension Funding Policy on the May 7, 2024, Board of Supervisors (BOS) Meeting agenda to comply with Arizona Revised Statute (A.R.S.) §38-863.01, which requires the Board to annually adopt a pension funding policy for the Public Safety Personnel Retirement System (PSPRS). As discussed in the April 10, 2024 Use of Public Safety Personnel Retirement System and Corrections Officer Retirement Plan (CORP) Reserve Funding [memorandum](#) and at the April 16, 2024 BOS meeting, the unfunded liabilities for both PSPRS and CORP have increased resulting in a decrease in the funded ratios of the plans. At the April 16, 2024 meeting, the Board approved the use of \$10 million from the PSPRS Fund Reserve to pay down the unfunded liability and increase the funded ratio.

Below is the unfunded liability and funding ratio by plan as of the updated June 30, 2023, actuarial report.

			Unfunded Actuarial	
Trust Fund	Assets	Accrued Liability	Accrued Liability	Funded Ratio
Public Safety Personnel	\$ 421,221,177	\$ 502,792,838	\$ 81,571,661	84%
Corrections Officers	153,890,209	171,628,065	17,737,856	90%
County Attorney Investigators*	3,595,142	4,745,792	1,150,650	76%
Total	\$ 568,045,371	\$ 637,291,676	\$ 69,246,305	86%

*This is a plan administered by PSPRS; 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

Re: **Additional Information for the May 7, 2024 Board of Supervisors Meeting -Public Safety
Personnel Retirement System and Corrections Officer Retirement Plan Pension Funding
Policy**

May 1, 2024

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Recommendation

To comply with A.R.S. §38-863.01, I recommend approval of the revised policy.

JKL/anc

Attachment

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



PIMA COUNTY, ARIZONA BOARD OF SUPERVISORS POLICY

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Public Safety Personnel Retirement System and Corrections Officer Retirement Plan Pension Funding	D 22.11	1 of 3

Purpose

To establish Pima County policy for the funding of the Public Safety Personnel Retirement System (PSPRS) pension plan in accordance with Arizona Revised Statutes §38-863.01 and the Corrections Officer Retirement Plan (CORP).

Background

Beginning on or before July 1, 2019, the County shall comply with state law by annually adopting a pension funding policy for the Public Safety Personnel Retirement System that meets the criteria set forth in A.R.S. §38-863.01. Beginning February 16, 2021, the Corrections Officer Retirement Plan was included due to the issuance of debt to fund the unfunded liabilities of these two pension plans.

The policy shall include:

- The acceptance of the County's share of the assets and liabilities under the system based on the system's actuarial valuation report.
- The County's funded ratio target under the system and timeline for reaching the targeted funding ratio.
- How and when the County's funding requirements of the system will be met.
- How to maintain stability of the County's funding contributions to the system.
- The establishment of a Pension Fund Reserve.

The County contributes to the Public Safety Personnel Retirement System (PSPRS) and Corrections Officer Retirement Plan (CORP) for the Sheriff's Department and PSPRS for County Attorney Investigators. A comprehensive description, financial reports, and actuarial valuation reports can be located on the PSPRS website at www.psprs.com for these plans.

Definitions

Annual Required Contribution (ARC) – The annual amount required to pay into the pension funds, as determined through annual actuarial valuations. It is comprised of two primary components: *Normal Pension Costs* - which is the estimated cost of pension benefits earned by employees in the current year; and *Amortization of UAAL* - which is the cost needed to cover the unfunded portion of pensions earned by employees in previous years. The UAAL is collected over a period of time referred to as the amortization period. The ARC is a percentage of the current payroll.

Funded Ratio – A ratio of fund assets to actuarial accrued liability.



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Unfunded Actuarial Accrued Liability (UAAL) – The difference between trust assets and the estimated future costs of pensions earned by employees.

Policy

- The Board of Supervisors formally accepts the assets, liabilities, and current funding ratio of the County's PSPRS and CORP trust funds as reported by PSPRS, the plan administrator, from their June 30, ~~2022~~**2023**, actuarial valuation, which is detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Public Safety Personnel	\$ 414,222,176 <u>42</u> 1,221,177	\$ 472,478,725 <u>502,7</u> 92,838	\$ 58,256,549 <u>81,571,6</u> 61	88 <u>84</u> %
Corrections Officers	150,733,374 <u>15</u> 3,890,209	160,210,138 <u>171,6</u> 28,065	9,476,764 <u>17,737,85</u> 6	94 <u>90</u> %
County Attorney Investigators	3,089,821 <u>3,595</u> ,142	4,602,813 <u>4,745,79</u> 2	1,512,992 <u>1,150,650</u> 67	67 <u>76</u> %
Total	\$ 568,045,374 <u>57</u> 8,706,528	\$ 637,291,676 <u>679,1</u> 66,695	\$ 69,246,305 <u>100,460,1</u> 67	89 <u>86</u> %

- The Board's funding ratio goal is 100% (fully funded) over a period of 4413 years*.
- The plan to achieve this goal includes the issuance of Pledged Revenue Obligations in addition to full Annual Required Contribution (ARC) payments (Normal Cost and remaining UAAL amortization) from operating funds over the entire amortization period of 4413 years*. The County will continue to budget and contribute at the rates established by the retirement system.
- A Pension Fund Reserve (Reserve) ~~has been~~**was** created **from a portion of the projected savings achieved from the proposed financing** and funded ~~at~~ **as of May 7, 2024, has a balance of \$2517** million ~~from a portion of the projected savings achieved from the proposed financing~~. The Reserve ~~will provide~~**s** a source of funds from which the County can make additional contributions that may be required in future years.
- Any budgetary savings realized from the Sheriff Department's General Fund will be used to offset increases in the unfunded liability.
- To ensure that the UAAL does not increase due to grants that disproportionately and adversely affect our PSPRS and CORP retirement plans, the County will not accept any federal or state grants that provide for personnel service payments only in the form of overtime.



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BOARD OF SUPERVISORS POLICY

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*NOTE: The plan to amortize the UAAL over an extended period of time is conditional on the accuracy of the actuarial assumptions. These assumptions are updated on an annual basis. The ARC and/or the amortization period may be adjusted.

Adoption Date: June 4, 2019
Revised Date: June 23, 2020
February 16, 2021
May 17, 2022
June 6, 2023
May 7, 2024
Effective Date: ~~June 6, 2023~~
May 7, 2024

Clean Version



PIMA COUNTY, ARIZONA BOARD OF SUPERVISORS POLICY

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Background

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The policy shall include:

- The acceptance of the County's share of the assets and liabilities under the system based on the system's actuarial valuation report.
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Funded Ratio – A ratio of fund assets to actuarial accrued liability.



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County Attorney Investigators	3,595,142	4,745,792	1,150,650	76%
Total	\$ 578,706,528	\$ 679,166,695	\$ 100,460,167	86%

- The Board's funding ratio goal is 100% (fully funded) over a period of 13 years*.
- The plan to achieve this goal includes the issuance of Pledged Revenue Obligations in addition to full Annual Required Contribution (ARC) payments (Normal Cost and remaining UAAL amortization) from operating funds over the entire amortization period of 13 years*. The County will continue to budget and contribute at the rates established by the retirement system.
- A Pension Fund Reserve (Reserve) was created from a portion of the projected savings achieved from the proposed financing and as of May 7, 2024, has a balance of \$17 million. The Reserve provides a source of funds from which the County can make additional contributions that may be required in future years.
- Any budgetary savings realized from the Sheriff Department's General Fund will be used to offset increases in the unfunded liability.
- To ensure that the UAAL does not increase due to grants that disproportionately and adversely affect our PSPRS and CORP retirement plans, the County will not accept any federal or state grants that provide for personnel service payments only in the form of overtime.

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