BOARD OF SUPERVISORS AGENDA ITEM REPORT

Requested Board Meeting Date: June 4, 2019

Title: Public Safety Personnel Retirement System (PSPRS) Funding Policy

Introduction/Background:

To comply with state law, the County shall annually adopt a pension funding policy that meets the criteria set forth in A.R.S. §38-863.01.

Discussion:

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 (PSPRS) that meets the criteria set forth in A.R.S. §38-863.01.

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.

Conclusion:

To comply with state law, the County shall annually adopt a pension funding policy that meets the criteria set forth in A.R.S. §38-863.01.

Recommendation:

Staff recommends the approval of the PSPRS Funding Policy to comply with A.R.S. §38-863.01.

Fiscal Impact:

The County will continue to contribute at rates established by the retirement system.

Board of Supervisor District:

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☒ All

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Department Director Signature/Date: [signature] 5-29-19

Deputy County Administrator Signature/Date: [signature] 5-29-19

County Administrator Signature/Date: [signature] 5/29/19

PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS POLICY

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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.

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 (PSPRS) that meets the criteria set forth in A.R.S. §38-863.01.

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

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.

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

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Policy

The Board of Supervisors formally accepts the assets, liabilities, and current funding ratio of the County's PSPRS trust funds as reported by PSPRS, the plan administrator, from their June 30, 2018, actuarial valuation, which is detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Sheriff's Department	$ 161,610,550	$ 394,540,478	$ 232,929,928	41%
County Attorney Investigators	1,743,557	4,011,987	2,268,430	43%
Total	$ 163,354,107	$ 398,552,465	$ 235,198,358	41%

The Board's funding ratio goal is 100% (fully funded) over a period of 18 years*.

The plan to achieve this goal requires full Annual Required Contribution (ARC) payments (Normal Cost and Unfunded Actuarial Accrued Liability (UAAL) amortization) from operating funds over the entire amortization period of 18 years*. The County will continue to budget and contribute at the rates established by the retirement system.

*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:

Effective Date: