



MEMORANDUM

Date: March 8, 2013

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

From: C.H. Huckelberry
County Administrator

Re: **Increase in Employee Benefit Costs**

Last year before budget approval, I communicated to the Board the ever increasing employee benefit cost. This year is no different, with one major exception; the cost of providing employee health insurance.

As communicated to you earlier, we are now in a position to provide a self-insured medical benefit for our employees. Based on the latest actuarial information, the high end of the premium increase will be 6.89 percent, the midrange increase is 1.8 percent, and the potential decrease is as much as four percent, which is a substantial difference from our 18 percent increase last year. Our employee health insurance premium increased each year over the last five years by an average of 15 to 20 percent.

A cost that has not abated is the cost of our retirement plans contributions. The cost of the plan where most County employees are located is modest at just 11.14 percent. However, the cost for the elected officials' retirement plan covering 80 participants is now 20.87 percent, and the cost to provide the annual contribution to the law enforcement retirement plan covering 491 participants is 34.55 percent. The rates for all retirement plans will increase even further in FY 2013/14 as outlined in the table below:

Table 1: Changes in Retirement Rates.

Plan	FY 12/13	FY 13/14	FY 13/14	Number of Participants
	Rate	Rate	Rate Increase	
ASRS	11.14%	11.54%	0.40%	4,918
Elected Officials	20.87%	25.94%	5.07%	80
Corrections Officers	13.25%	15.86%	2.61%	468
County Attorney Investigators*	39.49%	48.58%	9.09%	5
Public Safety*	34.55%	38.94%	4.39%	491
Administrative Office of the Courts, Judicial Employees	13.12%	15.58%	2.46%	320

* includes 3.65 percent paid by Pima County on behalf of the employee.

Table 2 below shows the total County cost to provide various employee benefits over FYs 2007/08, 2010/11 and 2013/14 and is shown for purposes of illustrating the significant cost increases incurred by the County in providing these benefits.

Table 2: Budgeted Benefits, Countywide Comparison.

FY	Adopted Budgeted Benefits
2007/08	\$105,993,550
2010/11	\$106,627,872
2013/14 (Requested)	\$128,839,650

Table 3 below shows the current FY 2013/14 requested benefits for the entire County of \$128,839,650 itemized by the type of benefit.

Table 3: FY 2013/14 Total Requested Benefits, All Funds.

Benefit	Totals
Health Insurance Premiums	\$ 49,397,177
Arizona State Retirement System	28,377,434
Social Security/Medicare	24,906,789
Public Safety Retirement	11,119,596
Workers Compensation	5,853,774
Correction Officer Retirement	3,375,598
Correction Officer Retirement - Judicial Employee	2,237,206
Elected Official Retirement	1,793,789
Dental Insurance Premiums	766,669
Unemployment Insurance	556,856
Life Insurance	294,941
Arizona Public Safety Retirement – County	
Attorney Investigators	93,608
Other Benefit Costs	56,465
Employer-paid Benefit Fees	9,748
Total Requested Benefits	\$128,839,650

Table 4 below shows the incremental benefits cost increases between FY 2012/13 and FY 2013/14.

**Table 4: Pima County Benefit Changes
 FY 2012/13 to FY 2013/14**

Benefit	FY 2012/13 Adopted	FY 2013/14 Requested	Increase/ (Decrease)
Health Insurance Premiums	\$45,551,803	\$49,397,177	\$3,845,374
Arizona State Retirement	\$26,271,339	\$28,377,434	\$2,106,095
Social Security/Medicare	\$24,993,615	\$24,906,789	(\$86,826)
Public Safety Retirement	\$8,552,218	\$11,119,596	\$2,567,378
Workers Compensation	\$6,083,457	\$5,853,774	(\$229,683)
Corrections Officer Retirement	\$2,296,256	\$3,375,598	\$1,079,342
Correction Office Retirement - Judicial Employee	\$2,005,278	\$2,237,206	\$231,928
Elected Official Retirement	\$1,245,732	\$1,793,789	\$548,057
Dental insurance Premiums	\$639,043	\$766,669	\$127,626
Unemployment Insurance	\$803,817	\$556,856	(\$246,961)
Life Insurance	\$297,119	\$294,941	(\$2,178)
AZ Public Safety Retirement - County Attorney	\$63,069	\$93,608	\$30,539
Other Benefit Costs	\$741,844	\$56,465	(\$685,379)
Employer Paid Benefit Fees	\$3,003	\$9,748	\$6,745
One-Time ASRS Refund to Employees	\$2,593,333	\$0	(\$2,593,333)
Total Benefits	\$122,140,926	\$128,839,650	\$6,698,724

Most important is the potential increase in the budget year to year. As you can see, the single greatest obligation is the contribution to the state retirement system. These contributions are shown in Table 5 below.

**Table 5: Pima County Retirement Benefit Changes
 FY 2012/13 to FY 2013/14**

Benefit	FY 2012/13 Adopted	FY 2013/14 Requested	Increase/ (Decrease)	Number of Participants
Arizona State Retirement	\$26,271,339	\$28,377,434	\$2,106,095	4,918
Public Safety Retirement	\$8,552,218	\$11,119,596	\$2,567,378	491
Corrections Officer Retirement	\$2,296,256	\$3,375,598	\$1,079,342	468
Correction Office Retirement - Judicial Employee	\$2,005,278	\$2,237,206	\$231,928	320
Elected Official Retirement	\$1,245,732	\$1,793,789	\$548,057	80
AZ Public Safety Retirement - County Attorney	\$63,069	\$93,608	\$30,539	5
Totals	\$40,433,892	\$46,997,231	\$6,563,339	6,282

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These costs are ever-increasing and consume our base revenues. With a shrinking property tax base, it will be difficult to continue providing these quality benefit programs for our employees.

CHH/mjk

c: Sarah Simmons, Presiding Judge, Superior Courts
Elected Officials
Appointing Authorities
Martin Willett, Chief Deputy County Administrator
Allyn Bulzomi, Director, Human Resources
Tom Burke, Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management