



MEMORANDUM

Date: February 21, 2019

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

From: C.H. Huckelberry
County Administrator 

Re: **Fiscal Year 2019/20 Budget and Employee Benefits**

Attached is a worksheet comparing Fiscal Year (FY) 2018/19 adopted budgeted employer provided benefits costs to the proposed requested employer provided benefits costs for FY 2019/20. (Attachment 1).

Overall benefit costs for the County will increase by a net \$2,540,817 (from \$155,233,987 to \$157,774,804) in FY 2019/20. This additional cost is primarily driven by increases in Public Safety Retirement contribution rates ranging from 8.54 percent to 8.69 percent depending on a particular employee's date of hire. The overall employer contribution rate for the Arizona State Retirement System (ASRS) also had a 0.31 percent increase in the employer contribution rate in FY 2019/20.

This benefit projection positively reflects that the County will not be increasing Employee Health Benefit premium costs for both the employer and the employees in the next fiscal year. Additionally, for the second year in a row, the costs associated with the County's contributions to eligible employees' Health Savings Accounts (HSAs) will be paid out of the County's Health Benefits Insurance Trust Fund rather than being charged to the individual County departments.

The FY 2018/19 adopted benefits included \$5.3 million budgeted in a summary benefits line item titled: *5431 – Budgeted Benefits*. Those benefits related to the FY 2018/19 employee salary adjustments, significant changes in the contribution rate for the Elected Officials Retirement Plan (EORP) and other position adjustments made after the budgets were submitted are included in this line item. When departments budgeted their positions for the proposed FY 2019/20 budget, these benefits were automatically distributed to their respective line items. This is the reason for the over \$5.1 million reduction in this line item from year-to-year.

Retirement cost increases represent the majority of the \$2.5 million net increase in benefits costs in FY 2019/20. Attachment 2 is a highlight of these substantially increased retirement rates. The first column of numbers in this attachment identifies the increases resulting from

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increased salaries as well as changes in contribution rate adjustments in FY 2018/19. Since benefits are a percent of salary, any increase in salary will increase benefits regardless of percentage rate change. The second column describes the net increase due to the FY 2019/20 contribution rate changes. Note that some contributions actually decreased, particularly in the new Corrections Officer Retirement Plans. The EORP contribution in Column 1 is a new contribution rate based on recent legislation adopted last year by the Arizona Legislature to adequately fund the EORP by basing contribution rates on actuarial forecasts. The total impacts are shown in Column 3. These costs are offset against other benefit line item increases and decreases to yield the net \$2.5 million increase in overall FY 2019/20 proposed employee benefits.

The annual cost of all benefits as a percentage of employee salary varies widely by employee type. For example, a County employee in the ASRS retirement system receives employer paid benefits equal to 33 percent of their salary. For certain Public Safety employees, this increases to as much as 98 percent of the cost of their salary.

CHH/anc

Attachments

- c: Jan Leshar, Chief Deputy County Administrator
- Tom Burke, Deputy County Administrator for Administration
- Michelle Campagne, Director, Finance and Risk Management
- Robert W. Johnson, Deputy Director, Finance and Risk Management
- Patrick McGee, Budget Manager, Finance and Risk Management

ATTACHMENT 1

Pima County
Fiscal Year 2019/20 Requested Budget
FY1920 Requested VS FY1819 Adopted
After HSA Offset

Object Code and Name	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Total
FY1920 Requested Budget (02-01-19)							
FTE	4,645.22	1,806.70	-	-	500.50	166.00	7,118.42
5409 - Social Security & Medicare	18,010,336	6,242,029	-	-	1,973,491	734,947	26,960,803
5410 - Unemployment Insurance	107,869	37,267	-	-	11,779	4,381	161,296
5411 - Health Insurance Premiums	28,122,568	10,045,811	-	-	3,267,069	1,161,314	42,596,762
5412 - Workers Compensation	3,802,958	1,415,286	-	-	517,270	108,524	5,844,038
5413 - Life Insurance	149,790	57,863	-	-	16,778	5,638	230,069
5414 - Employer Paid Benefit Fees	-	-	-	-	-	-	-
5415 - Employer Paid Subsidy	77,704	19,008	-	-	6,624	3,840	107,176
5416 - Arizona State Retirement	19,959,454	8,500,398	-	-	3,109,964	1,162,355	32,732,171
5417 - Correction Officer Retirement - Judicial Employees	2,458,060	2,425,969	-	-	-	-	4,884,029
5418 - AZ Public Safety Retirement - County Attorney	379,924	35,506	-	-	-	-	415,430
5419 - Elected Official Retirement	3,505,322	-	-	-	-	-	3,505,322
5420 - Public Safety Retirement	22,228,463	156,406	-	-	-	-	22,384,869
5421 - Corrections Officer Retirement	7,721,264	29,894	-	-	-	-	7,751,158
5422 - Dental Insurance Premiums	563,164	205,221	-	-	63,010	21,056	852,451
5431 - Budgeted Benefits	28,017	132,051	-	-	1,677	-	161,745
5435 - Parking Subsidy	14,120	5,080	-	-	2,080	-	21,280
5438 - Elected Officials Retirement '2014'	-	-	-	-	-	-	-
5457 - HSA Contribution - Employer - Department	5,938,021	2,330,181	-	-	666,002	232,001	9,166,205
5459 - HSA Expense Offset	(5,938,021)	(2,330,181)	-	-	(666,002)	(232,001)	(9,166,205)
5357 - Payment to HSA Agent Employer Contribution	-	-	-	-	-	9,166,205	9,166,205
Object Total Excluding FTE	107,129,013	29,307,789	-	-	8,969,742	12,368,260	157,774,804

FY1819 Adopted

FTE	4,638.64	1,813.41	-	-	511.50	166.00	7,129.55
5409 - Social Security & Medicare	17,309,461	6,175,021	-	-	1,989,360	715,777	26,189,619
5410 - Unemployment Insurance	121,656	43,305	-	-	13,934	5,005	183,900
5411 - Health Insurance Premiums	28,273,533	10,207,080	-	-	3,432,255	1,053,177	42,966,045
5412 - Workers Compensation	4,089,327	1,518,779	-	-	567,378	110,910	6,286,394
5413 - Life Insurance	150,022	58,688	-	-	17,272	5,604	231,586
5414 - Employer Paid Benefit Fees	-	-	-	-	-	-	-
5415 - Employer Paid Subsidy	79,370	20,638	-	-	7,104	4,128	111,240
5416 - Arizona State Retirement	18,219,877	8,130,676	-	-	3,062,323	1,104,073	30,516,949
5417 - Correction Officer Retirement - Judicial Employees	2,665,674	2,772,213	-	-	-	-	5,437,887
5418 - AZ Public Safety Retirement - County Attorney	298,971	104,527	-	-	-	-	403,498
5419 - Elected Official Retirement	1,481,013	-	-	-	-	-	1,481,013
5420 - Public Safety Retirement	19,082,350	42,916	-	-	-	-	19,125,266
5421 - Corrections Officer Retirement	7,039,354	38,060	-	-	-	-	7,077,414
5422 - Dental Insurance Premiums	538,030	200,375	-	-	61,893	17,840	818,138
5431 - Budgeted Benefits	4,487,227	661,519	-	-	119,102	39,805	5,307,653
5435 - Parking Subsidy	5,400	3,000	-	-	1,300	-	9,700
5438 - Elected Officials Retirement '2014'	-	-	-	-	-	-	-
5457 - HSA Contribution - Employer - Department	5,848,015	2,318,668	-	-	692,002	225,000	9,083,685
5459 - HSA Expense Offset	(5,844,015)	(2,318,668)	-	-	(692,002)	(225,000)	(9,079,685)
5357 - Payment to HSA Agent Employer Contribution	-	-	-	-	-	9,083,685	9,083,685
Object Total Excluding FTE	103,845,265	29,976,797	-	-	9,271,921	12,140,004	155,233,987

Change (FY1920 Requested - FY1819 Adopted)

FTE	6.58	(6.71)	-	-	(11.00)	-	(11.13)
5409 - Social Security & Medicare	700,875	67,008	-	-	(15,869)	19,170	771,184
5410 - Unemployment Insurance	(13,787)	(6,038)	-	-	(2,155)	(624)	(22,604)
5411 - Health Insurance Premiums	(150,965)	(161,269)	-	-	(165,186)	108,137	(369,283)
5412 - Workers Compensation	(286,369)	(103,493)	-	-	(50,108)	(2,386)	(442,356)
5413 - Life Insurance	(232)	(825)	-	-	(494)	34	(1,517)
5414 - Employer Paid Benefit Fees	-	-	-	-	-	-	-
5415 - Employer Paid Subsidy	(1,666)	(1,630)	-	-	(480)	(288)	(4,064)
5416 - Arizona State Retirement	1,739,577	369,722	-	-	47,641	58,282	2,215,222
5417 - Correction Officer Retirement - Judicial Employees	(207,614)	(346,244)	-	-	-	-	(553,858)
5418 - AZ Public Safety Retirement - County Attorney	80,953	(69,021)	-	-	-	-	11,932
5419 - Elected Official Retirement	2,024,309	-	-	-	-	-	2,024,309
5420 - Public Safety Retirement	3,146,113	113,490	-	-	-	-	3,259,603
5421 - Corrections Officer Retirement	681,910	(8,166)	-	-	-	-	673,744
5422 - Dental Insurance Premiums	25,134	4,846	-	-	1,117	3,216	34,313
5431 - Budgeted Benefits	(4,459,210)	(529,468)	-	-	(117,425)	(39,805)	(5,145,908)
5435 - Parking Subsidy	8,720	2,080	-	-	780	-	11,580
5438 - Elected Officials Retirement '2014'	-	-	-	-	-	-	-
5457 - HSA Contribution - Employer	90,006	11,513	-	-	(26,000)	7,001	82,520
5459 - HSA Expense Offset	(94,006)	(11,513)	-	-	26,000	(7,001)	(86,520)
5357 - Payment to HSA Agent Employer Contribution	-	-	-	-	-	82,520	82,520
Object Total Excluding FTE	3,283,748	(669,008)	-	-	(302,179)	228,256	2,540,817

ATTACHMENT 2

FY 2019/20 Changes in Retirement Costs

	Column 1	Column 2	Column 3
Retirement Plan	Amount of Increase Due to Prior Year Salary/EORP Adjustments	Amount of Increase Due to FY 2019/20 Changes In Retirement Rates	Total FY 2019/20 Increase in Retirement Account
Arizona State Retirement (ASRS)	\$1,418,017	\$797,205	\$2,215,222
Correction Officer Retirement - Judicial Employees	(\$244,070)	(\$309,788)	(\$553,858)
AZ Public Safety Retirement - County Attorney	\$10,975	\$957	\$11,932
Elected Official Retirement	\$2,025,780	(\$1,471)	\$2,024,309
Public Safety Retirement	\$651,905	\$2,607,698	\$3,259,603
Corrections Officer Retirement	\$826,696	(\$152,952)	\$673,744
Totals	\$4,689,303	\$2,941,649	\$7,630,952