



MEMORANDUM

Date: March 7, 2022

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

From: Jan Leshner 
Acting County Administrator

Re: **Budgeted Employee Benefit Costs**

Each year, before finalizing the Recommended Budget, the Board of Supervisors are provided with information regarding cost increases associated with employee benefits. The overall increase of benefits is largely beyond the County's control, with few exceptions.

This year, budgeted benefits will increase in overall cost from \$152.4 million to \$158.5 million, an increase of approximately \$6.1 million (see Attachment 1). The largest benefit cost increase occurs in the employer's share of health insurance premiums that are increasing by \$5.2 million. This year, the County has experienced higher claims than in prior years. Medical and pharmaceutical rates are rising nationally with the current trend at 7.2 percent for medical and 7.3 percent for pharmacy. In order to maintain a sufficient balance in the Pima County Health Care Benefits Trust fund for the coming year, the County increased rates to the employee and the County. The employee rate increases range from \$4.87 to \$8.66 per pay period, depending on selected coverage. The County share of the health insurance premiums increased by 11.48 percent.

There are also cost increases for the employer contributions made to our retirement plans. The plan that covers almost all of our employees, the Arizona State Retirement System, decreased the contribution rate, however the County-wide five percent salary increase approved in September 2021 more than offset this rate decrease and resulted in an increase in cost of \$2.7 million. Recall that in order to significantly reduce the unfunded liability for our Public Safety Personnel Retirement System (PSPRS) and Correction Officer Retirement Plan (CORP), the County issued \$300 million in Pledged Revenue Obligation debt. This resulted in significantly lower employer contribution rates and a decrease in PSPRS/CORP retirement cost for Fiscal Year 2022/2023. Both PSPRS and CORP retirement costs decreased by \$1.4 million in Fiscal Year 2022/2023. This is in addition to the \$21.3 million decrease that was included in the Fiscal Year 2021/2022 Adopted Budget.

Overall, these benefit costs are manageable, but require analysis each year to determine how best to minimize cost increases.

JKL

Attachment

c: Michelle Campagne, Director, Finance and Risk Management
Andy Welch, Deputy Director, Finance and Risk Management
Xavier Rendon, Budget Manager, Finance and Risk Management

ATTACHMENT 1

**Pima County
Fiscal Year 22/23 Requested Budget
Year to Year Benefits Comparison**

Object Code and Name	General Fund	Special Revenue	Enterprise	Internal Service	Total
FY22/23 Requested Budget					
901F - FTE	4,768.93	1,775.26	465.43	172.50	7,182.12
5409 - Social Security & Medicare	20,197,787	6,805,568	1,957,622	765,628	29,726,605
5410 - Unemployment Insurance	220,449	74,108	21,314	8,325	324,196
5411 - Health Insurance Premiums	37,247,769	12,790,006	4,162,277	1,546,397	55,746,449
5412 - Workers Compensation	2,308,645	802,292	304,991	60,419	3,476,347
5413 - Life Insurance	155,404	59,058	15,760	6,013	236,235
5415 - Employer Paid Subsidy	2,688	1,536	-	-	4,224
5416 - Arizona State Retirement	23,667,291	9,347,021	3,098,165	1,215,939	37,328,416
5417 - Correction Officer Retirement - Judicial Employees	2,786,357	3,012,166	-	-	5,798,523
5418 - AZ Public Safety Retirement - County Attorney	366,250	35,636	-	-	401,886
5419 - Elected Official Retirement	2,831,901	-	-	-	2,831,901
5420 - Public Safety Retirement	7,646,422	200,165	-	-	7,846,587
5421 - Corrections Officer Retirement	1,870,326	12,217	-	-	1,882,543
5422 - Dental Insurance Premiums	985,740	328,934	114,800	36,099	1,465,573
5431 - Budgeted Benefits	-	-	-	-	-
5435 - Parking Subsidy	6,776	4,080	1,560	256	12,672
5457 - HSA Contribution - Employer	6,253,018	2,394,051	655,003	280,000	9,582,072
5469 - Short-term Disability	1,231,333	414,651	122,704	47,979	1,816,667
Object Total Excluding FTE	107,778,156	36,281,489	10,454,196	3,967,055	158,480,896

Object Code and Name	General Fund	Special Revenue	Enterprise	Internal Service	Total
FY21/22 Adopted Budget					
901F - FTE	4,651.17	1,713.85	465.95	164.00	6,994.97
5409 - Social Security & Medicare	18,713,109	6,122,308	1,882,525	716,406	27,434,348
5410 - Unemployment Insurance	152,944	49,935	15,341	5,834	224,054
5411 - Health Insurance Premiums	34,204,723	11,267,814	3,753,956	1,303,788	50,530,281
5412 - Workers Compensation	3,053,063	1,161,528	426,298	97,975	4,738,864
5413 - Life Insurance	154,267	56,568	15,760	5,367	231,962
5415 - Employer Paid Subsidy	57,216	10,080	3,360	1,728	72,384
5416 - Arizona State Retirement	21,866,673	8,563,049	3,046,885	1,137,625	34,614,232
5417 - Correction Officer Retirement - Judicial Employees	2,578,914	2,860,818	-	-	5,439,732
5418 - AZ Public Safety Retirement - County Attorney	480,464	31,970	-	-	512,434
5419 - Elected Official Retirement	3,419,600	-	-	-	3,419,600
5420 - Public Safety Retirement	8,649,653	604,463	-	-	9,254,116
5421 - Corrections Officer Retirement	3,234,657	47,662	-	-	3,282,319
5422 - Dental Insurance Premiums	892,814	276,491	97,978	32,201	1,299,484
5431 - Budgeted Benefits	104,746	28,783	-	-	133,529
5435 - Parking Subsidy	15,582	3,620	1,300	100	20,602
5457 - HSA Contribution - Employer	6,221,875	2,365,610	656,002	233,000	9,476,487
5469 - Short-term Disability	1,150,992	373,033	118,440	43,823	1,686,288
Object Total Excluding FTE	104,951,292	33,823,732	10,017,845	3,577,847	152,370,716

Object Code and Name	General Fund	Special Revenue	Enterprise	Internal Service	Total
Change (Requested - Adopted)					
901F - FTE	117.76	61.41	(0.52)	8.50	187.15
5409 - Social Security & Medicare	1,484,678	683,260	75,097	49,222	2,292,257
5410 - Unemployment Insurance	67,505	24,173	5,973	2,491	100,142
5411 - Health Insurance Premiums	3,043,046	1,522,192	408,321	242,609	5,216,168
5412 - Workers Compensation	(744,418)	(359,236)	(121,307)	(37,556)	(1,262,517)
5413 - Life Insurance	1,137	2,490	-	646	4,273
5415 - Employer Paid Subsidy	(54,528)	(8,544)	(3,360)	(1,728)	(68,160)
5416 - Arizona State Retirement	1,800,618	783,972	51,280	78,314	2,714,184
5417 - Correction Officer Retirement - Judicial Employees	207,443	151,348	-	-	358,791
5418 - AZ Public Safety Retirement - County Attorney	(114,214)	3,666	-	-	(110,548)
5419 - Elected Official Retirement	(587,699)	-	-	-	(587,699)
5420 - Public Safety Retirement	(1,003,231)	(404,298)	-	-	(1,407,529)
5421 - Corrections Officer Retirement	(1,364,331)	(35,445)	-	-	(1,399,776)
5422 - Dental Insurance Premiums	92,926	52,443	16,822	3,898	166,089
5431 - Budgeted Benefits	(104,746)	(28,783)	-	-	(133,529)
5435 - Parking Subsidy	(8,806)	460	260	156	(7,930)
5457 - HSA Contribution - Employer	31,143	28,441	(999)	47,000	105,585
5469 - Short-term Disability	80,341	41,618	4,264	4,156	130,379
Object Total Excluding FTE	2,826,864	2,457,757	436,351	389,208	6,110,180