



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 2

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 and maintenance 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 updated June 30, 2021, actuarial valuation, which is detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Public Safety Personnel	\$ 419,866,291	\$ 450,461,750	\$ 30,595,459	93%
Corrections Officers	151,908,819	157,803,352	5,894,433	96%
County Attorney Investigators	2,764,112	4,340,112	1,576,000	64%
Total	\$ 574,539,222	\$ 612,605,214	\$ 38,065,892	94%

- The Board’s funding ratio goal is 100% (fully funded) over a period of 15 years*.
- To achieve this goal the County issued \$300 million of Pledged Revenue Obligations in Fiscal Year 2021. This is in addition to paying full Annual Required Contribution (ARC) payments (Normal Cost and remaining UAAL amortization) from operating funds over the entire amortization period of 15 years*. The County will continue to budget and contribute at the rates established by the retirement system.
- A Pension Fund Reserve (Reserve) has been created. The Reserve will continue to be funded from a portion of the savings achieved from the debt financing and savings in personnel costs in the Sheriff Department’s General Fund. The Reserve provides a source of funds from which the County can make additional contributions that may be required in future years.
- 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.

*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
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 February 16, 2021
 May 17, 2022
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