

	BOARD OF SUPERVISORS POLICIES AND PROCEDURES		
	Approval: Board of Supervisors		Date: 2-1-2023
	POLICY: Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy (2023)		Section 4.0

I. PURPOSE

- a. To establish a pension funding policy, in accordance with A.R.S. § 38-863.01, that identifies the Board of Supervisors’ funding objectives and strategies for maintaining stability of the County’s Annual Required Contribution (ARC) and addressing the County’s Unfunded Actuarial Accrued Liability (UAAL).

II. POLICY

- a. The County shall comply with state law by annually adopting a pension funding policy that meets the criteria set forth in A.R.S. § 38-863.01. The County Administrator shall develop the pension funding policy annually during the budget process and present it to the Board of Supervisors for adoption on or before the first regularly scheduled meeting in July.

III. PROCEDURES

- a. The Board of Supervisors Public Safety Personnel Retirement System (PSPRS) funded ratio goal is 100% (fully funded) over a period of 14 years. The plan to achieve this goal requires full ARC payments, which is the normal cost and UAAL amortization, from operating funds over the entire amortization period of 14 years. The estimated ARC for FY 2023/2024 is \$3,440,417.
- b. The Board of Supervisors recognizes that employing strategies to reduce the County’s UAAL earlier in the amortization period will reduce overall costs to the County for this liability, and be a long-term financial benefit to the taxpayers. The Board of Supervisors may use the following strategies to accomplish reduction of the UAAL:
 - i. Include in the County’s budget full pension payments for vacant positions and employees in the Deferred Retirement Option Plan (DROP).
 - ii. Pay into the system the higher of the budgeted amount of ARC or actual required employer contribution.
 - iii. Consider pre-payment of budgeted employer contributions early in the fiscal year.



BOARD OF SUPERVISORS POLICIES AND PROCEDURES

Approval: Board of Supervisors

Date: 2-1-2023

POLICY: Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy (2023)

Section
4.0

Page
2

- iv. During the annual budget development process, the Board of Supervisors may identify any available savings from the current fiscal year, and if possible and appropriate, make an additional payment to PSPRS toward the UAAL balance prior to the end of the fiscal year. The County Administrator will provide a recommendation to the Board of Supervisors for the allocation of any additional payment to one or more of the County's pension plans following a review of the most recent annual actuarial valuation.

IV. COUNTY'S SHARE OF ASSETS AND LIABILITIES

- a. The Board of Supervisors formally accepts the assets, liabilities, and current funded ratio of the County's PSPRS trust funds as reported by PSPRS, the plan administrator. The following information is from the individual plan's June 30, 2022 actuarial valuation:

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Sheriff's Department	\$57,338,638	\$84,931,685	\$27,593,047	67.50%
Corrections	\$26,097,024	\$38,163,324	\$12,066,300	68.40%
Dispatchers	\$932,015	\$1,470,025	\$538,010	63.40%
Attorney Investigators	\$154,694	\$1,156,181	\$1,001,487	13.40%
Total Amount	\$84,522,371	\$125,721,215	\$41,198,844	N/A

Note: assets, accrued liability, unfunded actuarial accrued liability, and funded ratio includes both pension and health plans.

V. DEFINITIONS

- a. Unfunded Actuarial Accrued Liability (UAAL) – Is the difference between trust assets and the estimated future costs of pensions earned by employees.
- b. Annual Required Contribution (ARC) – is the annual minimum amount required to pay into the pension funds, as determined through annual actuarial valuations. It



BOARD OF SUPERVISORS POLICIES AND PROCEDURES

Approval: Board of Supervisors

Date: 2-1-2023

POLICY: Public Safety Personnel Retirement
System (PSPRS) Pension Funding Policy (2023)

Section
4.0

Page
3

is comprised of two primary components: normal pension cost – 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.

- c. Funded Ratio – Is a ratio of fund assets to actuarial accrued liability.