Angeline Woods
Director, Budget and Finance

MaryEllen Sheppard
Deputy County Manager

Leo Lew
County Manager

Himanshu Patel
Deputy County Manager

PINAL COUNTY
WIDE OPEN OPPORTUNITY

PINAL COUNTY POLICY AND PROCEDURE

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

Date: July 1, 2022

Pages: 1 of 2

Replaces Policy Dated: July 1, 2021

Purpose: To disclose the County's funding ratio and establish a pension funding policy for fiscal year 2022-2023, in accordance with A.R.S. § 38-863 and A.R.S. § 38-863.01. The funding policy will identify the County 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).

Policy: The County shall comply with state law by disclosing the funding ratio for each group under the system and annually adopting a pension funding policy that meets the criteria set forth in A.R.S. § 38-863.01.

Procedure:

1. The Board of Supervisors formally accepts the assets, liabilities, and current funded ratio of the County's PSPRS trust funds as reported by PSPRS from the individual plan's June 30, 2021 actuarial valuation:

Trust Fund	Assets	Accrued Liability	Unfunded Acturial Accrued Liability	Funded Ratio
Sheriff's Department	$ 143,420,067	$ 141,065,805	$ (2,354,262)	101.67%
Corrections	$ 55,709,235	$ 52,053,432	$ (3,655,803)	107.02%
Dispatchers	$ 3,876,173	$ 3,545,763	$ (330,410)	109.32%
Total Amount	$ 203,005,475	$ 196,665,000	$ (6,340,475)	

The Board of Supervisors PSPRS goal is to maintain a funded ratio goal of at least 90%. If the funding ratio falls below 90%, the board will implement strategies including but limited to those listed in section 2a - d in the next fiscal year.

2. 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:

a. Include the County's budget full pension payments for vacant positions and employees in the Deferred Retirement Option Plan (DROP).

b. Pay into the system the higher of the budgeted amount of ARC or actual required employer contribution.

c. Consider pre-payment of the budgeted employer contributions early in the fiscal year.

d. 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 the end of the year.

Definitions:

Unfunded Actuarial Accrued Liability (UAAL) – Is the difference between trust assets and the estimated future costs of pensions earned by employees.

Annual Required Contributions (ARC) – Is the annual minimum 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 are the estimated cost of pension benefits earned by employees in the current year; and amortization of the 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 – Is a ratio of fund assets to actuarial accrued liability.