



# Cochise County Board of Supervisors

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## Policy Title: Public Safety Personnel Retirement System (PSPRS) and Corrections Officers Retirement Plan (CORP) Pension Funding

Policy Number: 1604

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Effective: ~~July 1, 2020~~August 16, 2021

Supersedes:

Last Reviewed/Updated: 07/01/2021

Scope/Coverage: pension funding policy for the system for employees hired before July 1, 2017

Policy Contact: County Administrator / Finance Director

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**Background:** The County contributes to the Public Safety Personnel Retirement System (PSPRS) and Corrections Officer Retirement Plan (CORP) for the Sheriff's Department. A comprehensive description, financial reports, and actuarial valuation reports can be located on the PSPRS website at <https://www.psprs.com> for these plans.

### I. 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 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 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.

### II. Maintaining the Stability of County Contributions

- A. To reduce the Unfunded Actuarial Accrued Liability (UAAL), in accordance with A.R.S. § 38-863.01, ~~the~~ the Board of Supervisors shall employ the following strategies to stabilize PSPRS in accordance with A.R.S. § 38-863.01, and CORP: Annual Required Contribution (ARC) and reduce the Unfunded Actuarial Accrued Liability (UAAL):
  1. Every ~~in the first month of the~~ fiscal year ~~(July)~~, the County shall pay, in full, the minimum Annual Required Contribution (ARC) as projected by PSPRS and CORP for the new fiscal year.



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2. During the annual budget development process, the ARC rate shall be determined as 50% or the rate published in the system's annual actuarial report, whichever is greater.
  3. In ~~the final month August~~ of each fiscal year (~~June~~), the County shall make a supplemental contribution payment utilizing 100% of the projected current fiscal year savings in the Cochise County Sheriff's Office General Fund budget to PSPRS.
  4. The Board of Supervisors may pass up to 2% property tax increase in August of any fiscal year that may directly fund PSPRS and/or CORP unfunded liability.
  - ~~3-5.~~ The Board of Supervisors may appropriate additional funds to PSPRS and CORP unfunded liability payments as revenue and expenditure limits allow.
- B. The Board of Supervisors, through the County Supervisors Association, may actively lobby the Arizona State Legislature to reform and provide funding relief for PSPRS and CORP. to provide funding relief

## H-III. Funded Ratio Target and Timeline

- A. The following information is from the June 30, 2020 PSPRS actuarial valuation:

Fiscal Year	Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
2020	CCSO	\$18,426,928	\$51,998,563	\$33,571,635	35.4%
2021	CCSO	\$19,835,210	\$55,208,407	\$35,373,197	35.9%
2022	CCSO	\$21,370,919	\$58,121,693	\$36,750,774	36.8%

- B. Consistent with the PSPRS' Actuarial Funding Policy, the Board's PSPRS funding ratio goal is 100% (fully funded) over a period of 30 years.



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C. The following information is from the June 30, 2020 CORP actuarial valuation:

<u>Fiscal Year</u>	<u>Trust Fund</u>	<u>Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>
<u>2020</u>	Detention	\$6,230,165	\$11,831,346	\$5,601,181	52.7%
<u>2021</u>	Detention	\$6,689,997	\$12,979,893	\$6,289,896	51.5%
<u>2022</u>	Detention	7,110,649	13,964,672	6,854,023	50.9%

C.D. Consistent with the CORP Actuarial Funding Policy, the Board's CORP funding ratio goal is 100% (fully funded) over a period of 30 years.

### III.IV. Review and Acceptance of Actuarial Valuation Report

- A. Annually, the Board shall review the assets, liabilities, and current **funding ratio** of the county's PSPRS **and CORP** trust fund as reported by the plan administrator in the **annual report**.
- B. The Board shall vote to accept the system's actuarial report in an open meeting.
- C. Every five (5) years, the County shall contract for an independent actuarial analysis to ensure the County is meeting funding goals.
- D. The PSPRS **and CORP** funding policy and summary of assets and liabilities under the system shall be posted on the County's public website.