

It's partially true, when a Board Member says, "It's not our fault" when referring to the County's PSPRS liability.

Convergence of factors; Dot.Com Crash in 2001-2002 causes loss of \$1.7 billion for PSPRS . Funding level drop to 101 % from 127%. All institutional investors harmed NOT just PSPRS. Great Recession in 2008-2009 (housing and credit market crash). By FY 2010 funding level drops to 66%

The "System" got clobbered real bad twice

PBI under the microscope; statewide

Fiscal Year	Investment Return	Monthly PBI (in \$)	Statewide Aggregate Funding
2000	12.31%	87.37	124.70%
2001	-16.86%	93.24	129.90%
2002	-15.07%	98.17	113.00%
2003	6.67%	102.53	100.90%
2004	14.97%	111.90	92.40%
2005	9.11%	116.82	82.10%
2006	8.30%	121.76	77.00%
2007	17.05%	127.06	66.40%
2008	-7.27%	134.34	66.50%
2009	-17.73%	138.66	68.20%
2010	13.47%	146.74	65.80%
2011	17.37%	152.84	61.90%
2012	-0.79%	159.13	58.60%
2013	10.64%	121.19	57.10%
2014	13.28%	65.20	50.40%
2015	3.68%	0.00	49%
2016	0.60%	0.00	47.3%

However, The BOARD increased Tier 1 personnel numbers. The BOARD increased salaries intended to close the “market salary gap” of Tier 1 employees, and thus exacerbated the County’s Tier 1 liability.

Good intentions gone bad – helping RURAL retirees.

Disproportionate impact on smaller employers .

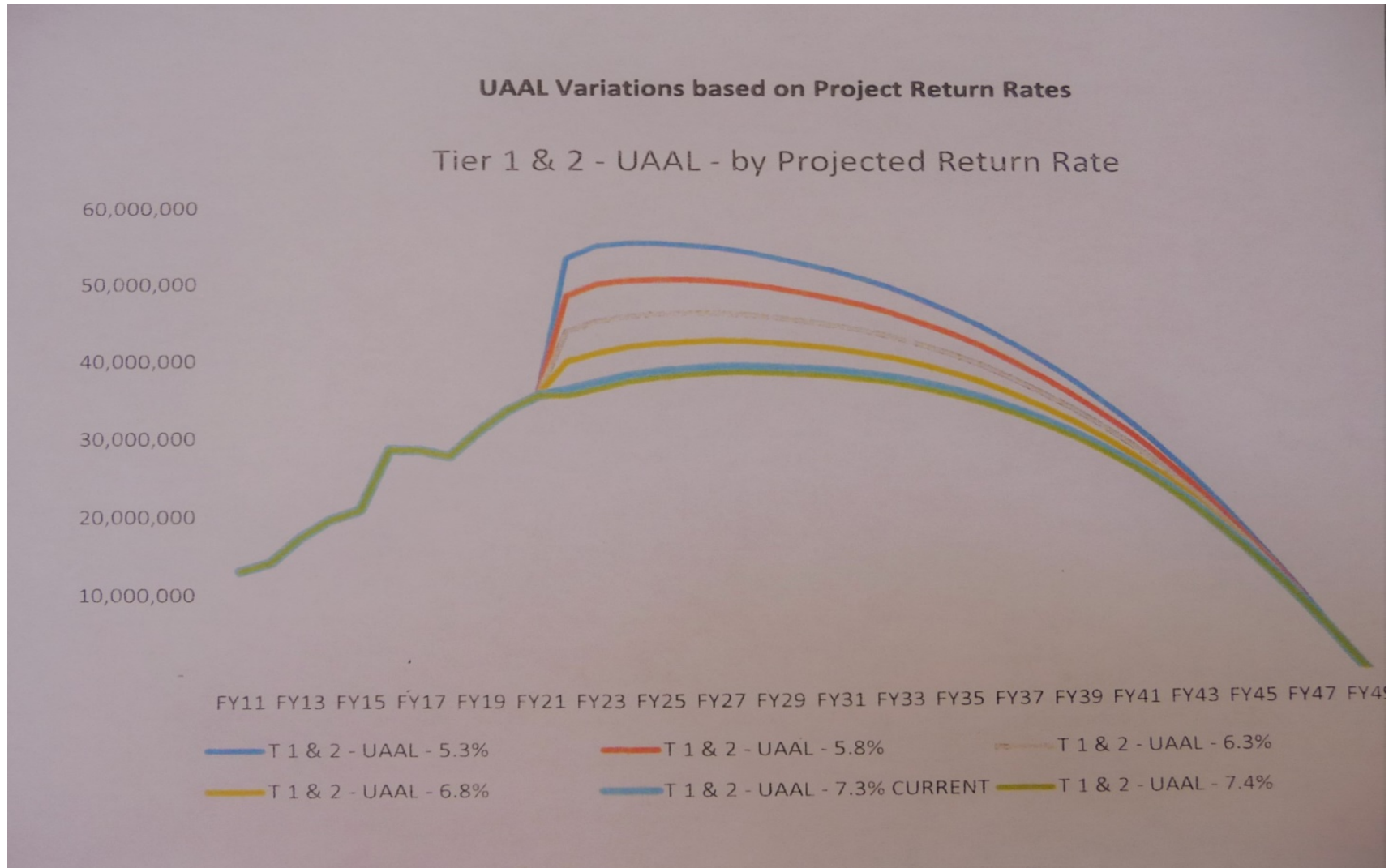
Statewide, 28 straight years of pension increases since 1986 inception



Increase in retirees, decrease in active members

Imbalance CANNOT be overcome by realistic investment returns.

The lowest rate of return depicted on this graph is 5.3%. If the rate were as low as 3.3%, the peak would be “off the chart” in the \$70 million area.



Yes, Statewide. No, it wasn't just Cochise County.

Government	budget	PSPRS liability	%
Cochise Co /Sheriff	\$186 mill	\$36.7 mill	19.7%
Sierra Vista	\$86.7 mill	\$43.2 mill	49%
Benson	\$22 mil	\$4 mil	18%
Bisbee	\$22 mil	\$21.3 mill	96.8%
Douglas	\$40.7 mill	\$31 mill	76%
Willcox	\$9.9 mill	\$4.4 mill	44%

Moody Audit quote

- 9. However, **Sierra Vista** has a significant pension liability and is a **weakness** in comparison to the assigned rating of Aa3. The Moody's adjusted net pension liability to operating revenues (2.9x) **unfavorably is materially higher** than the US median.

Asymmetry of taxation

- Both county and municipal governments have the authority to provide services and to tax the same municipal residents. This taxation/service overlap between two governments, serving nearly the same population, results in a rising tax burden without corresponding service improvements.

This ARS Section has specifically to do with BONDS. But the same rationale applies to PSPRS liability as well.

11-271. Authority to erect county buildings; bond issue; limitation

When the aggregate indebtedness of a county does not exceed six per cent of the value of the taxable property within the county...**county bonds not exceeding... when added to the then existing indebtedness of the county, does not exceed six per cent of the value of the taxable property**

FY '19 PSPRS County Pension Liability	\$42,385,576	
	<hr/>	= 4.5%
01-01-19 total County property valuation	\$941,485,649	
Plus		
City of Sierra Vista PSPRS Liability	\$43,437,722	
	<hr/>	= 13.3%
Total SV City property valuation	\$324,172,815	

“A SOUND PROCESS OF ENACTMENT?”

Appendix 12 PSPRS Dedicated Funding

- 2% Year over year increases to property tax dedicated to PSPRS payments
- Would generate 5.4m over 4 years
- Decreasing PSPRS Unfunded Liability by 15%
- Model only – assuming valuations held constant

	Total Levy	For PSPRS
FY22	27,075,983	530,902
FY23	27,617,502	1,072,421
FY24	28,169,852	1,624,771
FY25	28,733,249	2,188,168
		5,416,263



Some of our municipalities are clearly in weaker financial condition than the County.

- Property in cities in Cochise County having police departments shall not be taxed by Cochise County at a higher rate in FY21/22 than the rate in FY 20/21.