

**PROCEEDINGS OF THE COCHISE COUNTY BOARD OF SUPERVISORS  
WORK SESSION HELD ON  
Tuesday, June 18, 2019**

A work session of the Cochise County Board of Supervisors was held on Tuesday, June 18, 2019 at 1:30 p.m. in the Board of Supervisors' Executive Conference Room, 1415 Melody Lane, Building G, Bisbee, Arizona.

Present: Peggy Judd, Chairman; Ann English, Vice-Chairman; Thomas E. Borer, Supervisor

Staff Present: Edward T. Gilligan, County Administrator  
Sharon Gilman, Associate County Administrator  
Christine Robert, Civil Deputy County Attorney  
Arlethe G. Rios, Clerk of the Board

Attendees: Thad Smith, Chief Deputy, Sheriff's Office  
Tom Alinen, Commander, Sheriff's Office  
Curtis Wilkins, Lieutenant, Sheriff's Office  
Jennifer Graeme, Associate Human Resources Director  
Shar Porier, Sierra Vista Herald  
Lori Kilpatrick, Citizen  
Susan Gaefke, Citizen  
Tom Crosby, Citizen

Chairman Judd called the meeting to order at 1:30 p.m.

**ANY ITEM ON THIS AGENDA IS OPEN FOR DISCUSSION AND POSSIBLE ACTION**

**PLEDGE OF ALLEGIANCE**

**THE ORDER OR DELETION OF ANY ITEM ON THIS AGENDA IS SUBJECT TO MODIFICATION AT THE MEETING**

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***INTRODUCTIONS***

Chairman Judd allowed public comment.

Mr. Tom Crosby, Sierra Vista resident, addressed the Board over his thoughts on the pension system.

No one else chose to speak.

***ITEMS FOR DISCUSSION***

**Board of Supervisors**

1. Discussion and possible direction regarding Public Safety Personnel Retirement System (PSPRS) policy.

Mr. Ed Gilligan, County Administrator, presented this item. Mr. Gilligan said that the purpose of the meeting is in response to statute ARS 38-863.01 - Pension Funding Policies;

Employers:

A. Beginning on or before July 1, 2019, each governing body of an employer shall annually:  
1. Adopt a pension funding policy for the system for employees who were hired before July 1, 2017.

The pension funding policy shall include funding objectives that address at least the following:

- (a) How to maintain stability of the governing body's contributions to the system.
- (b) How and when the governing body's funding requirements of the system will be met.
- (c) Defining the governing body's funded ratio target under the system and the timeline for reaching the targeted funded ratio.

2. Formally accept the employer's share of the assets and liabilities under the system based on the system's actuarial valuation report.

B. The governing body shall post the pension funding policy on the governing body's public website.

He explained that the County's contribution rate had been increasing over the last decade and that very few cities had not been impacted by this growing issue. He noted that new cities, like Maricopa, have not yet been affected; but noted that more established entities, like Bisbee, were contributing more than 100% into the system for each of their officers. He added that the plan would never be fully funded by members due to their static contribution rate, which would not sustain pension liabilities over the lifespan of members.

He presented a handout that showed impact of potential assumption of changes for PSPRS contributions for County entities. He noted that this estimate had been done by a private actuarial company hired by the County Supervisors Association (CSA). He added that the projections given by PSPRS investors were based on shorter lifespans and higher earnings, which was not an accurate representation of members in PSPRS. CSA had conducted an analysis based more on reality based actuaries that had the potential to increase the County's contribution portion by \$500,000 every year for the next 30 years to fully fund the plan.

He stated that in order to sustain the County's liability the County would have to begin payments of \$2,700,000 to \$3,000,000 annually. He said that the fund performance was not dependable, as the County did not have any control over investment decisions.

He said that once a policy was adopted, it would have to be followed, regardless of the County's economic situation. He went over the draft policy and outlined the three strategies that would be used to stabilize the PSPRS annual required contribution (ARC) and reduce the unfunded actuarial accrued liability:

1. In the first month of the fiscal year (July), the County shall pay, in full, the minimum ARC as projected by PSPRS for the new fiscal year.
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 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.

He said that the Board, through CSA, may actively lobby the Arizona State Legislature to reform PSPRS and provide funding relief.

He then went over the funded ratio target and timeline. He said the beginning valuation would be based on the actuaries from June 30, 2018 and noted that the goal was to fund the County's portion at 100%. He moved on to the Review and Acceptance portion and highlighted the four sections:

- A. Annually, the Board shall review the assets, liabilities, and current funding ratio of the county's PSPRS 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 funding policy and summary of assets and liabilities under the system shall be posted on the County's public website.

Mr. Gilligan noted that PSPRS payments were not exempt from the expenditure limit, which had an impact on excess payments the County could make to impact the total unfunded liability. He noted that even if excess payments were made, if investment decisions went wrong, it did not guarantee a good outcome for the County. He added that in order to increase the expenditure limit, the citizens would have to take a vote, which was a complex process.

He moved on to the scenarios that impact the unfunded liability, which include pay increases to members of PSPRS, COLA for current retirees, and bad investments.

Vice-Chairman English said the Board should lobby to have the PSPRS payments exempt from the expenditure limit.

Mr. Gilligan said that it was a possibility, but in his opinion, the best option to move forward was to combine all Arizona State Retirement Systems into one, to ensure adequate funding for the future. He noted that in order to make excess payments to PSPRS the County would have to look at cutting services or use savings from the Sheriff's budget and other locations.

Chief Smith asked why a policy was not being done for the Elected Officials Retirement Plan (EORP) and the Corrections Officers Retirement Plan (CORP).

Mr. Gilligan said that those plans were different because they were the responsibility of the entire state, unlike PSPRS, which was each individual entity's liability.

He continued with moving forward with the policy and noted that it would be posted on the website. He added that the policy would not bind the decision of the Board, it would have a statement giving the Board an opportunity to review the submission from PSPRS.

He stated that if there were no changes he would add to the agenda for the June 25, 2019 meeting to have it formally approved by the Board.

Chairman Judd adjourned the meeting at 2:45 p.m.

APPROVED:

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Peggy Judd, Chairman

ATTEST:

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Arlthe G. Rios, Clerk of the Board