



# NAVAJO COUNTY

## Board of Supervisors

Fern Benally • Alberto L. Peshlakai • Jason E. Whiting • Daryl Seymore • Dawnafe Whitesinger

*"We are Navajo County"*

### Public Safety Personnel Retirement System Pension Funding Policy

This pension funding policy is done in accordance of ARS § 38-863.01. The following terms used throughout this policy are defined as:

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

**Annual Required Contribution (ARC)** – Is the annual amount required to pay into the pension funds, as determined through annual actuarial valuations. It 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.

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

The Board formally accepts the assets, liabilities, and current funding ratio of the county's PSPRS trust funds as reported by PSPRS, the plan administrator from their June 30, 2021 actuarial valuation, which are detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Sheriff's Office	\$7,937,049	\$20,473,176	\$12,536,127	38.80%
Corrections Officers	\$4,564,593	\$6,083,985	\$1,519,392	75.00%
Totals	\$12,501,642	\$26,557,161	\$14,055,519	47.10%

Consistent with the PSPRS' Actuarial Funding Policy, the Board's PSPRS funding ratio goal is 100% (fully funded) over a period of 20 years\*.

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To achieve this goal, the County issued \$16,560,000 of Pledged Revenue Obligations in October 2021. Due to the timing of the payment to the retirement system and the actuary reports which are available at the time this policy will be adopted, the reports will not reflect the payment, showing the reduced unfunded actuarial accrued liability. The County will continue to budget and contribute at the rates established by the retirement system. In addition, A Pension Contingency Reserve Fund will be created during the FY23 budget process. The Reserve Fund provides a source of funds from which the County can make additional contributions that may be required in future years.

*\* Note: The plan to amortize the UAAL over an extended period of time is conditional on the accuracy of the actuarial assumptions. These assumptions are updated on an annual basis and the ARC as well as the amortization period may be adjusted.*

