



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 – Fiscal Year 2023-2024

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, 2022 actuarial valuation, which are detailed below.

Trust Fund	Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
Sheriff's Office	\$22,459,921	\$21,601,812	(\$858,109)	104.00%
Corrections Officers	\$6,930,127	\$6,420,100	(\$510,027)	107.90%
Totals	\$29,390,048	\$28,021,912	(\$1,368,136)	104.90%

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

To achieve this goal, the County issued \$16,560,000 of Pledged Revenue Obligations in October 2021. In addition, a Pension Contingency Reserve Fund was funded during the FY22-23 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. The schedule below indicates the remaining debt service payments of principal and interest associated with the issuance of the pledged revenue obligations.

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
1/1/2024		172,653.18	172,653.18	
7/1/2024	890,000.00	172,653.18	1,062,653.18	1,235,306.36
1/1/2025		168,826.18	168,826.18	
7/1/2025	900,000.00	168,826.18	1,068,826.18	1,237,652.36
1/1/2026		163,565.68	163,565.68	
7/1/2026	910,000.00	163,565.68	1,073,565.68	1,237,131.36
1/1/2027		157,109.23	157,109.23	
7/1/2027	925,000.00	157,109.23	1,082,109.23	1,239,218.46
1/1/2028		149,450.23	149,450.23	
7/1/2028	940,000.00	149,450.23	1,089,450.23	1,238,900.46
1/1/2029		140,727.03	140,727.03	
7/1/2029	955,000.00	140,727.03	1,095,727.03	1,236,454.06
1/1/2030		130,838.00	130,838.00	
7/1/2030	975,000.00	130,838.00	1,105,838.00	1,236,676.00
1/1/2031		120,254.38	120,254.38	
7/1/2031	995,000.00	120,254.38	1,115,254.38	1,235,508.76
1/1/2032		108,707.40	108,707.40	
7/1/2032	1,020,000.00	108,707.40	1,128,707.40	1,237,414.80
1/1/2033		96,105.30	96,105.30	
7/1/2033	1,045,000.00	96,105.30	1,141,105.30	1,237,210.60
1/1/2034		82,671.83	82,671.83	
7/1/2034	1,070,000.00	82,671.83	1,152,671.83	1,235,343.66
1/1/2035		68,381.98	68,381.98	
7/1/2035	1,100,000.00	68,381.98	1,168,381.98	1,236,763.96
1/1/2036		53,141.48	53,141.48	
7/1/2036	1,130,000.00	53,141.48	1,183,141.48	1,236,282.96
1/1/2037		35,959.83	35,959.83	
7/1/2037	1,165,000.00	35,959.83	1,200,959.83	1,236,919.66
1/1/2038		18,246.00	18,246.00	
7/1/2038	1,200,000.00	18,246.00	1,218,246.00	1,236,492.00
	<u>15,220,000.00</u>	<u>3,333,275.46</u>	<u>18,553,275.46</u>	<u>18,553,275.46</u>

* 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.