

Resolution Number 6-23

A Resolution of the County Supervisors Association of Arizona Urging the PSPRS Board of Trustees to Continue Making Responsible Changes to the Debt Repayment Plan and Requesting that State Lawmakers Exercise Restraint in Enacting Policies that Increase Costs or Modify Contributions to the System.

WHEREAS, previous decisions by the State Legislature and Public Safety Personnel Retirement System (PSPRS) Board of Trustees regarding public safety pension plans have led to the systematic underfunding of constitutionally guaranteed pension benefits of public safety officers, corrections officers, and elected officials, and

WHEREAS, the PSPRS pension debt increased from \$3 billion in FY 2012 to over \$12 billion in FY 2022, rapidly increasing pressure on county budgets, and

WHEREAS, the Legislature took subsequent action to reform the pension system to remove damaging elements of the existing plans and to control costs associated with new employees, creating a more sustainable plan into the future, and

WHEREAS, a key part to pension reform was to align financial incentives across employees and employers by creating a 50/50 contribution share for new members to ensure the long-term viability of the new system, and

WHEREAS, in May 2019, the new PSPRS actuary informed the Board of Trustees and stakeholders that the annual required contributions set by the Board had been insufficient and would cause debt payments to grow to unmanageable levels, and

WHEREAS, through a rigorous data driven stakeholder process, the Board of Trustees adopted a plan for addressing underlying issues with the debt repayment plan and revising the System's funding policy, and

WHEREAS, those changes will increase employer costs in the near-term but will ultimately curb the anticipated increases in annual contributions and save taxpayer resources, and

WHEREAS, to further reduce the cost to the taxpayer and the pressure on local budgets, counties and other employers evaluated alternative methods to rapidly repay the legacy debt, and

WHEREAS, through August 2023, 14 counties have taken action to deposit over \$1.0 billion into their individual PSPRS and CORP plans, and

WHEREAS, many of those contributions were made by leveraging historically low interest rates to issue pension obligation bonds, and

WHEREAS, although these bonds refinanced the legacy debt at a lower cost, pension debt payments will continue to substantially impact county budgets for the next 15 years or more, and

WHEREAS, in total over the past three years over \$5.2 billion has been deposited by employers into PSPRS and CORP accounts, including \$2.1 billion by the State, and

WHEREAS, counties urged the PSPRS Board of Trustees to adopt adjustments to the EORP system's actuarial formula, including reducing the EORP payroll growth to 0% by 2027, reducing repayment costs by approximately \$100 million, and



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WHEREAS, two remaining plans, EORP and the pooled Administrative Office of the Courts CORP plans still require legislative changes and additional contributions to reduce to total repayment costs to state taxpayers, and

WHEREAS, lawmakers have previously enacted payment holidays or expanded benefits when pensions have appeared well funded, and

WHEREAS, any expansion of pension benefits are protected by Article 29, Section 1 of Arizona's Constitution and may not be reduced after they are extended, and

WHEREAS, enacting those policies may damage the progress made by the System and stakeholders to properly fund already promised benefits and may ultimately increase costs to the taxpayer, and

WHEREAS, proposed changes that drive costs or reduce contributions into the plans must be critically evaluated to protect the historic investment that state and local taxpayers have made in the System:

NOW, THEREFORE, BE IT RESOLVED that the County Supervisors Association of Arizona:

- Urges the PSPRS Board of Trustees to:
 - Complete the phase-in of a debt repayment schedule that properly funds the System by balancing short-term costs with long-term benefits, and maintain the target funding for all plans to the Present Value of Future Benefits and
 - Continue to work with stakeholders on changes that may allow for reduced repayment costs of the System's pooled plans, and
 - Utilize the Advisory Committee to perform data driven analysis of proposed changes with all system stakeholders, and
- Respectfully requests the Arizona State Legislature and Governor:
 - Exercise restraint in enacting policies that increase costs or reduce contributions into the system without a clear, measurable benefit to taxpayers, and
 - Protect the structure created through pension reform to control costs, specifically the 50/50 contribution sharing and the requirement to fully fund any new benefits when enacted.

APPROVED AND ADOPTED this 13th day of October, 2023.

Jason Whiting
President, County Supervisors Association of Arizona
Navajo County Supervisor

ATTEST:

Craig A. Sullivan, Executive Director
County Supervisors Association of Arizona