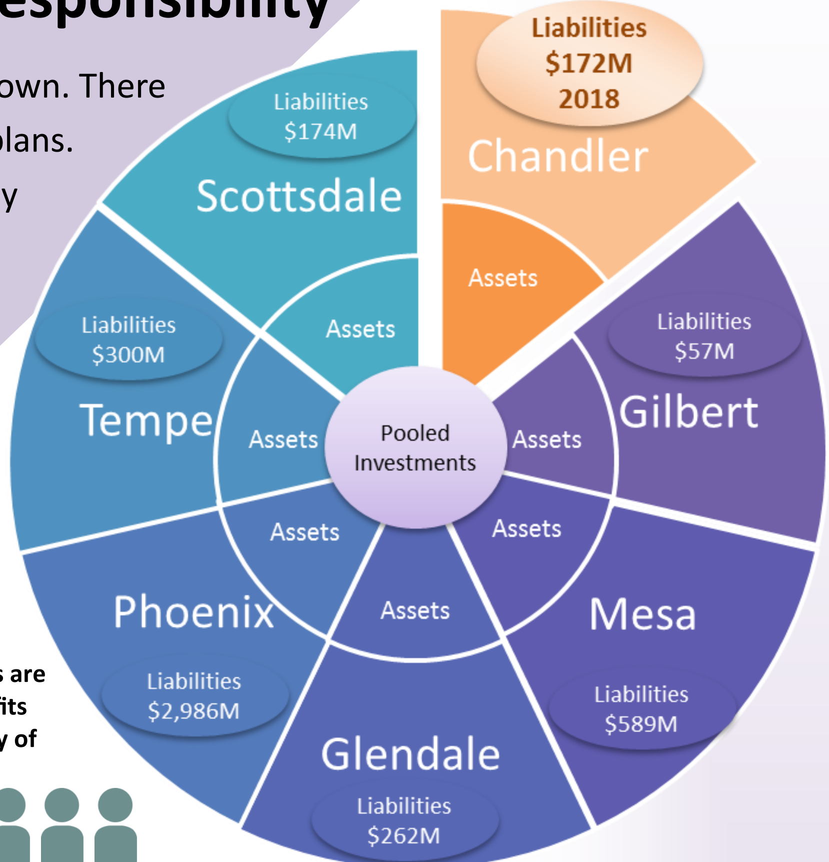
PSPRS Fact Sheet

CHANDLER arizona

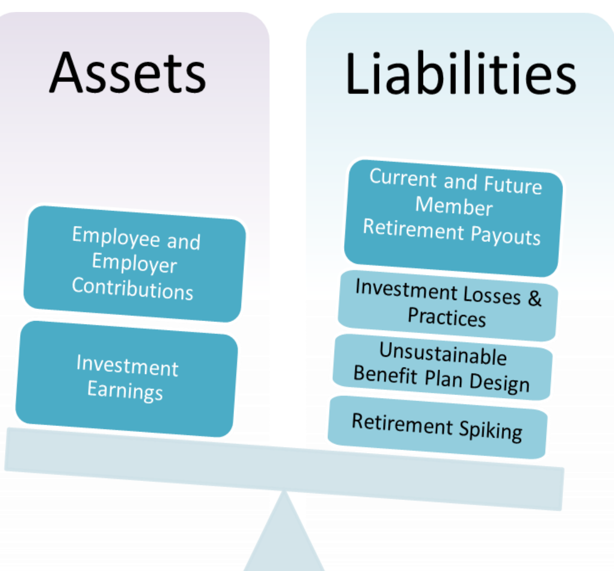
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM $8.8B UNDERFUNDED AS OF 2018

A Sustainable Plan is a Combined Responsibility

Not all plans are shown. There are 263 individual plans. Chandler's debt only impacts Chandler's Members.



Plan changes that affect existing members or retirees are limited since Arizona's Constitution states that benefits cannot be diminished or impaired, therefore majority of changes impact new hires

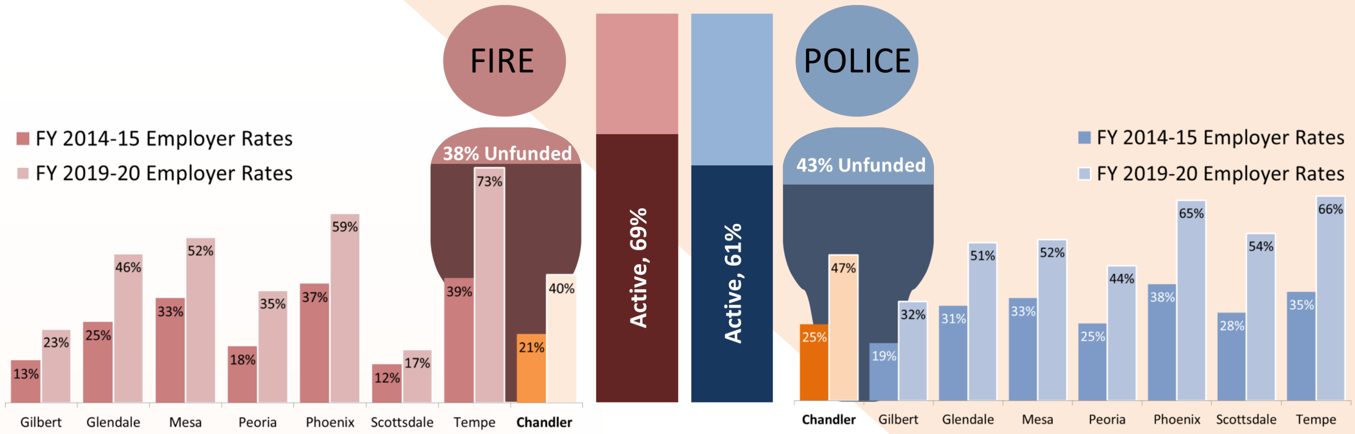


Major Reasons for Deteriorating Financial Condition and Large Unfunded Liability

- **Unsustainable PSPRS investment policy and practices caused large investment losses.** Impacts of past investment losses and reductions in assumed interest earnings rate have been reflected in the City's Unfunded Liability.
- **Unsustainable PSPRS benefit plan design.** Through pension reform, the Actuarial Report assumptions were corrected, resulting lawsuits were settled (Fields/Hall/Parker) and new plan design tiers were added for those hired after 7/1/11 (Tier 2) and 7/1/17 (Tier 3).
- **Employer practices cause spiking of retirement benefits.** Chandler has discontinued these practices.

Chandler's PSPRS

EMPLOYEE RATES REMAIN UNCHANGED AT 7.65%



CORRECTIVE COUNCIL ACTION

- Implemented PSPRS Taskforce recommendations.
  - Reviewed local board practices.
  - Worked with Public Safety associations to eliminate retirement spiking practices.
  - Prepaid Employer Contribution at the beginning of each year to increase interest earnings.
- Did not defer Field's case, but paid full rate increase in 1 year versus spreading over 3 years.
- Chose to retain 20 year amortization of Unfunded Liability rather than extend to 30 years.
- Approved an 11 Year Unfunded Liability Pay-down Plan and adopted a Pension Funding Policy.

Because PSPRS employer rates are growing much faster than ongoing revenues, the City changed the approach on how employer contributions are budgeted and formulated a flexible Unfunded Liability Pay-down plan that...

- Projects additional payments towards the Unfunded Liability Debt, on top of the Employer Contribution, with an increased amount in FY 2019-20 in an effort to lower the annual Employer Contribution rate sooner.
- Changes annual Employer Contribution from 100% ongoing funding to 72% ongoing / 28% one-time, recognizing that the Unfunded Liability will be greatly reduced over time.
- Assumes additional structural changes by the PSPRS Board, wage increases and Employer Rate changes.
- Allocates General Fund balance toward the Unfunded Liability, leaving less cash for capital, thereby requiring slightly more tax exempt borrowing.

Chandler's Unfunded Liability Pay-Down Projection

In Millions