

PSPRS Fact Sheet

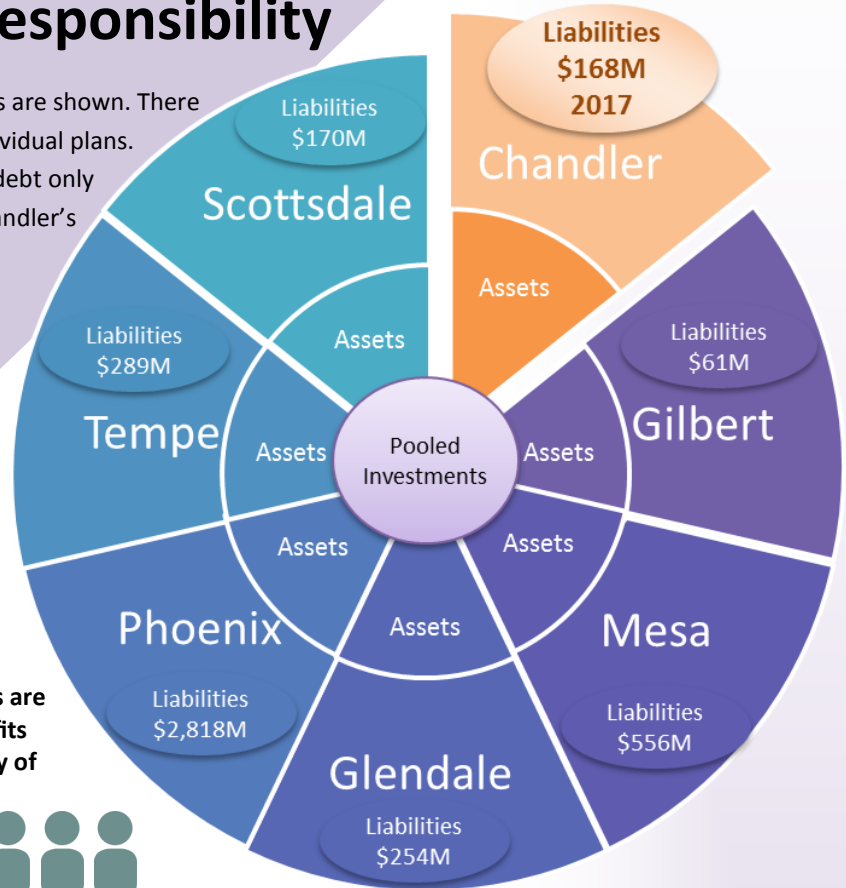
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM \$8.5B UNDERFUNDED AS OF 2017



A Sustainable Plan is a Combined Responsibility



Not all plans are shown. There are 256 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



Assets

Employee and Employer Contributions

Investment Earnings

Liabilities

Current and Future Member Retirement Payouts

Investment Losses & Practices

Unsustainable Benefit Plan Design

Retirement Spiking

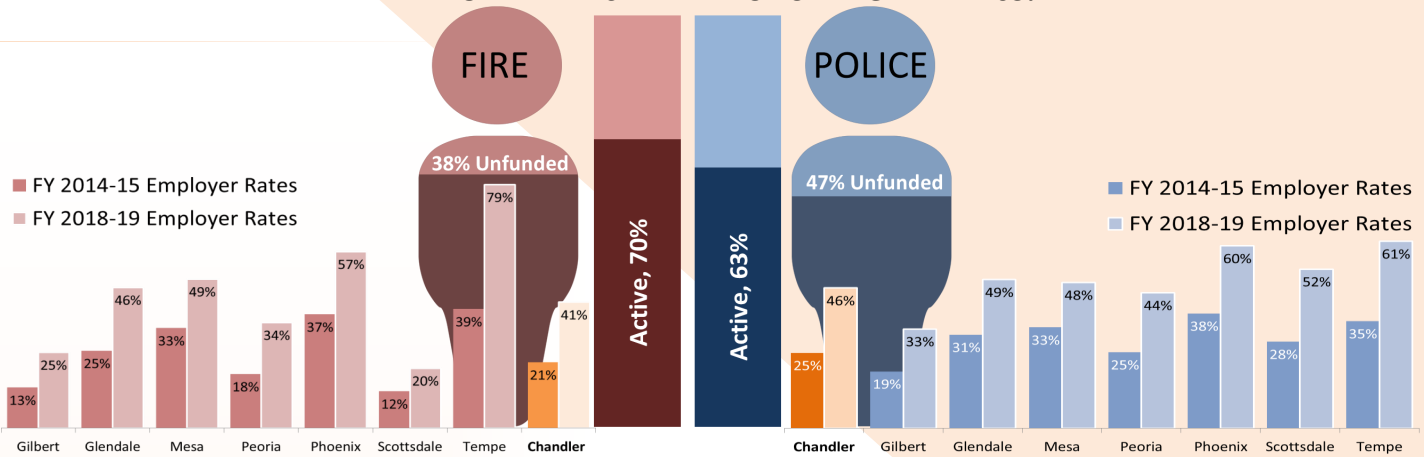
Major Reasons for Deteriorating Financial Condition and Large Unfunded Liability

- Unsustainable PSPRS investment policy and practices caused large investment losses – has since been improved; and losses reflected in City's Unfunded Liability. Still implementing additional changes to assumed interest earnings.
- Unsustainable PSPRS benefit plan design – attempted to correct through pension reform, but limited. Actuarial Report assumptions corrected, lawsuits settled (Fields/Hall/Parker), impacts reflected in Actuarial Reports, and new plan design tiers added for those hired after 7/1/11 (Tier 2) and 7/1/17 (Tier 3).
- Employer practices caused spiking of retirement benefits— Chandler has discontinued these practices.

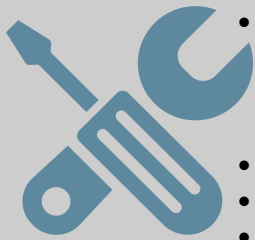
Chandler's PSPRS



EMPLOYEE RATES REMAIN UNCHANGED AT 7.65%



CORRECTIVE COUNCIL ACTION

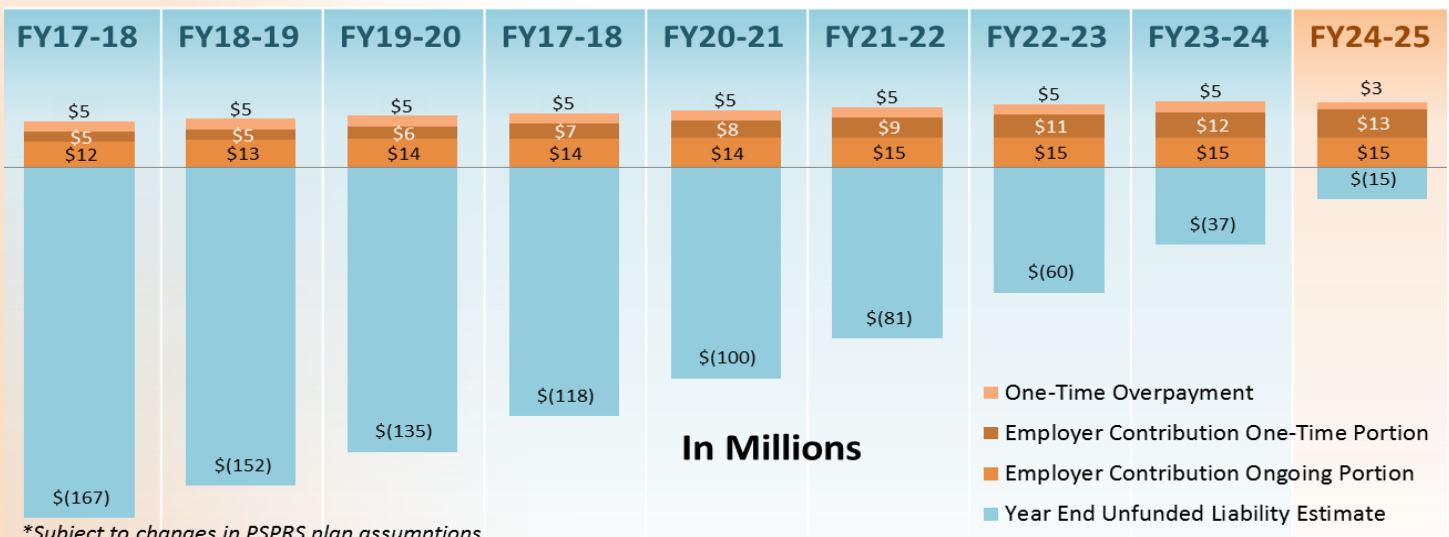


- Implemented PSPRS Taskforce recommendations.
 - ◆ Reviewed local board practices.
 - ◆ Worked with Public Safety associations to eliminate retirement spiking practices.
 - ◆ Prepaid Employer Contribution at the beginning of each year to increase interest earnings.
- Did not defer Field's case, but 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 a 11 Year Unfunded Liability Pay-down Projection Plan.

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.
- Changes annual Employer Contribution from 100% ongoing funding to 73% ongoing / 27% one-time, recognizing that the Unfunded Liability will be greatly reduced over time.
- Assumes additional structural changes by the PSPRS Board and wage and Employer Rate increases
- Allocated General Fund balance toward the Unfunded Liability, leaving less cash for capital, thereby requiring slightly more tax exempt borrowing.

3rd Year of Chandler's Unfunded Liability Pay-down Projection*



*Subject to changes in PSPRS plan assumptions