

LEAGUE OF ARIZONA'S CITIES AND TOWNS: PENSION TASK FORCE UPDATE

Executive
Committee

November 14, 2014

TASK FORCE

- Formed in June 2014
- Partnership with ACMA and GFOAz
- 15 Members
- Review all aspects of PSPRS, identify areas of improvement, and reform recommendations

TASK FORCE INITIAL PHASE

1. Information and Education

- 14 Presentations

2. Stakeholder Collaboration

- Employers
- State PSPRS Board and Administration
- Arizona Firefighters' Association
- Arizona Fraternal Order of Police
- Arizona Police Association

INITIAL PHASE TAKEAWAYS

- 1. Each Member Entity is Managing a Pension Plan (PSPRS is not ASRS)**
- 2. Employers and PSPRS Will Develop a Stronger Relationship**
- 3. Task Force Will Focus on Immediate Opportunities**

IMMEDIATE OPPORTUNITIES

1. Employer Recommended Practices

- “Know Your Numbers”
 - Trends (Amount, Rate, Unfunded Liability)
 - Percent of Operating Budget
 - Plan Age/Maturity (Actives vs. Retirees)
- Calculation is the “Minimum” Amount Due
 - Consider Making Contributions for DROP Members
 - Consider Excess Payments

IMMEDIATE OPPORTUNITIES (CONTINUED)

1. Employer Recommended Practices (continued)

- Increase Interest Income by Making Payments with Less Frequently
- Adopt a Pension Funding Policy
 - Outlines what to do if costs get too high or have excess reserves

IMMEDIATE OPPORTUNITIES (CONTINUED)

2. **Employer Meetings in January 2015**
 - **Release Employer Recommended Practices**
 - **Discuss New Financial Information**
 - **7/1/15 Contribution Rates**
 - **Funded Status / Unfunded Liabilities**
 - **Impact of Fields' Decision**

IMMEDIATE OPPORTUNITIES (CONCLUDED)

3. Address Retiree Unfunded Liability

- Real Liability
- Financing Opportunity
- Pursue Partnership with State Treasurer

NEXT PHASE: REFORM RECOMMENDATIONS



Goal

Principles

**Plan Design
Elements**

KEY QUESTIONS

- What should the Employee, Retiree, Employer, and Taxpayer get out of the System?
- How is this Accomplished?
 - Type of plan, cost sharing, annual pension increase (PBI), etc.

PROPOSED PRINCIPLES

- 1. Adequate and Affordable**
- 2. Financially Solvent**
- 3. Transparent and Accountable**

PROPOSED PLAN DESIGN ELEMENTS

1. Pension Amount
2. COLA
3. Retirement Age
4. Cost Sharing
5. Funded Status
6. Actuary Assumptions
7. Investment Strategies
8. Dedicated Revenues
9. Governance
10. Loan Program
11. Legal

TASK FORCE SUMMARY

- **Education and Collaboration**
- **Employer Engagement**
- **Immediate Opportunities**
- **Legislative Solutions Will Take Time**

UPCOMING CALENDAR

**January
2015**

- **Employer Meetings**
- **Employer Recommended Practices**

**February
2015**

- **Next Update to Executive Committee**

Comments and Questions