

NEWSLETTER JANUARY 2011

Happy New Year! As we here at the system begin 2011, we would like to thank all of you who are involved in the process of making the PSPRS work for our members. This year brings some operational changes here at the system as well as "potential" changes to the system as a whole.

Looking back, accomplishments for 2010 include:

- At fiscal year end (June 30th 2010), the system had a return of 13.47%, net of fees.
- 2,231 retirements, adjustments and members entering DROP were processed by the benefits staff.
- Benefits implemented legislatively mandated federal and state tax changes three times for our 13,600 retirees.
- IT staff rolled out an enhanced "Member's Only" site to allow retirees access to their benefit information. They also created website modifications to support the "Member's Only" site as well as to support online webinars for local board training and Board of Trustee meetings.
- \$569,517,993 in service purchases, transfers, refunds and contributions were processed and accounted for by our active member services and accounting staff.

To accomplish all this, our partnership with our local boards and employer groups is critical. In order to meet the needs of our membership and to reach key operational strategic goals for the upcoming year, we continue to rely on board support and look forward to working with you all as we enter 2011.

BOARD OF TRUSTEES SET LEGISLATIVE AGENDA

After several board meetings with constituents groups and employers, the PSPRS Board of Trustees has set the system's legislative initiatives for 2011. These initiatives are to support the board's goal to bring the PSPRS Plans to an 80% or better funded status within 10 to 20 years. The proposed plan modifications will put the system on target to meet this goal. These proposed modifications for the PSPRS plan include:

FOR NEW HIRES


- "Normal Retirement" will be set at 25 years of service. A member or former member will have to be 52.5 years of age before he/she could start drawing benefit payments.
- If a member has 25 years of service, but less than 25 years of "credited service," pension amount to be reduced by 4% for each year of credited service less than 25 years.
- Average compensation for the benefit calculation will be averaged over the highest 5 consecutive years.
- * The contribution rate would be the same as for current members.




FOR CURRENT MEMBERS

- ✦ DROP modifications for actives who have not yet elected DROP participation:
 - Credited DROP interest rate to equal one-half of the actual rate of return of the Plan for the preceding fiscal year, subject to a maximum equal to the actuarial assumed rate of return (8.25% in FY11) and a minimum of 2%
 - Employees will continue to make contributions into the system, based on their DROP salary, during DROP participation


 - ✦ Employee contribution rate increased 1% each of the next four years beginning FY 2012. Increase to include a “maintenance of effort” provision so that employer rates do not automatically go down with no net gain for the Plan. Starting FY 2015 and once the aggregate employer rate accounts for no more than two-thirds of the total required contribution rate, the employer and employee contribution rates shall be maintained in a two-thirds to one-third proportion, subject to a minimum employer rate of 8% and minimum employee rate of 7.65%

 - ✦ The “reserve” accounts used to fund post-retirement benefit increases will be subject to following In-Flow restrictions.
 - If funding ratio (at market value) is greater than 70% but less than 80%, In-Flows of “excess return” assets would be limited to 50% of what the In-Flow would otherwise be.
 - If funding ratio (at market value) is 70% or less, no new In-Flows into the reserve account
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As with all other legislative sessions, these bills and any other bills introduced that would affect PSPRS plans will be tracked and updated on our website. You can also track any legislative bill as it progresses through the State Legislature by logging onto the State Legislature’s website, www.azleg.gov.

NOTES FROM BENEFITS



The benefits department would like to remind all of our boards that updated forms and spreadsheets are available on our website. Boards should be utilizing the most current versions of any approved forms.

We would also like to again notify our boards that beginning with this month’s pension payment, the system will no longer mail direct deposit notices to all retirees. An electronic version of the direct deposit notice is available on The PSPRS Member’s Only secure site. We encourage all of our retirees to register for this useful tool. Please encourage your new retirees to use direct deposit for receiving their benefits too.



2011 TRAINING SCHEDULE

Below are the dates, times and topics of currently scheduled trainings. These training events will be held at the PSPRS administrative office (3010 E Camelback Rd. Suite 200 Phoenix, AZ 85016). These events will also be accessible via online webinar. If you plan to attend any of these events in person, please register by emailing Robert Ortega (rortega@psprs.com). Please provide the names of all individuals who will be in attendance in person as space is limited. To register as a participant via webinar you can do so by logging onto the PSPRS website: www.psprs.com.

February

February 2, 2011 (10am-11am): PSPRS Benefits 101

February 16, 2011(10am-11am): CORP Benefits 101



March

March 2, 2011 (10am-12pm): Duties of the Local Board presented by Ron Snodgrass

March 16, 2011 (10am-12pm): Disabilities Determination Process presented by Ron Snodgrass

April

April 6, 2011 (10am-11am): Conducting Retirement Calculations and Retirement Paperwork Process

April 20, 2011 (10am-12pm): Open Meeting Law (presenter TBD)




June

June 22, 2011 (10am-12pm): Legislative Update

For any questions regarding these training events, to host an event in your area or general questions regarding PSPRS or CORP, please contact Robert Ortega at 602-255-5575 extension 2047 or email rortega@psprs.com.

L'IL RONNIE'S CORNER "THE TRAIN IS ROLLING"



Last month's article got some attention and I received (a few) phone calls and e-mails. I was trying to get the message that our fund is in trouble using facts, hoping not to cause any panic. Your calls and comments have been well received. I found out the below information from a majority of both retired and active members.

- ✦ Retirees love their 4% increases for the last 20 years but also realize when the National CPI is less than 4% they could do with less. Index the COLA with the CPI.
- ✦ Retirees also think new retirees should wait longer for the COLA. Say age 50.
- ✦ Retirees don't understand how DROP participants can get 8.25% during periods when the fund Rate of Return is negative. Good point.



- DROP participants say they are willing to give up the 8.25% based on the assumed earnings rate if the fund makes less.
- DROP participants and current members didn't mind if the fund makes them pay into the system while in DROP to help offset the funding loss. Especially if the funds were returned with "no interest" upon retirement.
- Retirees and current members were in agreement of a second tier if necessary to regain increased fudging levels.



Our pension fund administrator, Jim Hacking has been meeting with and giving presentations to labor groups, retiree groups and employers regarding the status of the system. He has a presentation that you can view at The PSPRS website and digest the information in a PowerPoint. To access, log onto psprs.com and once on the main page you will need to click on the "PSPRS Trust Performance" link. Once there under "Financial Reports and Summaries" you will want to access the presentation entitled FY'10 Financial Report and Prospects for the Future. He has done a great job trying to educate all that will listen during these troubling times. Some of our member organizations are also putting forth their own suggestions of changes. This includes both law enforcement groups and firefighters. We are hopeful that everyone will work together to solve the problem. Organized retiree associations are concerned about the COLA and don't want to give up anything if the current active members refuse to give up anything. I understand every group's reaction, and the fact that it is their job to fight for the member's benefits, but everyone has to understand the seriousness of the problem.



Over the last several weeks, the PSPRS Board of Trustees has been making recommendations for several bills, one of which will propose changes to our Public Safety Personnel Retirement System Plan. This move by the Board is unprecedented. Never before in the last 42 years has the Board proposed legislation that reduces member benefits. It's really that serious folks. The changes are those listed in this newsletter. So far, the reaction to this new step is mixed. The interesting thing is no real money is going to come into the new tier of benefits for new hires anytime soon because very little hiring is going on. Many employers have frozen hiring and are saving money based on the attrition of employees retiring or leaving for other reasons. What a second tier of benefits does is allow the Fund's actuary to begin calculating new Plan assumptions into future annual reports that will help with fund growth. The short story is no changes will be sent to the Governor for signing before late spring and those changes will probably not take effect until August or September. You will have plenty of notice to make your own decisions, so don't go making a wrong decision retiring or entering DROP too early.



I know this is a lot of information to digest and that's why I give you my direct phone number so you can call me anytime to ask questions and for clarification.

Remember, if you hear any rumors please call me for the facts. Be safe.

L'il Ronnie

Contact Ron at 602-361-0803 or littleronnie@mac.com if you need some help, a visit or training. We are here to serve you.