



PSPRS FY2019 Third Quarter Newsletter

EMPLOYER UPDATE: DROP, SERVICE PURCHASE ROLLBACK

Roughly 110 employers have been notified that they must coordinate with PSPRS this year to refund Tier 1b member DROP contributions.

PSPRS staff has been working with the employers to tweak payroll/contribution data and stop Tier 1b DROP contributions in order to process exact refund amounts. PSPRS will recalculate the interest generated by accruing monthly pension balances. The system expects to finish the process for Tier 1b active members and retirees (and those retiring soon) by July 1, 2019.



All members entering DROP as of January 1, 2019, are also being registered as non-contributory DROP members.

“We want to say ‘thank you’ to our members for their patience during this process and also recognize that employers are doing a great job at handling this,” said PSPRS Deputy Administrator Dave DeJonge. “This is a complex administrative task that impacts more than 1,000 members. We will work as quickly as possible to get this done, while making sure we get this right to the penny.”

For additional information and a list of impacted employers, please visit the [PSPRS DROP rollback page](#). PSPRS will provide stakeholders with all relevant updates about Tier 1b DROP and service purchasing changes as soon as possible.

PENSION HEALTH INCREASES – SLIGHTLY, BUT WE’LL TAKE IT



All three PSPRS-managed plans made gains over the last fiscal year, according to the new reports issued by actuary Gabriel Roeder Smith.

The aggregate valuation for PSPRS shows that the fund increased its funding level by 0.5% to 45.8%. Sister funds CORP and EORP also trended positively for the year, with CORP gaining 2.6% to 54.1% funded status, and EORP gaining 0.6% to 31.3% funded.

Aggregate PSPRS employer contribution rates increased by less than half a percent for the year, the actuaries reported. Average CORP employer contribution rates fell by 1% while EORP rates remained the same.

The changes in contribution rates can be attributed to investment performance, employers extending their amortization periods and the passage of Prop 125, which, like Prop 124, will deliver long-term savings in the tens of millions of dollars over time.

PSPRS Administrator Jared Smout called the stability of contribution rates and the gains in overall funding positive signs. Smout noted that while some individual employers will see results that differ from the mean, the actuarial reports predict that overall contribution should stabilize moving forward.

“Actuarial liabilities don’t change directions on a dime,” he said. “First, the losses decline in severity – which we have seen in the past several years – and then the actuarial stats plateau before they change course and head into a positive direction. We appear to be standing on the front edge of positive movement.”

FOND FAREWELL FOR TOBIN, DAVIS, RAINES AND McNEIL



From left: J. Smout, W. Buividas, B. Tobin

Board Chairman Brian Tobin wrapped up his trustee tenure in December at a staff luncheon where he was honored along with fellow trustees Bill Davis, Ed McNeil and Bryan Raines.

With 10 years of board experience under his belt, Tobin credited current and former trustees, staff, and the public safety community for helping him learn the ropes and excel in his position.

Some of those in attendance addressed Tobin before the audience, crediting his leadership, friendship and willingness to take on difficult issues.

Amid the compliments, Tobin, who retires from the Phoenix Fire Department after more than 35 years of service this summer, said it was time for “new blood at PSPRS to bring in new energy” as necessary reforms and internal PSPRS operational upgrades have the system trending toward financial recovery.

Trustee Bill Davis also retired from the board in December after serving two terms totaling seven years.



Bill Davis

Davis has 30-plus years of experience in finance and is the managing director for Piper Jaffray’s public finance investment department.

Davis, who was appointed by then-Governor Jan Brewer, said he particularly enjoyed the challenges faced and met by the board and PSPRS staff.

“I found it really rewarding,” Davis said, “I went in with an open mind and really enjoyed working with staff and the professionals they hired to help improve the system and the trust.”

Raines, a former City of Mesa deputy city manager, completed his two-year term and did not seek reappointment. McNeil served as a training supervisor with the Department of Public Safety until he submitted his resignation as a trustee in November due to retirement.

Over the past 10 years, the PSPRS Board of Trustees accomplishments include securing statutory authority to invest in alternative assets, the creation of a stable and diversified low-risk portfolio, as well as the replacement of the Permanent Benefit Increase with a cost-of-living-adjustment for PSPRS, CORP and EORP retirees.

“It is really hard to imagine a trustee who could have a bigger impact on this agency and its mission than Brian Tobin,” said PSPRS Administrator Smout. “The board under his leadership built the foundation and future for PSPRS, CORP and EORP.”

PSPRS UNVEILS PROP 124 AND 125 VIDEO

On the heels of voter approval of Proposition 125 in November 2018, PSPRS has released a video explaining the benefit increase formula changes for retirees of all three PSPRS-managed plans.

The video joins a library of information about the replacement of the PBI with a standard COLA.

To address common questions, PSPRS added a [Prop 125 Frequently Asked Questions](#) page to its website last year. The official statements from supporters of Proposition 125 can be [viewed here](#).



PSPRS BOARD UNDER NEW MANAGEMENT



Will Buividas

PSPRS trustees on January 23 unanimously selected Will Buividas to serve as the next board chairman while Trustee Mike Scheidt was appointed to serve as vice-chair.

Buividas, a Phoenix police officer, and Scheidt, a Tempe firefighter, are 2017 appointees. Harry A. Papp, an investment and finance expert, was appointed to head the Investment Committee, while Scheidt will chair the Operations, Governance Policy and Audit Committee, where he previously served as vice-chair.



Mike Scheidt

“Chairman Tobin leaves some big shoes,” said Buividas, who has been active in public safety and retirement labor matters for more than a decade. “My goal is to continue the system on the path to financial prosperity through an equal partnership between membership and all of our employers. We have challenges ahead, and I look forward to tackling them and serving all of our stakeholders.”

PSPRS WELCOMES NEWEST TRUSTEE SCOTT McCARTY



Scott McCarty

Queen Creek Finance Director Scott McCarty is the newest appointee to the PSPRS Board of Trustees. McCarty was nominated by the League of Arizona Cities and Towns and appointed by Arizona Senate President Steve Yarbrough.

McCarty has a strong background in finance, and handled budgeting and financial matters for Paradise Valley, Surprise, Scottsdale, and Puyallup and Des Moines, Washington. He also chaired the League’s Pension Task Force.

McCarty told fellow trustees during the board meeting he was excited about his appointment, and he is encouraged by the board’s investment experience and commitment to long-term trust sustainability and improving education for local boards and employers.

“I look forward to where the board is headed and I look forward to being a constructive contributor to that,” said McCarty, who has 30 years in public service. “My perspective comes from the eyes of the municipal employer.”

With his appointment, McCarty fills the position vacated by Trustee Bryan Raines.

“Scott McCarty brings built-in knowledge about pensions and the experience of Arizona employers that have dealt with escalating costs and legal and operational changes,” said Administrator Smout. “He’ll make an excellent addition to the board and we’re excited about his appointment.”

PSPRS, PSF/GALLOWAY START 2019 STATEWIDE TRAINING

One of the most important duties PSPRS has is to provide up-to-date and detailed training events for its members, employers and local boards.

To start off the new year, PSPRS is headed to Tolleson and Nogales in late January for local board training.

PSPRS also works with Public Safety Financial/Galloway to provide additional training services for members. PSF/Galloway has February events scheduled in Flagstaff, Show Low and Glendale.

PSPRS and PSF/Galloway will continue to schedule training events throughout the year. Be sure to check the [PSPRS Education and Training](#) page frequently to find out about future events. To request a local event please email employerservices@psprs.com.

PRESCOTT PENSION MOVES PAYING OFF



Billie Orr

A lot can change in a year. The City of Prescott slashed its police and fire employer contribution rates by 20 percent and increased its funded status by more than 15 percent last fiscal year.

The stark turnaround is the result of Prescott voters' approval of a 2017 sales tax increase referendum to help the city pay down its unfunded police and fire pension liabilities, as well as the city council's decision to put \$11 million in savings towards the same goal.

The temporary three-quarters of a cent sales tax kicked in last January and it has created about \$1 million a month in local revenues. At its peak, Prescott's unfunded police and fire pension liabilities almost hit \$90 million.

Councilwoman and Mayor Pro Tem Billie Orr, a major proponent of the Proposition 443 sales tax, said Prescott went from being the "poster child" for dangerously high pension liabilities to being a model for creating local solutions to budget problems.

"Today we are talking about breaking ground on a new airport next fall, building a new park and creating more open space in the city," Orr said. "None of this would be happening if we had not tackled the issue of our unfunded liability. We had that dark cloud over us and now it's gone."

1099-R FORM: FAQs FROM RETIREES AND MEMBERS

Taxes can be tricky, and PSPRS is working to help retirees and former members maneuver around three of the most common issues. PSPRS will be sending out 1099-R forms on January 31.

ADDRESS CHANGES: If your home address for the year of 2018 didn't change, a 1099-R form will be sent to the address on file and can take up to 10 days to arrive. If your address did change, a copy can be requested after submitting an Address Name Change Form (FORM 9) via fax, mail or email. This form is on the PSPRS website under [Forms and Resources](#). You may also request a re-print by contacting the PSPRS office after February 18.

ONLINE ACCESS: Any retired member can access their 1099-R form online by logging into the Members Only site. Once logged in, click on the 1099-R button which will direct you to all available current and prior 1099-R records.

REFUNDED MEMBERS: Members who refunded in 2018 can expect a 1099-R form in the mail after January 31. Refunded members who moved residence in 2018 must contact PSPRS to update their address. Online versions of 1099-R forms are not available for refunded members.

EORP EMPLOYER NOTICE: USE UPDATED DC PLAN FORMS



PSPRS is requesting that EORP employers update any registration forms held on file and used for new members of the Elected Officials Defined Contribution Retirement System.

The files in question are used by new EODCRS members to choose investment funds from the available menu provided by Nationwide Retirement Solutions. The updated version of the Participation Agreement is on the PSPRS website's [forms page](#).

NOTE: Please send PSPRS and Nationwide a copy of all completed Participation Agreements.