



**PARADISE VALLEY
LOCAL PUBLIC SAFETY POLICE
RETIREMENT (PSPRS) BOARD
UPDATE TO THE TOWN COUNCIL**

September 28,
2017
Town Council
Study Session

LOCAL PSPRS BOARD MEMBERS

- Richard Fincher (Chair/appointed)
- Kevin Albert (elected officer)
- Raja Karim (elected officer)
- Fernando Iacona (appointed)
- Jameson VanHouten (appointed)

(State law requires both elected and appointed members, on four year staggered terms)

LOCAL PSPRS STAFF

- **Kevin Burke, Secretary**
- **Kevin Volpe, Assistant Secretary**
- **Pam Treadwell-Rubin, Counsel**

PURPOSE OF PRESENTATION

1. Review background of Board
2. Review current data on officer disability
3. Discuss Board's progress over prior year and "lessons learned"
4. Review funding obligation
5. Highlight of proposed state reform proposals

HIGHLIGHT

For every dollar in salary paid to a police officer in Paradise Valley, an additional 68 cents per hour is paid for the pension obligation

(reduced from 72 cents per hour in 2015)

PURPOSE OF PRESENTATION

1. Review background of TPV Board

WHAT IS THE TPV PSPRC

1. Volunteer Board required by state law
2. Jurisdiction of sworn police officers (not staff)
3. Administers several duties of state law, mainly eligibility for plan membership and benefits
4. Meets quarterly
5. Does not administer investments in fund

LOCAL BOARD RESPONSIBILITY

1. Educate: Employees, Retirees, Employers, Elected Officials
2. Legal: Administer the Law
3. Fiscal: Award Appropriate Retirement Benefits

WHAT IS THE TPV PSPRC

Two primary duties:

- review medical records of new police hires to determine pre-existing conditions
- review claims by an existing officer for various disabilities, to determine if current reason for disability is related to a pre-existing conditions

PURPOSE OF PRESENTATION

2. Review data on TPV officer disability

DATA ON OFFICER DISABILITY

Prior data

- Current number of disabled officers-15
- Current Police Department has 24 approved patrol positions, and 34 total approved HC

Nature of original injuries (all patrol)

- 11 injuries occurred in direct line of work (in field)
- 7 injuries occurred in the office or during training
- 6 claims involved multiple body parts, 7 claims involved multiple injuries
- The most recent disability was in 2014, from a back injury incurred from lifting a ammo box in the office

DISABILITY RETIREMENTS

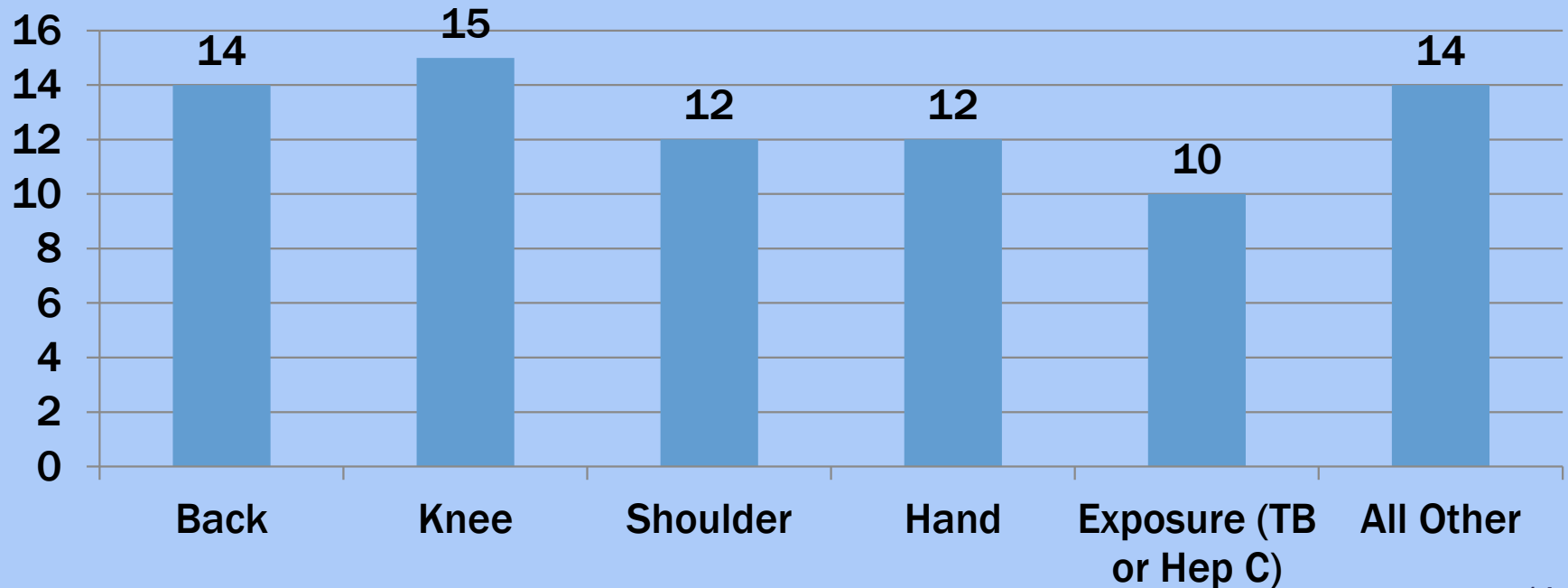
	Town	PSPRS
Total Retirees	33	
Disability Retirees	15	
Less Than 20 Years of Service	12	
Greater Than 20 Years of Service	<u>2</u>	
Disability Retirees	<u>14*</u>	
% Disability Retirements	42%	16%
Estimated Impact to Plan	\$2.0M	

*14 out 15 Submittals Approved by Local Board.

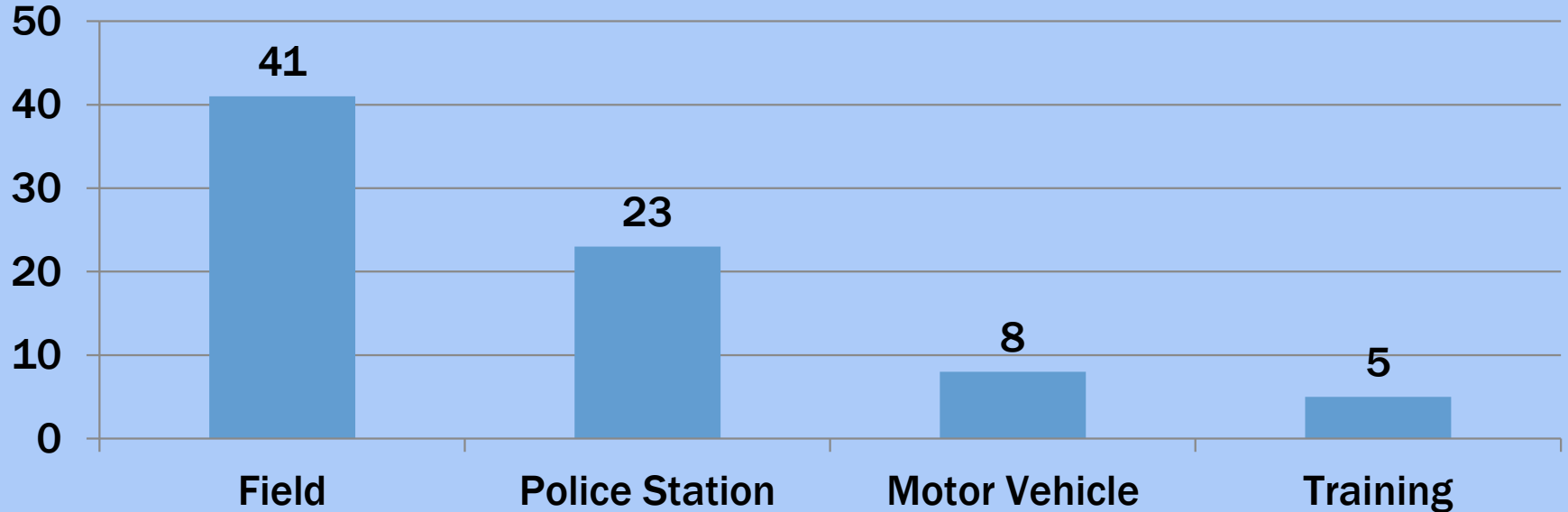
HIGHLIGHT

TPV PD has the highest ratio of disabled officers (as a percent of total headcount) in the state (per Scott McCarty in 2015)

POLICE WORKERS' COMPENSATION CLAIMS (77): 2005 - PRESENT



POLICE WORKERS' COMPENSATION CLAIMS (77): 2005 - PRESENT



PURPOSE OF PRESENTATION

3. Discuss TPV Board's progress over prior year

BOARD EFFECTIVENESS – COMPLETED TASKS

(CONCLUDED)

Conducted training of local Board

- Open Meeting Law
- Executive Session
- Ethics
- State PSPRS training

BOARD EFFECTIVENESS – COMPLETED TASKS

(CONCLUDED)

Created handbook for Board members

Implemented new TPV Board regulations, with clearer rights of Board to receive medical information and conduct audits, and a clearer member obligation to assist Board in investigations

BOARD EFFECTIVENESS – COMPLETED TASKS

(CONCLUDED)

Hired independent legal counsel

- To assure compliance with state law
- Establish legal record
- Advise re/examination of medical records
- Consult with prevention of worker compensation claims

BOARD EFFECTIVENESS – COMPLETED TASKS

(CONCLUDED)

Enhanced new employee pre-existing medical condition process (PEC)

- Request full medical history
- Right to seek more information
- If PEC found, document it for record and future consideration

BOARD EFFECTIVENESS – COMPLETED TASKS (CONCLUDED)

Enhanced review of disability applications

- Request full medical history
- Align with new hire determination of pre-existing conditions, if any
- refer to independent medical examination after Initial Board Review

LESSONS LEARNED FROM AUDIT

“Lessons learned” by Board from “first-ever” medical audit of current beneficiaries (disabled officers) in 2016/2017

LESSONS LEARNED FROM AUDIT

Objective of medical audit

- To review the medical file of each current beneficiary to determine if they are still disabled or had recovered their health (and were no longer disabled)
- To review the medical file of each current beneficiary, to determine if they had a clear pre-existing medical condition (upon hire) that should have negated their application for disability
- To determine compliance of process with prior Board decision-making

LESSONS LEARNED FROM AUDIT

Methodology of medical audit

- The Board divided the list of current beneficiaries into two buckets: those that (by virtue of their years of service) were subject to an exam, and those which could not be subject to an exam
- Seven (7) beneficiaries (had not reached their retirement age) were declared appropriate for our audit. All seven cases were reviewed concurrently. All beneficiaries were cooperative with the process.

LESSONS LEARNED FROM AUDIT

Conclusions from medical audit

- We conducted independent medical exams for four beneficiaries.
- Three beneficiaries did not require exams
- Five beneficiaries have not recovered from their disability
- Two current beneficiaries, prior to hire, had clear medical pre-existing conditions that the prior Board did not consider or weigh in their determination to grant the disability. The current Board may not reverse the prior decision (res judicata)

HIGHLIGHT

Upon completion of the audit, there is no current beneficiary who should be removed from current disability status

PURPOSE OF PRESENTATION

**Prevention of future Officer accidents
and injuries**

BOARD EFFECTIVENESS – COMPLETED TASKS

(CONCLUDED)

- Risk prevention is owned by the Police Chief, with support by HR and Risk Management (to be hired)
- Changes have been implemented to improve safety
- Certain physical training has been eliminated due to high risk
- PSPRC Counsel able to consult with Chief and HR on best practices to reduce future claims

PLAN EFFECTIVENESS (CONTINUED)

PD Review of existing Safety and Workers' Compensation Practices and Policies

- Strong Relationship to Disability Retirements
- Review Police General Orders (i.e. Belt vs. Vest)
- Enhance Injury Reporting Forms/Timely Notification

PLAN EFFECTIVENESS – TO DO (CONCLUDED)

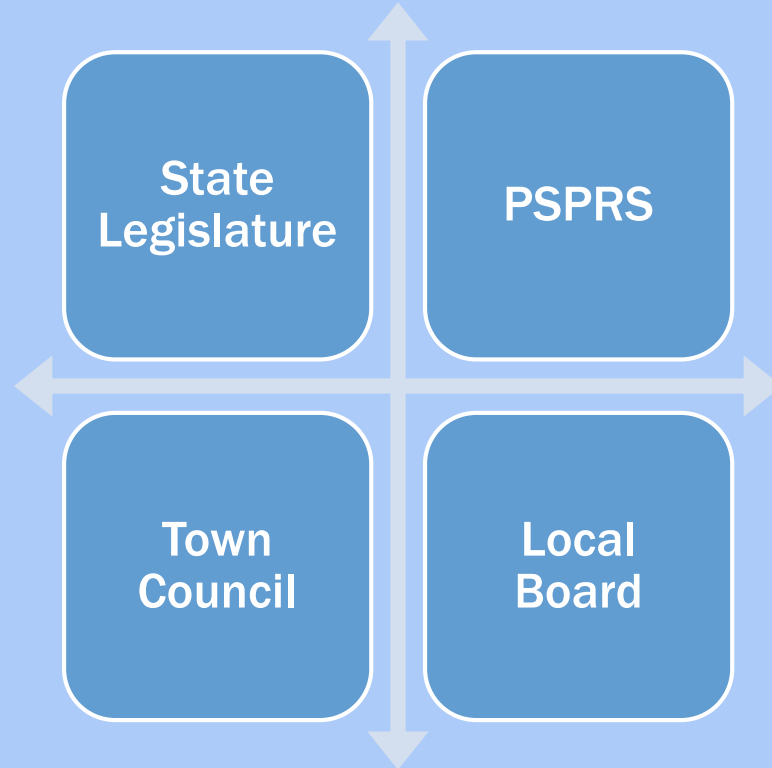
PD is refining the Officer Wellness Program

- Very Important (but not a Board responsibility)
- Program Previously Existed
- Consistent with Town Employee Wellness Program

PURPOSE OF PRESENTATION

4. Review funding obligation to state

PENSION PLAN MANAGEMENT IS A COMBINED RESPONSIBILITY



TOWN COUNCIL OBJECTIVE

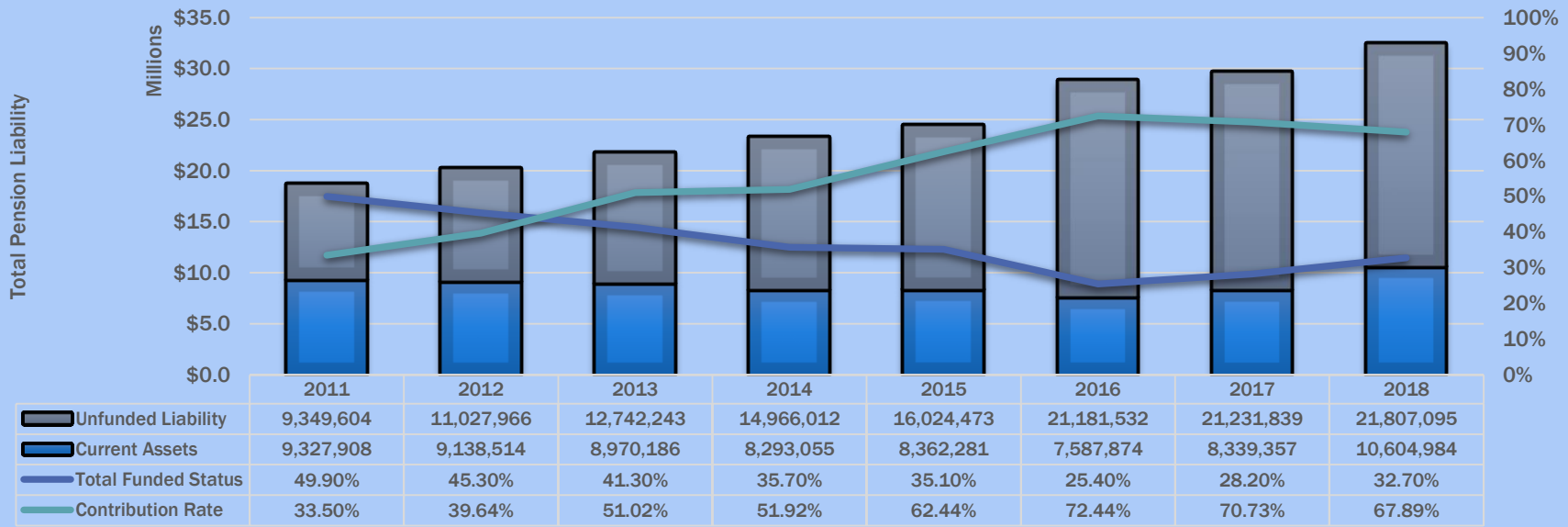
- TPV has established a pension funding strategy to reduce interest payments
- TPV ensures sufficient financial resources exist to satisfy the town's police pension obligation

TOWN'S KEY STATISTICS – PD ONLY

	6/30/13
Contribution Rate	~63%
Annual Contribution Amount	\$1.7M
Contribution Amount as % of Operating Budget	8%
Percent Funded	30%
Unfunded Liability	\$19.7M
Active Employees	23
Retirees/DROP Members	37

STRUCTURAL IMBALANCE THROUGH 2016 NOW BEGINNING TO RESOLVE

Town of Paradise Valley
PSPRS Pension Liability



PURPOSE OF PRESENTATION

5. Highlights of Arizona state reform proposals

STATE REFORM PROPOSALS

- 1. Trust has 256 plans. Eliminate smaller local Boards and merge into a regional Board**
- 2. Eliminate individual city liability and pool liability of smaller police departments**

HIGHLIGHT

Benefits have increased since inception in 1968. PSPRS has a history of troubled investment performance (3.67% ROR over ten years). The \$9.3B trust has huge unfunded liability (47% or \$6.2B).

- 2011 reforms were rejected by state courts

- Our (former) Scott McCarty lead a study group (League of Cities)

- New tier of (lower) benefits for new hires has started, with pooling

The cities of Bisbee (\$1.34 police cost) and Prescott are facing financial insolvency due to the obligations

SHOULD TPV JOIN WITH OTHER CITIES TO LOBBY FOR MORE SERIOUS REFORMS?

Local Board
not endorsing
any particular
change

ONLY AS EXAMPLES: SHOULD TPV LOBBY FOR MORE SERIOUS REFORMS?

1. Why have two public retirement funds? One invests well. Merge with ASRS.
2. Chair is a DROP beneficiary (Phoenix fire) eligible for a \$817,000 lump sum payment plus \$133k yearly retirement. Eliminate or cap benefits for DROP and reduction of guaranteed interest of 6.7%
3. Oversight by state treasurer (like ASRS)
4. Apparent lack of transparency on releasing contracts

A state legislator from Prescott is seeking greater legislative reforms

Questions and Comments