

Pension Reform Task Force
City of Phoenix Employees' Retirement System
Review of Plan Provisions
June 2011

Plan Design	
1.	The City of Phoenix Employees' Retirement Plan is a defined benefit pension plan to provide retirement, survivor and disability benefits to the City of Phoenix general employees. Average annual pension as of June 30, 2010 was \$28,042.
Contributions	
2.	Member rate is 5%.
3.	Employer rate is actuarially determined. Employer contribution rate for Fiscal Year 2011-2012 is 18.18%.
Membership	
4.	Full-time employees except Public Safety and Elected Officials. As of June 30, 2010, there were 8,896 employees and 5,029 retirees / beneficiaries in the Plan.
Benefits	
5.	Retirement eligibility: Age 60 with at least 10 years of service, age 62 with at least 5 years of service and age plus service equals at least 80.
6.	Deferred pension for members leaving City employment prior to retirement eligibility and not withdrawing accumulated contributions: Age 62 with at least 5 years of service.
7.	Multiplier: 2.0% of final average compensation multiplied by the sum of the member's credited service, subject to a maximum of 32.5 years, plus unused sick leave credited service; 1.0% for credited service in excess of 32.5 years subject to maximum of 3 years; 0.5% for credited service in excess of 35.5 years. The decreasing multiplier reduces the incremental additional benefit accrual for service above 32.5 years.
8.	Minimum pensions: \$500 per month for 15 or more years of credited service; \$250 per month for less than 15 years of credited service.
9.	Disability retirement: Total and permanent disability; requires 10 years of credited service; service requirement waived if injury or disease arising out of and in the course of performance of duty in the employ of the City. Minimum benefit for disability retirement: Credited service increased to minimum of seven years and six months.

10.	Payment of difference of accumulated pension payments and accumulated contributions paid in the event of the death of retiree who selected straight life payment option.
11.	Pension options: Straight Life, Option A Standard (100% survivor), Option A Pop-up, Option B Standard (50% survivor), Option B Pop-up or Option C (10 years certain).
12.	Designation of potential survivors based on insurable interest determination.
13.	Death of active member: If death is duty related credited service is increased to minimum of 10 years; with at least 10 years of service: (a) surviving spouse receives pension as if the member had retired the day preceding date of death, elected option A and nominated surviving spouse as beneficiary; (b) child receiving \$200 per month; (c) if no surviving spouse nor children dependent parent(s) receive up to \$720 per annum.
14.	Refund of accumulated contributions: Refund of employee's accumulated contributions plus interest to terminated member who leaves the employ of the City before retirement eligibility; refund of accumulated contributions plus interest to nominated beneficiary or legal representative if no beneficiary is eligible for pension upon the death of active member.
15.	Interest credited to members' accounts is the lesser of the assumed investment return and the annual average of the Plan's investment earnings for the previous five calendar years.
16.	<p>Post-retirement distributions:</p> <p>(13th check): One-time payments paid within seven months after the end of the fiscal year; only if funds are available in the reserve, which is funded when the five-year average investment return exceeds 8%; payments may not exceed the lesser of ½ of the annual change in the Consumer Price Index or 3%; minimum payment is 1% if funds are available in the reserve. No 13th check paid in 2010. None expected to be paid in 2011.</p> <p>Pension equalization program (PEP): Retirees are eligible for permanent annual benefit adjustment after having been retired for at least three years only if there are funds available in a reserve, which is funded when the five-year average investment return exceeds 8%; any increase may not exceed the annual change in the Consumer Price Index; increase commences in March retroactive to January 1st. No PEP paid in 2010 and 2011.</p>
17.	Reemployment of Retirees: Individuals who retire under the provisions of a City retirement plan may not be reemployed into another regular full-time position covered by the same retirement plan.

Credited Service

18.	Rules and regulations determined by Board “provided that in no case shall less than 10 days of service rendered by a member in any calendar month be credited as a month of service, nor shall less than 6 months of service rendered in any calendar year be credited as a year of service, nor shall more than one year of service be credited any member for all service rendered by him in any calendar year.”
19.	A member shall be credited with a month of service for any calendar month in which (a) he performs 10 or more days of City service with pay or (b) in cases where the City’s payroll show only the number of hours worked, in which at least 80 hours are worked.
20.	A member shall be credited with a year of service for any calendar year in which he has 10 months of service credit.
21.	Buy-back of previously forfeited service. Current employee members may purchase previously forfeited (refunded) COPERS service. The cost is a \$95 application fee and the previously refunded amount plus compounded interest equal to the actuarial assumed rate for fiscal years after 1988. For fiscal year 1988 and earlier the interest rate is the Plan’s earnings rate for the prior year.
22.	A member shall be granted unused sick leave credited service for the period of unused sick leave standing to the member’s credit at time of retirement, death or termination of City employment.
23.	Service credit for interim military service.
24.	Purchase of service credit for full-time temporary employment (or less than full-time positions under certain circumstances) prior to January 1, 1982. Purchase of service for in-state or out-of-state public service covered by a public retirement plan (military service considered eligible – limited to five years), City of Phoenix job share service and City of Phoenix full-time temporary service. Current employee members may purchase eligible prior employment service. Cost is a \$95 application fee and the actuarial cost of provided benefits for the period of service being purchased.
25.	Transfer of credited service to / from the Arizona State Retirement System. Statutory provision for the transfer of service between the Plans. Process revised as of July 2011. Transfer based on actuarial present value methodology to the extent the prior system is funded on a market value basis. To receive full service credit the member may pay the difference between the amount transferred and the actuarial present value cost of the service at the current system.
26.	Transfer of account balance to / from the Public Safety Personnel Retirement System. Statutory provision for the transfer of service between the Plans. Transfer based on the account balance (employee contributions plus interest). To receive full service credit the member may pay the difference between the amount transferred and the actuarial present value cost of the service at the current system.

Final Average Compensation (Pensionable Compensation)	
27.	Compensation means a member's salary or wages paid by the City for personal services rendered to the City.
28.	Average of highest annual compensation for a period of three consecutive years within last ten years.
29.	Includes deferred compensation fringe, travel and communications allowances.
30.	Includes sick leave and vacation leave payout at termination (if high three years are final three years). Includes vacation sell back, compensatory payout at termination and retirement severance payments.
31.	Includes salary adjustment for employees in middle-management and executive categories (reimbursement of contributions). The City reimburses middle manager (201 employees) and executive (57 employees) employees an amount equal to 0.5% of retirement applicable wages for the employee's contribution to COPERS.
32.	Includes longevity / performance and gross wage adjustments for specialty skills premium pay.
Governance	
33.	Board Structure: Three elected employee members, four ex-officio members, a citizen member and a retired member.
34.	Disability Assessment Committee Structure: Two ex-officio members, two employee members and a citizen member with health care experience.
Investments	
35.	Authorized investments include certain restrictions.