

# COPERS' Financial Status

\$2.6 billion - The total net position of COPERS

60.8% - The funded ration of COPERS

\$234 million - The total amount of benefits paid for Fiscal Year 2019



The Retirement Office receives many inquiries from members asking about the stability of COPERS. The Popular Annual Financial Report is a great way to learn more about COPERS and our work towards ensuring a stable, sustainable retirement system. The COPERS Retirement Board and staff are pleased to present the 2019 Popular Annual Financial Report (PAFR), which offers an easy-to-read summary of the full Comprehensive Annual Financial Report for the fiscal year ending June 30, 2019.

To view the PAFR please visit our Website at: [www.phoenix.gov/COPERS](http://www.phoenix.gov/COPERS)

The PAFR is intended to increase awareness about COPERS' financial operations. We want to guarantee that you have access to high-quality, easily understandable financial information so that you can be well informed and have the

utmost confidence in the way your retirement plan is being run.

## Contacting COPERS

Mailing address: 200 W. Washington St., 10th Floor

Phoenix, AZ 85003

Phone: (602) 534-4400

Email: [copers@phoenix.gov](mailto:copers@phoenix.gov)

## A Valentine's Day Message from COPERS

**Roses are red. Violets are blue.**

**Need to update your beneficiaries and contact information?  
It's easy to do!**



As retirees, you may travel and live in multiple places during the year. Isn't life great? Life might be good, but if your information is not up-to-date, then you may be missing some vital information. It is crucial to keep your information up-to-date with our office, so you can receive important information regarding your pension.

If you move or will be in any place for an extended time, make sure to fill out a Change of Address form and submit it to the Retirement Office. Doing this ensures that you will receive all communications promptly. This will be extremely important in the next couple of months as we prepare to send out our Annual Benefit Entitlement Affidavits. Annual Benefit Entitlement Affidavits are received every three years. If we do not receive the affidavit back, your monthly pension payments may be suspended until you contact the Retirement Office.

Other information you may want to ensure is accurate and/or update is your Tax Withholdings (both Federal and State), and your direct deposit. You can update this information through eCHRIS or through the Retirement Office.

We also encourage you to keep your beneficiaries up to date. Failure to make changes could result in payment being made to a previously designated beneficiary who is no longer your choice to receive your benefits. For more information, please visit the Retirement Office located at 200 W. Washington Street 10<sup>th</sup> Floor, Phoenix, AZ 85003 or contact us at (602) 534-4400. All forms can be found on our webpage at [www.phoenix.gov/copers](http://www.phoenix.gov/copers) or you can contact us via email at [copers@phoenix.gov](mailto:copers@phoenix.gov). Once you know your information is up-to-date, then you can continue to enjoy your retirement wherever you may be.

## The local Nationwide Office is moving...



**Effective February 18, the local Nationwide office will have a new home:**

3300 N. Central Ave (the ASRS building), Suite 600 Phoenix, AZ 85012

You can visit Nationwide weekdays, 8 a.m. - 5 p.m.

Visitor parking tickets will be validated during business hours.

For more information, call 602-266-2733, option 9.

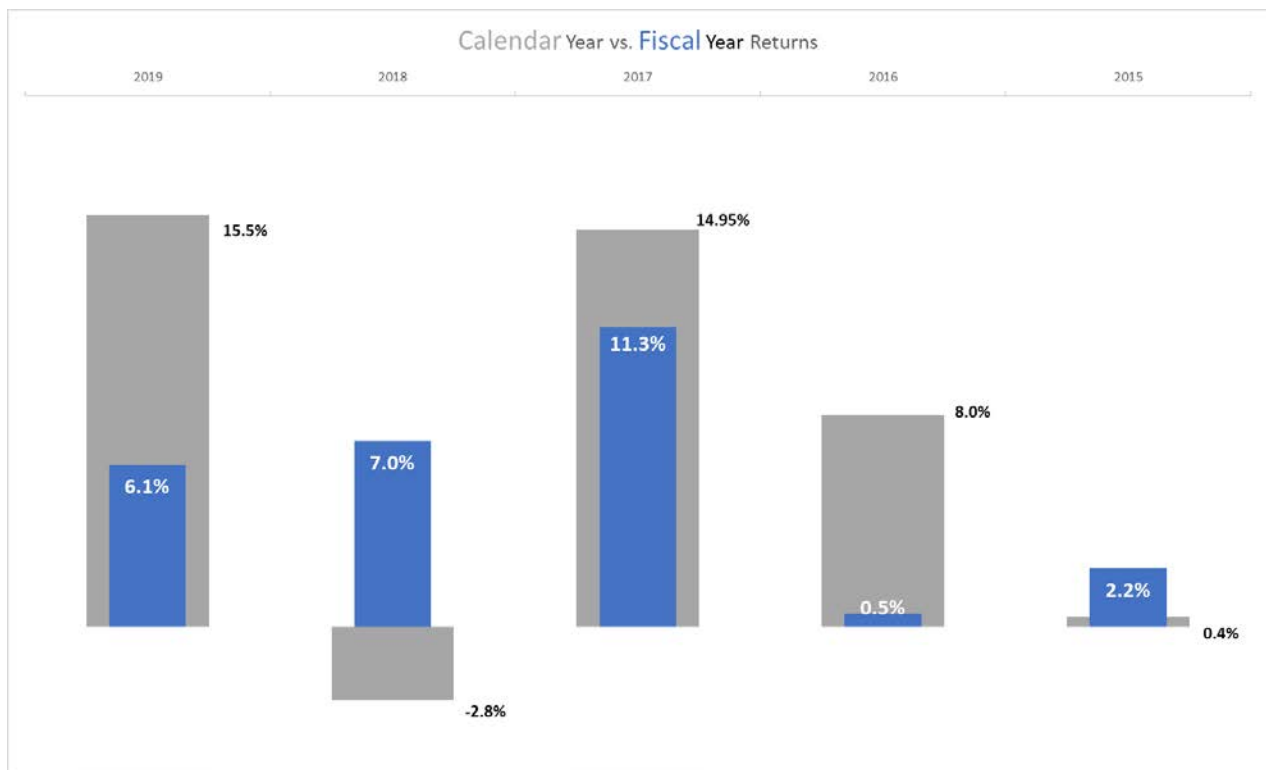
## Pension Equalization Program (PEP) Increase for 2020

For calendar year 2020, there will not be a PEP increase. On February 6, 2020, the COPERS Board of Trustees reviewed the requirements, an analysis by COPERS' actuary and staff and voted to not grant a PEP increase.

### PEP Background

The PEP program, along with the 13th Check, was added to the Plan in 1992. The PEP and 13th check are not guaranteed increases but must meet certain criteria each year in order to be given. Importantly, reserve funds (described below) must be available to fund such increases. The criteria for the PEP is that a member is eligible for the increase if they've been retired for 36 months as of January 1<sup>st</sup>. Further, the PEP amount is the lesser of the prior year's Consumer Price Index, or CPI, (not less than zero), or a percentage supported by the reserve fund.

The PEP and 13th check are self-funded by the Pension Equalization Reserve (PER) Fund. This PER Fund is only increased when COPERS' five-year arithmetic average return exceeds 8%. Any amount in excess of 8% is transferred to the fund to cover the cost of the benefit. For calendar year ending Dec. 31, 2019, the five-year arithmetic return was 5.1%. Due to prior year increases, the PER Fund balance has been depleted. The below chart outlines COPERS calendar and fiscal year returns. Calendar year returns are represented by the grey box and fiscal year returns are in blue.



## Why PEP is Becoming Harder to Fund

Looking back over prior five calendar years, the reserve account has been funded with nearly \$67 million in excess returns, however COPERS has paid out nearly \$71 million in PEP increases and 13th check payments. The difference in the transfers and payments has depleted the small amount remaining in the PER Fund. To grant even a one-percent increase for 2020, the PER Fund would have needed a balance of roughly \$35 million. To achieve that amount of funding, COPERS would have had to have a five-year average return of approximately 20% to ensure adequate funding was available. Since 2014, the highest PEP increase given was 1.6% in 2015, this increased payments by \$26.5 million; the lowest PEP increase was in 2016 at 0.2%, costing \$3.7 million.

Funding future PEP increases and 13th checks will become increasingly difficult over the coming years. As the reserve fund balance has been depleted, the number of retirees eligible to receive these benefits continues to grow. Between 2014 and 2019 COPERS had 35% increase in retirees. Since 2000, that increase has been 53%.

## PAFR Questions

The Retirement Office received several calls after sharing the Popular Annual Financial Report (PAFR) in last month's communication email. The callers were wondering what caused the spike in administrative expenses. The following graph is from page 8 of the PAFR:

**Fund Expenses (in thousands)**

Year Ended	Benefit Payments	Refunds	Administrative and Other Expenses
6/30/2019	\$ 234,301	\$ 3,012	\$ 3,230
6/30/2018	224,454	3,472	2,374
6/30/2017	220,276	3,227	587
6/30/2016	213,047	3,047	549

It **appears** that "Administrative and Other Expenses" have risen drastically since 2017. The "increase" is primarily due to the inclusion of Retirement Office costs in that line item. A new accounting standard required the inclusion. The City bears the actual cost of operating the Retirement Office (staff salaries, office supplies, etc.). Therefore, it is reflected in both Additions (or income) and Deductions (or expenses) to satisfy the accounting standard. It is easier to see how these items offset each other in the full version from the Comprehensive Annual Financial Report on page 21.

	2019	2018	Change	% Change
<b>Additions</b>				
Employer Contributions	\$ 165,796	\$ 229,006	\$ (63,210)	(27.6) %
Members' Contributions	35,042	33,340	1,702	5.1
Inter-System Transfers	375	484	(109)	(22.5)
Retirement Office Administration	1,986	1,863	123	6.6
Net Investment Income	142,674	166,239	(23,565)	(14.2)
Net Securities Lending Income	290	275	15	5.5
<b>Total Additions</b>	<b>\$ 346,163</b>	<b>\$ 431,207</b>	<b>\$ (85,045)</b>	<b>(19.7) %</b>
<b>Deductions</b>				
Benefit Payments	234,301	224,454	9,847	4.4 %
Refunds	3,012	3,472	(460)	(13.2)
Inter-System Transfers	451	134	317	236.6
Retirement Office Administration	1,986	1,863	123	6.6
Administrative Expense	793	377	416	110.3
<b>Total Deductions</b>	<b>\$ 240,543</b>	<b>\$ 230,300</b>	<b>\$ 10,243</b>	<b>4.4 %</b>
<b>Net Increase</b>	<b>105,620</b>	<b>200,907</b>	<b>(95,287)</b>	<b>(47.4) %</b>
<b>Net Position Restricted for Pensions</b>	<b>\$ 2,660,134</b>	<b>\$ 2,554,514</b>	<b>\$ 105,620</b>	<b>4.1 %</b>

We have also begun the process of replacing the 20-year old Pension Administration System. Costs associated with buying a new system are included in the Administrative Expense Category. We are delighted that you are reading reports pertaining to your pension. We welcome your questions!

*Subject Line: (UPDATED INFORMATION) Deadline for “Retirement Benefits Entitlement Affidavit”  
Suspended Due to COVID-19 (Coronavirus) Concerns*

*To Our Valued Members:*

*If you have already returned your “Retirement Benefits Entitlement Affidavit”, thank you. We appreciate your cooperation.*

*If you have not yet returned your “Retirement Benefits Entitlement Affidavit”, the due date has been suspended. **This is for last names beginning with N – Z.***

*Our primary concern is the health and well-being of our members and retirees. While the Benefits Entitlement process is an important audit that ensures benefits are reaching those who should be receiving them, we do not want retirees to take unnecessary personal risks to get the letter notarized.*

*As more information unfolds about the Coronavirus, a new due date will be established. In the meantime, rest assured that **your pension payments will NOT be affected** if you are unable to return the affidavit by the original date specified.*

*Scott Steventon  
Acting Retirement Services Administrator*

The City of Phoenix Employees' Retirement System (COPERS) recognizes that the COVID-19 pandemic makes this an uncertain time for our members, retirees and beneficiaries. We want to assure you that our commitment to provide excellent customer service to our members continues to be our top priority. Our regularly scheduled business operations such as the processing of payroll, administration of benefits, and retirement payment processing will be maintained as usual. COPERS is here for you.

- The Retirement Office remains open and our team members are available to assist you Monday through Friday from 8:00 a.m. to 5:00 p.m. by calling (602) 534-4400 or by emailing [copers@phoenix.gov](mailto:copers@phoenix.gov).
- Out of an abundance of caution, we are limiting in-person appointments, whenever possible. Please call or email to see if your situation can be addressed while still honoring recommended social distancing.
- Your pension, if you are retired, or your retirement contributions, if you are active, will never be reduced because of COPERS's investment performance.
- Potential increases to pensions and interest on retirement contributions are affected by COPERS's investment performance.
- COPERS is a long-term investor that contracts with a team of experienced investment consultants and managers who are working diligently to monitor the extreme volatility in the financial markets.
- The asset allocation implemented by the Retirement Board was put in place to withstand market downturns.

Know that the COPERS team is dedicated to serving you. Please let us know how we can help and please stay safe.

**For retirees and survivors, with last names beginning with letters N-Z, the deadline to return the Retirement Benefits Entitlement Affidavit has been suspended until further notice. Your pension payments will NOT be affected if you have not returned the affidavit.**



## Staying Active During COVID-19

Social distancing and sheltering in place don't necessarily mean having to endure isolation or living in fearful separation. There are still great ways to getting and staying active. Being physically active is helpful for mind and body well-being. While there are ways to be active outdoors, such as walking, running or hiking; if you can't or don't want to go outside, here are some suggestions for being active indoors. Do your best to find time every day to move. However, remember the advice of medical professionals calling for us to wear face coverings as much as possible until this health crisis ends.

### Here's how:

- Do your best to find time every day to move. Even a small amount of time each day is good for your health.
- Find the type of movement that works best for you. Physical activity, such as walking or biking, can be done by people of all ages and abilities. Find the type of exercise that works best for you.
- Even in small spaces, walking is good for you. Consider pacing while on a phone call.
- Try to stand up and move around every 30 minutes or so, especially when you are watching TV or using a computer.
- Take activity breaks. Little amounts of physical activity, like cleaning, gardening, dancing, and cooking add up.
- Join a free online exercise class on YouTube. Cardio, yoga, strength training—the options are endless!
- Maintaining physical distance does not mean social distance—work out virtually with your friends. Plan to tune into the same exercise video or create a workout plan together over video chat.
- Stretch. Gentle movement, like yoga, can help your body relax and rejuvenate. Sync movement with deep breathing.

### Here's why:

- Exercise reduces levels of the body's stress hormones.
- Exercise stimulates the production of chemicals in the brain that are the body's natural painkillers and mood elevators.
- Exercise helps to boost your immune system.
- The stress reduction and mental health benefits of physical activity and exercise can last throughout the day.

### Also:

- Give friends and family regular emotional support. Moral support is essential during these times.

- Share ideas with others on ways to stay healthy and positive, such as careful online shopping, preparing nutritious meals, and using other online resources for personal recreation.
- Stay current with ongoing activities, take part in conference calls, and share timely information and links with other retirees and friends.
- Remember to stay active!

*Know that the team at COPERS is dedicated to serving you and is here to assist you with your questions, concerns and needs. Contact us at:*

*COPERS*

*200 W. Washington Street 10<sup>th</sup> Floor, Phoenix, AZ 85007*

*Phone: (602) 534-4400*

*Email: [copers@phoenix.gov](mailto:copers@phoenix.gov)*



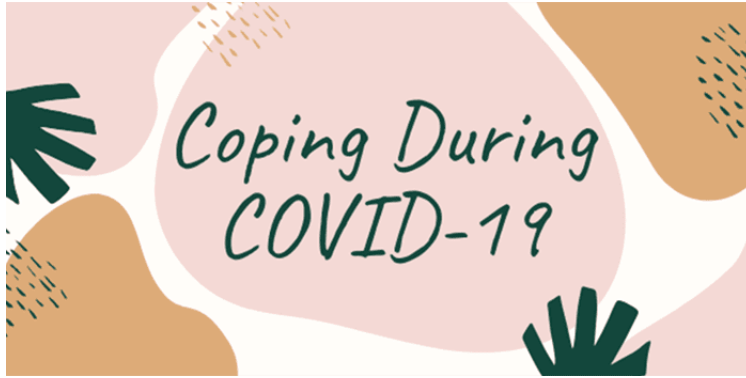
## How Could Divorce Impact Your Retirement?

If you are considering dissolving your marriage, you should know the impact a divorce can have on your pension.

In the event of a divorce after you have started receiving your monthly retirement pension benefit, the divorce decree states what portion, if any, each spouse will receive from the monthly retirement benefits. You, as the member, are responsible for notifying the City of Phoenix Employees' Retirement System (COPERS) in the event of a divorce; and a copy of the divorce decree should be given to COPERS to be kept on file. If you listed your current spouse as your survivor on the day you retired and you have already received your first pension check, that person will remain your survivor for life, even if you get divorced.

If the divorce decree states your spouse will receive a portion of your monthly retirement benefits, COPERS can only pay that monthly retirement benefit directly to a former spouse/alternate payee via a court-certified Qualified Domestic Relations Order (QDRO). The lack of a QDRO does not absolve the member from making the monthly benefit payments. The QDRO authorizes COPERS to make the monthly payment directly to the alternate payee on your behalf and ensures the alternate payee receives annual tax documents.

For more information on QDRO guidelines, please click on the following link: <https://www.phoenix.gov/copers/forms> and refer to **Domestic Relations Order Guidelines** form.



## **Coping During COVID – 19**

“Covid Fatigue” is a real and material factor that has affected our everyday lives. However, there are ways to manage the stress and anxiety that has become a part of our new normal. Just like dealing with any stressful situation, we go through various phases of reaction. When those negative reactions begin to materialize, there are ways to cope.

- **Exercise:** It is the best thing to do to cope. Any exercise, even a simple walk, helps. It releases endorphins and some of the adrenaline when frustration builds up. Just getting out and moving can be very helpful.
- **Talking:** Saying it out loud is important. Find the right places and times to express yourself but do it. Ignoring feelings does not make them go away. It is like trying to hold a beachball underwater – eventually you lose control and it pops out. You cannot control where it goes or who it hits.
- **Constructive thinking:** We cannot change the situation, but we can adjust our thinking. Be compassionate with yourself and others. Remind yourself that you are doing the best you can.
- **Mindfulness and gratitude:** Try being in the moment. The more you do this, the easier it gets. Do not put yourself through a lot of unnecessary misery projecting into the future or ruminating about the past. For now, just take life day by day.



# THE 13<sup>TH</sup> CHECK



**There will be no 13<sup>th</sup> check in 2020.** The “13<sup>th</sup> Check” is one of the components of the Pension Equalization Program. The Pension Equalization Program was established on October 1, 1991 when voters of the City of Phoenix approved an amendment to Chapter 24 of the City Charter, allowing pension adjustments to be paid to eligible retirees.

Just as the existence of a potential “13<sup>th</sup> check” is explained in the City Charter, so too are the criteria that must be met for payment and the rate used to determine the amount.

**CRITERIA:** funds must be available in the Pension Equalization Reserve Fund to cover the 13<sup>th</sup> check for all eligible retirees.

**RATE** (minimum of 1%) the lesser of:

- ½ of Consumer Price Index OR
- Excess investment return rate OR
- 3% maximum

Over the decade, the number of retirees has increased by nearly 50%, about 5,000 in 2010 to over 7,500 in 2020. This rise in the number of retirees has increased the cost to provide benefits such as the “13<sup>th</sup> Check”. COPERS was able to fund a “13<sup>th</sup> check” in 2014, 2015, 2016, and 2018. Other components of the program resulted in increases during the same time frame.

The Pension Equalization Reserve is funded only when COPERS’ investment performance exceeds 8%. Market uncertainty brought on by the pandemic caused investment earnings to suffer and not exceed the threshold. Additionally, prior 13<sup>th</sup> check and PEP payments have depleted the Pension Equalization Reserve. Therefore, there will be no 13<sup>th</sup> check in 2020.

The exacting criteria and rate evaluation required by the City Charter are meant to safeguard COPERS’ plan assets and ultimately your pension.

## December 2020 Pension Payments

COPERS' pension payments for December 2020 will be processed on January 1, 2021. Transaction processing schedules are determined by each financial institution and will vary. For direct deposit transactions, please check with your financial institution for their processing schedule for transactions received on a non-business day.

## 2021 Pension Check Schedule

The 2021 Pension Check Schedule is now available on our website at:  
<https://www.phoenix.gov/COPERS/Retirees>.

## Want to Know More About Retirement?

Ever wondered how your COPERS' pensions are calculated and what survivor options are available? COPERS is excited to announce a new six-part video vignette series aimed at providing you with more information about how the system works. Each video is between three and six minutes and covers a variety of topics. These topics include:

1. An Overview of COPERS
2. Membership Information
3. When Can I Retire?
4. Pension Calculation – Straight Life Option
5. Pension Calculation – Part 1 – Option A Standard, Option A Pop-up
6. Pension Calculation – Part 2 – Option B Standard, Option B Pop-up, Option C

***Please note: The retirement option you choose cannot be changed once your first pension is processed.***

All six videos are available on the Retirement Office's Home Page at:  
[www.phoenix.gov/copers](http://www.phoenix.gov/copers).

## 2020 COPERS Board Election Results

On November 30, 2020, the COPERS Board closed the triennial election process to elect three active employee board members. The following six candidates ran in the election:

1. Charlene Reynolds
2. Jason Stokes
3. Aaron Avila
4. Ben Lane
5. Kanika Jones
6. Ron Ramirez

The election and tabulation processes were overseen by the City Clerk Department and official results were certified by the City Clerk on December 4, 2020.

The Retirement Office is excited to announce that Charlene Reynolds, Jason Stokes and Aaron Avila will officially be seated on the COPERS Board at their first meeting of 2021 on January 7<sup>th</sup>. Candidate profiles of the newly elected board members are below.

**Charlene Reynolds**  
**Assistant Director – Aviation Department**  
**18 years as a COPERS Member**

For five years, I have proudly served as a COPERS Board member. For the last three years, I have had the honor of serving as COPERS Chairperson. During my tenure, the Board and I have made decisions which strengthened our portfolio, increased communication to members, begin the replacement of the 15+ year old legacy Pension Gold system, re-engaged our Investment Committee, and replaced outdated policies and procedures. While, I am term-limited for the Chairperson role, I hope the members will allow me to continue to serve on the Board and utilized the knowledge I have gained in institutional investing.

**Jason Stokes**  
**Communications Shift Supervisor – Police Department**  
**27 years as a COPERS Member**

It has been my honor to serve as a Trustee for the last three years. I also serve on the Investment and the Charter Amendments/Policies and Procedures committees. As the only non-executive on the Board, I feel it is important that employees at all levels retain their voice. I have worked for the City for 27 years and currently serve as President of ASPTEA. I am proud to represent the interests of our employees and protect one of the most valuable benefits we have. I hope you will support my efforts to continue to represent you on the COPERS Board.

**Aaron Avila**  
**Management Assistant II – Budget & Research Department**  
**20 years as COPERS Member**

My name is Aaron Avila and I am seeking an opportunity to represent you. I have bachelor degrees in finance and human resources and a master of public administration from ASU. I have been with the City since 2000. I am currently a Management Assistant II in the Budget & Research Department. One of my current job roles is to forecast and monitor citywide pension costs for the City. I am familiar with the COPERS's Board fiduciary responsibilities and look forward to representing you in making sure our retirement benefits are secure and properly managed for the long-term.

Retiree representation on the COPERS Board is decided through a separate process managed by the City of Phoenix Retiree Association (COPRA). Please visit their website at: [www.phoenixcopra.com](http://www.phoenixcopra.com).

Thank you to all who voted.

**Contacting COPERS**  
Mailing address:  
200 W. Washington St., 10th Floor



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