

# City of Phoenix Employees' Retirement System Retirement Guide



## Purpose

The City of Phoenix Employees' Retirement System (COPERS) is a single-employer, defined benefit pension plan established by the City Charter. Its purpose is to provide retirement, disability retirement and survivor benefits for its members. Members are full-time employees on a work schedule which consists of the number of full-time hours per week designated for the class of employment for the employee's classification and which work schedule is intended to be continuous over a period of twelve months. All full-time classified civil service employees and full-time appointive officials of the City with the exception of sworn police and fire fighters are required, as a condition of employment, to contribute to COPERS.

## Administration

The general administration, management and operation of COPERS are vested in a nine-member Retirement Board consisting of three elected employee members, four ex officio members, a citizen member and a retiree member. The Retirement Board appoints the Retirement Program Administrator, a civil service position, and contracts investment counsel and other services necessary to properly administer the Plan.

## Plan Amendments and Termination

COPERS is administered in accordance with the Charter and can be amended or repealed only by a vote of the people. There are no provisions for termination of COPERS. On August 25, 2015, the Phoenix voters approved proposition 103, which changed the terms of the Plan for employees hired after January 1, 2016. Among the approved changes was the closure of Tier 2 to new members (Tier 1 was closed to new members with the creation of Tier 2 on July 1, 2013) and the requirement that all new employees be placed in a new hybrid retirement plan (Tier 3) which limits the compensation used to calculate pensions, uses a five-year compensation average to determine pension amount, replaces automatic post-retirement increases with an option to reduce initial pension payments to fund post-retirement increases, and eliminates the credit for unused sick leave. Proposition 103 also set a cap for plan contributions by employees for those hired after July 1, 2013 of 11 percent of annual compensation and limits the interest rate (3.75 percent) applied to contributions refunded to withdrawing members.

## Pension Benefits

Benefits are calculated on the basis of a given rate, final average salary and service credit. Members are eligible for retirement benefits at age 60 plus ten or more years of service credit; age 62 with five or more years of service credit; or where age and service credits equal 80 for Tier 1 employees and 87 for Tier 2 and Tier 3 employees.

A supplemental post-retirement payment and a permanent benefit increase (under the Pension Equalization Program) may be provided to retirees if sufficient reserves are available at the end of the fiscal year. The reserve is funded if the five-year average investment return exceeds 8%.

See the below charts for further pension benefit information.

|                                      | General City Tier 1 (GC1)   | General City Tier 2 (GC2)  | General City Tier 3 (GC3)   |
|--------------------------------------|---|--|---|
| <b>Tier Eligibility</b>              | Hired Prior to July 1, 2013   | Hired Between July 1, 2013 and December 31, 2015   | Hired on or after Jan. 1, 2016  |
| <b>Contribution Amount</b>           | 5% of all retirement eligible wages   | 50% of contributions actuarially determined each fiscal year, not to exceed 11%  | 50% of contributions actuarially determined each fiscal year, not to exceed 11%. For annual compensation in excess of \$125,000 in any one year, contributions to COPERS cease and City contributions are made to the 401(a) defined contribution plan. |
| <b>Retirement Criteria</b>           | <ul style="list-style-type: none"> <li>• Age 60 w/10 or more yrs service</li> <li>• Age 62 w/ 5 or more yrs service</li> <li>• Rule of 80: Age + Service = 80</li> </ul>  | <ul style="list-style-type: none"> <li>• Age 60 w/10 or more yrs service</li> <li>• Age 62 w/ 5 or more yrs service</li> <li>• Rule of 87: Age + Service = 87</li> </ul>   | <ul style="list-style-type: none"> <li>• Age 60 w/10 or more yrs service</li> <li>• Age 62 w/ 5 or more yrs service</li> <li>• Rule of 87: Age + Service = 87</li> </ul>  |
| <b>Required Notice (A.R. 2.441A)</b> | <u>Rule of 80 or 87</u> – Application for Retirement must be filed with COPERS no later than 14 calendar days prior to Retirement Date.<br><u>Age 60 w/10 years of service or Age 62 w/5 years of service</u> – Application for Retirement must be filed with COPERS no later than 30 calendar days prior to Retirement date. |  |   |
| <b>Final Average Salary (FAS)</b>    | Highest 36 consecutive months of retirement applicable wages within the last <u>10 years</u> .  | Highest 36 consecutive months of retirement applicable wages within the last <u>10 years</u> .   | Highest 60 consecutive months of retirement applicable wages within the last <u>10 years</u> .  |
| <b>Benefit Ratio</b>                 | <ul style="list-style-type: none"> <li>• Up to 32.5 yrs service @ 2.0%</li> <li>• 32.5 to 35.5 yrs service @ 1.0%</li> <li>• 35.5 yrs service &amp; over @ 0.5%</li> </ul> <p>All sick leave converted to service time is at 2%.<br/>(173 hours = 1 month service)</p>  | <ul style="list-style-type: none"> <li>• Less than 20 yrs service @ 2.10%</li> <li>• 20 yrs but less than 25 yrs service @ 2.15%</li> <li>• 25 yrs but less than 30 yrs service @ 2.20%</li> <li>• 30 yrs or more @ 2.30%</li> </ul> <p>All sick leave converted to service time is at 2%.</p> | <ul style="list-style-type: none"> <li>• Less than 10 yrs service @ 1.85%</li> <li>• 10 yrs but less than 20 yrs service @ 1.9%</li> <li>• 20 yrs but less than 30 yrs service @ 2.0%</li> <li>• 30 yrs or more @ 2.1%</li> </ul>                       |
| <b>Vesting</b>                       | After 5 yrs of credited service   | After 5 yrs of credited service  | After 5 yrs of credited service   |
| <b>Refund</b>                        | 100% of all contributions plus any fiscal year end credited interest<br><br>20% Federal Tax Withheld<br>5% State Tax Withheld   | 100% of all contributions plus any fiscal year end credited interest<br><br>20% Federal Tax Withheld<br>5% State Tax Withheld  | 100% of all contributions plus any fiscal year end credited interest<br><br>20% Federal Tax Withheld<br>5% State Tax Withheld   |
| <b>Retirement Options</b>            | Straight Life, A Standard, A Pop-Up, B Standard, B Pop-Up, Option C   | Straight Life, A Standard, A Pop-Up, B Standard, B Pop-Up, Option C  | Straight Life, A Standard, A Pop-Up, B Standard, B Pop-Up, Option C, COLA option  |

|                                       | General City Tier 1 (GC1)   | General City Tier 2 (GC2)   | General City Tier 3 (GC3)   |
|---------------------------------------|---|---|---|
| <b>Deferred Retirement</b>            | If terminated after 5 yrs service, at age 62 become eligible for lifelong pension.  | If terminated after 5 yrs service, at age 62 become eligible for lifelong pension.  | If terminated after 5 yrs service, at age 62 become eligible for lifelong pension.  |
| <b>13<sup>th</sup> Check</b>          | Not a guarantee based on fund investment returns. 1 <sup>st</sup> eligible provided retired by 6/30 & will receive prorated amount the 1 <sup>st</sup> yr   | Not a guarantee based on fund investment returns. 1 <sup>st</sup> eligible provided retired by 6/30 & will receive prorated amount the 1 <sup>st</sup> yr   | Does not apply to Tier 3 members  |
| <b>PEP/COLA</b>                       | PEP not a guarantee, based on fund investment returns. First eligible when received 36 payments as of the 1 <sup>st</sup> Jan. after retirement.  | PEP not a guarantee, based on fund investment returns. First eligible when received 36 payments as of the 1 <sup>st</sup> Jan. after retirement.  | Does not apply to Tier 3 members – Tier 3 members can elect a retirement benefit option that provides a built-in COLA in exchange for a reduced initial pension amount  |
| <b>Service Credit</b>                 | <ul style="list-style-type: none"> <li>• 80 hours worked = 1 month of service</li> <li>• 10 months w/80 hours each month = 1 year service credit</li> </ul>   | <ul style="list-style-type: none"> <li>• 20 days (160 hours) = 1 month of service</li> <li>• No rounding of months</li> </ul>   | <ul style="list-style-type: none"> <li>• 20 days (160 hours) = 1 month of service</li> <li>• No rounding of months</li> </ul>   |
| <b>Service Purchase Program (SPP)</b> | <ul style="list-style-type: none"> <li>• Purchase anytime</li> <li>• Costing method is Actuarial Present value (APV)</li> <li>• Other public retirement system service</li> <li>• Non-Intervening Military service w/ honorable discharge. May purchase up to a max 5 yrs service</li> <li>• City Service including: <ul style="list-style-type: none"> <li>○ Job Share – May purchase 50% of time in Job Share position</li> <li>○ Full Time/Temporary after 1981</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Purchase anytime</li> <li>• Costing method is Actuarial Present value (APV)</li> <li>• Other public retirement system service</li> <li>• Non-Intervening Military service w/ honorable discharge. May purchase up to a max 5 yrs service</li> <li>• City Service including: <ul style="list-style-type: none"> <li>○ Job Share – May purchase 50% of time in Job Share position</li> <li>○ Full Time/Temporary after 1981</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Purchase anytime</li> <li>• Costing method is Actuarial Present value (APV)</li> <li>• Other public retirement system service</li> <li>• Non-Intervening Military service w/ honorable discharge. May purchase up to a max 5 yrs service</li> <li>• City Service including: <ul style="list-style-type: none"> <li>○ Job Share – May purchase 50% of time in Job Share position</li> <li>○ Full Time/Temporary after 1981</li> </ul> </li> </ul> |
| <b>Buyback Program (BBP)</b>          | <ul style="list-style-type: none"> <li>• Purchase anytime</li> <li>• Missed contributions plus interest</li> </ul>  | <ul style="list-style-type: none"> <li>• Purchase anytime</li> <li>• Missed contributions plus interest</li> </ul>  | <ul style="list-style-type: none"> <li>• Purchase anytime</li> <li>• Missed contributions plus interest</li> </ul>  |
| <b>Transfers from ASRS/PSPRS</b>      | Request to be done anytime (at Market Value) remainder can be purchased.  | Request to be done anytime (at Market Value) remainder can be purchased.  | Request to be done anytime (at Market Value) remainder can be purchased.  |
| <b>Death Benefit</b>                  | <ul style="list-style-type: none"> <li>• Single/Married with less than 10 yrs – Refund (Married unless Duty Related)</li> <li>• Married with more than 10 yrs – Spouse receives lifelong pension</li> </ul>   | <ul style="list-style-type: none"> <li>• Single/Married with less than 10 yrs – Refund (Married unless Duty Related)</li> <li>• Married with more than 10 yrs – Spouse receives lifelong pension</li> </ul>   | <ul style="list-style-type: none"> <li>• Single/Married with less than 10 yrs – Refund (Married unless Duty Related)</li> <li>• Married with more than 10 yrs – Spouse receives lifelong pension</li> </ul>   |

## Disability Benefits

A member who becomes permanently disabled for the performance of duty is eligible for a disability benefit if the disability is 1) by reason of a personal injury or disease and the member has ten or more years of service credit or 2) due to on-the-job injuries, regardless of service credit.

## Survivor Benefits

Dependents of deceased members may qualify for survivor benefits if the deceased member had ten or more years of service credit or if the member's death was in the line of duty with the City and compensable under the Workmen's Compensation Act of the State of Arizona. Chapter XXIV, Section 25 of the Charter of the City of Phoenix specifies the dependents and conditions under which they qualify for survivor benefits.

## Refunds

Upon separation from employment, a member or beneficiary not entitled to a pension may withdraw the member's contribution plus applicable interest. The acceptance of a refund cancels the individual's rights and benefits in COPERS. Employer contributions to COPERS are not refundable.

## Tax Exempt Status of Member Contributions

COPERS has received a favorable letter of determination of qualification from the Internal Revenue Service under Section 401(a) of the Internal Revenue Code. Continued tax-exempt status of COPERS is contingent on future operations remaining in compliance with Section 401(a).

Under Internal Revenue Code Section 414(h)(2) and Revenue Ruling 81-36, effective January 1, 1985 the City of Phoenix authorized that a portion of its contributions be earmarked as being made by the members of COPERS, and "picked up" that portion of the designated active member contributions. The portion of the COPERS contribution that is picked up by the City of Phoenix is treated as an employer contribution for federal and state income tax purposes and excluded from the member's gross income until distributed by COPERS.

For further information about the COPERS plan, please visit our website at [phoenix.gov/copers](http://phoenix.gov/copers), or call the COPERS office at (602) 534-4400.

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