

A Guide to Retirement

IMPORTANT! BILINGUAL SERVICES (SPANISH/ENGLISH) ARE AVAILABLE IN THE COPERS OFFICE UPON REQUEST.

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This document can be made available in an alternate format (Braille, large print, tape or compact disk) upon request. Contact Lollita Cordova, ADA Liaison in the Retirement Office, at 602-534-4400/voice or 602-534-5500/City TTY Relay if you would like any of these services.

This document provides you with important information regarding the City of Phoenix Employees' Retirement System ("COPERS"). This document is a summary of certain provisions of Chapter XXIV of the City of Phoenix Code, the Phoenix City Employees' Retirement Law of 1953 (the "Retirement Law") and the administrative policies and procedures adopted by the COPERS Board in accordance with the Charter. Every effort has been made to ensure accuracy; however, if any inconsistency exists between this document and the City Charter, the provisions of the City Charter, as interpreted by the COPERS Board, shall prevail.

The City Charter legally governs the operation of the Plan; please refer to the City Charter for a full statement of the applicable rules. If you cannot find an answer to a question about the Plan in this summary or in the Charter, contact the City of Phoenix Employees' Retirement Systems Office at (602) 534-4400.

Highlights

Your City of Phoenix Employees' Retirement System ("COPERS" or "Plan") benefits start accumulating at the beginning of your regular, full-time employment with the City of Phoenix ("City"). The Plan provides you with the following benefits:

- Monthly pension for life starting at age 60, with 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.
- Income protection for your spouse after your death, if you were an active employee with 10 or more years of service.
- Income protection for your spouse (or designated survivor) following your death after retirement, under certain available pension options.
- Income protection in case of total and permanent disability (requires 10 years of credited service if non-duty related).
- Refund or rollover of member contributions upon:
 1. End of employment.
 2. Your death as an active employee if you had fewer than 10 years of service (refund or rollover to your designated beneficiary).
 3. Your death as an active employee with more than 10 years of service, when leaving no surviving spouse, eligible parent, or child (refund or rollover to your designated beneficiary).

4. Your death as a retiree/surviving option beneficiary if COPERS has not paid at least an amount equal to your member contributions balance at the time of your retirement (refund or rollover to your designated beneficiary).
- Ability to transfer service credits when you move to (or from) a position covered by the Arizona State Retirement System (“ASRS”).
 - Ability to transfer service credits when you move to (or from) a position covered by the Arizona Public Safety Personnel Retirement System (“PSPRS”).
 - Ability to purchase service credits from other governmental entities in the country, under certain conditions.
 - Ability to obtain/purchase up to five years of service credits for military service, under certain conditions.
 - Ability to purchase service credits due to prior full-time temporary and job-share employment with the City of Phoenix, under certain conditions.
 - Ability to buyback forfeited COPERS service credits due to refund. The previous requirement for purchases to be completed within five years of board approval has been eliminated.
 - Ability to “rollover” your member contributions into a qualified tax-deferred account upon termination of employment, consistent with the Internal Revenue Service (“IRS”) regulations.
 - Ability to “rollover” from a qualified tax-deferred account as part of your buyback or purchase of service credits consistent with IRS regulations and COPERS Board Policies.

PURPOSE OF PLAN AND ADMINISTRATION

What is the purpose of the Plan?

The City of Phoenix Employees’ Retirement Plan was created to provide retirement, survivor and disability benefits to general City employees. COPERS is a defined benefit plan, qualified under the Internal Revenue Service (“IRS”) rules.

COPERS’ does not cover elected City officials or sworn police and fire employees. They are covered under the Elected Officials Retirement Plan (“EORP”), and the Public Safety Personnel Retirement System (“PSPRS”), respectively, provided by the Arizona Revised Statutes.

How is the Plan administered?

The COPERS Board, as trustee of the Plan, administers the Charter provisions.

The Board is composed of nine members:

- Three members elected from and by the active employee members of COPERS every three years. These members must have at least 10 years of credited service. All members of COPERS receive voting materials. **Your participation in these elections is important, PLEASE VOTE.**

- Four ex-officio members: the City Manager or his/her delegate, the City Treasurer, the Finance Director, and an Urban Manager or Department Head selected by the City Manager.
- One member is a public citizen. He or she must be a resident of the City of Phoenix but cannot be a City employee or a COPERS retiree. This member must have at least five years experience in retirement administration.
- One COPERS retiree, elected by the three elected employee Board members.

The Retirement Program Administrator handles the daily management of COPERS.

The Board holds monthly meetings open to the public. All agendas are posted on the City Clerk's bulletin board and the last 12 months are available for viewing on the COPERS website: www.phoenix.gov/phxcopers.html.

City of Phoenix Charter can only be changed by the voters of the City of Phoenix in an election.

MEMBER AND EMPLOYER CONTRIBUTIONS TO THE PLAN

How much do I contribute to the Plan?

As a general City employee, you must contribute five percent (5%) of your compensation.

Do I get interest credited to my Employee Contributions Account?

Yes. If you are an active employee, or if you terminate your COPERS membership after five or more years of service and leave your contributions on account, interest is credited to your account every fiscal year. The COPERS Board sets the rate of interest to be credited.

If I terminate membership in COPERS due to resignation or other reasons, with less than five years of COPERS service, am I entitled to receive interest credits as long as I keep my contributions in COPERS?

No. If you terminate COPERS membership with COPERS before vesting (five years required for vesting), you will not be eligible for annual interest credit. If you are not vested and do not apply for a refund of your contributions within two years of your termination of employment, your contribution account will be closed and the money will be sent to the state under applicable laws.

Does the City contribute to the Plan?

Yes. The City makes employer contributions to the Plan to provide sufficient reserves for future benefit payments. A certified actuary determines the amount the City contributes to the Plan each year, based on assumptions adopted by the Board. Visit COPERS' website to view the Actuarial Valuation Report which shows the City's current and past contributions.

What happens to my retirement contributions if I leave City employment?

If you leave City employment with five or more years credited service, you will be considered "vested" and eligible for a deferred pension payable at age 62. To be eligible you must not have taken a refund of your member contributions. Your deferred pension is calculated in the same way as a regular pension.

You may leave City employment and you (or your dependents) may not be eligible for a COPERS pension. If this happens, your contributions, plus interest, will be returned to you after requesting a refund in writing on COPERS' prescribed application. In the event of your death as an active or terminated employee, your contributions will be distributed to your designated beneficiary or to your legal representative, provided no surviving pension benefits are payable to an eligible individual.

REFUND OF MEMBER CONTRIBUTIONS, TAXES AND BUYBACK RIGHTS

If I leave City employment and want a refund of my accumulated member contributions, what is the process?

You must complete an application for a refund of contributions. The form is available in the COPERS office. You will be able to select a direct refund or a "rollover" to a qualified retirement program. With a direct refund, you will be subject to a withholding tax, currently a 20 percent federal tax and a 5 percent Arizona State tax. You may want to consult your tax advisor or the IRS for information about your options.

If you became a member of COPERS before 1985 and/or you purchased prior service credits, you may have made after tax contributions to the Plan. You already paid federal taxes on this portion of your accumulated contributions; however, Arizona State taxes may be owed. Consult the IRS, your state Department of Revenue or your tax advisor for more details on the taxability of your refunded contributions.

If I apply for a refund of my member contributions and interest, do I also receive the employer contributions paid by the City?

No, in the event of a refund of your "member" contributions, the employer contributions remain in the Plan.

What if I had paid additional contributions and interest to purchase prior service credits or buy back forfeited service: am I entitled to receive a refund of such?

Yes, you can receive a refund of such contributions and interest upon termination of your employment, or in the event of your death and no survivor option is payable, your designated beneficiary will receive a refund or rollover.

Are federal or state taxes withheld from my refund of contributions?

Yes, 20 percent of your "pre-tax" contributions to the Plan will be withheld for federal taxes and 5 percent of all your contributions are withheld for Arizona State taxes. You can avoid tax withholding if you choose to "rollover" your contributions to qualified retirement program.

Are there any income tax consequences for the early withdrawal of my member contributions?

Yes, as of the date of this publication you will be subject to a 10 percent federal tax penalty on the refund of your "pre-tax" contributions. This penalty does not apply if you are age 59 ½ or older at the time of your refund or if you "rollover" your contributions. In addition to the penalty, you may also be responsible for regular taxes on your refund. Consult the IRS or your tax advisor for more information.

Do I forfeit my credited service if I apply for a refund of my contributions?

Yes, in the event of a refund of your contributions you forfeit your credited service and all your rights under the Retirement Law.

If after receiving a refund of my contributions I am rehired by the City to fill a position covered by COPERS, can I regain my forfeited credited service?

Yes, it is possible to regain your forfeited service credit under certain circumstances. This is referred to as “buyback” rights.

Contact the COPERS office for more information on your buyback rights.

RETIREMENT, CREDITED SERVICE AND BENEFITS

When must I retire?

The City does not have a mandatory retirement age or date.

When can I retire?

As an active employee, you may retire if you meet one of the following conditions:

1. Age 60 with 10 or more years of credited service
2. Age 62 with five or more years of credited service
3. Your age and credited service equal 80 (“Rule of 80”)

What is meant by “unused sick leave” credit?

COPERS permits you to convert your unused sick leave upon meeting certain accumulated hours, at the time of your retirement, into credited service. This credit will be used to compute your eligible total service and the amount of your monthly pension. You will be given one month credited service toward your retirement for every 173 hours of unused sick leave.

What is total credited service?

Total credited service is the number of years and months of service credited to you as a member of COPERS. Credited service includes your total City employment period; in most cases, your credited service will match your service with the City. Exceptions include breaks in service due to resignation and re-employment, layoffs, leave without pay, service credit transferred from the Arizona State Retirement System (“ASRS”), or the Public Safety Personnel Retirement System (“PSPRS”), purchase of prior service credits and/or buyback of forfeited service.

Any unused sick leave may be added to your credited service if you die or terminate City employment depending on your benefit MOU.

If you were employed by the City in a part-time/temporary position, you may be eligible to obtain service credit for this period. Also, if you were employed by the City in a full-time/temporary or job-share position you may be eligible to purchase service credit for this period. Contact our office for more information.

Example of Total Credited Service:

Assume Pat has 32 years and 6 months of credited service and 1,038 hours of unused sick leave (1,038/173 hours = 6 months).

Pat's Total Credited Service is calculated as follows:

	<u>Actual</u>	
Credit Service	32 years	6 months
Unused Sick Leave Credit		<u>6 months</u>
Total Credited Service	33 years	0 months

Thus, Pat's Total Credited Service under the Plan is 33 years and 0 months.

Note: If you withdraw your contributions after your termination from City employment and return to the City to a position covered by COPERS, you may be eligible to restore your forfeited service. Contact our office for more information.

What is the formula for computing my pension?

Three basic components are multiplied together to calculate the amount of your retirement benefit:

1. Final Average Salary ("FAS")
2. Total Credited Service
3. Benefit Rate:
 - Two percent for your sick leave credit (if applicable) and for your first 32.5 years of service.
 - One percent for your next three years of service (32.5 years to 35.5 years).
 - One-half percent for any service over 35.5 years.

What is Final Average Salary ("FAS")?

FAS is the average of your highest annual salary amounts for three consecutive years of service. These three years must be during your last ten years of service immediately before the date you retire. In most cases, the last three years of employment are those with the highest salary. However, COPERS will use a period other than your last three years if this would result in a higher FAS. In this situation, your prior work history must show a higher salary than your last three years of employment. Any applicable lump sum payments for vacation, compensatory time, etc., will be added to your last three years before comparison with other periods of payment. Any salaries prior to the last 10 years of employment will not be used for the FAS, even if they produce a higher FAS than more recent years.

Example of Final Average Salary

Assume Pat's retirement date is December 31, 2012. We will look at Pat's salary history from January 1, 2003 to December 31, 2012 to find her highest consecutive 36 months during the past 10 years.

In addition, unused vacation time (up to the maximum accrual that can be compensated at separation) is paid to Pat's 457/401a account, upon retirement. Also, Pat will have the option of receiving compensation for a portion of unused sick leave. The vacation and applicable*

sick pay is added to Pat's final month of wages when figuring her FAS. Her highest consecutive 36 months is her final 36 months. Her vacation and eligible sick pay increased her final three-year average.

*** Unused sick leave accrual cash outs for sick leave hours accrued after July 1, 2012, are not included in the FAS calculation.**

Pat's FAS is calculated as follows:

\$ 51,000	2010	Salary
\$ 52,000	2011	Salary
<u>\$ 53,000 + \$5,700</u>	<u>2012</u>	<u>Salary + VACATION PAY & SICK PAY</u>
\$161,700	TOTAL	

The total for the past three years will then be divided by 36 to calculate her monthly FINAL AVERAGE SALARY.

\$161,700.00 divided by 36 equals \$4,491.67 per month.

Thus, Pat's FAS is \$4,491.67 per month.

RETIREMENT BENEFIT CALCULATION

What is the benefit rate?

The benefit rate is the defined formula or percentage factor used to compute your benefits:

- First 32.5 years @ 2% for each year
- For 32.5 to 35.5 years @ 1% for each of those 3 years
- Any years over 35.5 years @ 0.5% for each year above 35.5

All unused sick leave converted to service time is at 2%.

How is my maximum retirement benefit determined?

Use the following formula to determine your maximum benefit:

**(FINAL AVERAGE SALARY) X (TOTAL CREDITED SERVICE) X (BENEFIT RATE) =
(MAXIMUM RETIREMENT BENEFIT)**

Pat's MAXIMUM RETIREMENT BENEFIT is calculated as follows:

- (1) Final Average Salary = \$4,491.67 per month
- (2) Total Credited Service = 32 years, 6 months of employment service plus 6 months of unused sick leave = 33 years, 0 months
- (3) Benefit Rate = 2%

(\$4,491.67/month) X (33 years) X (2%) = \$2,964.50 per month

Thus, Pat's MAXIMUM RETIREMENT BENEFIT is \$2,964.50 per month.
(Note: Although Pat had greater than 32 ½ years of credited service, the additional 6 months of service were unused sick leave, which always provides two percent, regardless the amount of other years of credited service.)

MILITARY SERVICE

Can I obtain retirement service credit for my “intervening” military service?

Yes. Up to five years of “intervening” military service credit can be granted toward your retirement. To receive this credit, you must have served in the uniform services of the United States while employed by the City. To receive this credit, you must be re-employed by the City within one year after your honorable military discharge.

Can I obtain service credits if I served in the military prior to my City of Phoenix COPERS membership?

Currently, COPERS Board Policies provide for the purchase of military service credits. Please refer to the highlights of the purchase of service program.

TRANSFER BETWEEN RETIREMENT SYSTEMS

Can I transfer service credit to/from another public retirement plan within the state?

Yes, transfers to and from the Arizona State Retirement System (“ASRS”) and the Public Safety Personnel Retirement System (“PSPRS”) and COPERS are permitted. Should you move to/from a position covered by ASRS/PSPRS, you may want to explore this option before you apply for a refund of your contributions from either system.

- **Must be a COPERS member to be eligible to transfer service credit and contribution funds from ASRS/PSPRS to COPERS.**
 - **Transferred ASRS/PSPRS contributions may not be withdrawn unless employee terminates.**
 - **Service credit transferred from ASRS/PSPRS is valid immediately (upon receipt of funds from ASRS/PSPRS).**
- ❖ **Effective July 2011, retirement service-credit transfers between COPERS and ASRS/PSPRS will be based on an actuarial present value methodology to the extent the prior retirement system is funded on a market value basis. With this calculation, for the member to receive all of his or her service credits, the member may have to pay for a portion of the service or accept a reduced transfer of service credits.**

PURCHASE OF SERVICE PROGRAM

Can I obtain service credits towards COPERS retirement for my governmental employment outside of the State of Arizona, even if I have forfeited such service due to the refund of my contributions?

Yes, you can obtain service credits for your governmental employment if you were covered by an out-of-state public retirement system and meet the eligibility conditions.

If I qualify for purchase of in-state/out-of-state governmental service and never received a refund of my contributions from my former public retirement plan, can I rollover such contributions to COPERS to satisfy part of my cost?

You may be eligible to rollover contributions.

If I qualify for the purchase of in-state/out-of-state service but received a refund of my contributions from my former public retirement plan and rolled over such funds into a qualified tax-deferred account, can I rollover such contributions to COPERS to satisfy part of my cost?

Yes, under most situations you can rollover the funds to purchase service or buyback previously forfeited service.

Am I permitted to use funds from my City of Phoenix deferred compensation account to pay for an approved purchase of service or buyback?

Yes. COPERS Policy allows for rollovers from the City of Phoenix deferred compensation plan for the amount outstanding, which is not designated under a “pre-tax” payment plan. COPERS’ payment options are described below.

HIGHLIGHTS OF SERVICE PURCHASE PROGRAM

You may want to consider purchase of service credits under the following programs:

- Purchase of government service, if you were previously covered by a public retirement system.
- Purchase non-intervening military service (prior to your COPERS membership).
- Purchase intervening military service (during COPERS membership at no cost to you).
- Purchase of City of Phoenix full-time temporary or job-share employment.

A \$95 non-refundable fee will be required at time of application.

To apply for the Purchase of Service Program you must:

- Not be eligible to receive either now or in the future, any benefits (excluding Social Security and Military Pensions) for the service credits you are requesting.
- Purchase a maximum of five years of non-intervening military service and/or five years of intervening military service.

You may wish to pay for your approved purchase of service by one of the following methods:

- Choose from a lump sum payment or sign up for a payment plan through payroll deduction(s). After-tax and pre-tax payment plans are available (pre-tax payment plans are irrevocable).
- Request a rollover from a qualified plan. Please contact our office for more information on eligible rollovers.

Partial payments are allowed.

DEFERRED BENEFITS

Can I receive a deferred retirement?

If you leave City employment before reaching age 62, after completing five or more years of credited service, you become eligible for a deferred pension. You will be eligible for a deferred benefit when you are age 62 and you must not have withdrawn your accumulated contributions from COPERS. Your accumulated contributions will continue to earn interest.

If you are eligible for a deferred retirement benefit, but pass away before reaching age 62, your named beneficiary will receive the funds you paid into COPERS plus interest. No further benefits will be paid, regardless of your years of service credits.

Should you terminate City employment, and are eligible for a deferred retirement; you must contact the COPERS office for any address changes. You will receive an annual statement showing the balance in your member contributions account, including interest.

DISABILITY BENEFITS

What are the requirements and qualifications for a Disability Benefit?

A disability must totally and permanently prevent you from working. The COPERS disability program is separate from the City's Long-Term Disability ("LTD") program.

If you believe you have a job related disability, you can apply at any time. If you have a disability which is not job related, you must have at least ten years of retirement service credit in order to apply.

Who can file an application for disability benefits on my behalf?

You or your department head may file an application.

Who makes a final determination regarding my application for disability retirement?

The Disability Assessment Committee ("DAC") is responsible for the approval or denial of disability applications. The DAC is composed of five members: two of them are ex-officio members, (the Retirement Program Administrator and the Deputy Director of the Human Resources Department) and three are appointed by the COPERS Board.

If my disability application is denied by the DAC, can I appeal?

Yes. You can appeal before the COPERS Board within 60 days of the denial notice. You can represent yourself in an appeal or choose to be represented by an attorney, friend, family member or any other person.

How will my pension be affected if I am disabled?

A disability pension is computed the same way as a regular service retirement pension. If your disability was the result of the actual performance of your duties, the 10 years of service requirement will be waived. Pensions granted to members, disabled in the performance of duty, will not be less than 15 percent of their final average salary.

If my disability application is approved, am I subject to annual re-examinations?

Yes. You would be subject to annual re-examinations for the first five years and every other year thereafter until age 60.

Do I have the same retirement options under disability retirement as in a regular retirement?

Yes, you have the same options.

What happens if my disability benefits are terminated due to my recovery?

If the DAC finds you are no longer disabled, your benefits cease. This information is provided to the Human Resources Department for possible placement. The unused portion in your member contributions account is restored to your credit. Your service credit is also restored; if you return to active service, you can accumulate additional service credit.

Do my disability retirement benefits affect my eligibility for the Long-Term Disability (“LTD”) program administered by the Human Resources Department?

Yes, any retirement benefits received from COPERS will be offset (by the Benefits Office of the Human Resources Department) against any eligible LTD benefits. Please contact the Benefits Office of the Human Resources Department at (602) 262-4777 for more specific and current information regarding your LTD benefits.

DOCUMENTS NEEDED AT RETIREMENT

What documents will be required by COPERS at the time of my retirement?

The following documents will be required at the time of your retirement:

DOCUMENTATION	SERVICE RETIREMENT	DISABILITY RETIREMENT
COPERS Application Forms	YES	YES
Attending Physician Statement	Not Applicable	YES
Original Social Security Card	YES	YES
Certified Birth Certificate/Or Valid Passport	YES	YES
Marriage Certificate	YES	YES
Consent form if married and not selecting the 100% survivorship option (Option A Standard)	YES	YES
Evidence of name changes (including spouse if applicable) if name on birth certificate is different from current name	YES	YES
Direct Deposit Form (if desired) and blank voided check	YES	YES
Spouse’s Certified Birth Certificate	YES	YES
Spouse’s Social Security Card	YES	YES
Domestic Relations Order (“DRO”) if applicable	YES	YES

Start gathering your required documentation early. Some documents may be difficult to obtain on short notice. All original documents will be returned after being copied by COPERS’ staff.

HEALTH, DENTAL AND LIFE INSURANCE COVERAGE

Who determines my eligibility for health (medical and dental), and life insurance coverage as a retired employee?

The Benefits Office, within the City’s Human Resources Department, determines your eligibility for health, dental and life insurance benefits. You are strongly encouraged to contact this office at (602) 262-4777 before you retire.

DEFERRED COMPENSATION

Your deferred compensation account with the City is subject to complex rules. You must contact the City's deferred compensation vendor. For information on the current vendor, please call Human Resources benefits at (602) 262-4777 or COPERS at (602) 534-4400.

SOCIAL SECURITY

Can I collect Social Security benefits while I am retired from the City?

Yes. Your retirement benefits under the Plan are independent of your Social Security benefits. You can receive both benefits if you meet all eligibility criteria.

Would my Social Security benefits be affected by my retirement benefits resulting from my purchase of public service credits (in-state or out-of-state) towards COPERS retirement, if such service took place during a non-Social Security covered position?

You need to consult with your local Social Security Administration office for details on this subject.

LONG TERM DISABILITY ("LTD")

If I become eligible for Long Term Disability ("LTD") benefits administered by the City's Human Resources Department, how would this affect my disability retirement benefit under the City's Retirement Plan?

If you become eligible for LTD benefits, your disability pension under the Retirement Plan would not be affected. It should be noted however, your LTD benefits will be reduced by any disability benefits you may receive from COPERS, Social Security and/or industrial pay. For more details about the City's coordination of these two distinct and separate benefits, contact the Human Resources Department's Benefits Office.

OPTIONAL FORMS OF RETIREMENT

What are the optional forms of pension payment?

Generally, you can choose from SIX OPTIONS to calculate your pension. You should select the one fitting your retirement needs best. Per City Charter if you are married, you must select "Option A Standard," unless your spouse consents to your selection of a different option. You will need to select an optional form of payment before retirement. Once you have received your first payment, you cannot change your option.

Benefits payable to your designated survivor/beneficiary vary, depending on the option selected. Except for "Option C," your designated beneficiary must be a person having an insurable interest in your life. The following are presumed to have an insurable interest in a retiree's life:

- Spouse
- Domestic Partner (requires evidence of partnership through completion of "Affidavit of Domestic Partnership" form available from COPERS)
- Parent
- Child
- Sibling

- Grandparent
- Grandchild
- Father/Mother-in-law
- Stepchild
- Brother/Sister-in-law
- Fiancé/Fiancée

Your options are as follows:

(1) Straight Life Option

Maximum retirement benefit available

Monthly pension for life for retiree

Payments cease upon death of retiree

If at the time of your death, you had not received payments equal to the total member contributions at retirement, the difference would be available for a refund/rollover to your beneficiary of record.

EXAMPLE:

Assume:

Pat retires December 31, 2012

Pat is married to Harold

Pat selects the Straight Life Option (after Harold signs a written consent form)

Result:

Pat receives for life	\$2,964.50 per month
Upon Pat's death, Harold receives	\$ 0.00 per month

(2) Option A Standard

Continuing survivorship option

Less than the Straight Life Option

Monthly pension for lifetime of retiree

Designated survivor will receive 100 percent of pension benefit for lifetime upon death of retiree.

ACCORDING TO CITY CHARTER OPTION A STANDARD IS THE MANDATORY OPTION FOR MARRIED MEMBERS.

To select a different option, married members must obtain spousal consent on forms available at COPERS.

EXAMPLE:

Assume:

Pat, age 60, retires December 31, 2012
Pat designates Harold, age 60, as survivor
Pat's Straight Life Option benefit is \$2,964.50
Pat elects Option A Standard
Therefore, Pat's monthly benefit is reduced to \$2,498.63

Result:

Pat receives for life	\$2,498.63
In the event of Pat's death, Harold receives for life	\$2,498.63
If Harold dies before Pat, Pat continues to receive	\$2,498.63

(3) Option A Pop-Up

Monthly pension for lifetime of retiree

Continuing survivorship option

Designated survivor will receive 100% of pension benefit for lifetime upon death of retiree

If designated survivor predeceases you, your pension will increase (pop-up) to equal your maximum benefit as calculated under the Straight Life Option.

EXAMPLE:

Assume:

Pat, age 60, retires December 31, 2012
Pat designates Harold, age 60, as survivor
Pat's Straight Life Option benefit is \$2,964.50
Pat elects Option A Pop-Up
Pat's monthly benefit is, therefore, reduced to \$2,454.67

Result:

Pat receives for life	\$2,454.67
Upon Pat's death, Harold receives for life	\$2,454.67
If Harold dies before Pat, Pat receives for life	\$2,964.50*

*Same amount as under Straight Life Option

(4) Option B Standard

Continuing survivorship option

Monthly pension for lifetime of retiree

Less than Straight Life Option

Designated survivor will receive 50% of your pension benefit for the remainder of his or her lifetime

EXAMPLE:

Assume:

Pat, age 60, retires December 31, 2012
Pat designates Harold, age 60, as survivor
Pat's Straight Life Option benefit is \$2,964.50
Pat elects Option B Standard
Pat's monthly pension is reduced to \$2,711.69

Result:

Pat receives for life	\$2,711.69
Upon Pat's death, Harold receives for life (50%)	\$1,355.84
If Harold dies before Pat, she continues to receive	\$2,711.69

(5) Option B Pop-Up

Monthly pension for lifetime of retiree

Continuing survivorship option

Designated survivor will receive 50% of pension benefit for the remainder of his or her lifetime

If designated survivor predeceases you, your pension will increase (pop-up) to equal your maximum benefit as calculated under the Straight Life Option.

EXAMPLE:

Assume:

Pat, age 60, retires December 31, 2012
Pat designates Harold, age 60, as survivor
Pat's Straight Life Option benefit is \$2,964.50
Pat elects Option B Pop-Up
Pat's monthly pension is, therefore, reduced to \$2,685.60

Result:

Pat receives for life	\$2,685.60
Upon Pat's death Harold receives for life (50%)	\$1,342.80
If Harold dies before Pat she receives for life	\$2,964.50*

*Same amount as under Straight Life Option

(6) Option C - "Ten Years Certain and Life"

Monthly pension for lifetime of retiree

Guarantees a minimum of 120 monthly payments (10 years) paid to retiree or designated beneficiary

Unlike Options A or B, you can change your designated survivor at any time, as well as nominate more than one person to share the monthly benefit. If you live more than 10 years after your retirement, monthly pension payments will cease at your death.

EXAMPLE:

Assume:

Pat, age 60, retires December 31, 2012
Pat designates Harold as survivor
Pat's Straight Life Option benefit is \$2,964.50
Pat elects Option C naming Harold as the designated survivor
Pat's monthly benefit is reduced to \$2,852.68

Result:

Pat receives for life	\$2,852.68
If Pat's death occurs before receiving 120 monthly payments, Harold receives the remaining payments for up to 120 months* (If Harold dies before Pat receives 120 payments, she can designate another beneficiary)	\$2,852.68
If Pat's death occurs after receiving 120 monthly payments, Harold receives	\$ 0.00

*If Pat dies after receiving three years of pension payments, Harold becomes eligible for seven years of pension payments. If Pat dies after receiving nine years of pension payments, Harold becomes eligible for one year of pension payments. Harold's pension stops automatically once 120 payments have been paid to retiree and survivor.

What personal circumstances should I (we) consider before choosing an optional form of retirement?

Remember, your choice is personal. You should carefully consider your financial situation with your family members, if applicable. You may also want to consult with your financial advisor, accountant, attorney or other knowledgeable person(s) you trust.

QUESTIONS TO CONSIDER BEFORE SELECTING AN OPTION

Here are some questions you may want to consider before making any irrevocable selections:

- Will your survivor need the monthly payments resulting from the continuation of your pension should you die? Or do you have enough life insurance or income-producing assets to provide your survivor with future financial security?

As you gather the information to help answer this question, do not overlook other pensions you or your survivor will be entitled to receive from other employment and/or Social Security.

- If additional income protection is needed, can you provide it in a different way, other than by taking a reduction in your monthly pension?
- Have you considered your health status and that of your designated survivor? What about the longevity of your family members versus your designated survivor's family?

- d. Are you taking care of elderly parents and/or do you anticipate college costs for your child's/children's education?

DEATH BENEFITS AND DESIGNATION OF BENEFICIARIES

If I die after retirement, would my designated beneficiaries receive the refund of my contributions?

Yes, however, the balance of your contributions will be reduced by any pension payments made to you. If there is a survivor beneficiary eligible for a continued pension, then no contributions are paid until your designated survivor dies.

Would there be a payment to my designated beneficiary if the pension payments to me (and/or my spouse in the event of my death) exceeded the balance in my contributions account?

Possibly. If you were a primary retiree, married at the time of your death, and no pension payments will continue to your spouse, based on your retirement option selected, your last pension check is automatically paid to your spouse. If there is no surviving spouse, the last check is paid to your designated beneficiary. Also, if you receive pension benefits as a survivor of a primary retiree, your last check is payable to your designated beneficiary (or automatically to your spouse if you were married at the time of death).

If I do not designate a beneficiary of my contributions balance and die with no survivor pension payable, who receives this payment?

The applicable payment generally goes to your estate. Also, if your designated beneficiary dies before you and you do not file a new designation form and die, any refund of your contributions will be paid to your estate.

Who can I name as a designated beneficiary of my contributions (or last pension check if retired)?

You can name any person or persons of your choice. The name of the person you designate must be specifically spelled out in the forms. If you designate more than one person, you should state the percentages payable to each of them.

If a valid Domestic Relations Order ("DRO") exists designating my former spouse ("alternate payee") as beneficiary of a portion of my contributions in the event of my death, and subsequent to such order I name certain beneficiaries through the appropriate COPERS forms, what would happen?

Any DRO on record, designating a former spouse as beneficiary of a portion of your contributions, upon your death, supercedes any "Change of Beneficiary forms" you may have submitted. Upon your death your former spouse's portion of contributions is calculated and your other designated beneficiaries will receive the remaining balance in your "member contributions" account.

If I pass away while an active employee, are there survivor benefits?

If you have fewer than 10 years of credited service and pass away from non-employment related causes, your designated beneficiaries will receive a refund of your contribution balance.

If you have 10 or more years of credited service and pass away (regardless of circumstances) while employed by the City; your eligible dependents will receive benefits. If you have fewer than 10 years of credited service and die from employment-related causes, your credited service will automatically be increased to 10 years.

If you die as a member with 10 or more years credited service:

- YOUR SURVIVING SPOUSE will receive the same lifetime pension as if you had retired the day before you passed away and elected Option A Standard.
- YOUR DEPENDENT CHILDREN under age 18 will receive a pension of \$200 (each).
- If single, your designated beneficiary will receive a refund of contributions.

How can I designate a beneficiary for the refund of my retirement contributions in the event of my death?

Employees generally complete a COPERS “Designation of Beneficiary” form upon employment. Should you desire to change your named beneficiaries and/or the method of distribution, you can request a new form from the COPERS office or visit the COPERS website (www.phoenix.gov/phxcopers.html).

When or why would I consider changing my “Designation of Beneficiary” form?

Whether you are active or retired, over the years your personal situation may change due to marriage, birth of children, divorce, death in the family, etc. The financial condition of your dependents may also change over the years.

MONTHLY PENSION DEDUCTIONS AND TAXES

Are pension benefits subject to monthly deductions?

Yes. Your pension benefits are subject to deductions. These include health insurance premiums, state taxes and federal taxes (upon election).

Are pensions subject to state and federal taxes?

Yes. Your pension is subject to federal and state taxes. After your retirement, you will have the option to have state and federal taxes withheld. If you choose not to have taxes withheld, you will still be responsible for your tax liability upon filing your tax returns.

“After-tax” contributions to the Plan were generally made prior to 1985. Some members who paid contributions to COPERS for prior governmental/military service purchases or buyback of forfeited service may have “after-tax” contributions. Those member contributions are exempt from federal tax.

As a retiree a portion of your benefit may be excluded from taxation. You will receive this information (excludable amount) upon your retirement for use in preparing your tax returns.

Since tax laws change over time, we strongly recommend you consult the Internal Revenue Service (“IRS”), your state of residence Department of Revenue and/or your tax advisor for the most current information on this or other tax matters.

ASSIGNMENT, PROTECTION OF BENEFITS

Are pension benefits subject to assignment, attachment or garnishment?

No. Your retirement benefits cannot be assigned. Neither can they be subject to attachment, garnishment, execution, the operation of bankruptcy, nor any other process of law.

Please note, however, a court order regarding divorce settlements may be enforceable against your pension benefits upon your retirement, as may be Internal Revenue Service ("IRS") tax levies. The City of Phoenix also has the right to collect from your contributions or pension to cover certain claims arising from theft or embezzlement.

DIRECT DEPOSITS

Can I have my monthly pension deposited directly into my bank account?

Yes. If your wages are directly deposited as an active employee, direct deposit will automatically continue unless you desire to make a change. For changes in financial institution or account number, appropriate forms are available at the COPERS' website or office and will need to be completed and signed.

VIEW – MODIFY - UPDATE USING ECHRIS

You will, as a retiree, have the ability to continue using eCHRIS for all of your view access, including the ability to view pension checks. You also have the ability to modify or update your direct deposit information, tax (federal/state withholding) information, and your personal E-mail.

PENSION INCREASES

Are there post retirement increases to my pension?

Possibly. Each year, based upon a predetermined formula and investment returns, a distribution for each eligible retiree or survivor/beneficiary may be paid as a supplement. This payment is generally made during December, based on the fiscal year ended June 30. It is known as the "13th Check".

The distribution amount is limited to one-half the increase in the Phoenix-Mesa metro area Consumer Price Index for all Urban Consumers ("CPI-U") developed by the Bureau of Labor Statistics of the U.S. Department of Labor or three percent whichever is less, times your annualized pension. This rate cannot be less than one percent, provided funds are available in the reserve. Your 13th Check payment is pro-rated if, as of June 30 of the year in question you were not retired a full year.

Another possible pension increase is provided under the Pension Equalization Program ("PEP"). The PEP provides for permanent pension increases, not to exceed the Department of Labor Consumer Price Index. Increases apply if the average return of COPERS investments exceeds the assumed actuarial rate of return (currently eight percent) over a five-year period. Eligible retirees/survivors must have received 36 pension payments as of January 1st of the year being considered.

The PEP is not a cost-of-living adjustment ("COLA"), since it is subject to investment performance in excess of eight percent. Periods may occur where investment performance may not support an increase. Investment earnings in excess of eight percent, not used to

finance the PEP in any given year, will be carried over and may be used to finance a future PEP adjustment.

Unlike the “13th Check,” the adjustments under the PEP are permanent; therefore, they increase your future monthly payments. The PEP, if any, is paid with your April 1st check, retroactive to January 1st of the year of the adjustment.

DIVORCE AND DOMESTIC RELATIONS ORDERS

Are benefits provided by COPERS considered marital property and therefore subject to distribution in the case of a divorce?

Yes, your pension benefits are considered marital property, subject to distribution in case of a divorce.

What type of information is available during a divorce?

Your own attorney is the best source for retirement information during a divorce. Attorneys are trained to obtain any pertinent data to protect your interest, whether you are the employee member or the spouse.

Generally, the individuals representing the parties in a divorce work closely with COPERS staff to ensure COPERS requirements are met in the ultimate court order issued. The COPERS Board has approved certain detailed requirements for Domestic Relations Orders (“DRO”).

RETIREMENT INFORMATION

How can I obtain information about the financial condition of COPERS?

Audited Certified Annual Financial Reports (“CAFR”) are published every year. All active employees receive a Popular Annual Financial Report (“PAFR”) with their annual service statements. The PAFR is a summary of the CAFR and is intended to provide the reader with an understanding of COPERS’ overall financial position at the end of every fiscal year. Copies of both reports are available in our office and on the COPERS website (www.phoenix.gov/phxcopers.html).

How can I get information about my retirement benefits?

The City Human Resources Department, in coordination with COPERS, organizes a number of presentations every year. These programs cover many benefits, including retirement, health insurance, social security and deferred compensation. Contact the Human Resources Department/Employee Development Section or your department training liaison for information about the next scheduled presentation.

The COPERS office also offers counseling sessions. Contact our office to schedule an appointment if you are planning on retiring.