

COPERS' Financial Status



The Retirement Office receives calls every day 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 2018 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, 2018.

To view the PAFR please visit our Website at 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.

COPERS Board Adopts Fiscal Year 2018-2019 Strategic Plan

The COPERS Board approved a new fiscal year 2018-2019 strategic plan that will serve as a blueprint for meeting the seven key service areas for the Retirement Office. These include:

- Customer Service
- Communication and Education
- Technology
- Staffing
- Sustainable Plan Funding
- Investment Management
- Risk Management



Fiscal Year 2018-2019 Strategic Plan



stability. the strength to stand or endure

City of Phoenix
Employees' Retirement
System (COPERS)

Within these seven key areas, the Board and staff developed seven goals to be addressed over the coming year. A complete copy of the 2018-2019 strategic plan is available on the COPERS Website at: www.phoenix.gov/COPERS.

Contacting COPERS

Mailing address: 200 W. Washington St., 10th Floor
Phoenix, AZ 85003

Phone (602) 534-4400

Email: copers@phoenix.gov

City of Phoenix Enterprise Helpdesk: (602) 534-4357



Bull market. Bear market. Life expectancy. Return on investment. Actuarial assumptions. Liquidity. Asset allocation. Diversification. These are some of the complicated topics that the retirement board tackles on a monthly basis.

The City of Phoenix Employees' Retirement System (COPERS), its members and retirees benefit greatly from the leadership of an experienced and knowledgeable retirement board. Within the scope of its fiduciary duties, the board oversees the administration of the City's Retirement office; manages the investment of the system's assets; evaluates disability benefit applications; and approves actuarial assumptions used to fund long-term benefit promises to COPERS' members.

Meet your 9-member Retirement Board...

- 3 members elected by active members (3-year term)



Charlene Reynolds
Chairperson



Spencer Self



Jason Stokes

- 4 ex-officio members (generally the City Manager or designee, City Treasurer, Finance Director and another department head)



Toni Maccarone
Acting Deputy
City Manager



Kathleen Gitkin
City Treasurer



Denise Olson
Chief Financial
Officer



Lori Bays
Human
Resources
Director

- 1 elected citizen member with pension plan experience (3-year term)
- 1 elected retired member (3-year term)



Allan Maguire
Vice Chairperson



Susan Perkins

New board members are put through in-depth trustee training by nationally recognized educational organizations to prepare for their roles. The Retirement Board generally meets on the first Thursday of each month. The meetings are open to the public. Board minutes are available for review on the COPERS website.

ACTIVE MEMBERS

MEMBER STATEMENTS

You will soon be receiving your COPERS Annual Member Statement, generally known as the “Green Sheet”. The statement shows pertinent demographic and employment information, your contribution balance, service and sick leave credits, and your earliest retirement date. Your earliest retirement date assumes no sick leave usage. Using even a small amount of sick leave could change your earliest retirement date.

The Nominated Beneficiaries section of the statement reflects who you elect to receive your contributions if you pass away. Please verify that your election is still valid. If you need to change your beneficiary, you can obtain a new beneficiary form on COPERS website at www.phoenix.gov/COPERS.

If you have any questions regarding your Member Statement, please contact COPERS staff at (602) 534-4400.

TIPS WHEN CONTACTING COPERS

Our Customer Support Team is here to help. Here are a few useful tips to keep in mind when calling our (602) 534-4400 number to ensure that you receive efficient and accurate assistance:

- Security is our top priority. Be prepared to verify information such as your name, address, date of birth, and last 4 digits of your Social Security Number before COPERS staff is able to provide you details pertaining to your COPERS account.
- If a spouse or loved one is calling on your behalf, please note that in order to access information about your COPERS account, either a Power of Attorney (POA) must be on file with COPERS naming them as being able to speak on your behalf or you, the COPERS Member, must be on the phone with them and give them permission to speak to COPERS about your account information.
- If you are calling to request a form, most forms are available to download and print from our website, www.phoenix.gov/retirementoffice. If you need a form to be mailed to you, a Customer Support Team representative can assist you.

THE BIG PICTURE



All of us were new employees at one time, getting the “big picture” about how the City of Phoenix Employees’ Retirement System (COPERS) works. It’s automatic and starts on your first day of work. Over the course of your career with the city, COPERS manages the contributions deducted from your paycheck to ensure money will be there to pay your retirement benefits when the time comes.

Here’s a refresher on the three incomes sources that help provide for your benefits.

FROM YOU

The amount you put in is set by Phoenix City Charter and is automatically deducted from your paycheck.

Tier 1 Employees: 5%

Tier 2 & 3 Employees: 11%

FROM THE CITY

While your rate typically stays the same year over year, the city’s rate often changes based on COPERS’ financial health. Those contributions don’t go to your account but are used to fund the system.

FROM INVESTMENTS

COPERS is guided by the “fiduciary standard” and “prudent investor” rule. That means – members’ interests come first. As the money comes in, it grows to help provide benefits to members when the time comes. Over the years, investment income has paid for much of the benefits.

HOW TO HIT THE MARK IN RETIREMENT



Whether you are 22 or 52, a happy retirement requires planning. Let the words of Warren Buffet inspire you, “Someone is sitting in the shade today, because someone planted a tree a long time ago”. Here are some points to keep you on target...

➔ Know your COPERS tier, how your pension is calculated and when you will be eligible to retire. You can find answers here... <https://www.phoenix.gov/retirementoffice>.

➔ Start saving early to build your nest egg. The City sponsors a deferred compensation plan (DCP), managed by the Human Resources Benefits Office, to help you. Setting withholdings from your paycheck requires little effort on your part and the benefits add up quickly.

➔ Make sure your documents are up to date. When you were hired, you named a beneficiary who would receive your contributions if you pass away. If your circumstances change, you may want to change your beneficiary. The Retirement Office will need valid picture identification, social security card and certified birth certificate to process your retirement. If you are married, the same documents are needed for your spouse along with a marriage certificate. You can take these to the Retirement Office for recording at any time.

➔ You are vested after 5 years of employment with the City. If you leave the City after that and don't take a refund of your contributions, you will be eligible for a lifelong pension beginning at age 62.

➔ AGE 50 – Take advantage of higher DCP “catch-up” contribution limits that begin at age 50. If you didn't defer the maximum each year, contact Nationwide about the special catch-up provision which allows you to make up for lost time. You can reach Nationwide at (602) 266-2733.

➔ AGE 62 – This is the earliest age at which you can collect Social Security benefits. However, filing for Social Security prior to full retirement age (66 or 67 for Social Security) will result in reduced benefits. You can find more information here - <https://www.ssa.gov/>.

➔ AGE 65 – This is the age most people become eligible for Medicare benefits. Medicare is the health insurance program provided by the federal government. Medicare premiums are often more affordable than employer plans. Initial enrollment begins three months before your 65th birthday.

➔ Submit a participation agreement to Nationwide (the deferred compensation plan administrator) by the 18th of the month prior to your retirement if you intend to deposit any sick or vacation payouts into DCP. Human Resources staff can help you with the agreement or any related questions.

➔ AGE 66 or 67 – Depending on the year of your birth, you will become eligible to receive full Social Security benefits at age 66 or 67. If you delay filing, your benefits will increase until you turn 70.

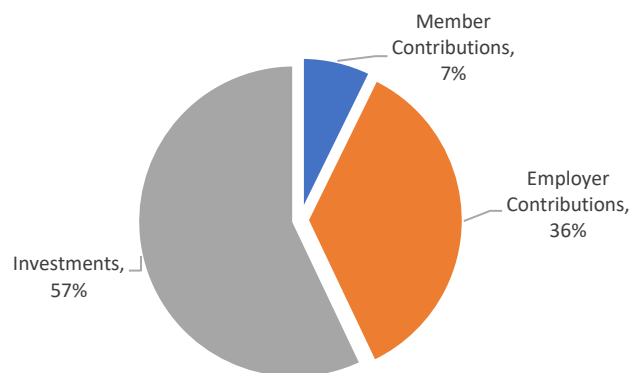
➔ Complete an application for Retirement. If you meet the “Rule of 80” or the “Rule of 87”, you must complete an application 14 calendars days prior to your retirement date. If you are age 60 with 10 years of service or age 62 with 5 years of service, you must complete an application 30 calendar days prior to your retirement date.

➔ **RETIREMENT!** – You planned for it. You earned it. Enjoy it. If you need help along the way, the Retirement Office is here for you. You can reach us by phone at 602-534-4400 or email at COPERS@phoenix.gov.

The Big Picture

Did you know, over the last 66 years COPERS assets have grown from around \$1.7 million to over \$2.6 billion? The program's goal is to ensure that contributions from members and the city are invested wisely. COPERS works to continue growing assets held by the trust through investments and delivering promised benefits when the time comes.

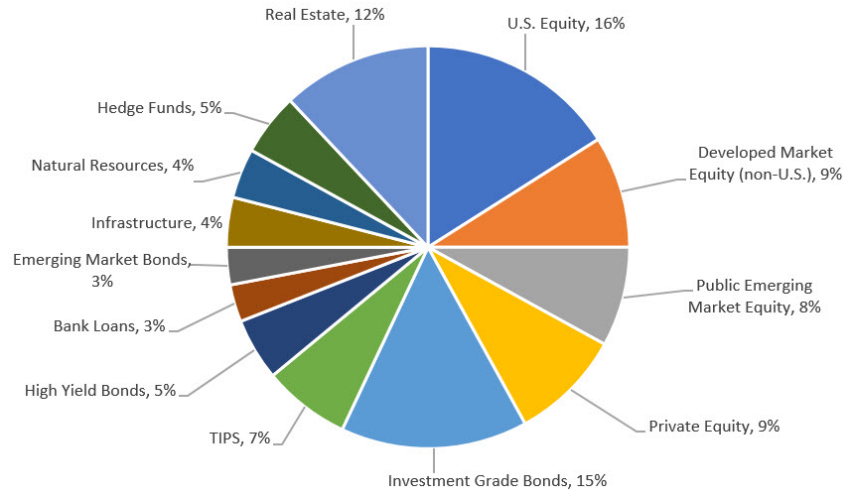
To get to that \$2.6 billion mark, COPERS uses three sources of income. As you can see by the below chart, the largest portion of our income comes from earnings on COPERS' investments.



COPERS is guided by the “fiduciary standard” and the “prudent investor” rule. That means, members’ interests come first. As the money comes in, it grows to help provide benefits to members when the time comes.

To aid the COPERS Board in making investment decisions, an in-house investment officer works with many outside investment managers and consultants to develop an asset allocation and invest assets that will help the COPERS fund to grow and meet future obligations.

The goal is to invest funds across different markets or asset classes in an attempt to dampen the overall volatility of COPERS’ investment returns. The chart below outlines COPERS’ current asset allocation.



More information about COPERS' investment program, including definitions of each of the above asset classes, is available on the COPERS Website at www.phoenix.gov/COPERS/investments. You can also view COPERS' quarterly investment return and see how the fund is performing on the COPERS website.

For more information about COPERS or to speak with a Retirement Assistant, please contact the Retirement Office at (602) 534-4400.

Money Methods to Make Your Savings Last



Retirement planning doesn't end on the day you retire. But your focus does change, evolving from saving and investing to preserving your savings and sustaining your cash flow. Here's a two-pronged strategy to consider.

1. Making Your Savings Last and Battling Inflation

Although you have the peace of mind knowing that your COPERS benefit is guaranteed for the rest of your life, increases in everyday living costs can erode your purchasing power over time. To offset inflation, your retirement income must increase too. Since increases (PEP and 13th Check) to your COPERS retirement aren't automatic or guaranteed, this additional income must come from your personal savings and investments. Financial advisors say that investing too conservatively during retirement is a common pitfall. In an ultra-conservative portfolio, inflation can eat away at your nest egg over time. It might feel safer, but it may not have the staying power you need. Take some time to review your strategy to see what is right for you. Most financial planners suggest a diversified, well-balanced portfolio that includes stable investments as well as stocks. This approach generally provides inflation protection with a goal of managing risk.

2. Budgeting Keeps Spending in Check



Although many factors could affect your cash flow – inflation, rate of return on savings and investments, taxes, part-time earnings, spending and others – there is only one

that you have significant control over. That is spending. There's one way to control it. A budget. A budget is great tool for managing money, whatever your age. Here are three very different methods to consider.

The Traditional: Pencil and paper or a budget spreadsheet is a no-frills approach to budgeting. Use a notebook to record expenses or use a ready-made template in a program like Microsoft Excel.

The Tech-Savvy: A web-based system or phone app can be a great way to manage money on the go. Some popular tools are Mint.com, LearnVest and EveryDollar.

The Trendy: Cash is coming back in style. The "Envelope System" is a way to budget with cash. Create envelopes for each category in your budget. Every week or month, add the amount you need for each category. When the cash is gone, you're done spending.

Working After Retirement



When you picture yourself in your golden years, are you sitting on a beach, hitting the golf course or working behind a desk? For many people of retirement age or preparing for retirement, continuing to work makes perfect sense. Here are some things to consider when deciding if working after retirement would work for you.

Extra Funds for a Better Lifestyle

A retirement job can provide extra funds for traveling, gifts for grandchildren or social activities. Those who haven't accumulated enough savings to pursue the retirement lifestyle they want can stay on the job to help bridge the financial gap.

Delaying Social Security Benefits

The longer you wait to receive Social Security payments, the larger your eventual monthly check. If you can remain in the workforce longer and delay receiving Social Security, you'll be able to collect bigger monthly payments for the rest of your life, which can really add up.

Similarly, if you are able to delay tapping into your 401k or IRA, it will give those accounts more time to grow, and you could ultimately have a bigger nest egg built up when you do start withdrawing.

Health Insurance Coverage

Coverage under Medicare does not begin until the age of 65, so if you retired from your previous job before that age, taking another job with health benefits can bridge the gap. Additionally, even if you do have Medicare, you may still face healthcare related expenses, such as prescription drug costs. If you have health insurance through your workplace, using both your health insurance and Medicare's coverage means lower costs for you.

Staying Physically and Mentally Healthy

Not only can working delay the onset of age-related diseases like dementia but keeping mentally and physically active helps you feel younger longer. Working can also keep you socially active, prevents isolation and can provide a sense of purpose.

Learn Something New

Many jobs offer the opportunity to keep learning and stay current with changes in the industry. Many retirees train for new careers or begin new jobs doing something they enjoy, even though it may not be as lucrative as their previous career.

Retirement Readiness - Choosing a Beneficiary



When it is time to apply for your COPERS retirement benefits, you will have a lot of decisions to make, including designating a beneficiary or survivor. Deciding who to select for that benefit is up to you, but you should be aware of your options and how they differ.

A beneficiary is the person, or people, that will receive your contributions when you pass away. You can choose one or multiple beneficiaries and can designate what percentage of your balance goes to each. You can also choose for your beneficiary to be a trust or an estate

A beneficiary is different from a survivor benefit because a survivor can only be one person and will receive a benefit for life.

The COPERS plan allows you to choose between four survivor options and two beneficiary options for your defined benefit.

1. **Option A Standard** – 100% survivor option. This option guarantees that when you pass away your designated/qualified survivor will receive 100% of your pension benefit for the remainder of their life. This is the standard option if you are legally married at the time of retirement. Your spouse must sign a waiver if another option is chosen.
2. **Option A Pop-up** – 100% survivor option. This option guarantees that if you pass before your survivor, your survivor would receive 100% of your pension benefit for their lifetime. If your survivor passes before you, your benefit would pop-up to the calculated straight life benefit.
3. **Option B Standard** – 50% survivor option. This option guarantees that if you pass before your survivor, your survivor will receive 50% of your pension benefit for their lifetime. If your survivor passes before you, your benefit does not change, and you cannot designate another survivor.
4. **Option B Pop-up** – 50% survivor option. This option guarantees that if you pass before your survivor, your survivor will receive 50% of your pension benefit for their

lifetime. If your survivor passes before you, your benefit would pop-up to the calculated straight life benefit.

5. **Option C** – 10 Year Certain & Life option. This option guarantees a lifetime benefit for you; however, if you pass away before receiving 120 payments, your designated beneficiary will receive the remainder of the payments (up to 120). Choosing this option allows you to change your designated beneficiaries at any time.
6. **Straight Life** – Maximum pension option. Upon your death, all monthly retirement benefits cease. If there are member contributions remaining, they would be refunded to your beneficiaries.

We 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 10th Floor, Phoenix, AZ 85007 or contact us at (602) 534-4400.

8. **Drink water. Lots of it.** Your body thrives off water. Hydrating helps optimize your energy and concentration, reduces headaches, weight gain and high blood pressure — among many other benefits. Create a healthier work environment by getting your recommended amount of water each day.

Take it one step further by taking advantage of the wellness programs available through the City of Phoenix! For questions on what is offered through the Fit4Phoenix Employee Wellness program, send an email to be.healthy@phoenix.gov.



City of Phoenix Employees' Retirement System Planning for Retirement



Are you ready?

It's never too early to start planning. Retirement staff often hear members say that they wish they had started planning sooner. The Retirement Office offers a class through eChris called "Understanding Your Pension". You can take this class at any point in your career to help you acquire important information to better prepare you for retirement. All three retirement tiers are discussed, and the class offers interactive practical exercises for the calculation of vacation and sick leave, which can impact the calculation of your final average salary.

Three to Five Years from Retirement

Nationwide offers a course to employees who are three to five years from retiring. This class offers information provided by Nationwide, Social Security, City of Phoenix Benefits, and the Retirement Office. This is a great class, filled with valuable information to help you understand what retirement will look like for you. You can sign up for this class through the Nationwide site at <https://phoenixdcp.com>, then click on the "Register for an Upcoming Workshop" link.

One to Two Years from Retirement

Schedule a meeting with Retirement staff to run estimates for your optimal retirement date, provide an estimate of your monthly pension payments, and provide a list of the required documents to process your retirement. You can start using the eChris estimator when you are within three years of retiring.

Nationwide also offers a class for employees who are one to two years from retirement. You can sign up for this class through the Nationwide site at <https://phoenixdcp.com>, then click on the "Register for an Upcoming Workshop" link.

30 to 60 days from Retirement

Schedule an appointment with Retirement staff to sign all your retirement paperwork and present all required documents. Timing is crucial and depends on your retirement eligibility (see A.R. 2.441(A)). The next steps are to meet with the City of Phoenix Benefits office (602-262-4777) to discuss insurance options and meet with Nationwide (602-266-2733) for information regarding any funds held through them. Finally, you will meet with your department Human Resources representative within a few days after meeting with the Retirement Office to review final pays, leave balances, etc.

Final day of work

Your Human Resources representative will have any final checks prepared for you to pick-up before you leave on the last day of your employment.

Start the next chapter of your LIFE!

Stay active, volunteer, and enjoy a long and rewarding retirement.



If you are like most Americans, you didn't learn much about finances from your parents and smart money management wasn't a class you could take at school. A recent CNBC poll found that only 3% of U.S. adults can pass a basic financial literacy test. That means you're on your own to get it right. Here are a few tips to help you get started.

- Pay yourself first – Saving money may seem impossible at times. You may have rent, a car payment and groceries for which you are responsible. You know it is a good idea to save but there is just no money left at the end of the month. And that is precisely the problem. Most people save whatever is left over after all the bills are paid. This often means no savings at all. Don't be most people. Pay yourself first. You will be developing a habit that will help you build wealth by making YOU a priority.
- Automate your savings – You are a busy person. You've got a lot of things going on in your life. Make saving as effortless as possible. Automate it. If you arrange to have money taken from your paycheck before you receive it, you'll never even know it is missing. E-CHRIS makes it easy to set up. Go to Employee Self Service, Payroll and Direct Deposit. Start small and then scale up.
- Create an emergency fund - According to CNBC, 61% of Americans could not cover an unexpected expense of \$1,000. Don't let that be you. Consider setting aside your next raise. If you are at top step in your pay range maybe you could set aside your longevity payments. Having an emergency fund will help you be prepared for the unexpected.
- Pay off credit card debt – Experian reports the average credit card debt is \$6,400 at a whopping 17% interest rate. With those numbers, interest will cost the card holder \$1,088 a year. Remember that credit card companies are in the business of making money – from you. Read the “Minimum Payment Warning” on your credit card statement. It shows how much money and how many YEARS it will take to pay off your balance if you only pay the minimum each month. Can you make a bigger payment? Check out “The Debt Snowball” by Dave Ramsey.
- Monitor and Protect your Credit Rating – Credit matters. Better credit can help you buy more house with less money. Not only that, your credit rating can affect how much you pay for car insurance and is often considered by employers in the hiring process. You are entitled to a free credit report each year from each of the credit reporting agencies (Equifax, Experian and TransUnion). If you request reports separately, say one every four months, you can monitor your report throughout the year. If you find mistakes, get them cleared up.

No matter what your age, make it a priority to educate yourself about smart money management. Hit the books. The library is chocked full of great books that can help you. Enter the digital age. Listen to money podcasts, utilize financial management tools.

When it is time, look into financial blogs for investing tips. Become financially literate, you'll be glad you did.

Looking to Save more for Retirement?



New IRS rules have increased contribution limits in 2020 for the 457(b) Plan. The annual contribution limit will be \$19,500; an increase of \$500 from 2019. If you are age 50 or over, you can contribute an additional \$6,500; an increase of \$500 from 2019.

You may increase your 457(b) contributions by logging into your account at <https://www.phoenixdcp.com> or contacting Nationwide's customer service at 1-800-891-4749. January is a great time to review your 457(b) account to see if you're on the right track. For assistance contact a local Nationwide representative. Click on the link to find the representative assigned to your department [City Nationwide Representatives](#).

COPERS Board Adopts Fiscal Year 2020-2023 Strategic Plan

The COPERS Board has approved a new fiscal year 2020-2023 Strategic Plan that will serve as a blueprint for meeting the six key service areas for the Retirement Office. These include:

- Outstanding Customer Service
- Education and Communication
- Sustainable Funding
- Diverse, Equitable and Inclusive Workforce
- Technology
- Investment Management

A complete copy of the 2020-2023 strategic plan is available on the COPERS Website at: www.phoenix.gov/retirementoffice.

