

Phoenix City Council

Pension Fairness and
Spiking Elimination Ad Hoc
Subcommittee

9/23/13

City of Phoenix



Item 1

Call to Order





Agenda

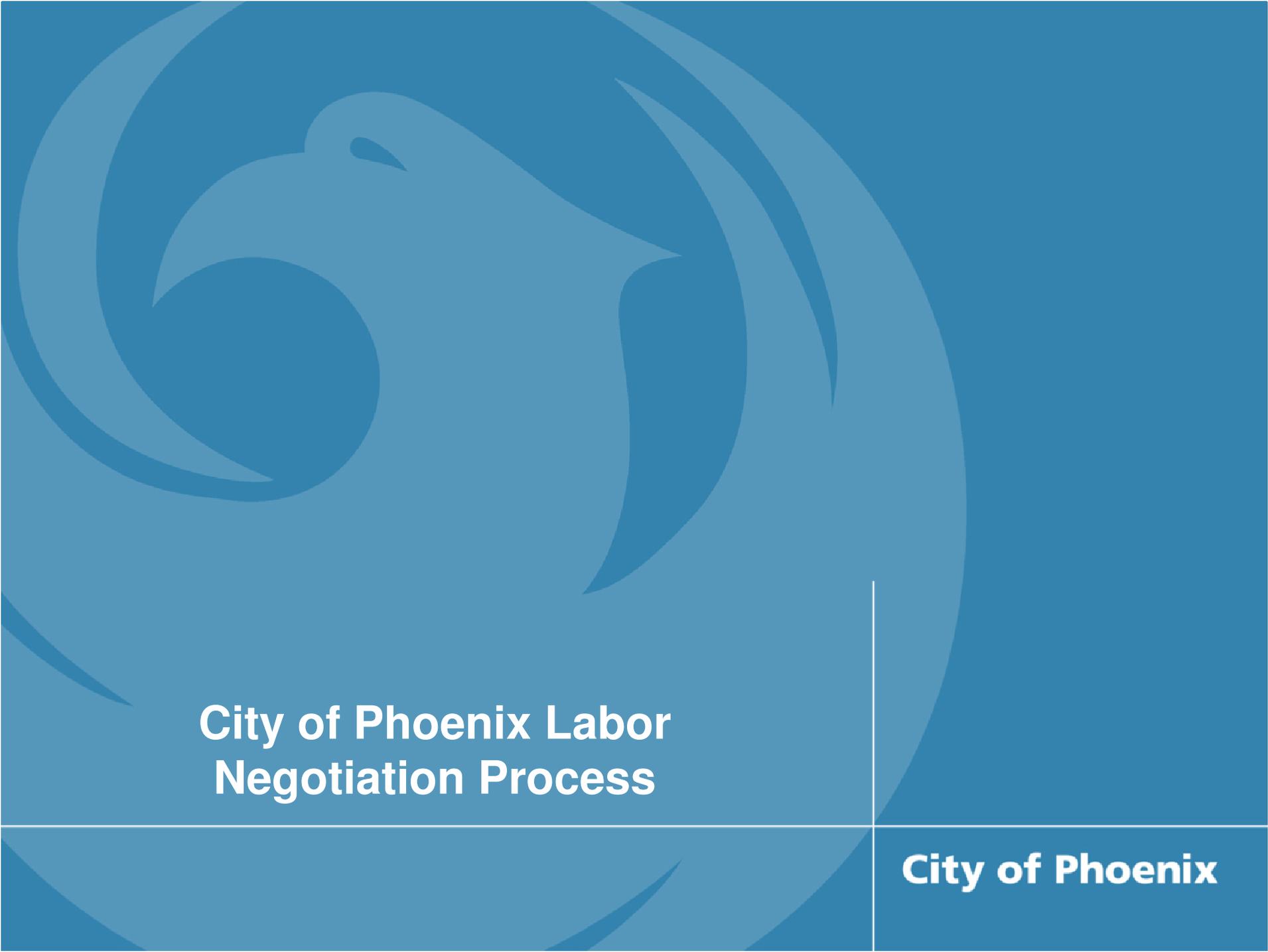
- Item 2 City of Phoenix Labor Negotiation Process
- Item 3 Vacation and Sick Leave
- Item 4 Short Term Disability Programs
- Item 5 Pensionable Compensation Components and Total Compensation Cost Comparison
- Item 6 Call to the Public
- Item 7 Charge of the Ad Hoc Subcommittee
- Item 8 Request for Additional Research and Future Agenda Items



Item 2

City of Phoenix Labor Negotiation Process





**City of Phoenix Labor
Negotiation Process**

City of Phoenix



Negotiation Process

- Meet and Confer (5 employee organizations)
- Meet and Discuss (2 professional and supervisory employee associations)
- Both established by Ordinance in 1975
- Both processes result in written agreements between the employee organization or association and the City



Negotiation Process

- The Meet and Confer Ordinance requires the City to meet and confer in good faith with respect to wages, hours and other terms and conditions of employment
- The Meet and Discuss Ordinance requires the City to enter into discussions pertaining to salaries and fringe benefits



Negotiation Process

- Agreements are typically for a two-year period
- Current agreements expire at the end of June 2014
- Meet and Confer proposals due from employee organizations by December 1, 2013
- Negotiations begin January 2014
- If no agreement by April 14, 2014, matter submitted to City Council



Negotiation Process

- Meet and Discuss proposals due from supervisory and professional associations by February 1, 2014
- Discussions begin March 2014
- If no agreement by April 15, 2014, matter submitted to City Manager



Contract Costing Example 2008

First Year

•Increase base wages	\$1,355,000
•Increase deferred comp	\$2,000,000
•Increase uniform allowances	\$ 23,000

– Total Compensation Value of 1.5%

Second Year

•Increase base wages	\$4,097,000
•Increase health benefits	\$ 97,000
•Increase longevity benefits	\$ 192,000

– Total Compensation Value of 2.0%



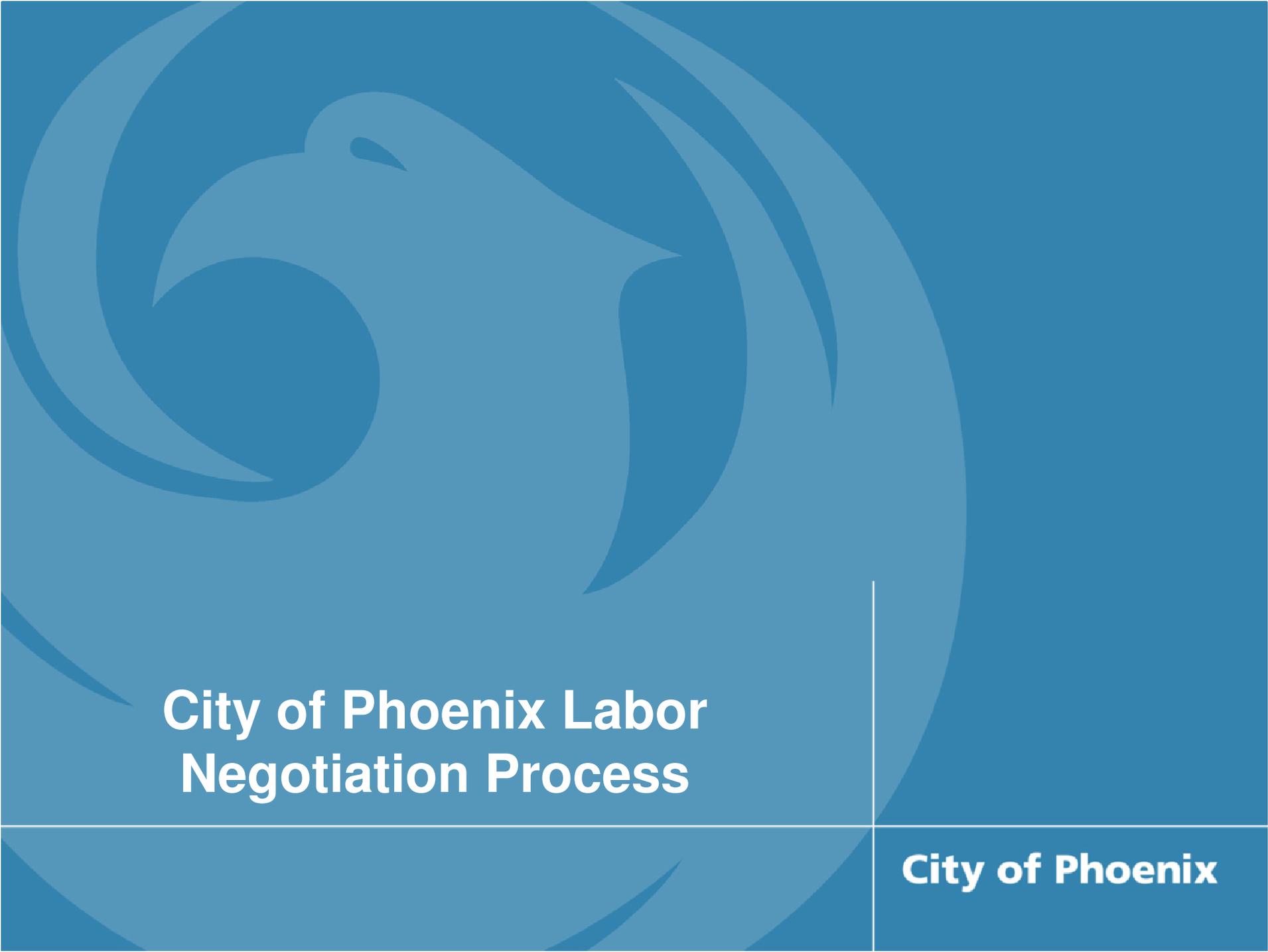
Contract Costing Example 2012

- Reduce base wages (\$1,831,000)
 - Implement unpaid furlough days (\$3,597,000)
 - Suspend deferred comp pay (\$ 144,000)
 - Suspend vacation sell-back (\$ 609,000)
 - Reduce linguistics pay (\$ 138,000)
- Total Compensation Concession of 3.2%



Credit Impact Related To Contract Relationships



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City of Phoenix Labor Negotiation Process

City of Phoenix



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Item 3

Vacation and Sick Leave





Vacation and Sick Leave

City of Phoenix



Historical References

- Civil Service rules changed to include “vacations and sick leave” in 1925
- Payout of vacation at separation (including retirement) – 1953
- Vacation sell back – FY 1977-78 (middle managers/executives)
- Sick leave payout at retirement – early 1980’s (public safety); 1996 (some general city)
- Enhanced regular comp – 1990 vacation; 2002 sick (public safety)



Sick Leave Snapshot

- A “snapshot” of sick leave balances was taken and recorded on July 1, 2012
- Upon retirement, the number of sick leave hours an employee has in the snapshot will be eligible for inclusion the Final Average Salary pension calculation



Sick Leave Payout Formula

GENERAL CITY EMPLOYEES (NON-MIDDLE MANAGER/EXECUTIVE)

To be eligible for a sick leave payout upon retirement, you must have a minimum of **750 hours (qualifier)** in your sick leave bank at retirement.

The first **250 hours (initial reduction)** are not included in the calculation.

EXAMPLE:

Employee has 900 hours of sick leave at retirement
(exceeds 750 hour qualifier)

Sick Leave Bank Hours at Retirement	Initial Reduction (250 Hours)	25% of Remaining Hours	Amount Eligible for Payout
900	$900 - 250 = 650$	$650 \times .25 = 162.50$	162.50 x hourly pay rate

Public Safety has a tiered formula that is non-pensionable



Sick Leave Payout Formula

MIDDLE MANAGERS / EXECUTIVES

To be eligible for a sick leave payout upon retirement, you must have a minimum of **750 hours (qualifier)** in your sick leave bank at retirement.

EXAMPLE:

Employee has 900 hours of sick leave at retirement
(exceeds 750 hour qualifier)

Sick Leave Bank Hours at Retirement	20% of All Hours	Amount Eligible for Payout
900	$900 \times .20 = 180$	180 x hourly pay rate



Sick Leave

- Operational efficiencies are enhanced by providing an incentive for employees to judiciously request use of sick leave
- Excessive use of sick leave would require increased staffing levels to maintain current service levels
- As of May 2013, the current level of unused sick leave equates to 5,000 employees working full-time for one year
- A.R. 2.30 – City Leave Policies



Sick Leave

Item	City of Phoenix	Los Angeles	Houston	Philadelphia	Tucson	State of AZ
Sick Leave	15 days	96 hrs of 100% sick leave & 40 hrs of 75% sick leave	8.125 days - City matches unused accrued (until 1,040 hrs)	15 days	13 days	12 days
Sick Carry Over	Unlimited	N/A	Paid in excess of 1,040 hrs	200 hrs max	Unlimited	Unlimited
Sick Retirement Cash Out	min 750 hrs (excluding the first 250 hrs) paid at 25%; MM/EX 750 and 20%	N/A	Unlimited	30% of accumulated leave (up to max 200)	No cash out under 240 hrs; 240-480 at 25 cents/\$; 480-720 at 35 cents/\$; Over 720 at 50 cents/\$	must have 500 hours; max is \$30,000*

* Revised 9/30/13. Due to a typographical error, the original version incorrectly reported \$3,000.



Vacation Leave

Years of Service	(# of days)			
	City of Phoenix*	Los Angeles	Houston	Philadelphia
1-5 yrs	12	11	10	10
6-10 yrs	15	17	15-17	15
11-15 yrs	16.5	18-20	18	20
16-20 yrs	19.5	21-24	23-25	21-24
21+ yrs	22.5	25	25	25
Vacation Carry Over	2 x annual accrual	2 annual vacation periods	Hired prior to 2000 – 105; hired after – 52.5	70
Vacation Retirement Cash Out	30-56.25	Unlimited	Hired prior to 2000 – 90; hired after – 45	70

*City of Phoenix has 3 additional Personal Days



Vacation Leave

Years of Service	(# of days)			
	City of Phoenix	San Antonio**	Tucson	State of AZ
1-5 yrs	12	12	13	12
6-10 yrs	15	14	13	15
11-15 yrs	16.5	16	15	18
16-20 yrs	19.5	18	20	21
21+ yrs	22.5	20-22	20	21
Vacation Carry Over	2 x annual accrual	50	36	30 covered/ 40 uncovered
Vacation Retirement Cash Out	30-56.25	50	No more than 36	Unlimited

**San Antonio has an additional personal leave bank that varies from 16-80 hrs - use or lose and not factored into retirement FAC



Paid Time Off (PTO)

Years of Service	San Diego
PTO Accrual (days per year) for General Employees	
1-5 yrs	17
6-10 yrs	22
11-15 yrs	22
16-20 yrs	27
21+ yrs	27
PTO Carry Over	43.75



Final Average Compensation

City of Phoenix	Los Angeles	Houston	Philadelphia	San Antonio	San Jose	Jacksonville	Tucson	State of AZ
3 year FAC (base salary including vacation & sick)	Tier 1 = 1 year FAC; Tier 2 = 3 year FAC (base salary and regular bonuses)	3 year FAC (no vacation/ sick)	3 year FAC (no vacation/sick)	3 year FAC (annual leave only)	1 year FAC	3 year FAC	3 year FAC (including vacation/ sick)	Pre 1984- 5 Year FAC (including vacation/ sick) Post 1984 - 3 Year FAC



Vacation and Sick Leave

City of Phoenix



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Item 4

Short Term Disability Programs





Short Term Disability Programs

City of Phoenix



Disability Program Information

- Long Term Disability (LTD) program established July 1977
- Most recent negotiations reduced LTD duration
- Evaluated other program options in 2011 (Short Term Disability)
- Short Term Disability would require changes to current leave structure (negotiations)
- Time and labor system and outside vendor would be required



Current LTD Program

- City paid with 66 2/3% benefit level – consistent with market
- Most employers surveyed have a longer waiting period before the benefits begin in comparison to Phoenix
- 150 day average wait period (market)
 - 90 day wait period (City of Phoenix)
 - An employee would need 520 hours of banked sick leave to cover the waiting period



Short Term Disability

A traditional Short Term Disability Program has:

- 1-7 day elimination period
- Pays a benefit of 50 – 66 2/3% of base salary
- Has a cap on the duration of the benefit from 23-26 weeks
- Recent studies indicate 63% of public and private employers offer a Short Term Disability program with an average benefit of 66 2/3%



Short Term Disability Comparisons

COMPARATOR	OFFER A SHORT TERM DISABILITY PROGRAM
State of Arizona	Y
City of Dallas, TX	N
City of Houston, TX	N
City of Jacksonville, FL	N
City of Los Angeles, CA	No Information Provided
City of Philadelphia, PA	N
City of San Diego, CA	N
City & County of San Francisco, CA	N
Private Sector Comparators	Y



Short Term Disability Comparisons

COMPARATOR	OFFER A SHORT TERM DISABILITY PROGRAM
Chandler, AZ	Y
Flagstaff, AZ	Y
Gilbert, AZ	Y
Glendale, AZ	Y
Goodyear, AZ	Y
Mesa, AZ	Y
Peoria, AZ	Y
Scottsdale, AZ	Y – Voluntary Program
Surprise, AZ	Y – Voluntary Program
Tucson, AZ	Y

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Short Term Disability Programs

City of Phoenix



Agenda

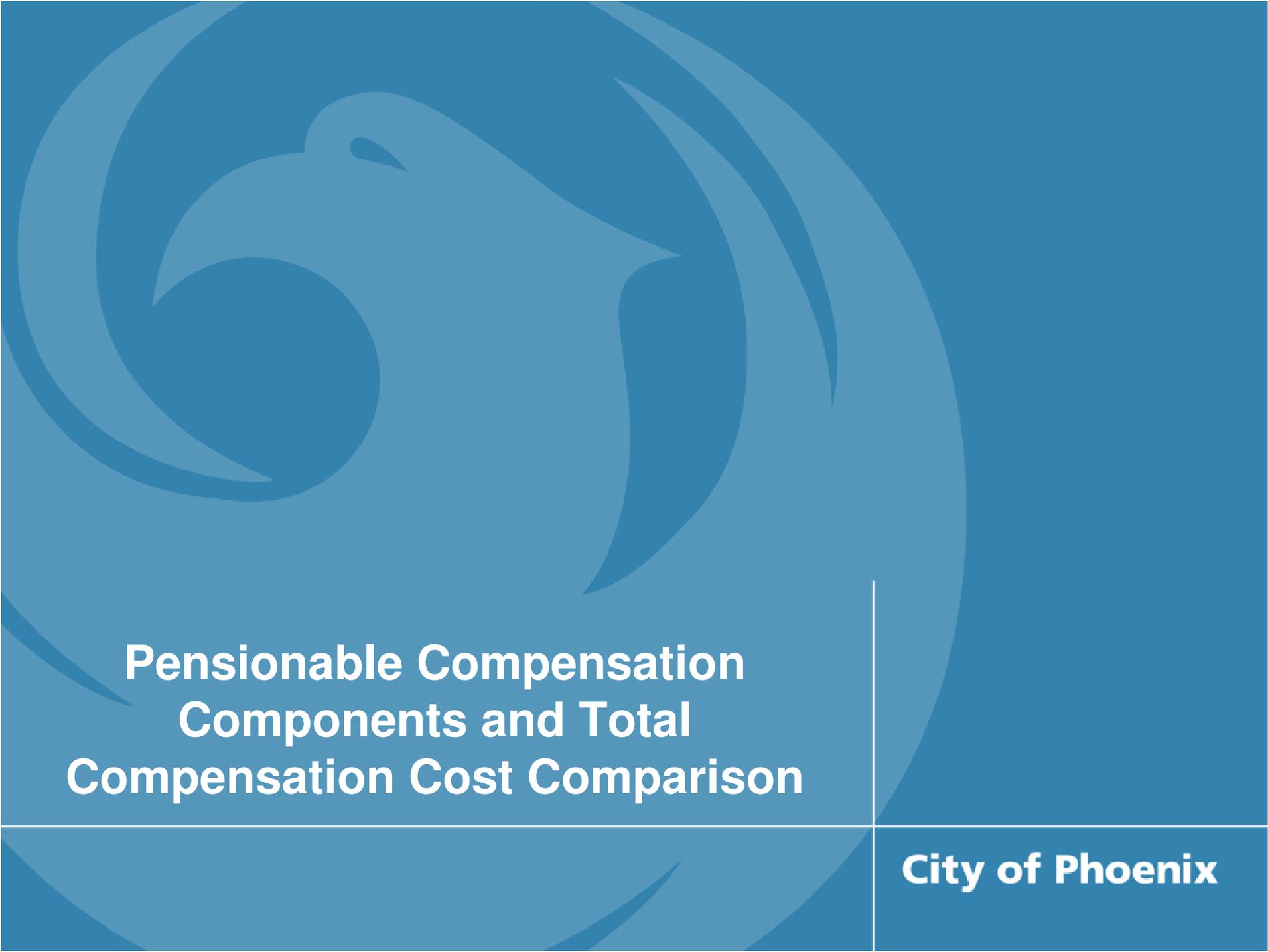
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Item 5

Pensionable Compensation Components and Total Compensation Cost Comparison





**Pensionable Compensation
Components and Total
Compensation Cost Comparison**

City of Phoenix



Total Comp Cost Comparison

2011 Segal Pay & Benefits Study

Phoenix vs. all markets (private, public and published)

- Overall market base salary midpoint
- Weighted Total Health Cost
- Pension
- Total Compensation Costs

Midpoint	Health	Pension	Deferred Comp	Total Comp
101%	106%	129%	145%	106%



Total Comp Cost Comparison

2011 Segal Pay & Benefits Study

Phoenix vs. all markets (private, public and published)

- Data updated to July 2012
- Pension contribution changed to 12.5%

Midpoint	Health	Pension	Deferred Comp	Total Comp
107%	106%	69%	145%	102%



Constitution of the State of Arizona

- Article XXIX - Section C:
 - Membership in a public retirement system is a contractual relationship that is subject to article II, § 25, and public retirement system benefits shall not be diminished or impaired.
- Article II, Section 25:
 - No bill of attainder; ex post facto law or law impairing the obligation of a contract, shall ever be enacted.



Phoenix City Charter Chapter XXIV, Part II, Section 2.13

- "*Compensation*" means a member's salary or wages paid him by the City for personal services rendered by him to the City. In case a member's compensation is not all paid in money the City Council shall, upon recommendation of the City Manager, fix the value of the portion of his compensation which is not paid in money.



Arizona Revised Statutes

Title 38, Chapter 5, Article 4, 38-842

For the purpose of computing retirement benefits:

“Compensation” means:

- base salary
- overtime pay
- shift differential pay
- military differential wage pay
- compensatory (comp) time
- holiday pay paid on a regular monthly, semimonthly or biweekly payroll basis
- longevity pay

“Compensation” does not include:

- payment for unused sick leave
- payment in lieu of vacation
- payment for unused comp time
- payment for any fringe benefits
- payments for work performed for a third party for which the third party pays the employer, except for third party contracts between public agencies for general public safety services where the employer supervises the employee's performance.



Current Components of Pensionable Compensation

Pensionable Compensation =

- Base salary / wages
- + Premiums (e.g. shift differential, linguistic pay)
- + Overtime / Comp time*
- + Allowances (e.g. transportation, communications)
- + Sell backs (vacation, sick)*
- + Periodic payments (longevity, performance pay)
- + Deferred compensation
- + Retirement contribution reimbursement
- + Enhanced regular compensation (public safety)

** Sell backs of comp time, sick and vacation are not pensionable in PSPRS*



Currently Pensionable Compensation

Premiums

Pensionable Compensation Component	General City Employees	General City Managers/ Executives	Public Safety General Employees	Public Safety Middle Managers/ Executives
Shift Differential	MOU/MOA		MOU/MOA	
Pesticide Application Pay	MOU			
CDL Pay	MOU			
Military Differential	PO	PO	PO	PO
Career Enhancement Pay			MOU	
Training Pay			MOU/MOA	
Linguistics Pay	MOU		MOU/MOA	

Items in an MOU/MOA also appear in the Pay Ordinance.

Legend:

AR: Administrative Regulation

CC: City Charter

MOA: Memorandum of Agreement

MOU: Memorandum of Understanding

PO: Pay Ordinance



Currently Pensionable Compensation

Overtime / Compensatory Time

Pensionable Compensation Component	General City Employees	General City Managers/ Executives	Public Safety General Employees	Public Safety Middle Managers/ Executives
Standby	MOU/MOA		MOU/MOA, AR	
Extra Pay for Missing Paid Meal Break			MOU	
Pay for 54th, 55th, and 56th hour			MOU**	
Constant Staffing			PO	PO
Minimum Overtime Guarantees	MOU		MOU/MOA	

Items in an MOU/MOA also appear in the Pay Ordinance.

** FLSA requires 1.5 times pay after 53 hours.

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Currently Pensionable Compensation

Allowances

Pensionable Compensation Component	General City Employees	General City Managers/ Executives	Public Safety General Employees	Public Safety Middle Managers/ Executives
Communications Allowance		PO, AR		PO, AR
Transportation Allowance		PO, AR		PO, AR

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Currently Pensionable Compensation

Periodic Payments

Pensionable Compensation Component	General City Employees	General City Managers/ Executives	Public Safety General Employees	Public Safety Middle Managers/ Executives
Performance Achievement Increases		PO		PO
Longevity Pay	MOU/MOA		MOU/MOA	

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Currently Pensionable Compensation

Sellbacks

Pensionable Compensation Component	General City Employees	General City Managers/ Executives	Public Safety General Employees	Public Safety Middle Managers/ Executives
Vacation Sell Back	MOU/MOA	PO		
Selling vacation on holidays			MOU/MOA	PO
Leave Paid at Retirement	MOU/MOA, AR	AR, PO		
Sick Leave Service Credit	CC	CC		

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Currently Pensionable Compensation

Deferred Compensation

Pensionable Compensation Component	General City Employees	General City Managers/ Executives	Public Safety General Employees	Public Safety Middle Managers/ Executives
Deferred Compensation	MOU/MOA	PO	MOU/MOA	PO

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Currently Pensionable Compensation

Retirement Contribution Reimbursement

Pensionable Compensation Component	General City Employees	General City Managers/ Executives	Public Safety General Employees	Public Safety Middle Managers/ Executives
Retirement Contribution Reimbursement		PO		PO

Legend:

AR: Administrative Regulation

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Currently Pensionable Compensation

Enhanced Regular Compensation

Pensionable Compensation Component	General City Employees	General City Managers/ Executives	Public Safety General Employees	Public Safety Middle Managers/ Executives
Biweekly Uniform Allowance Pay / Uniform Allowance Pay			MOU/MOA	AR, PO
Vacation / Sick Leave Pay Enhanced Compensation			MOU/MOA	AR, PO

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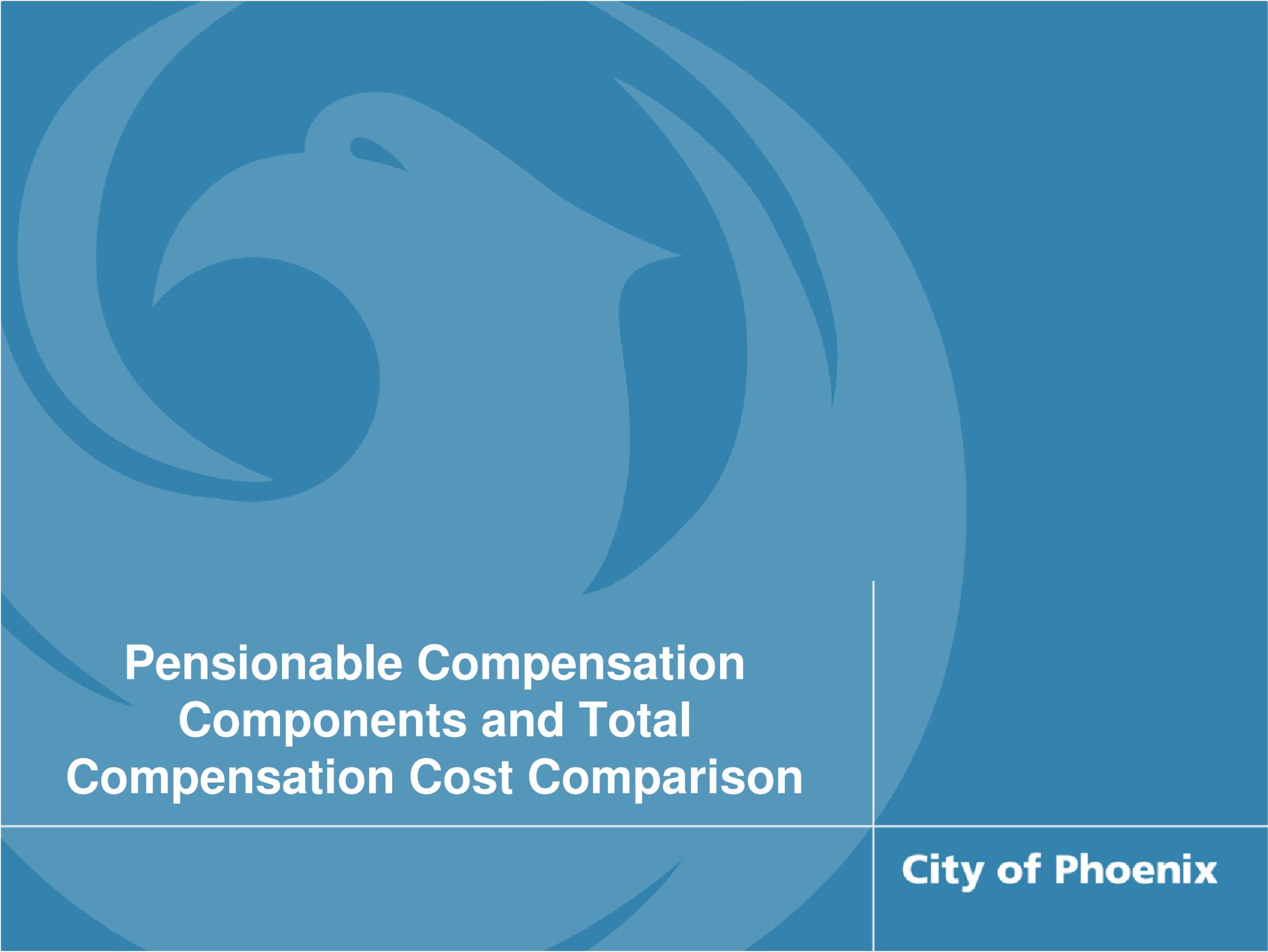
Currently Pensionable Compensation Overview

Pensionable Compensation Component	General City Employees	General City Managers/ Executives	Public Safety General Employees	Public Safety Middle Managers/ Executives
Premiums	MOU/MOA, PO	PO	MOU/MOA, PO	PO
Overtime / Comp time	MOU/MOA		MOU/MOA, PO, AR	PO
Allowances		PO, AR		PO, AR
Sell backs	MOU/MOA, PO, AR, CC	PO, AR, CC	MOU/MOA	PO
Periodic payments	MOU/MOA	PO	MOU/MOA	PO
Deferred Compensation	MOU/MOA	PO	MOU/MOA	PO
Retirement Contribution Reimbursement		PO		PO
Enhanced Regular Compensation			MOU/MOA	AR, PO

Legend:

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**Pensionable Compensation
Components and Total
Compensation Cost Comparison**

City of Phoenix



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Item 6

Call to the Public





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Item 7

Charge of the Ad Hoc Subcommittee





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Item 8

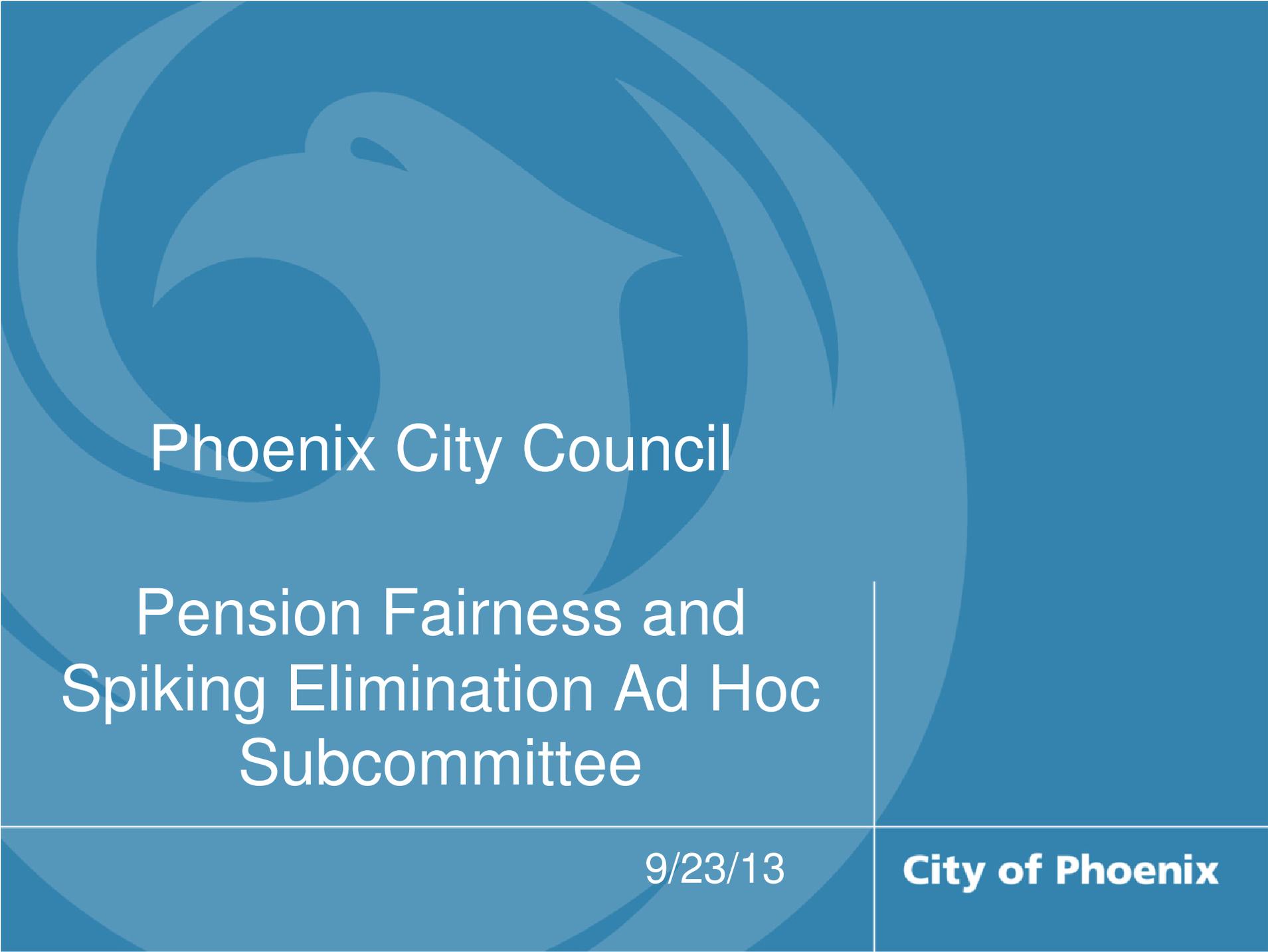
Request for Additional Research and Future Agenda Items



Item 9

Adjournment





Phoenix City Council

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City of Phoenix