



City of Phoenix

To: Mayor Greg Stanton

Date: October 4, 2013

Members of the City Council

From: Vice Mayor Bill Gates

Subject: CITY COUNCIL PENSION FAIRNESS AND SPIKING ELIMINATION AD HOC SUBCOMMITTEE UPDATE

On September 9, 2013, Mayor Greg Stanton created the Pension Fairness and Spiking Elimination Ad Hoc City Council Subcommittee. As the Ad Hoc Subcommittee Chair, I have worked closely with my colleagues, Council members Thelda Williams, Tom Simplot, and Daniel Valenzuela on the charge of the Ad Hoc Subcommittee. This memo provides an update on the progress of the Ad Hoc Subcommittee to date.

The Pension Fairness and Spiking Elimination Ad Hoc Subcommittee held public meetings on September 17, September 23 and October 1, 2013. Two of these meetings were preceded by Executive Sessions, so that the Subcommittee could receive legal advice regarding pension issues. The Ad Hoc Subcommittee has received and considered the following information: a review of pension reform efforts to date including implementation of the Sick Leave Snapshot on July 1, 2012; overall results of the 2012 Total Compensation Study; membership, eligibility criteria, benefit formulas, and average annual benefit amounts for the City of Phoenix Employees' Retirement System, the Arizona Public Safety Personnel Retirement System and the Elected Officials Retirement Program; vacation and sick leave accrual and payout practices; the impact of sick and vacation leave on pension; and general information on other cities' retirement formulas and benefits.

In addition, the Ad Hoc Subcommittee has requested and received information on the City's labor negotiation process; additional information on leave policies including a review of the impact of sick leave taken on City operating costs, readily available information from comparable cities regarding sick and vacation leave accrual and payout formulas and final average compensation formulas; charts and graphs with information on accumulated sick leave at retirement as well as vacation and sick leave payouts for retirees from 2011-2013; short term disability program components and comparisons to national and local comparable cities; "compensation" as defined in the Phoenix City Charter and Arizona Revised Statutes; and a detailed review of compensation components used to calculate pension including information on payment authority documents for general city employees, general city middle managers and executives, public safety employees and public safety middle managers and executives.

Public comment was heard at each of the Ad Hoc Subcommittee meetings. In addition, each meeting was posted as a special meeting of the City Council for the purpose of allowing City Council members who do not serve on the Subcommittee the opportunity to be present and comment during the call to the public. A total of 74 comments were made over the course of the three meetings.

On October 1, Ad Hoc Subcommittee members expressed the need for additional time to formulate a recommendation for consideration by the City Council. The Ad Hoc Subcommittee directed staff to present analysis at a future meeting on legal issues and practical implications relating to including the following compensation components in the pension calculation:

- Allowances (car, phone)
- Sellbacks (vacation, sick leave)
- Deferred Compensation
- Retirement Contribution Reimbursement
- Enhanced Regular Compensation Periodic Payments (public safety only)

At that time, the Ad Hoc Subcommittee also requested a further examination of implementing a Paid Time Off (PTO) system and costing for a potential short term disability program as it relates to changes in accrual of sick and vacation time. Subcommittee members also asked for definitions of "compensation" and "spiking," and asked staff to explore alternatives to longevity pay and performance pay in the City's compensation package. Finally, the Ad Hoc Subcommittee requested a timeline for any changes made to compensation or pension calculations, and how the timeline might be different for at will employees and employees currently under a contract.

The next meeting of the Ad Hoc Subcommittee is scheduled for October 8, 2013 at 4:30 p.m. at the City Council Chambers for the purposes of reviewing information requested on October 1, and formulating the Ad Hoc Subcommittees recommendations to the full City Council for consideration at the October 22, 2013 City Council Policy Session.