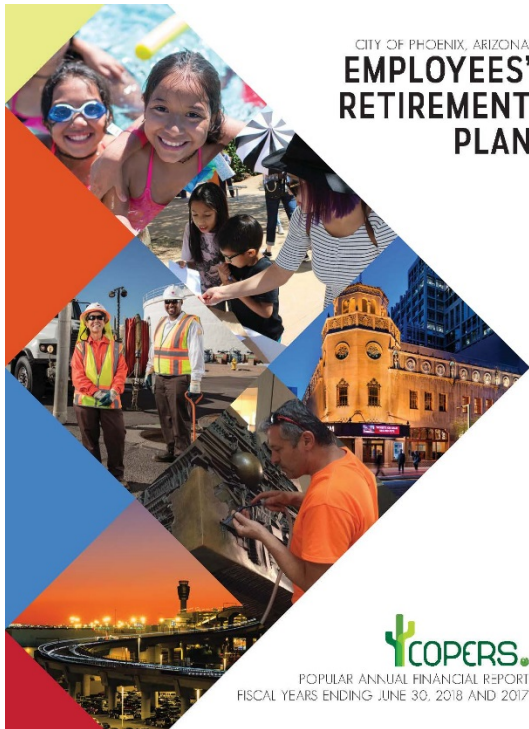


# COPERS' Financial Status



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](http://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.

## Alive and Well! Coming January 2019

COPERS and the City of Phoenix take protecting the delivery of your benefits and protecting your personal information seriously. Confirming that we are able to reach you to deliver and protect your benefits and personal information takes many forms. One form that many retirees recognize is COPERS' yearly review of pensioners. Starting in calendar year 2018, this review was changed to an automatic 3-year review for all retirees.

2018 - Last names beginning A-F

**2019 - Last names beginning G-M**

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COPERS asks that you please review the information, complete the form, and return it to the COPERS office in the enclosed self-addressed envelope as quickly as possible. COPERS offers free notary services to all retirees. Notary attestations are also available through many different providers such as financial institutions and private vendors. The Arizona Secretary of State has a referral website to find a notary service in your area.

# 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

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](http://www.phoenix.gov/COPERS).

## 2019 Pension Check Schedule

The 2019 Pension Check Schedule is now available on our website at:

<https://www.phoenix.gov/COPERS/Retirees>.

## Contacting COPERS

Mailing address:

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

Phone: (602) 534-4400

Email: [copers@phoenix.gov](mailto:copers@phoenix.gov)



Fiscal Year 2018-2019 Strategic Plan



stability: the strength to stand or endure

City of Phoenix  
Employees' Retirement  
System (COPERS)

City of Phoenix, AZ

City of Phoenix Retirement Department  
200 West Washington Street, 10th Floor  
Phoenix, AZ 85003  
(602) 534-4400  
[www.phoenix.gov/retirementoffice](http://www.phoenix.gov/retirementoffice)



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 and board meeting minutes are available for review on the COPERS website.

#### PENSION EQUALIZATION PROGRAM (PEP)

Chapter 24, section 42 of the Phoenix City Code outlines the requirements for a permanent benefit increase, also known as a PEP increase. Funds for PEP increases come from excess earnings. At the beginning of each year, an actuarial review is

conducted to identify whether excess earnings exist for the prior year. Given recent market performance, there were no excess earnings for a PEP increase in 2019.

## RETIRED MEMBERS

### 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](http://www.phoenix.gov/retirementoffice). If you need a form to be mailed to you, a Customer Support Team representative can assist you.

### TAX FORMS

Do you owe State or Federal taxes each year? Now is the time to consider updating your tax withholdings. If you have access to eCHRIS, you can make these changes online. If not, please do the following:

- Go to the COPERS website at [www.phoenix.gov/COPERS](http://www.phoenix.gov/COPERS) and click on Forms
- Print and complete the new 2019 forms
- Send them to our office at 200 W. Washington St, 10<sup>th</sup> Floor, Phoenix, AZ 85003

### 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 72, a happy retirement requires planning. Congratulations, the hard part is behind you now, but you could still have a little work to do. Here are some points to keep you on target...

- ➔ If you determine that the state or federal income taxes being withheld from your pension check need adjusting, you can make changes at any time. The easiest way is through eCHRIS. Alternatively, the forms can be downloaded from the COPERS website at <https://www.phoenix.gov/copers>.
- ➔ Make sure your documents are up to date. When you retired, you named a beneficiary who would receive your contributions if you pass away. If your circumstances change, you may want to change your beneficiary. It is also important to keep your address up to date.
- ➔ **AGE 59 ½** - This is the age at which you can withdraw money from your tax deferred accounts, such as an IRA, without facing an early withdrawal penalty.
- ➔ **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 65<sup>th</sup> birthday.
- ➔ **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.
- ➔ **AGE 70 ½** - You must begin taking “required minimum distributions” from your tax deferred accounts in the year that you turn 70 ½. Required Minimum Distributions are based on your life expectancy and the overall value of the account. There are several on-line tools to help you calculate the amount; Kiplinger, Bankrate and Schwab to name a few.

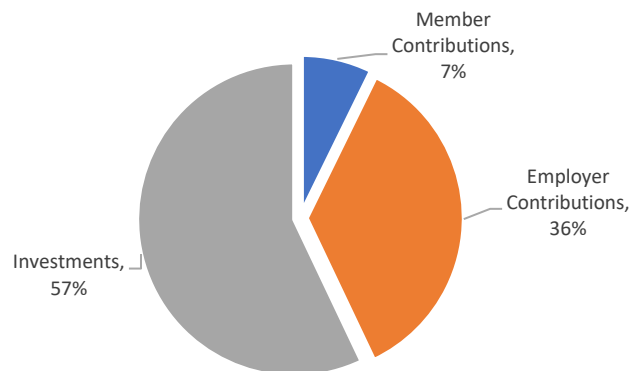


 **RETIREMENT!** — You planned for it. You earned it. Enjoy it. If you need help along the way, the Retirement Office is here for you. You can reach us by phone at 602-534-4400 or email at [COPERS@phoenix.gov](mailto:COPERS@phoenix.gov).

## 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.

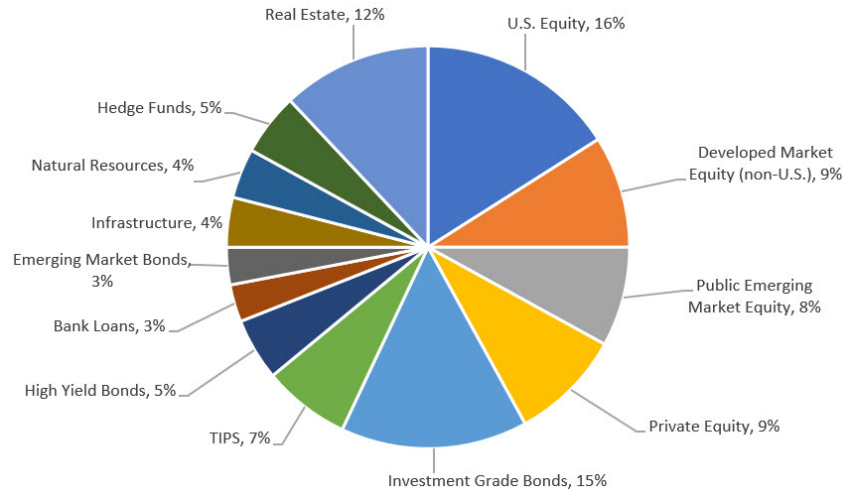
To get to that \$2.6 billion mark, COPERS uses three sources of income. As you can see by the below chart, the largest portion of our income comes from earnings on COPERS' investments.



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](http://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 13<sup>th</sup> 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.

## Planning on Moving?



You found a great new place to live, told all your friends and the post office is forwarding your mail. But is that everyone who needs to know? Maybe not!

### **Tax Implications**

If you're not living in Arizona, you don't want to keep paying Arizona state taxes. Just because you changed your mailing address doesn't mean the tax withholding stops – you must stop that on your own in either eCHRIS or by completing a new tax withholding form and sending it to Retirement. Also, the COPERS cannot withhold taxes for other states, so you'll need to contact the state tax authority in your new state to see if your pension is taxable there.

### **Health Insurance**

Do you have health or dental insurance through the City of Phoenix? If you move out of state, you may need to change your coverage, so you're not surprised by a bill for something that is only covered if you're traveling outside your normal network of coverage.

### **Expat Life**

Decided to move out of the country? Make sure you notify COPERS as we must have your resident address on file. Also, COPERS cannot make direct deposits to foreign banks – pension benefits must be deposited to a U.S. bank or financial institution.

As for taxes, if you're a U.S. citizen living outside the United States, your worldwide income is subject to U.S. income tax, regardless of where you live. However, you may qualify for certain foreign earned income exclusions and/or foreign income tax credits. For more information, visit [IRS.gov](http://IRS.gov) and search "international taxpayer."

If you decide to move back to the U.S. permanently, please notify the COPERS upon your return.

**Keep COPERS in the Know!**

Sure, your pension keeps coming every month, but what if we need to send you something by mail or reach you by phone? Did you change your email lately? It's important to keep all your contact information up-to-date with COPERS so we can keep you informed of changes, or in case we need to reach you. We may also need to use it to verify your identity if you contact us in the future.

Log into your eCHRIS account at <https://hcmprod.phoenix.gov> to verify all your contact information is up to date. You can make updates in your account, in real time. You can also update this information by completing and submitting paper forms. Visit the COPERS forms webpage at <https://www.phoenix.gov/copers/forms>.

## Volunteering Can Literally Save Your Life



During the first few years of retirement, many retirees take time to visit family and friends. You can set your own schedule and do what you want, when you want. Many retirees report that after the first few years of retirement, they start to wonder what's next. You're enjoying the leisure time you worked so hard for all those years, yet there seems to be something missing.

Ever thought about volunteering? Helping others has been shown to have an amazing impact on people's lives. It enhances personal health, promotes relationship-building and benefits the community. Numerous studies have shown a link between volunteering and mental and physical health benefits. Giving back essentially improves physical and emotional health. Older volunteers report lower mortality rates, lower rates of depression, fewer physical limitations, and higher levels of well-being.

As we leave the workforce, most retirees miss that sense of belonging to a bigger network of people, and being needed and valued. Volunteering is a great way to get that sense of connection and value back, all while providing help to others that may otherwise go lacking.

If you're interested in volunteering, but aren't sure how to get started, organizations such as the National Association of Area Agencies on Aging, Senior Corp RSVP, and VolunteerMatch can point you in the right direction.

Make the most of your new leisure time and volunteer!



## Updating Your Information



As retirees, you may travel and live in multiple places during the year. Isn't life great? Life might be good, but if your information is not up-to-date, then you may be missing some vital information. It is crucial to keep your information up-to-date with our office, so you can receive important information regarding your pension.

If you move or will be in any place for an extended time, make sure to fill out a Change of Address form and submit it to the Retirement Office. Doing this ensures that you will receive all communications promptly. This will be extremely important in the next couple of months, as we prepare to send out our Annual Benefit Entitlement Affidavits. Annual Benefit Entitlement Affidavits are received every three years. If we do not receive the affidavit back, your monthly pension payments may be suspended until you contact the Retirement Office.

Other information you may want to ensure is accurate and/or update is your Tax Withholdings (both Federal and State), and your direct deposit. You can update this information through eCHRIS or through the Retirement Office. All forms can be found on our webpage at [www.phoenix.gov/copers](http://www.phoenix.gov/copers) or you can contact us via email at [copers@phoenix.gov](mailto:copers@phoenix.gov) or by phone at (602)534-4400.

Once you know your information is up-to-date, then you can continue to enjoy your retirement wherever you may be. Safe travels and enjoy the holidays!

## THE 13<sup>TH</sup> CHECK



The Pension Equalization Program was established on October 1, 1991 when voters of the City of Phoenix approved an amendment to Chapter 24 of the City Charter, allowing pension adjustments to be paid to eligible retirees. One of the components of the program is a supplemental increase known as the “13<sup>th</sup> check”.

Just as the existence of a potential “13<sup>th</sup> check” is explained in the City Charter, so too are the criteria that must be met for payment and the rate used to determine the amount.

**CRITERIA:** funds must be available in the Pension Equalization Reserve Fund to cover the 13<sup>th</sup> check for all eligible retirees.

**RATE** (minimum of 1%) the lesser of:

- ½ of Consumer Price Index OR
- Excess investment return rate OR
- 3% maximum

Over the last 10 years, the number of retirees has increased by nearly 50%, from just over 5,000 in 2010 to nearly 7,500 in 2019. This rise in the number of retirees has increased the cost to provide benefits such as the “13<sup>th</sup> Check” and the PEP increase. COPERS was able to fund a “13<sup>th</sup> check” in 2014, 2015, 2016, and 2018. PEP increases were also funded during that same time frame.

The Pension Equalization Reserve is funded only when COPERS’ investment performance exceeds 8%. While investment earnings were good this fiscal year, at 6.2%, they did not exceed the threshold and prior 13<sup>th</sup> check and PEP payments have depleted the Pension Equalization Reserve. Therefore, there will be no 13<sup>th</sup> check in 2019.

The exacting criteria and rate evaluation required by the City Charter are meant to safeguard COPERS’ plan assets and your pension.



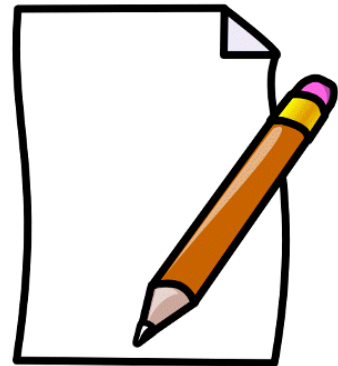
## COPERS' Retiree Benefit Payments



COPERS' retiree benefit payments for December 2019 will be processed on January 1, 2020. Transaction processing schedules are determined by each financial institution and will vary. For direct deposit transactions, please check with your financial institution for their processing schedule for transactions received on a non-business day.

## Alive and Well! Coming January 2020

COPERS and the City of Phoenix take the protection of the delivery of your benefits and your personal information seriously. Confirming that we can reach you to deliver and protect your benefits and personal information takes many forms. One form that many retirees recognize is COPERS' yearly review of pensioners. Starting in calendar year 2018, this review was changed to an automatic 3-year review for all retirees.



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## 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](http://www.phoenix.gov/retirementoffice).

### 2020 Pension Check Schedule

The 2020 Pension Check Schedule is now available on our website at: <https://www.phoenix.gov/COPERS/Retirees>.

#### Contacting COPERS

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