

## **PENSION REFORM SUMMARY INFORMATION**

- Voters approved changes to the City of Phoenix retirement system at a Special Election held on March 12, 2013.
- Changes affect new employees hired on and after July 1, 2013.
- Reform excludes public safety employees and elected officials, each covered under separate pension plans.
- Pension reforms are expected to increase the age of retirement for new employees by 3 – 5 years.
- City Charter requires full funding of the annual Actuarially Required Contribution (ARC).
- Prior to passage of the pension reform propositions, the City Charter prohibited the City from contributing an amount greater than the ARC. The City may now contribute an amount greater than the ARC.
- Employer and employee contribution rates will be based on a 50/50 split of the actuarially determined rate necessary to fully fund the ARC.
- Changes to the pension system are expected to save the City \$600 million over 25 years.
- Updates the Investment Policy of the retirement system to allow for investments that meet the Prudent Investor Rule.

## Changes Approved by Voters on March 13, 2013

### Contributions:

- **Prior Requirement** - Employees contribute 5% of their gross salary to fund the Actuarially Required Contribution (ARC)  
Total contribution cannot exceed the ARC
- **New Requirement** - Employee contribution rate is based on a 50/50 split of the actuarially determined rate to fully fund the ARC  
Total contribution may exceed the ARC

### Retirement Eligibility:

- **Prior Requirement** - “Rule of 80” – Employee age plus credited service equals 80  
Age 60 with ten or more years of service  
Age 62 with five or more years of service
- **New Requirement** - “Rule of 87” – Employee age plus credited service equals 87  
Age 60 with ten or more years of service  
Age 62 with five or more years of service

### Benefit Formula Components:

- **Prior Requirement** - Final Average Salary  
Credited Service Time  
Benefit Ratio = Up to 32.5 years @ 2%; 32.5–35.5 years @ 1%;  
greater than 35.5 years @ 0.5%
- **New Requirement** - Final Average Salary  
Credited Service Time  
Benefit Ratio = Up to 20 years @ 2.10%; 20 – 24.9 years @ 2.15%;  
25 – 29.9 years @ 2.20%; 30 years or greater @ 2.30%  
New benefit ratios match the State of Arizona

### Fiscal Management: The following standards were approved by voters:

- **Prudent Investor Rule** – The Retirement Board shall invest and manage trust assets as a Prudent Investor would and solely in the interest of the members and beneficiaries.
- **Investment Selection** – The Retirement Board may invest in any kind of property or type of investment consistent with the standards set forth in the City Charter if two-thirds of the Retirement Board authorizes the utilization of the new investment category.