



Phoenix City Council

Pension Fairness and  
Spiking Elimination Ad Hoc  
Subcommittee

10/01/13

**City of Phoenix**



# Agenda

- Item 1 Call To Order
- Item 2 Follow up to Requests Made at the September 17 and 23, 2013 Ad Hoc Subcommittee Meetings
- Item 3 Call to the Public
- Item 4 Charge of the Ad Hoc Subcommittee
- Item 5 Request for Additional Research and Future Agenda Items
- Item 6 Adjournment



## Item 2

Follow up to Requests Made at  
the September 17 and 23, 2013  
Ad Hoc Subcommittee Meetings



**Follow up to Requests Made at the  
September 17 and 23, 2013 Ad Hoc  
Subcommittee Meetings**

**City of Phoenix**



## A.R. 2.30 – City Leave Policies

- Employees must use sick leave when they are absent for a sick leave-qualifying reason
- Employees are sent home if they are too ill or injured to work
- Benefits of accumulated time –
  - Extended illness (LTD 90-day qualifying period)
  - Increased retirement benefits (retirement service credit or sick leave cashout)
- Employees receive progressive corrective action for excessive leave usage (>7/per year)



# Potential Impact of Sick Leave Policy Change

## **2005 Federal System Study : “The Influence of Organizational Incentives on Absenteeism: Sick Leave Use Among Correctional Workers” and 2008 Article “Sick Leave Abuse Prompts Calls to Compensate for Unused Time”**

- Both reports examined the impact of a federal policy change, which eliminated the service credit for sick leave earned for employees after 1987.
- Both reports found that when the long term incentive to save sick leave was removed, employees used more sick leave
- The increased use of sick leave has cost the federal government an additional \$68 million a year in lost productivity



# Potential Impact of Sick Leave Policy Change

## Other Findings:

- Differences in the rates of sick leave between employees who had the service credit incentive vs. employees who had no long-term incentive were “substantively and statistically significant.”
- Employees who had no long term incentive to save their sick leave had higher rates of absenteeism.
- Absenteeism rates were 8% to 43% higher for employees who did not have the service credit incentive.



## Staffing Example— Fire Alarm Room Relief Factor

- The City of Phoenix Fire Alarm Room is staffed in accordance with the nationally accepted Association of Public Safety Communications Officials (APCO) RETAINS Staffing Formula.
- The RETAINS formula takes into account call volume, call duration, shift configuration, staff availability and sick leave taken by staff.
- The complex formula is based on the fact that for each Alarm Room position, one full-time person is needed, plus some fill-in positions to staff that full-time person's days off, vacation and other leave.
- In the Alarm Room, sick leave accounts for approximately 6% of the calculated relief factor.
- For each dispatcher position needed to meet required staffing levels, 1.90 FTE is needed to handle call volume.





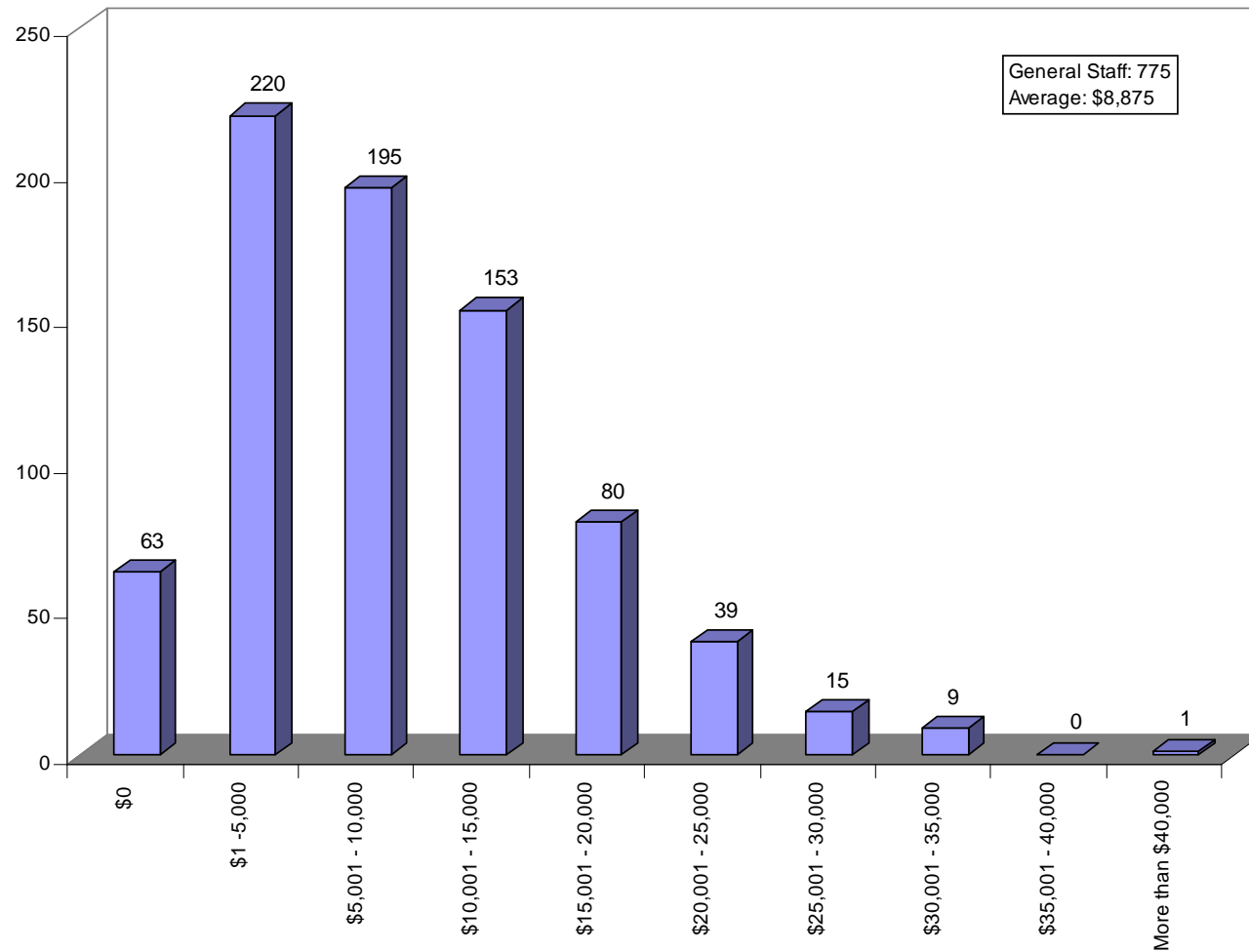
# Sick Leave Pay Out Formula Difference

- **At 1500 sick leave hours or higher**, the formula used for represented employees is more favorable than the formula for Executives and Middle Managers
- **Below 1500 sick leave hours**, the formula for Executives and Middle Managers is more favorable than that for represented employees.



# Vacation Payouts Service Retirees 2011 - 2013

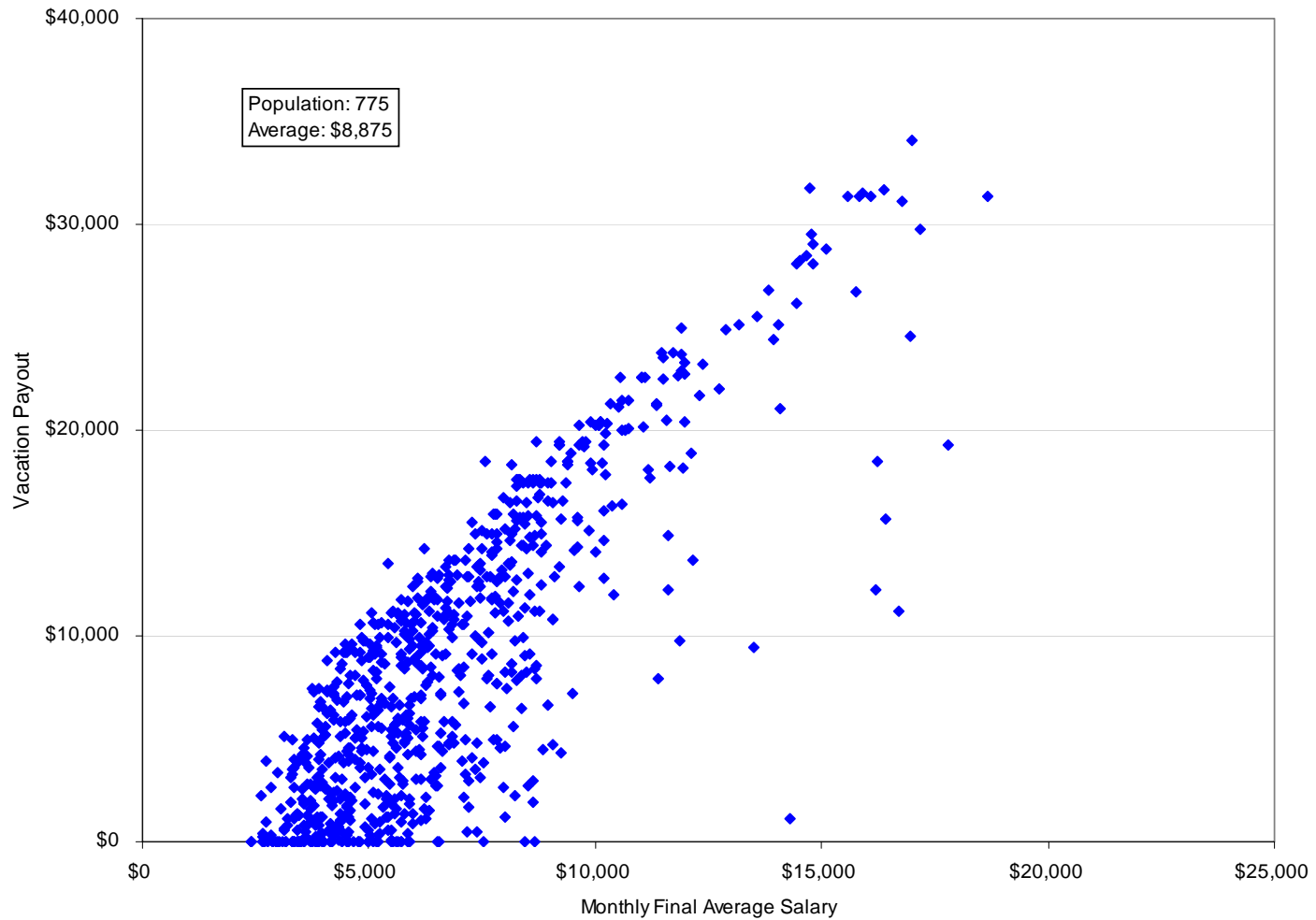
Vacation Payouts  
Service Retirees 2011 - 2013





# Vacation Payouts Service Retirees 2011 - 2013

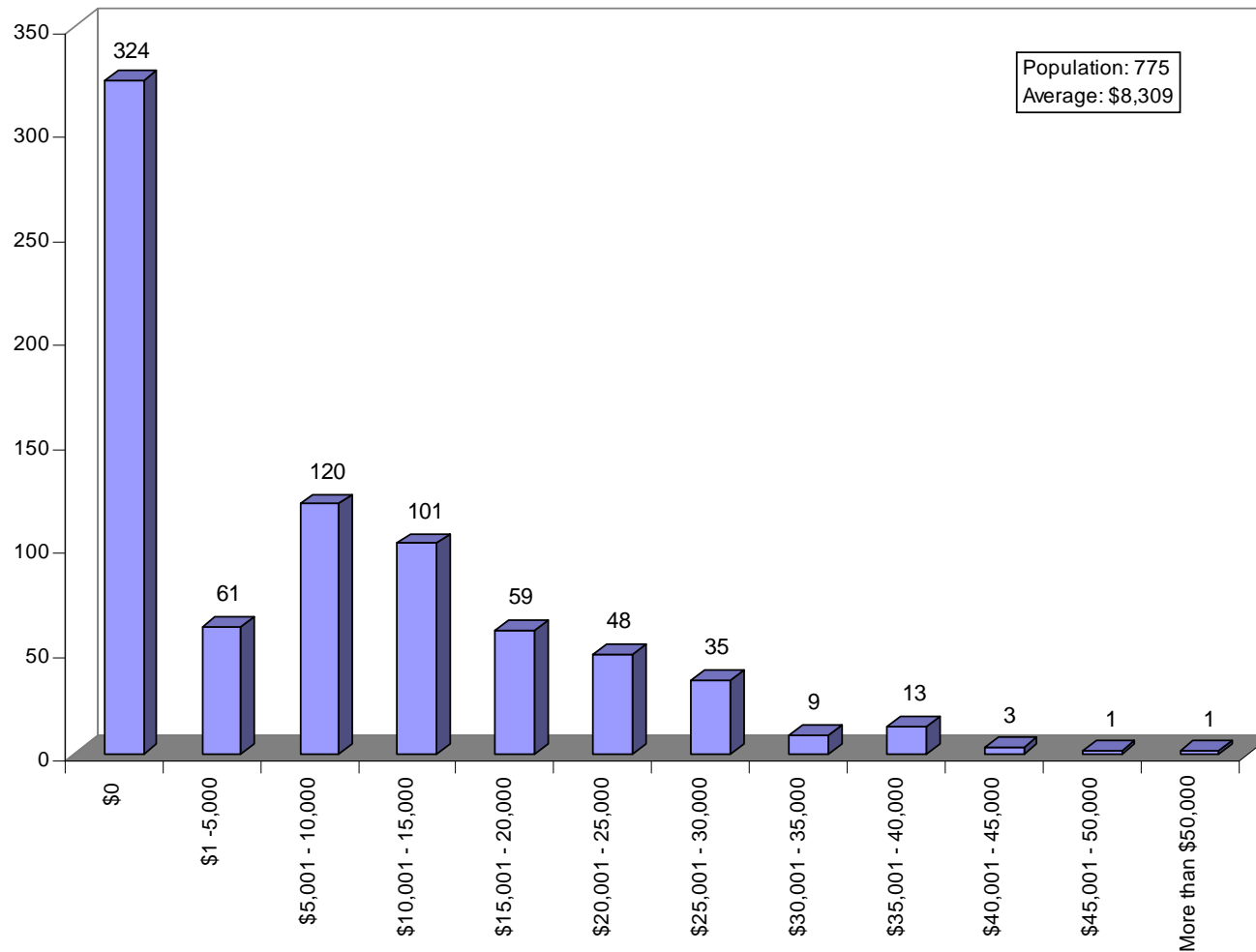
Vacation Payouts  
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# Sick Leave Payouts Service Retirees 2011 - 2013

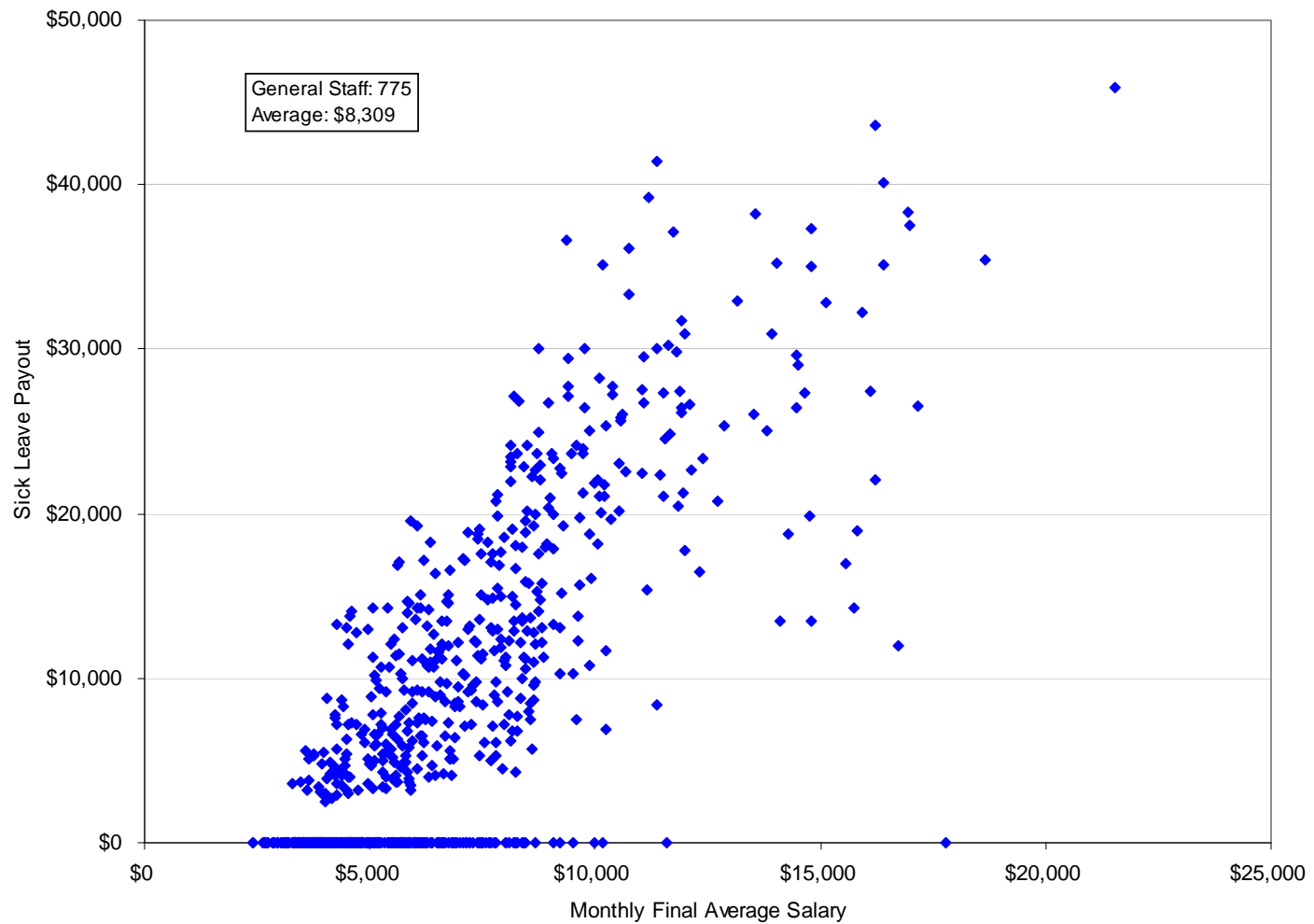
Sick Leave Payouts  
Service Retirees 2011 - 2013





# Sick Leave Payouts Service Retirees 2011 - 2013

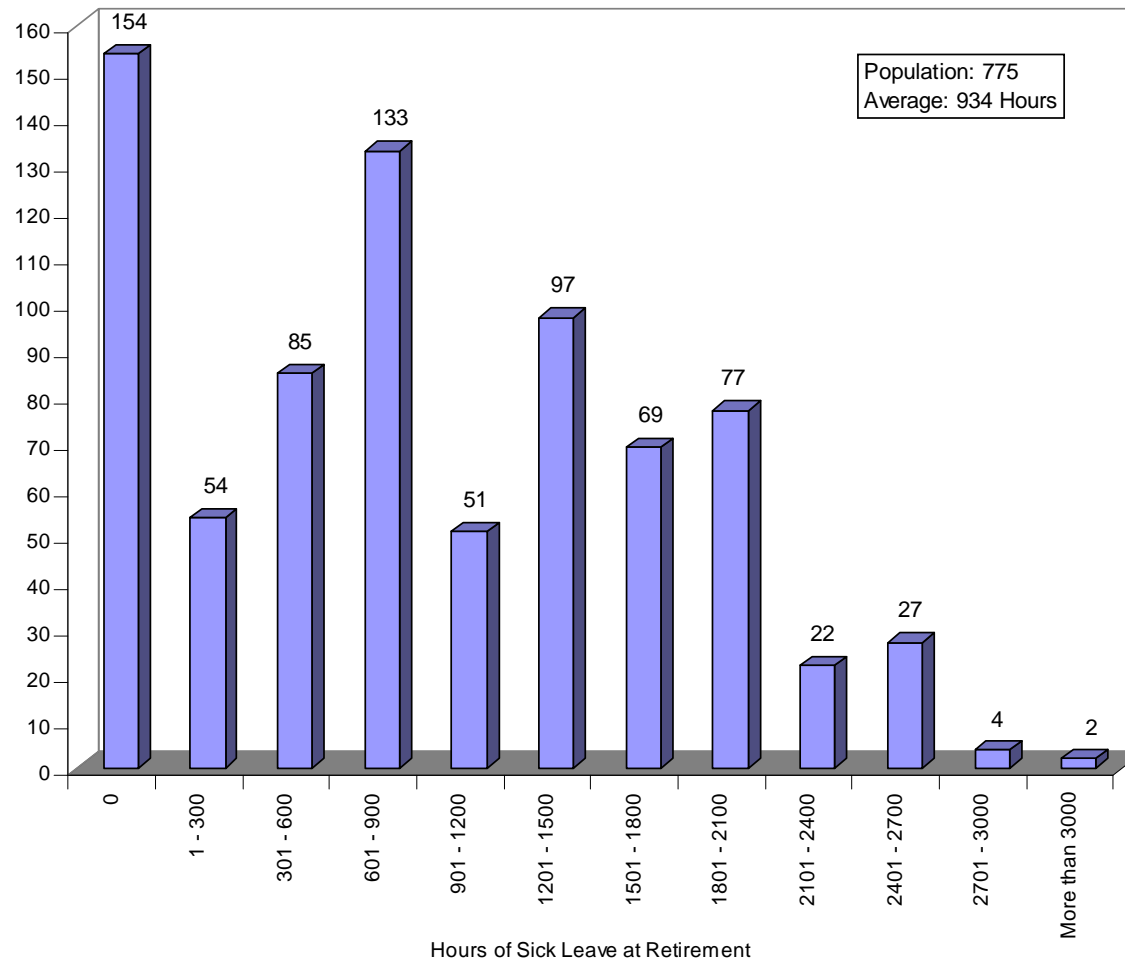
Sick Leave Payouts  
Service Retirees 2011 - 2013





# COPERS Accumulated Sick Leave at Retirement - Service Retirees 2011 - 2013

Accumulated Sick Leave at Retirement  
Service Retirees 2011 - 2013





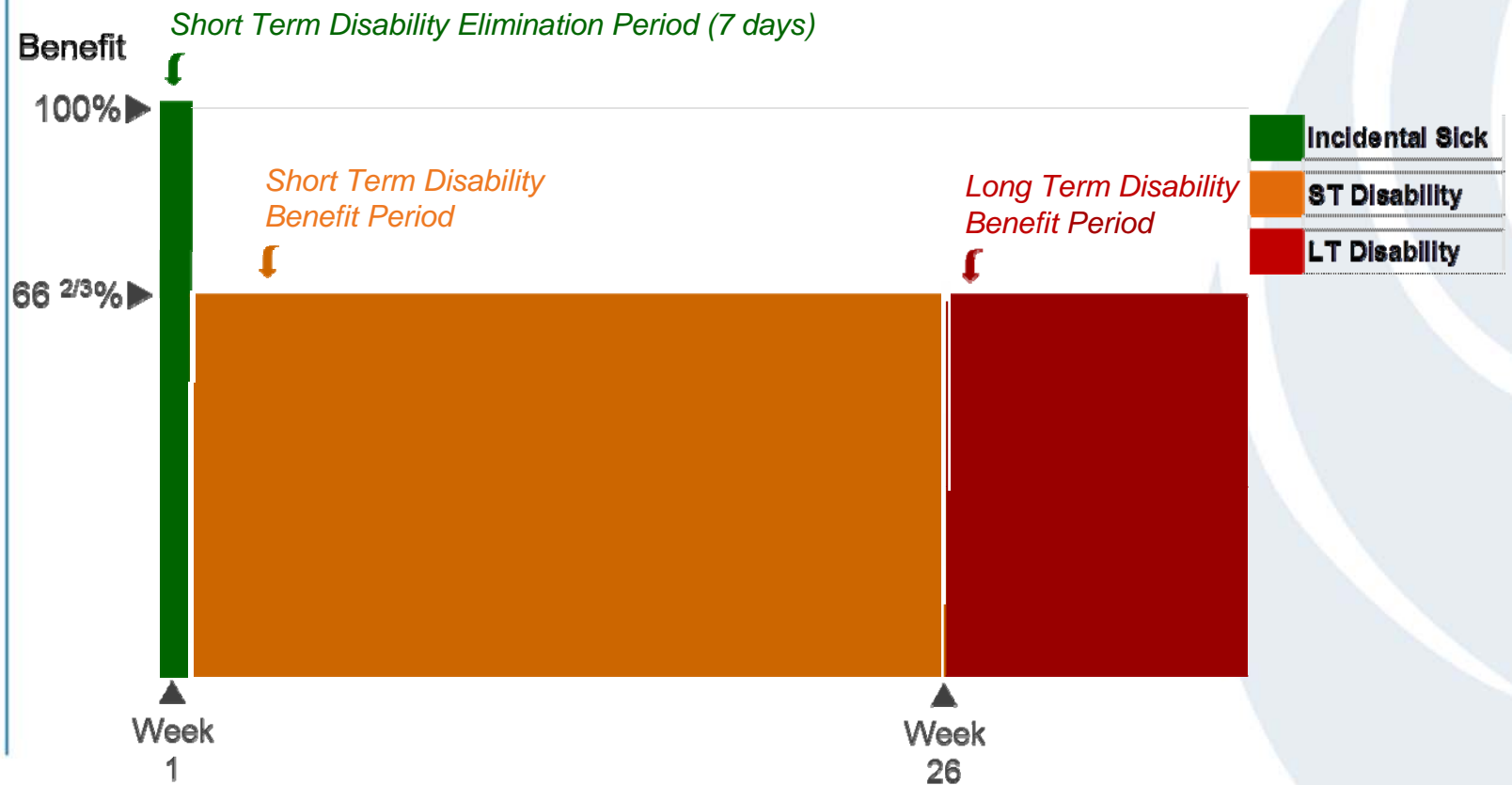
# Typical Sick & Disability Benefit Components

Element	Purposes	Typical Design
Incidental Sick ("Sick Time")	For minor illnesses, to provide pay during the elimination period of the disability plan, and to supplement disability pay	<ul style="list-style-type: none"><li>10-11 days per year</li><li>Allow carryover to 500 hour cap</li></ul>
Short-Term Disability	For disabling conditions (those lasting more than 7 calendar days, for example)	<ul style="list-style-type: none"><li>7 day elimination period (period before benefits begin)</li><li>26 week maximum</li><li>66 2/3% wage replacement</li><li>Sick time supplements to 100%</li></ul>
Long-Term Disability	For seriously disabling conditions (those lasting more than 26 weeks)	<ul style="list-style-type: none"><li>26 week elimination period</li><li>66.23% wage replacement</li><li>Sick time is an offset (the employee exhausts remaining sick time first, then begins receiving LTD benefits)</li></ul>



# Typical Sick & Disability Benefit Components

*Illustration without use of sick time to supplement disability*

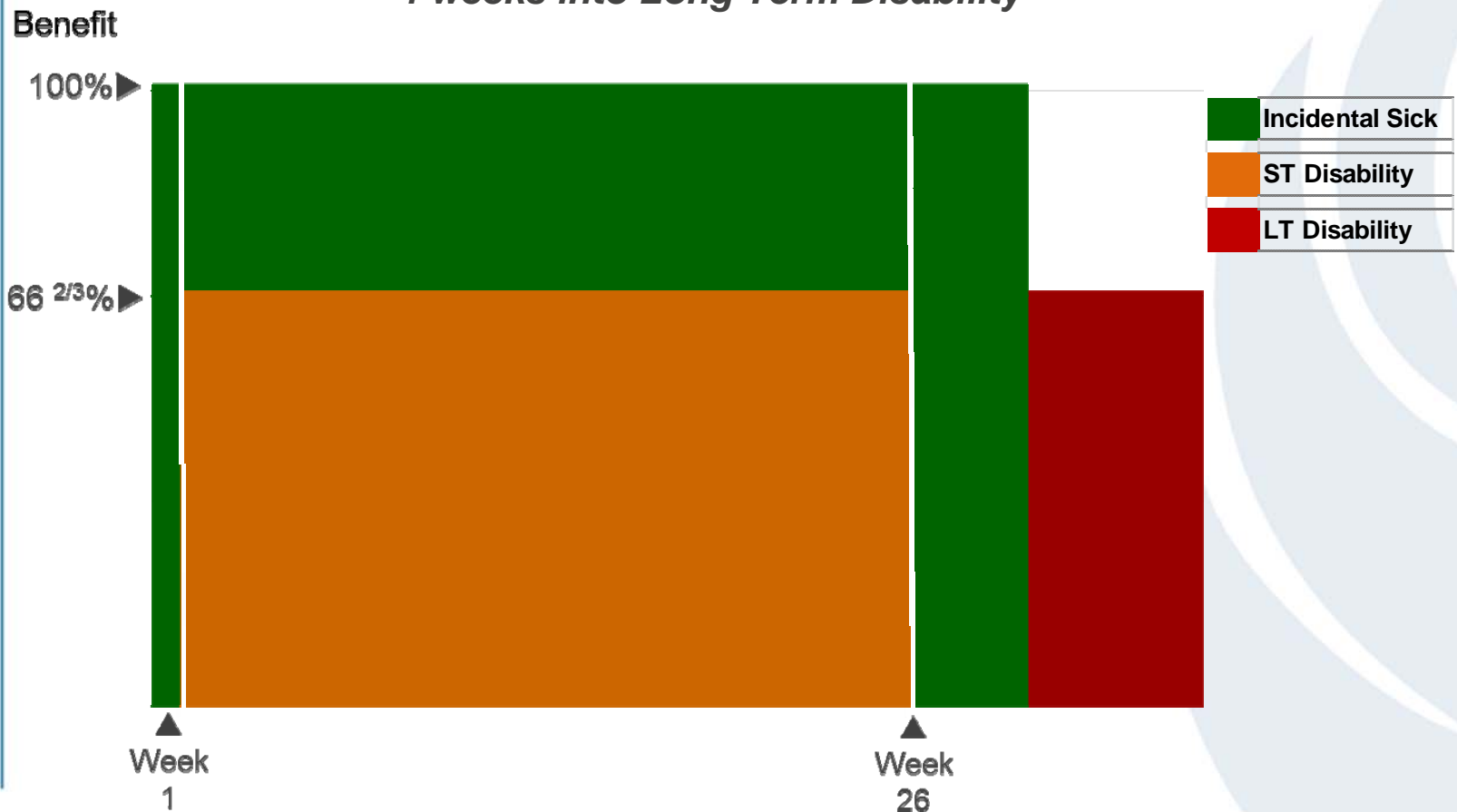






# Typical Sick & Disability Benefit Components

*Illustration with sick time used to supplement Short Term Disability, and 4 weeks into Long Term Disability*





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## Item 3

### Call to the Public





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## Item 4

### Charge of the Pension Fairness and Spiking Elimination Ad Hoc Subcommittee

- (1) identify each current practice that qualifies as pension “spiking” within COPERS, the Public Safety Personnel Retirement System (PSPRS) and the Elected Officials Retirement Plan (EORP);
- (2) identify which changes can be made administratively and which ones must occur during contract negotiations, and further identify which reforms may require amending the city code or charter; and
- (3) create a timeline for implementing recommended reforms.



# 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

<b>Pensionable Compensation Component</b>	<b>General City Employees</b>	<b>General City Managers/ Executives</b>	<b>Public Safety General Employees</b>	<b>Public Safety Middle Managers/ Executives</b>
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

<b>Pensionable Compensation Component</b>	<b>General City Employees</b>	<b>General City Managers/ Executives</b>	<b>Public Safety General Employees</b>	<b>Public Safety Middle Managers/ Executives</b>
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	

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\*\* FLSA requires 1.5 times pay after 53 hours.

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# Currently Pensionable Compensation

## Allowances

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

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# Currently Pensionable Compensation

## Sellbacks

<b>Pensionable Compensation Component</b>	<b>General City Employees</b>	<b>General City Managers/ Executives</b>	<b>Public Safety General Employees</b>	<b>Public Safety Middle Managers/ Executives</b>
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

## Periodic Payments

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

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# Currently Pensionable Compensation

## Deferred Compensation

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

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# Currently Pensionable Compensation

## Retirement Contribution Reimbursement

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

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# Currently Pensionable Compensation

## Enhanced Regular Compensation

<b>Pensionable Compensation Component</b>	<b>General City Employees</b>	<b>General City Managers/ Executives</b>	<b>Public Safety General Employees</b>	<b>Public Safety Middle Managers/ Executives</b>
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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**Legend:**

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**CC: City Charter**

**MOA: Memorandum of Agreement**

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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

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## Item 5

# Request for Additional Research and Future Agenda Items



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## Item 6

# Adjournment





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