

**Informational summary regarding the Hall/Parker lawsuit.  
Presented July 14, 2017 to Coconino County EORP and PSPRS members.**

The Arizona Supreme Court issued its mandate in the Hall v. EORP lawsuit for the Superior Court to begin implementing the remedies afforded by the ruling and it has been determined by the Board of Trustees that those remedies will also apply to the Parker lawsuit.

This ruling affects all EORP and PSPRS members hired on or before July 19, 2011 that had contributions withheld at the new contribution rates implemented as a result of SB1609. These members are to have all excess contributions, plus interest, reimbursed by their employer. Also, effective April 2017 the employee contribution rates for all members hired on or before July 19, 2011, are to revert to the pre-SB1609 rates.

SB 1609 in 2011 changed the employee contribution rates to...

- EORP (Hall): 13.00%, an increase of 6% of employee gross wages.
- PSPRS (Parker): 11.65%, an increase of 4% of employee gross wages.

To the pre-SB1609 and post Hall/Parker ruling contribution rates.

- EORP (Hall): 7.00%
- PSPRS (Parker): 7.65%

(from PSPRS) **It is still unknown as to when the excess contributions will be returned to impacted members but it cannot happen before the parties agree in Superior Court to a rate of interest, the time period for which that interest applies, and the methods for which the contributions may be returned.**

In March 2017 Court ruled that the increased employee contributions were not legal under the pension clause in the Arizona Constitution. So what happens next?

1. Excess contribution amounts by individual are available in the member portal.
2. The Court did rule an interest rate of 4.25% (simple annual).
3. Plaintiffs provided a response to this ruling on interest.
4. PSPRS provided a response to the plaintiff's response in late June 2017.
5. The Judge has yet to issue a final ruling on the interest rates (pre and post), final date to calculate pre-judgment interest and the date to begin post-judgment interest.

Therefore, reimbursements are to be paid to members that will include 3 different amounts:

1. Excess contributions (calculated, subject to adjustments)
2. Pre-judgement interest (Not yet calculated)
3. Post-judgement interest (Not yet calculated)

How will payments be processed:

1. Excess contributions – considered wages and subject to taxes and withholding
2. Pre-judgement interest – not considered wages and subject to 1099 reporting
3. Post-judgement interest – not considered wages and subject to 1099 reporting

All EORP members hired on or after July 20, 2011, will continue to contribute at 13.00% and the employer will continue to contribute at 23.50% for all elected officials. Also, this change does not affect any of your members in the Elected Officials' Defined Contribution Retirement System.

For PSPRS members hired on or after July 20, 2011, the employee contribution rate will remain at 11.65% while employers must continue to pay their current individual employer contribution rate.

For in the Corrections Officer (CORP) plan, their employee contribution rate was never increased, so they are not affected by either lawsuit or entitled to refunds of excess contributions.

The Hall and Parker lawsuits will also result in retroactive permanent benefit increases (PBI) for impacted retirees in all three plans. However, the issue of interest must also be settled at the trial court level before retroactive payments can be made. These adjustments and payments will be made by PSPRS, not the employer.