



MEMORANDUM

Date: June 21, 2017

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

Re: **Advance Payments and Refunds to be issued by the County for Participants in the Public Safety Retirement System and Elected Official Retirement System**

As you know, two recent lawsuits (Hall and Parker) have made it through the Supreme Court. The Arizona Supreme Court indicated the increased contributions to existing members required by the State Legislature could not be retained, and the members who made excess contributions were due refunds of same, as well as interest.

We have received from the Public Safety Personnel Retirement System and the Elected Officials Retirement System lists of all members who will receive payments for their previous overpayments that date from 2011. These refunds can be quite significant and are taxed as income when received. The only option for participants receiving a refund is to increase their deferred compensation contribution or their contribution to a Health Savings Account. These decisions are up to individual employees. The County will issue the refunds in the total amounts at the earliest possible date, since we have been notified that if we do not pay out the refund in a timely manner, we will owe interest to the employee from the date the court entered final judgment in the matter until the payment is made. Hence, the County will make these payments as quickly as possible to avoid additional interest costs. Any changes to deferred compensation plans should be made prior to June 30, 2017 so they can be effective when these payments are made.

A separate matter in the court case involves the determination of interest on the overpayments, which is currently being decided by the Maricopa County Superior Court. We do not know what the interest rate will be, but we have heard it may be five percent. Once an interest amount has been determined, we will then make the interest payment as soon as possible to the employee or elected official who made the overpayment to the State.

The total estimated refund amount is \$7.2 million (\$4.9 million for the Public Safety Personnel Retirement System and \$2.3 million for the Elected Officials Retirement System). The managers of these retirement systems have indicated the County can recover our payments through deferring our typical contributions to the two retirement systems over time. This means the County will have a significant cash outlay that will not be recovered

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Page 2

for almost two years. In theory, the County is advancing funds to these plans and receiving no interest compensation for such.

I have asked the County Attorney whether the County has any recourse to recover based on the same interest rate we will be paying the participants.

CHH/anc

c: Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management