

# JOINT PRESS RELEASE



## ARIZONA SENATE & HOUSE OF REPRESENTATIVES

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### **Supreme Court decision dismantles judges and elected officials pension reforms**

*State budget priorities threatened by decision on public pensions*

**STATE CAPITOL, PHOENIX** – At a time when taxpayers have had enough of overly generous public pension plans that have led to huge unfunded liabilities, the Arizona Supreme Court struck down pension reforms enacted three years ago for unelected judges and elected officials.

The Court's decision also reverses the Legislature's reforms requiring minimal contribution increases for judges, elected officials, corrections officers and first responders toward their pensions so taxpayer-funded employer contributions would remain stable. The reforms also tied post-retirement benefit increases to the current health of the systems, rather than a formula that used historical market conditions to fund increases.

This Court's decision adds nearly \$450 million of unfunded liabilities to the state's pension plans. The pension systems will be compelled to shell-out more than \$103 million of retroactive payments and refunds, which will undoubtedly increase state and local budgets. Moreover, the Court took eight months to issue a 15-page opinion giving retired judges everything they asked for, and came at a time that interrupts key budget priorities like protecting abused children and investing in highway infrastructure.

The Arizona Constitution directs public pension systems to be consistent with "generally accepted actuarial standards." The Court's opinion effectively ignores this portion of the constitution.

"Actuarial standards don't matter. Market conditions don't matter," said Speaker Andy Tobin. "All that seems to matter to this Court is maintaining an overly generous pension system that favors highly-paid, long-term, unelected judges."

One of the plaintiffs in the case makes \$125,000 annually in retirement, only \$11,000 less than he made sitting on the bench. Another plaintiff is currently receiving nearly 25

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percent more than when he retired in 2006, only eight years ago, due to the generous benefit increases built into the pension plan.

The Court's decision now places the entire cost of much needed financial reform directly on taxpayers and new members of the plans, which given the huge unfunded liabilities, will require significantly more from these new employees, and will dramatically reduce their benefits. This change will, in turn, hurt the state's ability to attract talented individuals into public service.

"The Court's decision pushes Arizona into a very unstable position," said Senate President Andy Biggs. "It rolls back important financial reforms that the Legislature made nearly three years ago. Now taxpayers are on the hook for pension systems that are likely to see higher levels of unfunded pension liabilities, if we do nothing to get a handle on the situation."

"At a time when Arizonans are struggling financially, we find this decision a huge miscarriage of justice."