

Bond Case Briefs

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PUBLIC PENSIONS - ARIZONA

American Federation of State County and Municipal Employees AFL-CIO Local 2384 v. City of Phoenix

Supreme Court of Arizona - July 10, 2020 - P.3d - 22 Arizona Cases Digest 6 - 2020 WL 3885603

City employees and their unions filed suit against city, its retirement plan, and the city's retirement plan board, alleging they violated Pension and Contract Clauses of the Arizona Constitution and the Contract Clause of the Federal Constitution when they redefined pensionable compensation to not include vacation leave "cash outs" upon retirement.

The Superior Court granted city summary judgment. Employees and unions appealed. The Court of Appeals affirmed. Employees and unions appealed.

The Supreme Court held that:

- One-time payout for accrued vacation leave upon retirement or separation from city was not compensation under city's retirement plan;
- City employees had no contractual rights, independent of their retirement plan, as required for Contract Clause claim; and
- Award of attorney fees to city was appropriate.

A one-time payout for accrued vacation leave upon retirement or separation from city was not compensation under city's retirement plan, and thus, not included when calculating employee's final average compensation, which was then used in determining the pension benefit amount; payouts were not made in regular, equal installments but instead paid in one lump sum, when employment concluded.

City employees had no contractual rights, independent of their retirement plan, to include one-time payouts for accrued vacation leave in plan's benefit calculation formula, thus city did not violate Contract Clause to Arizona Constitution by interfering with any vested rights by prospectively eliminating payouts for leave from the calculation of final average compensation.

City employees were acting as parties to a contract, rather than as aggrieved citizens, in bringing suit against city challenging its elimination of payouts for accrued vacation leave in retirement plan's benefit calculation formula, and thus award of attorney fees to city was appropriate, following entry of summary judgment in its favor, given that there was no risk award would chill suits challenging legitimacy of government actions.