

Bond Case Briefs

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Piccioli v. City of Phoenix

Supreme Court of Arizona - July 10, 2020 - P.3d - 2020 WL 3885699

Members of city employees' retirement plan and unions representing members sued city, the retirement plan, and city retirement plan board seeking declaratory, injunctive, and mandamus relief based on allegations that amendment to administrative regulation eliminating practice of including one-time payouts for accrued sick leave made upon retirement in the calculation of final average compensation used to determine pension amount unlawfully diminished and impaired members' vested rights to pension benefits.

Following bench trial, the Superior Court, found in favor of members and union. Defendants appealed. The Court of Appeals reversed. Members and union petitioned for review, which was accepted.

The Supreme Court held that:

- One-time payouts upon retirement for accrued sick leave did not constitute salary or wages used to calculate pension benefits under plan;
- Members did not have contractual rights independent of plan to include sick leave payouts in plan's benefit calculation formula; and
- Award of attorney fees in favor of city, as successful party, was warranted.

One-time payouts upon retirement for accrued sick leave did not constitute "salary or wages" used to calculate pension benefits under city employees' retirement plan; sick leave payouts were not paid regularly or annually, treating payouts used for sick leave as salary or wages would violate plan by adding days, weeks, or months to the pension-calculation period, and there was no indication that voters who adopted plan intended to give members who banked sick leave more lucrative pension benefits than members who used that time when too ill to work.

City's prior promise to members of city employees' pension plan that it would treat one-time sick leave payouts upon retirement as compensation used when determining pension benefits, together with the historical fulfillment of that promise, did not form a pension benefit contract independent of plan, and thus city did not violate any vested rights by prospectively eliminating payments for leave accrued after specified date from the calculation of pension benefits.

Grant of attorney fees in favor of city, as successful party, was warranted on appeal from decision in favor of members of city employees' pension plan and unions representing members in action seeking declaratory, injunctive, and mandamus relief from changes to administrative regulation governing the way the city calculated retirement benefits, where members and unions challenged regulation as parties to a contract, rather than as aggrieved citizens.