



**ARIZONA STATE SENATE**  
*Fifty-Third Legislature, Second Regular Session*

FACT SHEET FOR H.C.R. 2032

public retirement systems.

Purpose

Subject to voter approval, amends the pension clause of the Arizona Constitution to provide an exception for certain adjustments to the Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP).

Background

In 1990, the permanent benefit increase (PBI) formula was first enacted, providing retirement payment increases based on investment earnings. Unlike a cost-of-living adjustment, which is generally tied to the inflation rate, the benefit increase is tied to the plan's return on investment. If investments returned more than nine percent, half of the return would be used to fund increases up to four percent, with any remainder placed into a reserve for future benefit increases. After that statute expired in 1994, the Legislature enacted a new PBI formula the following year. Increases were based on the plan's investment returns, capped at the lesser of three percent or half of the percentage change in the consumer price index. In 1998, the Legislature raised the maximum possible increase to four percent and eliminated any reference to the inflation rate. According to EORP, since the 1998 change, EORP retirees received a four percent annual benefit increase each year until the end of FY 2010.

[Laws 2011, Chapter 357](#) ended future inflows into the PBI reserve fund and increased the investment return rate upon which future PBIs would be calculated. This case was challenged, with plaintiffs alleging that [Laws 2011, Chapter 357](#) violated the Arizona Constitution. *Fields v. Elected Officials' Retirement Plan*, 234 Ariz. 214 (2014). The Supreme Court sided with the plaintiffs and held that, because the statute diminished and impaired the plan's retired members' benefits, it violated the Pension Clause of Article 29 of the Arizona Constitution (Ariz. Const. art. 29 § 1).

In 2016, the provision was again changed from the PBI to a COLA for members of PSPRS by an affirmative vote of the people in Proposition 124. This passage did not affect members of CORP or EORP.

There may be a positive impact to the state General Fund upon the affirmative vote of H.C.R. 2545 at the next general election, as the existing PBI has historically been in the range of four percent and the new COLA is limited to two percent.

Provisions

1. Provides that public retirement system benefits shall not be diminished or impaired, except that certain adjustments may be made to CORP as provided in [Laws 2017, Chapter 163](#).
2. Provides that public retirement system benefits shall not be diminished or impaired, except that certain adjustments may be made to EORP as provided in H.B. 2545, as enacted by the Fifty-Third Legislature, Second Regular Session.
3. Requests that the Secretary of State (SOS) return S.C.R. 1023, Fifty-Third Legislature, First Regular Session, to the Legislature.
4. Requires the SOS to submit the proposition to the voters at the next general election in lieu of S.C.R. 1023, Fifty-Third Legislature, First Regular Session.
5. Becomes effective if approved by the voters and on proclamation of the Governor.

Prepared by Senate Research

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