PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
Board of Trustees Meeting
31 May 2017

2017 Update and Recommendations on the Return of Contributions Due to the *Hall* Case

Below is a current estimate of the contributions that will need to be returned and the PBI's to retroactively be paid. Interest is estimated at 5%, but the Superior Court could rule as high as 10%. There is a hearing scheduled for June 6 to determine that rate and the time period for which it applies.

Estimated Return of Maintenance of Effort (MOE) Contributions and PBI Payouts

MOE	Count	MOE	Interest	Total
EORP	830	16,454,550	2,452,565	18,907,115
PSPRS	18,293	206,078,605	25,380,815	231,459,420

PBI	Count	Retro PBI	Interest	Total
EORP	126	847,409	62,506	909,915
PSPRS	562	1,795,300	149,798	1,945,098
CORP	545	417,103	34,028	451,131

Included with this packet are the following documents:

- **Memo from the System's tax counsel outlining how these excess contributions must be returned in accordance with federal rules and regulations.** In essence, they cannot be returned directly to the member or retiree, but must be returned through the employer. Additionally, the excess contributions are considered wages where the interest is not and should therefore be taxed differently. It also provides guidance that allowing employers to utilize contribution holidays on their employer contributions is a legal option in order to free up funds to pay back their members. However, it strongly recommends against allowing the employers to give their members contribution holidays.

- **Detail by employer of the estimated contributions and interest to be returned.** All but 16 PSPRS employers have notified us of when they have or will revert the rate for their affected members. Of those who have reported, only the Department of Administration (all state agencies) is continuing to withhold at the higher rate until the beginning of the new fiscal year due to system programming issues. Also included is an estimate of the time period each employer may take to utilize contribution holidays if they choose to do so. For some it may be the only way they can return the contributions. However, while the average is 12 pay periods (about half a year), there are some that could take quite a bit longer, up to a year or more. Of major concern is EORP where the average time to utilize contribution credits is about a year and half plan-wide.

- **Internal memo outlining the various types of members to receive these contributions and the methods we will follow to do so.** We have identified nine different types of members, including those active and still contributing, retired, transferred to another employer during this time, or refunded, to name a few. Each type may need to be treated differently and the employers will need help to know how to address the different types.

<u>Steps that have been and still need to be taken</u>

There are a number of steps that have been, and still need to be, taken for these contributions to be returned. They are listed in logical order, but some steps may be taken out of order or revisited as the situation requires or allows. Additionally, these steps will be taken on an individual employer basis as all employers will not move at the same pace.

1. PSPRS identifies individual members and determines their status type.
2. Employer returns higher contribution rate to pre-1609 levels for those identified and notifies PSPRS of that pay period ending date.
3. PSPRS receives the last contributions for the pay period with the higher contribution rate.
4. PSPRS determines the excess contributions for individual members.
5. PSPRS calculates the interest amount for individual members.
6. PSPRS creates an itemized list of individuals and their owed amounts.
7. PSPRS posts the itemized list to employer and local board portal and makes notification of such.
8. Employer gathers Form W-9 from each individual member entitled to interest.
9. Local Board works with employer to determine the best method for returning the contributions and interest.

For the most part, steps 1 through 4 are completed for the majority of employers where we are waiting for the court to rule on the interest issue. However, employers can begin now to gather Form W-9 and, as recommended below, should not be required to wait until the interest issue is resolved to begin returning the excess contributions should they choose to do so.

The issues with interest

The earliest the interest issue can be resolved is June 6. However, as has been our experience with the court system, there is also the possibility that it could take longer, but hopefully not much longer. Additionally, I have been advised there will be pre- and post-judgment interest being awarded, possibly at different rates. The pre-judgment interest will most likely be up to the date of entry of judgment and post-judgment interest will begin from that date until the last excess contribution amount is returned. Therefore, it is imperative that we allow the employers to begin as soon as possible to start returning the excess contributions. Of course, if the contributions are returned before date of entry, interest is only owed up to when all those contributions were returned.

Furthermore, it is my recommendation that should an employer choose to utilize contribution credits that we allow pre-judgment interest to be included in those credits. However, due to the complexity of tracking and coordinating the amounts with the employers, I do not recommend that post-judgment interest be included in the credits so as to entice the employers to return the excess contributions as quickly as possible. Recognizing that some employers may not be able to act that quickly, allowing credits on post-judgment interest is legally allowable and I would only recommend doing so if the employer formally requests it.

Some suggested methods of returning the contributions

As mentioned previously, the excess contributions and interest payments must be returned to the members by their employer, regardless of their status.

- **Lump-sum payment** – If the employer is able to make the payment in a lump sum to their members, this is the preferred method. This could be accomplished through a number of funding sources that only the employer may have available to them. The employer could then utilize the contribution credits made available to them to recoup the amounts paid out.

- **Partial payments over time** – If the employer does not have all the funds available to them, another method is partial payments as funds are available. The amount and duration will need to be determined on an individual basis, but the issue of post-judgment interest needs to be taken into consideration and, as explained below, the duration should be no longer than the credits received.

- **Deferred payments** – The excess contributions being returned are considered wages where they can be deferred through whatever tax-deferred vehicle that is available through the employer. If this method is chosen, there still needs to be a decision if it will be lump-sum or partial. Unfortunately, the interest amounts are not considered wages and therefore cannot be deferred.

There may be other methods an individual employer could feasibly conjure up. If so, they should consult with their individual tax counsel or us to ensure they do not run afoul of the federal and state laws governing the taxability of wages and awarded interest.

Regardless of the method chosen, it is recommended that an employer take no longer than the number of pay periods it takes to utilize their contribution credits, but not to exceed this calendar year, if possible. In consideration for those employers where it is estimated they could take longer than that, the reason it takes so much longer is due to the fact that their employer contribution rate is quite low in comparison to others. Presumably, their plan is healthy to where their unfunded rate is minimal or non-existent. Therefore, these employers may already have additional funds available to return the excess contributions more quickly than estimated or assumed.

The question has been asked if employers can give their members contribution holidays. While this is permissible under federal and state law, due to the complexities, duration and non-value described in the tax counsel memo, I would request that we do not allow it. Please see page 6 of that memo, beginning with the second paragraph from the bottom and continuing through page 8 for an in-depth analysis of the complexities and non-beneficial issues this method creates. However, if the Board chooses to allow this as an option, I would then request that we require contributions for the member by the employer so there are no holes in a member's contribution history. Doing so creates issues with the calculation of their credited service and ultimately their pension benefit.

Things for employers to consider

Because of the potential tax consequences these excess contributions could impose on an individual, it is strongly recommended that the employer coordinate with their members on the timing and method of returning these contributions and the interest amounts to be received. A member should be given enough time to make changes to his tax withholding or increase his contributions to a tax deferred account, where permissible. Even though the interest amount cannot be tax-deferred, a member could increase his deferred amount greater than the excess contributions being received. The decrease in his take-home pay could be offset by the interest amount received.

Permanent Benefit Increases

While we may feasibly be able to pay the permanent benefit increases before the end of the fiscal year, that does not give much time to a retiree to change his tax withholding amounts if he desires to decrease his tax exposure. Still, it would be our preference to pay them out by June 30 so that the increased benefit amounts are reflected in this year's actuarial valuations. It would be nice to have the interest amounts determined at that time, too, but also not necessary. Should the Board decide to weigh in on this issue, I would like guidance on what it desires to do. Otherwise, we will proceed to pay the PBI amount as soon as practicable and the interest amount later.

Administration recommendation

Because the administration of the System is vested in each local board (ARS 38-847), it is recommended that employers work with their local board to determine the manner and method of returning the excess contributions and interest payments that work best for all involved.

Possible Action Needed

Based upon discussion had, the following action may need to be taken in the public session.

- Approve payout of retroactive PBI's by June 16, before the interest issue is resolved.

- Approve employers returning the excess contributions to affected members as soon as practicable, before the interest issue is resolved.

- If the Board chooses to allow the employers to give member contribution holidays, require they make employee contributions.

- Allow for pre-judgment interest to be included in allowable credits, but do not allow post-judgment interest unless specifically asked for by the employer who must provide a detailed accounting of such.

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May 25, 2017

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Re: Return of Employee Contributions

Dear Jared:

You have asked my advice on procedures acceptable to the IRS and taxation relating to the return of employee contributions, plus interest, to members of the Elected Officials' Retirement Plan ("EORP") pursuant to the recent Arizona Supreme Court decision issued on November 10, 2016 in Hall, et al., v. Elected Officials' Retirement Plan, et al. (No. CV -15-0180-T/AP). You have advised me that the Arizona Supreme Court has denied EORP's motion for reconsideration and therefore the Hall decision is final. Furthermore, as I understand, there is another case ongoing before the Maricopa County Superior Court which deals with the same issue affecting members in the Public Safety Personnel Retirement System ("PSPRS"), and such case was stayed pending the outcome of the Hall case in the Arizona Supreme Court. Presumably that decision will be similar to the Hall decision and therefore this letter will address the return of employee contributions in both the EORP and PSPRS, both of which will hereafter be referred to as the "Plans," or in the singular, a "Plan."

In 2011, the Arizona Legislature enacted legislation requiring employees who participated in the Plans to contribute a greater percentage of their compensation to the Plans to pay for benefits accrued under the Plans. The Arizona Supreme Court has just declared this legislation to be unconstitutional under the Arizona Constitution, retroactive to its date of enactment, and has ordered the return of the excess employee contributions, plus pre- and post-judgment interest, to the employees participating in the Plans who made such excess contributions.

The Plans are each qualified retirement plans described in Section 401(a) of the Internal Revenue Code of 1986 (the "Code"). Employees who become members in the Plans are required, as a condition of their employment, to make employee contributions to the Plans to partially fund the cost of their retirement benefits. The employers who have joined the Plans are likewise required to make employer contributions to the Plans to partially fund the cost of retirement benefits accrued by their employees who are members of the Plans. The employee contributions to the Plans are

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considered "picked-up" by their employers since the employee contributions are mandatory and a condition of employment; employees do not have the right to receive such contributions directly. Because the employee contributions are "picked-up," such contributions are treated as employer contributions under the provisions of Section 414(h) of the Code. As "employer contributions," the picked-up employee contributions are not subject to federal or Arizona state income taxes when contributed. However, under Section 3121(v) of the Code, the picked-up employee contributions are subject to Social Security and Medicare taxes ("FICA taxes") when contributed to the Plans.

Since 2011, employees who are members of the Plans have made extra employee contributions to the Plans, which were not subject to federal or state income taxes but have been subject to FICA taxes. The Arizona Supreme Court has now determined that such extra employee contributions, plus interest, must be returned to the employees making such extra employee contributions. In my opinion, it was proper for the employers to exclude the extra employee contributions from their employees' income for federal and state income tax purposes under the provisions of Section 414(h) of the Code since Arizona law required such extra employee contributions to be withheld from the employees' income and paid to the Plans. The issue now is how the employee contributions must be returned to the employees and the taxation of such returned contributions.

The Plans did not receive the employee contributions directly from the employees. Rather, the employers deducted the employee contributions from their employees' paychecks and remitted the employee contributions to the Plans. As previously noted, under Section 414(h) of the Code, such picked-up employee contributions are treated as "employer contributions" for federal and state income tax purposes. Accordingly, it would seem that the Plans would need to process any return of the excess employee contributions as an excess employer contribution and return such amounts to the employers, not the employees. However, Section 401(a)(2) of the Code prohibits any assets held in a qualified plan from being "used for, or diverted to, purposes other than for the <u>exclusive benefit</u> of . . . employees or their beneficiaries . . .." This "exclusive benefit" provision as it applies to the Plans is contained in Arizona Revised Statutes ("A.R.S.") §§ 38-810.01 (EORP) and 38-843.02 (PSPRS). In general, because the contributions have been made to the Plans, the excess portion of such contributions must continue to be held for the benefit of the employees participating in the Plans and their beneficiaries.

There is one exception to this "exclusive benefit" rule. In Revenue Ruling 91-4, the IRS ruled that a qualified plan may return employer contributions to an employer if the contribution was made by reason of a "mistake of fact," the amount is returned within one year of the mistaken payment and the plan document contains a provision allowing for the return of the mistaken payment. None of these conditions exist in the present case. The Arizona statutes governing the Plans do not permit the return of a mistaken payment, most of the payments have been made more than one year from the date they will be returned, and, most importantly, the contributions were not made by reason of "mistake of fact." An example of a mistake of fact is where there may have been a typographic error in a wire transfer or an error in calculating the amount due to the plan. Accordingly, under no circumstance may the Plans return the excess employee contributions to the employers.

Because the exception to the exclusive benefit rule does not apply, I recommend the Plans allow for offset of future required employer contributions as a means to permit the employers to return the employee contributions should the employers not have the funds to do so in a lump sum. Such an offset of employer contributions will provide the employer with a "contribution holiday," because the employer will not make its required contributions to the Plan until all of its employees have been fully repaid the excess contributions. Note that this recommendation assumes that Arizona law permits PSPRS to grant a contribution holiday to the employers. With the reduced contributions due the Plans, each employer may use what would otherwise be contributed to the Plans to pay its employees who made excess contributions by including such amounts in its employees' compensation, which will be taxable and reportable to the Internal Revenue Service as "wages." If necessary, the employer may make such payments over multiple pay periods, but should process the payments as soon as reasonably practicable. You have advised me that some employers do not have adequate funds to make these payments expeditiously, and therefore may need to make the payments over elongated time periods. As such, you have asked whether PSPRS may make payments of the excess contributions to the employers so that the employers will have funds available to make the required payments to the employees. As stated in the paragraph above, due to the "exclusive benefit" rule, PSPRS may not make such payments to the employers. Any such payments from the Plans to the employers will disqualify the Plans.

Because the employee contributions that are being returned have previously been subject to FICA taxes, the amounts returned will not once again be subject to FICA taxes when paid to the employees. However, the return of the employee contributions will be subject to federal and state income tax withholding when paid by the employers to their employees. Such federal and state income taxes will be assessed for the year that the excess contributions are paid by the employer to the employees, rather than for the year(s) that such excess contributions were initially made to the Plans. And, as with any other wages paid to an employee, the employers will include the amounts returned to the employees on the Forms W-2.

In addition to returning the excess contributions, the employers must also pay the employees the pre-judgment and post-judgment interest credited on such amounts. These interest payments should be processed as soon as practicable, but may be made over multiple pay periods. Unlike the excess contributions themselves, the interest payments will not be characterized as "wages." The IRS has ruled in several Revenue Rulings and Private Letter Rulings that the interest on judgment or settlement awards granted to employees in connection with employment litigation (e.g., awards of back pay) is not "wages," even though the underlying award is considered to be wages (see Rev. Rul. 80-364, PLR9329012, PLR9603015). The interest payments are not wages because, according to the IRS, they are not "remuneration for employment." Furthermore, the IRS holds that because the interest payments are not wages, they will not be subject to federal or state income tax withholding or subject to FICA taxes. The employers should report such interest payments on Form 1099-INT, rather than Form W-2. Because the employer is required to file the Form 1099-INT, the employer must also obtain a certification from each employee on a Form W-9 that the member is a U.S person and is not subject to backup withholding. In the event that an employee cannot make such certifications, then the employer will be required to withhold federal income tax from the interest payments.

We have discussed whether PSPRS may, without violating the federal tax laws, allocate a credit to the employers for the pre-judgment and post-judgment interest payments, or whether the interest payments should instead be an obligation of the employers with no offsetting credit for future plan contributions. Either method is permissible. For purposes of administrative feasibility, it will likely be best for PSPRS to choose one method and apply it to all employers, rather than letting each employer choose whether to receive a credit for the interest.

If an employee is no longer working for the employer, and has not requested a refund of his or her contributions, he or she will nevertheless receive the excess contributions and the interest payments described above, together with a Form W-2 and a Form 1099-INT reporting such payments. The excess contributions (but not the interest) will be subject to the same withholding requirements described above as if still employed. Such statement is true whether the employee has retired or has terminated employment prior to retirement. Note that the excess contribution and interest payments will have no effect on a retiree's pension distributions, because neither the excess contributions nor the interest are pensionable compensation. The excess contributions were already considered to be pensionable compensation at the time they were originally withheld, and they may not be included as pensionable compensation to the employees for a second time. Furthermore, the interest payments do not fall into PSPRS's definition of "compensation" for purposes of computing pension benefits. A.R.S. § 38-842, paragraph 12, limits the definition of such compensation to "base salary, overtime pay, shift differential pay, military differential wage pay," and several other forms of payment awarded for an employee's performance of services. Because the interest payments are not considered to be wages or remuneration for employment services, they are not pensionable compensation under the applicable statute. Therefore, the retirees' pension distributions will remain unchanged.

If an employee has terminated his or her employment and requested a refund of his or her contributions, then the employer will only pay to the employee the interest on his or her excess contributions through the date of refund. As described above, the employer shall include the interest payment on a Form 1099-INT and obtain the employee's signature on a Form W-9, and the interest payment will not be subject to FICA taxes or to federal or state income tax withholding.

Pursuant to A.R.S. § 38-804(C), and § 38-846.02(A), terminated employees who began their employment before January 1, 2012 and who request a refund of their contributions to the Plan may also receive an additional payment from the Plan, calculated as a percentage of their contributions to the Plan (such a payment will hereinafter be referred to as a "match" or a "matching payment"). Such terminated employees become eligible to receive a matching payment if they have completed five or more years of credited service, and the amount of the match increases based on their years of credited service. In addition, pursuant to A.R.S. § 38-804(D) and § 38-846.02(B), if such terminated employees have completed more than ten years of credited service and they choose to leave their contributions and matching payment in their accounts under the Plan for more than 30 days past their termination, the employees will be paid the interest accrued on their contributions and matching payment starting from their termination dates. Finally, pursuant to A.R.S. § 38-804(E) and § 38-846.02(C), terminated employees who began their employment on or after January 1, 2012 and who request a refund of their contributions to the Plan will not receive a match, but will receive the interest which has accrued on their contributions.

Because the foregoing matching payments and interest payments are calculated based on the full amount of the employees' contributions to the Plans, including any excess contributions, employees who have received such matching and interest payments may have received an overpayment from the Plans. According to the Hall decision, the excess contributions should never have been made to the Plans, and therefore, no match or interest should have been paid from the Plans with respect to the excess contributions. To illustrate this problem, assume an elected official became a member of EORP before January 1, 2012, terminated her employment with exactly five years of credited service, and had contributed $10,000 to EORP. Upon applying for a refund, the official would receive her own contributions back, plus an additional 25% match from the Plan, pursuant to A.R.S. § 38-804(C)(2)(a). Her match would therefore be $2,500, and she would receive $12,500 in total. Further assume that $2,000 of the official's $10,000 contributions were "excess contributions." Accordingly, the official's contributions to EORP should have only totaled $8,000, and the match should have been only $2,000 (25% of $8,000). Therefore, although the official was entitled to receive her full $10,000 contribution back from the Plan (which represents a repayment of her excess contributions), she should have only received a match of $2,000, and therefore she should have received $12,000 rather than $12,500 from the Plan. The excess $500 is an overpayment from the Plan. This overpayment may be offset against the interest on the excess contributions that the employer owes to the official. Whether or not the overpayment is offset, PSPRS may seek reimbursement from the employer of the entire overpayment (not just any offsetting amount), because the Plan would never have been required to pay the overpayment to the employee if the employee had not made excess contributions. Furthermore, PSPRS may also seek reimbursement from the employer of the excess contributions that the Plan refunded to the terminated employee. PSPRS assumed the employer's responsibility by returning the excess contributions to the employee, and it may seek repayment for doing so.

Furthermore, in the case of transferred employees, it is my understanding that each employer will be obligated to pay the interest accrued on the excess contributions the employee made while employed with that employer. You have proposed two possible methods for the employers to make their respective interest payments: (A) the current employer pays the employee the interest accrued on all excess contributions, including the interest on excess contributions the employee made while employed with the prior employer. In this scenario, PSPRS would make an internal transfer of the interest payments owed by the prior employer by debiting the prior employer's account under the Plan and crediting the current employer's account; or (B) the current employer only pays the employee the portion of the interest allocable to excess contributions the employee made while employed with the current employer, and the prior employer pays the employee the portion of the interest allocable to excess contributions made during his or her employment with the prior employer. In my opinion, either of these two methods is permissible under the federal tax laws. If PSPRS decides to allocate some responsibility to the prior employer for payment of the excess contributions, either of these methods of allocation would also be acceptable (i.e., the current employer could pay the employee all excess contributions and PSPRS could make an accompanying internal transfer, or each employer could directly pay the employee the excess contributions they respectively owe). Under either option, the employer(s) making the payments to the employee will issue a Form W-2 and Form 1099-INT to the employee reporting such payments.

I have been advised that some employers have asked whether PSPRS may grant the employees a contribution holiday as a method of returning the excess contributions to the employees. Assuming that Arizona law would allow PSPRS to grant employee contribution holidays, this method of returning the excess contributions would be permissible under the federal tax laws because it does not violate the "exclusive benefit rule."

However, this method of repayment will be slower, more complicated, and more costly to the employer, without providing any offsetting benefit to the employers or employees. If the employees are granted a contribution holiday, the employers may also refrain from contributing the required employer contributions to the Plans until the excess contributions have been returned. However, the employers will need to make the *employees'* required contributions to the Plans. This will be necessary to avoid gaps in the employees' contribution history, and to ensure that the Plans are receiving contributions from a source attributable to the employees. The employers will return the excess contributions to the employees incrementally by making the employees' contributions to the Plans, thereby increasing the employees' net take home pay from each paycheck. This limits the amount of excess contributions that will be returned to an employee each pay period to the amount of the employee's required contributions to the Plan for such pay period under A.R.S. §§ 38-810 and 38-843. Therefore, for many affected employees, this method of repayment will cause the excess contributions to be returned over an extensive period of time. Accordingly, the employers will likely owe more post-judgment interest than they would if they instead paid the excess contributions to the employees as soon as administratively feasible, as recommended above. The "employee contribution holiday" method of repayment will consequently be more expensive for the employers.

Furthermore, as described above, the excess contributions were already subject to FICA tax when contributed, and therefore should not be subject to FICA tax upon their return to the employees. If the employees are granted a contribution holiday and the excess contributions are returned to them through their regular paychecks, it will be administratively difficult to avoid subjecting the excess contributions to double FICA taxation. The portion of each employee's paycheck which represents the excess contributions will need to be determined, and then separately identified as not being subject to FICA tax. Even if this feat is possible for the employers' payroll departments, it will complicate the process of reporting the wages and taxation to the IRS.

In addition, the pre- and post-judgment interest on the excess contributions may not be returned to the employees through an employee contribution holiday, because this method would return the interest to the employees through their regular paychecks in the form of wages. As described above, the IRS has opined that the interest on judgment awards to employees is not wages because the interest does not represent remuneration for employment, and that the interest must reported separately on Form 1099-INT (see Rev. Rul. 80-364, PLR9329012, PLR9603015). Therefore, the interest may not be repaid to the employees through their regular paychecks, and it will instead need to be paid separately and reported by the employers on Form 1099-INT.

Finally, the employee contribution holidays cannot be used to return the excess contributions to all affected employees. For obvious reasons, terminated employees may not be repaid using this method. Furthermore, employees who are on unpaid leaves of absence would not receive any form of repayment under this method until they return to work. This creates a lack of uniformity, whereas it would be administratively preferable, and more fair, for one method of repayment apply to all affected employees.

For the foregoing reasons, I do not recommend that the employees be granted a contribution holiday as a method of returning the excess contributions.

Finally, to dispel any confusion or misunderstanding, the amounts returned to the employees will not be made by the Plans, but rather by the employers. Even in the case of retirees, the return payments must be made by the former employers and may not be made from the Plans. This is because the payments are returned wages, rather than a benefit under the Plan. Accordingly, the Plans will not file any Forms 1099-R reporting any distributions to employees. The amounts that the employees (or retirees, as the case may be) receive from their employers will not be treated as a distribution from a pension plan, may not be rolled over to an individual retirement account ("IRA") or other qualified plan and also will not be subject to the 10% early distribution penalty if an employee has not attained age 59½. The excess employee contributions in the Plans may not remain in the Plans to pay for an employee's purchase of credited service. Of course, if an employee receives the extra wages from his or her employer, the employee may always elect to contribute such amount (prior to it being paid) to a 457(b) plan or make any other elections available to an employee with respect to wages paid by his or her employer.

If you have any questions or require any clarification to this letter, please do not hesitate to contact me.

Very truly yours,

Charles W. Whetstine

EORP Estimated Excess Contributions to be Returned

Employer Name	System	MOE	5% Interest	Total	Avg ER PPE	PPEs	Effective
APACHE COUNTY	401	$216,027.37	$32,199.07	$248,226.43	5,295.66	46	04/15/17
COCHISE COUNTY	402	$452,704.40	$67,475.99	$520,180.39	6,898.46	74	04/22/17
COCONINO COUNTY	403	$533,289.06	$79,487.20	$612,776.26	10,933.75	55	04/07/17
GILA COUNTY	404	$253,267.73	$37,749.78	$291,017.51	6,641.72	43	04/16/17
GRAHAM COUNTY	405	$266,742.06	$39,758.14	$306,500.19	6,684.18	45	04/14/17
GREENLEE COUNTY	406	$243,977.99	$36,365.13	$280,343.12	5,502.37	50	04/15/17
LA PAZ COUNTY	407	$194,994.85	$29,064.15	$224,059.00	6,107.87	36	04/15/17
MARICOPA COUNTY	408	$6,537,467.22	$974,415.18	$7,511,882.40	193,997.03	38	04/23/17
MOHAVE COUNTY	409	$688,401.76	$102,606.88	$791,008.64	15,525.34	50	04/14/17
NAVAJO COUNTY	410	$461,369.87	$68,767.58	$530,137.45	9,816.18	53	04/15/17
PIMA COUNTY	411	$2,013,541.93	$300,120.18	$2,313,662.10	47,302.99	48	04/15/17
PINAL COUNTY	412	$705,306.58	$105,126.56	$810,433.14	15,906.59	50	05/06/17
PSPRS	413	$41,319.93	$6,158.77	$47,478.70			
SANTA CRUZ COUNTY	414	$314,970.42	$46,946.61	$361,917.03	7,399.42	48	04/07/17
STATE OF ARIZONA	415	$1,661,789.48	$247,691.17	$1,909,480.65	93,694.73	20	07/14/17
YAVAPAI COUNTY	416	$681,218.03	$101,536.14	$782,754.17	14,772.43	52	04/22/17
YUMA COUNTY	417	$549,896.72	$81,962.58	$631,859.30	14,420.55	43	04/08/17
CITY OF TUCSON	420	$44,725.31	$6,666.35	$51,391.66	1,681.13	30	05/27/17
CITY OF SAFFORD	421	$9,628.10	$1,435.08	$11,063.18	517.00	21	04/14/17
TOWN OF MARANA	422	$36,375.50	$5,421.80	$41,797.30	1,079.43	38	04/14/17
TOWN OF GILBERT	423	$35,980.31	$5,362.90	$41,343.20	2,386.63	17	04/23/17
TOWN OF SAHUARITA	424	$10,795.14	$1,609.03	$12,404.17	434.75	28	04/15/17
CITY OF PHOENIX	425	$113,701.38	$16,947.29	$130,648.67	4,135.93	31	04/23/17
CITY OF SURPRISE	426	$31,340.13	$4,671.27	$36,011.41	1,039.42	34	04/23/17
CITY OF SCOTTSDALE	430	$30,298.10	$4,515.96	$34,814.06	976.15	35	04/29/17
CITY OF FLAGSTAFF	435	$29,624.90	$4,415.62	$34,040.52	759.23	44	04/22/17
CITY OF SOUTH TUCSON	440	$3,959.61	$590.18	$4,549.79	235.00	19	05/04/17
CITY OF TEMPE	445	$56,083.32	$8,359.27	$64,442.58	1,581.04	40	04/16/17
CITY OF MESA	450	$51,656.38	$7,699.43	$59,355.80	1,765.14	33	04/16/17
CITY OF GLENDALE	455	$32,206.16	$4,800.36	$37,006.51	741.16	49	04/14/17
CITY OF AVONDALE	460	$15,591.27	$2,323.89	$17,915.17	158.39	111	04/23/17
CITY OF APACHE JUNCTION	465	$15,942.64	$2,376.26	$18,318.90	1,198.50	15	04/14/17
CITY OF PEORIA	470	$27,692.74	$4,127.63	$31,820.37	892.21	35	04/21/17
CITY OF TOLLESON	475	$16,664.09	$2,483.80	$19,147.89	1,565.92	12	05/01/17
CITY OF GLOBE	480	$4,876.57	$726.86	$5,603.43	141.00	39	04/28/17
CITY OF CHANDLER	485	$43,946.61	$6,550.28	$50,496.89	2,359.80	21	05/20/17
CITY OF YUMA	490	$19,830.24	$2,955.71	$22,785.95	2,236.13	10	04/09/17
TOWN OF THATCHER	495	$7,346.12	$1,094.95	$8,441.06	1,656.75	5	04/22/17

	PPEs	Years
Average	38	1.5
Minimum	5	0.2
Maximum	111	4.3

PSPRS Estimated Excess Contributions to be Returned

Employer Name	System	MOE	5% Interest	Total	Avg ER PPE	PPEs	Effective
BISBEE FIRE DEPARTMENT	001	77,526.03	9,959.57	87,485.60	30,779.70	3	04/08/17
CASA GRANDE FIRE DEPARTMENT	002	679,760.51	85,164.89	764,925.40	71,107.35	11	04/15/17
CASA GRANDE POLICE DEPARTMENT	003	713,136.33	90,252.92	803,389.25	106,841.83	8	04/15/17
CHANDLER FIRE DEPARTMENT	004	2,577,787.96	311,045.66	2,888,833.62	249,479.45	12	05/13/17
CHANDLER POLICE DEPARTMENT	005	3,853,082.07	469,027.28	4,322,109.35	449,117.66	10	05/13/17
DEPARTMENT OF PUBLIC SAFETY	007	9,813,865.54	1,212,351.59	11,026,217.13	2,527,118.94	4	07/14/17
DOUGLAS FIRE DEPARTMENT	008	196,037.18	23,488.41	219,525.59	38,678.20	6	04/15/17
DOUGLAS POLICE DEPARTMENT	009	232,126.54	27,871.08	259,997.62	54,983.82	5	04/15/17
FLAGSTAFF FIRE DEPARTMENT	010	793,386.65	95,549.71	888,936.36	158,674.49	6	04/22/17
FLAGSTAFF POLICE DEPARTMENT	011	826,054.98	104,660.41	930,715.39	149,536.65	6	04/22/17
GLENDALE FIRE DEPARTMENT	012	3,107,455.46	379,418.83	3,486,874.29	346,419.68	10	04/14/17
GLENDALE POLICE DEPARTMENT	013	4,900,611.86	589,426.17	5,490,038.03	634,438.91	9	04/14/17
GLOBE FIRE DEPARTMENT	014	120,244.30	14,967.15	135,211.45	19,377.76	7	04/21/17
KINGMAN FIRE DEPARTMENT	015	391,827.21	49,427.95	441,255.16	51,205.01	9	04/15/17
MARICOPA COUNTY SHERIFF'S OFFICE	016	6,753,336.60	807,268.92	7,560,605.52	1,159,369.49	7	04/23/17
MESA FIRE DEPARTMENT	017	4,514,497.39	561,693.19	5,076,190.58	665,487.56	8	04/16/17
MESA POLICE DEPARTMENT	018	8,768,531.71	1,089,261.69	9,857,793.40	1,398,893.09	7	04/16/17
NOGALES FIRE DEPARTMENT	020	373,043.09	45,435.76	418,478.85	50,300.61	8	04/09/17
PHOENIX FIRE DEPARTMENT	021	19,057,037.71	2,378,525.03	21,435,562.74	3,203,284.82	7	04/23/17
PHOENIX POLICE DEPARTMENT	022	36,834,679.64	4,612,370.11	41,447,049.75	6,181,761.72	7	04/23/17
PRESCOTT FIRE DEPARTMENT	023	540,146.41	67,327.83	607,474.24	147,066.29	4	04/22/17
PRESCOTT POLICE DEPARTMENT	024	517,144.26	66,326.27	583,470.53	140,618.57	4	04/22/17
SCOTTSDALE POLICE DEPARTMENT	025	4,652,463.11	576,695.28	5,229,158.39	645,186.14	8	04/29/17
SIERRA VISTA FIRE DEPARTMENT	026	412,792.13	50,937.70	463,729.83	55,394.79	8	04/16/17
TEMPE FIRE DEPARTMENT	027	1,929,873.83	236,192.59	2,166,066.42	351,137.49	6	04/16/17
TEMPE POLICE DEPARTMENT	028	4,021,066.10	503,431.01	4,524,497.11	666,716.96	7	04/16/17
TUCSON FIRE	029	5,591,714.46	679,427.75	6,271,142.21	1,137,318.47	6	05/27/17
TUCSON POLICE	030	7,885,168.79	976,780.66	8,861,949.45	1,767,797.10	5	05/27/17
WINSLOW FIRE DEPARTMENT	031	24,092.45	3,553.34	27,645.79	1,997.68	14	04/16/17
YUMA FIRE DEPARTMENT	032	1,063,755.30	131,923.27	1,195,678.57	172,407.61	7	04/09/17
YUMA POLICE DEPARTMENT	033	1,261,252.41	159,722.26	1,420,974.67	236,032.55	6	04/09/17
YUMA COUNTY SHERIFF'S DEPARTMENT	034	632,594.48	80,407.35	713,001.83	77,021.17	9	04/08/17
GAME AND FISH DEPARTMENT	035	999,698.52	126,716.32	1,126,414.84	266,537.72	4	07/14/17
SIERRA VISTA POLICE DEPARTMENT	036	593,764.63	71,625.52	665,390.15	91,398.56	7	04/16/17
BENSON POLICE DEPARTMENT	037	88,116.97	11,686.81	99,803.78	9,996.94	10	04/28/17
BISBEE POLICE DEPARTMENT	038	64,359.05	8,968.37	73,327.42	26,503.33	3	04/08/17
PIMA COUNTY SHERIFF'S DEPARTMENT	039	4,356,655.60	553,145.57	4,909,801.17	873,698.93	6	04/15/17
KINGMAN POLICE DEPARTMENT	040	375,153.33	46,211.04	421,364.37	54,930.37	8	04/15/17
ASU PD PSPRS LOCAL BOARD	041	537,344.89	64,566.78	601,911.67	79,400.18	8	04/23/17
LAKE HAVASU CITY FIRE DEPARTMENT	042	758,158.98	90,052.47	848,211.45	107,270.37	8	04/21/17
MOHAVE COUNTY SHERIFF'S DEPT.	043	478,161.74	63,165.42	541,327.16	84,928.16	6	04/14/17
BULLHEAD CITY FIRE DEPARTMENT	044	700,275.38	91,433.15	791,708.53	79,184.23	10	04/14/17
U OF A CAMPUS POLICE DEPARTMENT	045	481,774.79	59,980.27	541,755.06	59,611.97	9	04/23/17
COCHISE COUNTY SHERIFF'S DEPT	046	623,606.98	78,897.39	702,504.37	92,759.38	8	04/22/17
SAFFORD POLICE DEPARTMENT	047	201,511.68	23,347.73	224,859.41	34,182.47	7	04/14/17
DREXEL HEIGHTS FIRE DISTRICT	049	606,779.56	77,765.62	684,545.18	49,872.72	14	04/15/17
WINSLOW POLICE DEPARTMENT	050	136,666.63	18,272.09	154,938.72	16,838.12	9	04/16/17
PAYSON FIRE DEPARTMENT	051	208,340.25	25,383.65	233,723.90	26,185.51	9	04/21/17
PAYSON POLICE DEPARTMENT	052	209,863.99	27,260.16	237,124.15	47,419.58	5	04/21/17
NORTHERN AZ. CONSOLIDATED FD #1	053	186,896.95	23,950.09	210,847.04	16,682.27	13	04/27/17
FRY FIRE DISTRICT	054	362,899.61	45,614.68	408,514.29	50,461.15	8	04/16/17
FREDONIA MARSHALS	055	20,577.80	2,602.39	23,180.19	747.09	31	04/09/17
NAU CAMPUS POLICE	056	105,391.64	13,163.17	118,554.81	24,630.66	5	04/23/17
SOUTH TUCSON FIRE DEPARTMENT	058	23,380.09	3,132.82	26,512.91	4,836.34	6	04/15/17
AVONDALE FIRE DEPARTMENT	059	718,401.48	87,225.21	805,626.69	55,780.71	14	04/23/17

PSPRS Estimated Excess Contributions to be Returned

Employer Name	System	MOE	5% Interest	Total	Avg ER PPE	PPEs	Effective
PARKER POLICE DEPARTMENT	060	71,490.66	9,570.46	81,061.12	6,243.83	13	04/21/17
COCONINO COUNTY SHERIFF'S DEPT	061	334,328.32	41,841.71	376,170.03	75,580.06	5	04/21/17
BUCKSKIN FIRE DISTRICT	064	106,828.17	13,073.36	119,901.53	16,939.66	7	04/08/17
SNOWFLAKE POLICE DEPARTMENT	065	84,452.91	11,414.09	95,867.00	10,078.62	10	
COTTONWOOD POLICE DEPARTMENT	066	270,101.52	32,744.48	302,846.00	36,422.28	8	04/15/17
LAKE HAVASU CITY POLICE DEPT.	067	659,651.07	81,283.72	740,934.79	112,059.84	7	04/21/17
SOUTH TUCSON POLICE DEPARTMENT	069	72,820.72	8,311.50	81,132.22	18,258.60	4	04/15/17
APACHE JUNCTION POLICE DEPARTMENT	070	408,611.93	49,511.24	458,123.17	80,612.00	6	04/14/17
NAVAJO COUNTY SHERIFF'S DEPT.	071	262,091.25	34,383.54	296,474.79	41,046.60	7	04/15/17
MOHAVE VALLEY FIRE DISTRICT	072	218,142.29	27,593.40	245,735.69	12,175.11	20	04/16/17
PEORIA FIRE DEPARTMENT	073	1,676,393.02	206,134.24	1,882,527.26	160,585.34	12	04/21/17
PEORIA POLICE DEPARTMENT	074	2,050,451.00	247,838.01	2,298,289.01	241,420.50	10	04/21/17
PARADISE VALLEY POLICE DEPARTMENT	076	365,047.23	42,090.40	407,137.63	73,344.64	6	04/22/17
WILLCOX POLICE DEPARTMENT	077	61,383.41	8,251.71	69,635.12	11,881.95	6	04/09/17
SHOW LOW POLICE DEPARTMENT	078	249,971.79	30,546.65	280,518.44	29,072.69	10	04/23/17
ELOY POLICE DEPARTMENT	079	210,889.29	26,355.91	237,245.20	25,241.26	9	04/14/17
NOGALES POLICE DEPARTMENT	080	506,358.49	62,967.04	569,325.53	53,124.37	11	04/09/17
GILBERT POLICE DEPARTMENT	081	2,738,974.25	333,867.94	3,072,842.19	258,510.62	12	04/23/17
CLIFTON POLICE DEPARTMENT	083	19,747.50	2,615.02	22,362.52	1,733.42	13	04/14/17
COOLIDGE POLICE DEPARTMENT	085	196,845.31	24,430.08	221,275.39	26,079.34	9	04/14/17
HOLBROOK POLICE DEPARTMENT	086	74,652.08	9,748.73	84,400.81	20,318.92	4	04/29/17
SANTA CRUZ COUNTY SHERIFF'S DEPT.	087	233,315.12	30,310.22	263,625.34	37,459.47	7	04/07/17
PRESCOTT VALLEY POLICE DEPARTMENT	088	485,427.64	61,003.64	546,431.28	61,629.30	9	04/15/17
EAGAR POLICE DEPARTMENT	089	42,275.78	5,468.10	47,743.88	11,002.86	4	04/07/17
TOLLESON POLICE DEPARTMENT	090	234,703.75	29,230.29	263,934.04	26,438.70	10	04/23/17
FLORENCE POLICE DEPARTMENT	091	204,664.00	25,267.10	229,931.10	13,230.03	17	04/28/17
SPRINGERVILLE POLICE DEPARTMENT	092	39,191.30	4,884.38	44,075.68	5,931.55	7	04/01/17
EL MIRAGE POLICE DEPARTMENT	093	366,314.08	44,860.09	411,174.17	35,684.44	12	04/22/17
SUPERIOR POLICE DEPARTMENT	094	34,981.64	4,227.68	39,209.32	4,239.48	9	04/29/17
SAN LUIS POLICE DEPARTMENT	095	194,794.45	23,662.88	218,457.33	21,038.13	10	04/28/17
PAGE POLICE DEPARTMENT	096	91,174.84	12,583.31	103,758.15	14,237.53	7	03/31/17
PAGE FIRE DEPARTMENT	097	67,832.01	8,647.64	76,479.65	6,207.52	12	03/31/17
YAVAPAI COUNTY SHERIFF'S DEPT.	098	844,997.17	106,813.74	951,810.91	151,898.40	6	04/22/17
PIMA POLICE DEPARTMENT	100	12,506.64	1,293.76	13,800.40	1,340.07	10	05/03/17
APACHE COUNTY SHERIFF'S DEPT	101	200,183.94	24,637.22	224,821.16	35,385.44	6	04/15/17
COTTONWOOD FIRE DEPARTMENT	102	229,130.36	28,677.20	257,807.56	16,652.20	16	04/15/17
LA PAZ COUNTY SHERIFF'S DEPT.	103	150,545.34	18,330.15	168,875.49	31,431.41	5	04/15/17
PINAL COUNTY SHERIFF'S DEPARTMENT	104	1,671,186.50	208,719.40	1,879,905.90	198,362.58	10	05/06/17
CLARKDALE POLICE DEPARTMENT	105	29,663.12	3,908.12	33,571.24	5,761.00	6	04/15/17
BUCKEYE POLICE DEPARTMENT	106	855,088.29	96,425.48	951,513.77	73,089.65	13	04/22/17
MARANA POLICE DEPARTMENT	107	670,819.72	81,110.43	751,930.15	70,202.80	11	04/14/17
TOLLESON FIRE DEPARTMENT	108	372,290.34	44,084.96	416,375.30	29,060.77	14	04/23/17
CHINO VALLEY POLICE DEPARTMENT	109	152,466.95	19,389.22	171,856.17	15,844.10	11	04/22/17
SURPRISE POLICE DEPARTMENT	110	1,359,822.64	160,616.53	1,520,439.17	137,710.15	11	04/23/17
WELLTON POLICE	111	22,079.94	2,970.62	25,050.56	5,994.93	4	05/06/17
GILA COUNTY SHERIFF'S DEPARTMENT	112	240,171.62	29,122.14	269,293.76	45,654.79	6	04/16/17
PINETOP-LAKESIDE POLICE DEPT.	113	96,338.50	11,357.43	107,695.93	17,230.67	6	04/22/17
BULLHEAD CITY POLICE DEPARTMENT	114	583,299.86	73,989.93	657,289.79	96,089.94	7	04/08/17
WILLIAMS POLICE DEPARTMENT	115	69,608.97	8,155.17	77,764.14	6,550.86	12	05/05/17
MIAMI POLICE DEPARTMENT	116	24,656.64	2,809.96	27,466.60	2,757.93	10	
THATCHER POLICE DEPARTMENT	117	96,844.19	11,531.37	108,375.56	13,682.08	8	04/22/17
DEPARTMENT OF EMER & MILITARY AFF	119	251,953.18	33,361.82	285,315.00	29,508.82	10	07/14/17
SURPRISE FIRE DEPARTMENT	120	1,517,316.04	178,226.97	1,695,543.01	105,232.58	16	04/23/17
CAMP VERDE MARSHAL'S	121	92,713.20	11,481.19	104,194.39	11,652.32	9	04/08/17
ORO VALLEY POLICE DEPT.	122	957,386.11	115,665.08	1,073,051.19	96,315.36	11	04/15/17

PSPRS Estimated Excess Contributions to be Returned

Employer Name	System	MOE	5% Interest	Total	Avg ER PPE	PPEs	Effective
GREENLEE COUNTY SHERIFF'S DEPT.	123	111,362.97	14,039.68	125,402.65	9,186.03	14	04/15/17
TUCSON AIRPORT AUTHORITY FIRE DPT	124	170,413.60	20,116.36	190,529.96	36,088.48	5	04/23/17
TUCSON AIRPORT AUTHORITY POLICE	125	200,956.91	25,055.02	226,011.93	45,025.21	5	04/23/17
WICKENBURG POLICE DEPARTMENT	126	86,787.11	12,097.06	98,884.17	15,289.98	7	04/14/17
EL MIRAGE FIRE DEPARTMENT	127	234,923.65	30,376.93	265,300.58	13,634.07	20	04/22/17
PATAGONIA MARSHALS	128	11,497.80	1,313.93	12,811.73	2,548.04	5	
SEDONA POLICE DEPARTMENT	129	189,460.41	23,529.91	212,990.32	22,017.02	10	04/15/17
MAMMOTH POLICE DEPARTMENT	130	5,002.66	742.39	5,745.05	651.48	9	
GLOBE POLICE DEPARTMENT	131	100,333.16	13,805.11	114,138.27	22,503.03	5	04/21/17
TOMBSTONE MARSHAL'S DEPARTMENT	132	6,930.43	1,507.07	8,437.50	1,091.96	8	
GOLDER RANCH FIRE DISTRICT	133	1,338,729.08	162,828.84	1,501,557.92	107,852.89	14	04/09/17
FORT MOJAVE MESA FIRE DISTRICT	134	283,014.81	35,915.01	318,929.82	29,520.87	11	04/08/17
GOODYEAR FIRE DEPARTMENT	136	1,241,844.14	146,939.98	1,388,784.12	76,389.29	18	04/22/17
GOODYEAR POLICE DEPARTMENT	137	973,844.39	116,009.06	1,089,853.45	98,393.04	11	04/22/17
AVONDALE POLICE DEPARTMENT	139	889,323.29	112,124.89	1,001,448.18	91,865.60	11	04/23/17
GRAHAM COUNTY SHERIFF'S DEPT.	140	124,294.71	15,861.40	140,156.11	16,668.21	8	04/14/17
GOLDEN VALLEY FIRE DISTRICT	142	179,849.81	22,789.38	202,639.19	11,151.69	18	04/03/17
DAISY MOUNTAIN FIRE DISTRICT	143	1,067,496.88	129,132.49	1,196,629.37	61,632.47	19	04/09/17
QUARTZSITE POLICE DEPARTMENT	144	31,538.41	5,035.17	36,573.58	5,113.63	7	05/06/17
PICTURE ROCKS FIRE DISTRICT	145	66,658.60	10,315.96	76,974.56	8,289.45	9	
PIMA COUNTY COMM. COLLEGE POLICE	146	193,269.31	24,612.38	217,881.69	22,903.12	10	04/14/17
NORTHWEST FIRE DISTRICT	147	2,181,884.73	264,434.07	2,446,318.80	173,686.64	14	04/16/17
SUPERSTITION FIRE AND MEDICAL DIS	148	879,885.34	107,629.70	987,515.04	76,504.65	13	04/16/17
GILBERT FIRE DEPARTMENT	149	2,383,153.04	284,760.61	2,667,913.65	156,906.55	17	04/23/17
PINE-STRAWBERRY FIRE DISTRICT	150	179,828.68	22,431.37	202,260.05	16,096.44	13	04/16/17
ATTORNEY GENERAL INVESTIGATORS	151	100,580.37	10,242.17	110,822.54	38,041.54	3	07/14/17
ST. JOHNS POLICE DEPARTMENT	153	32,787.76	4,101.45	36,889.21	2,943.07	13	04/15/17
PIMA COUNTY ATTORNEY INVESTIGATOR	154	36,292.61	4,491.51	40,784.12	7,240.06	6	04/15/17
SUN LAKES FIRE DISTRICT	155	447,438.02	56,249.61	503,687.63	38,784.59	13	04/15/17
KEARNY POLICE DEPARTMENT	156	8,938.01	1,869.73	10,807.74	4,271.80	3	
AVRA VALLEY FIRE DISTRICT	162	127,622.87	16,153.59	143,776.46	12,284.34	12	04/17/17
SAN LUIS FIRE DEPARTMENT	163	206,875.74	25,233.08	232,108.82	12,357.83	19	04/28/17
AZ DPT LIQ LIC & CONTROL INVST	164	98,736.55	12,249.33	110,985.88	27,815.73	4	07/14/17
MARICOPA CNTY ATTY INVESTIGATORS	165	96,718.73	11,848.18	108,566.91	18,904.06	6	04/23/17
SEDONA FIRE DISTRICT	166	855,960.25	103,750.14	959,710.39	85,052.73	11	04/21/17
GUADALUPE FIRE DEPARTMENT	167	47,138.89	5,479.74	52,618.63	3,942.37	13	04/07/17
MAYER FIRE DISTRICT	168	110,731.60	13,870.51	124,602.11	7,840.51	16	04/09/17
SOMERTON POLICE DEPARTMENT	169	117,840.32	14,030.52	131,870.84	10,889.00	12	
NORTH COUNTY FIRE & MEDICAL DISTR	170	799,207.41	94,578.81	893,786.22	82,899.90	11	04/16/17
SOMERTON FIRE DEPARTMENT	171	122,272.40	15,972.48	138,244.88	9,236.72	15	
TUBAC FIRE DISTRICT	172	203,827.20	26,020.73	229,847.93	11,765.01	20	04/12/17
SAHUARITA POLICE DEPARTMENT	174	359,988.82	42,276.32	402,265.14	25,641.83	16	04/15/17
FLORENCE FIRE DEPARTMENT	176	209,421.84	25,403.15	234,824.99	9,446.41	25	04/28/17
SUN CITY FIRE DISTRICT	177	621,525.34	78,081.08	699,606.42	99,602.40	7	04/23/17
HAYDEN POLICE DEPARTMENT	178	38,626.13	5,096.40	43,722.53	2,065.80	21	04/03/17
GILA RIVER FIRE DEPARTMENT	179	598,556.29	76,011.15	674,567.44	35,378.83	19	04/15/17
GILA RIVER POLICE DEPARTMENT	180	780,703.20	96,508.89	877,212.09	49,259.10	18	04/15/17
SALT RIVER PIMA-MARICOPA FIRE	181	922,124.08	109,614.81	1,031,738.89	77,205.03	13	04/29/17
SALT RIVER PIMA-MARICOPA POLICE	182	1,035,394.84	124,215.51	1,159,610.35	93,024.19	13	04/29/17
PINETOP FIRE DISTRICT	185	279,706.62	33,568.31	313,274.93	22,778.28	14	04/14/17
THREE POINTS FIRE DISTRICT	188	110,318.68	12,864.96	123,183.64	9,774.63	13	04/23/17
BUCKEYE FIRE DEPARTMENT	190	1,012,160.92	117,760.11	1,129,921.03	59,130.70	19	04/22/17
HEBER-OVERGAARD FIRE DISTRICT	192	107,784.54	12,753.08	120,537.62	5,318.24	23	04/16/17
HELLSGATE FIRE DISTRICT	193	65,432.33	7,919.89	73,352.22	7,570.35	10	
GREEN VALLEY FIRE DISTRICT	194	534,866.80	68,862.00	603,728.80	49,033.47	12	04/15/17

PSPRS **Estimated** Excess Contributions to be Returned

Employer Name	System	MOE	5% Interest	Total	Avg ER PPE	PPEs	Effective
SUMMIT FIRE DISTRICT	195	314,783.33	41,245.13	356,028.46	24,982.65	14	04/01/17
FORT MCDOWELL TRIBAL FIRE DEPT.	197	86,156.80	11,175.64	97,332.44	2,765.33	35	05/06/17
FORT MCDOWELL TRIBAL POLICE DEPT.	198	189,290.95	23,162.25	212,453.20	4,785.97	44	05/06/17
HIGHLANDS FIRE DISTRICT	199	243,266.81	31,472.36	274,739.17	20,144.43	14	04/21/17
RIO RICO FIRE DISTRICT	200	205,894.29	25,584.30	231,478.59	10,648.41	22	04/08/17
TRI-CITY FIRE DISTRICT	201	161,475.42	19,416.95	180,892.37	10,554.75	17	04/04/17
VERDE VALLEY FIRE DISTRICT	**203**	**278,035.89**	**33,619.91**	**311,655.80**	25,126.96	13	04/17/17
CLARKDALE FIRE DISTRICT	240	14,854.39	2,743.51	17,597.90			
ARIZONA STATE PARK RANGERS	204	163,935.84	20,125.03	184,060.87	24,625.68	8	07/14/17
HUALAPAI INDIAN TRIBE POLICE DEPT	206	124,590.01	14,651.95	139,241.96	8,036.71	17	04/29/17
PINEWOOD FIRE DISTRICT	207	144,122.14	17,752.78	161,874.92	13,415.96	12	04/22/17
RINCON VALLEY FIRE DISTRICT	208	281,429.87	34,886.15	316,316.02	14,696.94	22	04/07/17
TONOPAH VALLEY FIRE DISTRICT	209	51,335.32	6,059.19	57,394.51	3,410.38	17	04/16/17
JEROME POLICE DEPARTMENT	210	14,815.08	1,701.00	16,516.08	1,099.60	15	04/29/17
FORT MOJAVE TRIBAL POLICE DEPT.	211	188,958.46	23,288.15	212,246.61	8,223.62	26	
BUCKEYE VALLEY FIRE DISTRICT	212	575,245.54	72,333.38	647,578.92	30,730.30	21	04/16/17
ELOY FIRE DISTRICT	213	247,352.43	31,074.21	278,426.64	17,626.43	16	04/17/17
PASCUA YAQUI TRIBE FIRE DEPT.	214	220,518.93	27,008.41	247,527.34	17,440.87	14	04/15/17
PASCUA YAQUI TRIBE POLICE DEPT.	215	299,581.53	36,649.09	336,230.62	23,153.67	15	04/15/17
TOWN OF SUPERIOR (FIRE DEPT)	216	21,505.68	3,012.18	24,517.86	1,380.86	18	04/29/17
WICKENBURG FIRE DEPARTMENT	217	76,981.71	8,928.63	85,910.34	5,403.50	16	04/14/17
BLACK CANYON FIRE DISTRICT	219	42,088.08	5,604.51	47,692.59	1,418.48	34	04/09/17
QUARTZSITE FIRE DISTRICT	221	61,969.80	7,599.65	69,569.45	4,287.43	16	04/23/17
RIO VERDE FIRE DISTRICT	222	168,103.59	21,075.90	189,179.49	12,613.78	15	04/08/17
SCOTTSDALE FIRE DEPARTMENT	223	3,030,704.75	364,386.86	3,395,091.61	151,842.40	22	04/29/17
AK CHIN INDIAN COMM FIRE DEPT	224	211,660.06	27,408.75	239,068.81	17,085.38	14	04/07/17
AK CHIN INDIAN COMM POLICE DEPT	225	139,233.73	16,950.44	156,184.17	10,319.62	15	04/07/17
CORONA DE TUCSON FIRE DISTRICT	226	136,145.96	16,350.51	152,496.47	9,800.55	16	04/07/17
GOLDEN SHORES FIRE DISTRICT	227	40,830.78	4,926.39	45,757.17	1,964.17	23	04/14/17
CITY OF MARICOPA - FIRE	228	736,087.36	87,778.20	823,865.56	39,025.36	21	04/29/17
CAVE CREEK MARSHALS	229	15,321.50	1,832.37	17,153.87	880.40	20	04/08/17
SAN CARLOS TRIBAL POLICE DEPT.	231	172,302.53	21,488.87	193,791.40	13,780.00	14	03/31/17
GROOM CREEK FIRE DISTRICT	232	24,704.64	3,383.27	28,087.91	1,511.10	19	
MOUNT LEMMON FIRE DISTRICT	233	37,959.46	4,367.44	42,326.90	1,735.87	24	04/08/17
YAVAPAI PRESCOTT TRIBAL POLICE	234	37,357.06	3,816.43	41,173.49	3,220.80	13	04/14/17
TOHONO O'ODHAM NATION FIRE DEPT.	235	336,470.53	43,529.61	380,000.14	19,377.70	20	04/13/17
TOHONO O'ODHAM NATION POLICE DEPT	236	628,297.29	81,969.12	710,266.41	43,230.65	16	04/13/17
WILLIAMSON VALLEY FIRE DISTRICT	237	51,966.03	5,900.17	57,866.20	6,541.47	9	04/22/17
HARQUAHALA FIRE DISTRICT	238	92,128.96	11,583.04	103,712.00	4,333.41	24	04/07/17
COOLIDGE FIRE DEPARTMENT	239	29,178.64	3,068.62	32,247.26	2,128.86	15	04/14/17
WITTMANN FIRE & MEDICAL DISTRICT	241	9,027.43	1,459.90	10,487.33	4,327.75	2	
CENTRAL AZ. COLLEGE POLICE DEPT.	242	34,829.56	4,245.84	39,075.40	3,781.30	10	04/14/17
CITY OF MARICOPA (POLICE DEPT.)	243	419,116.49	49,942.59	469,059.08	30,684.66	15	04/29/17
ORACLE FIRE DISTRICT	244	38,996.17	4,698.08	43,694.25	1,554.26	28	04/17/17
BENSON FIRE DEPARTMENT	245	10,804.10	1,313.53	12,117.63	878.64	14	04/28/17
DESERT HILLS FIRE DEPARTMENT	246	116,352.57	14,977.38	131,329.95	7,823.90	17	04/07/17
QUEEN CREEK FIRE DEPARTMENT	247	325,601.73	37,819.53	363,421.26	18,575.92	20	04/21/17
SONOITA ELGIN FIRE DEPARTMENT	248	37,899.20	4,874.42	42,773.62	3,499.92	12	04/28/17
CHRISTOPHER-KOHL'S FIRE DISTRICT	249	26,781.70	3,061.11	29,842.81	1,868.25	16	04/21/17
WHETSTONE FIRE DISTRICT	250	10,287.08	1,567.61	11,854.69	1,089.80	11	
QUEEN VALLEY FIRE DISTRICT	251	20,250.85	2,458.54	22,709.39	1,028.30	22	04/28/17
LAKE MOHAVE RANCHOS FIRE DISTRICT	252	28,301.67	4,587.87	32,889.54	3,401.04	10	
HUACHUCA CITY POLICE DEPARTMENT	253	49,809.49	5,924.90	55,734.39	2,952.82	19	
PALOMINAS FIRE DISTRICT	254	24,914.78	3,167.67	28,082.45	7,849.69	4	04/25/17
SUN SITES PEARCE FIRE DISTRICT	255	14,448.64	1,869.35	16,317.99	1,449.17	11	04/17/17

PSPRS Estimated Excess Contributions to be Returned

Employer Name	System	MOE	5% Interest	Total	Avg ER PPE	PPEs	Effective
PONDEROSA FIRE DISTRICT	256	7,019.39	626.50	7,645.89	1,635.45	5	
TIMBER MESA FIRE AND MEDICAL DIST	**257**	**389,763.04**	**28,210.75**	**417,973.79**	33,430.14	21	04/23/17
LAKESIDE FIRE DISTRICT	183	95,761.69	19,373.23	115,134.92			
SHOW LOW FIRE DISTRICT	186	117,892.82	23,971.63	141,864.45			
LINDEN FIRE DISTRICT	205	23,835.48	4,808.39	28,643.87			
CENTRAL AZ. FIRE AND MEDICAL AUTH	258	1,112,036.85	133,646.31	1,245,683.16	141,395.22	9	04/15/17
COPPER CANYON FIRE AND MEDICAL	**259**	**266,578.24**	**31,917.13**	**298,495.37**	23,384.41	14	04/15/17
MONTEZUMA RIMROCK FIRE DISTRICT	191	9,439.95	2,057.16	11,497.11			
CAMP VERDE FIRE DISTRICT	196	19,379.92	3,612.60	22,992.52			
MOUNTAIN VISTA FIRE DISTRICT	260	6,383.12	190.31	6,573.43	10,204.54	1	04/15/17

	PPEs	Years
Average	12	0.46
Minimum	1	0.02
Maximum	44	1.71

Refunding “Maintenance of Effort” Contributions—EORP and PSPRS

Background

Beginning July 1, 2011 employee contributions were increased in statute (via S.B. 1609) to help pay off the growing unfunded liability in EORP. Contributions were increased as follows:

- FY 2010-11: 7.0%
- FY 2011-12: 10.0%
- FY 2012-13: 11.5%
- FY 2013-14 and after: 13.0%

The increase was challenged in court in *Hall v. EORP*. On January 27, 2015, the Superior Court of Arizona entered its Final Judgment and allowed EORP to determine how to handle the return of “Maintenance of Effort” (MOE) contributions, but stated that “If Plaintiffs are dissatisfied with EORP’s remedy or believes EORP is unreasonably delaying, they can seek appropriate relief.” On November 10, 2016 the Arizona Supreme Court affirmed the Superior Court ruling on a 3-2 vote and added a requirement that we also include interest when MOE contributions are returned. MOE contributions will need to be returned to members who started employment prior to July 20, 2011.

A similar court case, “*Parker v. PSPRS*” was stayed until the Hall case was resolved. As part of that stay, and prior to the appeal to the Supreme Court, the parties to the *Parker* case agreed to apply the remedies of *Hall* when determined. Once the Hall case was remanded to the Superior Court, the PSPRS Board of Trustees voted to affirm that decision in also returning the MOE to affected PSPRS members. Contributions for PSPRS members were increased as follows:

- FY 2010-11: 7.65%
- FY 2011-12: 8.65%
- FY 2012-13: 9.55%
- FY 2013-14: 10.35%
- FY 2014-15: 11.05%
- FY 2015-16: 11.65%

Methodology

IRS rules do not allow PSPRS to refund MOE contributions directly to members or to employers. After discussion with our tax counsel, it was determined that employers will need to refund the MOE contributions plus interest directly to members. Employers, however, may be reimbursed via credit memos. PSPRS will provide contribution credit memos to employers for the amount of the refunds (including both contributions and pre-judgment interest). Those credit memos can be used to offset future employer contributions to PSPRS. PSPRS will also provide the amounts of the refunds for each employee.

Here’s an example of how that would work. Let’s say the City of Anytown has 10 employees who are entitled to refunds of their MOE contributions plus interest. PSPRS will determine the amount of contributions plus interest that must be refunded for each member (by plan), and will send that list to Anytown. Let's say the total amount is $100,000 ($90,000 in MOE contributions and $10,000 in interest). The $90,000 will be transferred from the individual member accounts into Anytown's employer account, but PSPRS will send a credit memo to Anytown for the total amount of $100,000.

Anytown will then process refunds to each of the 10 employees. The return of MOE contributions will be considered "wages" and reported on a W-2 form, but the interest will be reported on a 1099-INT form. For purposes of this example, let's say that every two weeks, Anytown sends PSPRS employee contributions in the amount of $20,000 and employer contributions in the amount of $50,000. Once Anytown receives the credit memo, they can use that credit memo to "reimburse" themselves over the next two pay periods. During the first pay period they will deduct the $20,000 PSPRS employee contributions from the wages of their employees like they normally do and will send those contributions to PSPRS. But they will keep the $50,000 in employer contributions they would have normally sent to PSPRS and offset the credit memo by $50,000. During the second pay period they will do the same thing. At the end of the second pay period, the full credit memo will have been used up, so employer contributions to PSPRS will resume on the third pay period.

It is important to note that the MOE contributions were pre-tax deductions subject to FICA taxes when they were originally deducted and sent to PSPRS. Because of that, when they are refunded they will <u>not</u> be subject to FICA, but <u>will</u> be subject to federal and state income tax withholding. Since the interest payments are not considered "wages" by the IRS, they will not be subject to federal or state income tax withholding or subject to FICA taxes. However, tax counsel advises that employers must request a Form W-9 from each member prior to issuing the interest refund or else they must withhold federal and state taxes on the interest amount.

Groups

There are 9 groups of members who need to be considered when MOE contributions are returned to members. They will be handled as follows:

- **Active—No Transfers**
  This group includes members who were active prior to July 20, 2011 and remain active today with the same employer. The employer will process refunds, and PSPRS will create a credit memo equal to the MOE contributions plus interest and apply that credit memo to the active member's employer.

- **Active—Transfers Included**
  This group includes members who were active in one employer prior to July 20, 2011 but active today with another employer. There may have been more than one employer in the middle, and the member may have been active with Employer A, moved to Employer B, and moved back to Employer A. For this group of members the contributions were transferred from employer to employer when the member transferred, so the last employer will need to provide the refund of contributions plus interest to the employee. The interest amount will be shared among the employers for whom the member worked. PSPRS will be able to determine interest per employer. That amount will be deducted from prior employers and deposited into the account

of the last employer to reimburse the last employer for making the full refund of contributions plus interest.

- **Active—Transfer Paperwork Not Completed**
  This group includes members who worked for one employer then recently moved to another employer. The paperwork for the transfer has not yet been processed, so the new employer has not received contributions from the first employer. Since contributions have not been transferred from one employer to the other, each employer will need to process a refund. PSPRS will attempt to minimize these by keeping up-to-date on transfer paperwork.

- **Inactive**
  These members were active at one point and made MOE contributions, but are now inactive. The refund of contributions plus interest will fall on the last employer, who will need to find the inactive member in order to issue the refund. If the member transferred, we will treat this just like an active member with transfers.

- **Retired—No Transfers**
  This group of members was active and retired from the same employer. Since the refund of contributions plus interest is not considered pensionable wages, PSPRS will not recalculate benefits for members who retired. Although these members are no longer active, employers will need to process the refunds to retirees. PSPRS can assist by providing contact information for these members.

- **Retired—Transfers Included**
  This group of members was active with one employer, transferred to another employer and then retired. The last employer will need to process the refunds to retirees. Since a transfer is involved, PSPRS will deduct the interest amount from the previous employer and deposit it in the account of the last employer, from which the refund is being paid.

- **Deceased w/ Survivor**
  These members died, either before or after retiring, and PSPRS is paying a survivor benefit. The refund will be processed by the last employer, likely to the member's estate. Since PSPRS is paying a survivor benefit, PSPRS should be able to help provide contact information.

- **Deceased w/o Survivor**
  These members died, either before or after retiring, but did not qualify for survivor benefits. Their contributions would have been refunded to their beneficiary when they died, so a refund of MOE contributions is not needed. Should they be entitled to interest, the employer would need to send the interest to the beneficiary. PSPRS could help with contact information.

- **Refunded**
  This group of members already received a refund of their MOE contributions, but may be entitled to interest. However, for those who received an employer matching amount (enhanced refund), that matching amount was based on excess contributions that should not have been

made. Therefore, those individuals received more matching amount than they should have for which an adjustment must be made. Any interest that these individuals are entitled to will be offset by that adjustment. As with the other groups, employers will need to process these amounts also where PSPRS can provide the last known address to where the refund was mailed.

Timing

Employers were encouraged to lower contribution rates from 13% back to 7% for EORP members affected by the *Hall* case and from 11.65% back to 7.65% for PSPRS members affected by the *Parker* case in April, 2017. Employers must tell PSPRS staff when those contribution rates were lowered so that the MOE and interest amounts can be calculated correctly and also so our benefit calculations are accurate.

PSPRS has attempted to identify members who are affected by the *Hall* case outcome. Lists were generated for each employer to review. Those lists are available on the PSPRS website's employer portal. PSPRS recommends that each employer review the lists and contact PSPRS if there are discrepancies.

PSPRS cannot calculate the interest amounts until the Superior Court determines the interest rate and period(s) for which it applies. A hearing has been scheduled for June 6, 2017, and hopefully that issue will be resolved on or near that date. Once PSPRS knows the interest rate and period for which it applies, refunds will be calculated and itemized by type (contributions or interest) for each member affected. When those amounts are posted to the PSPRS website in the employer and local board portals, an announcement will be made. Credit memos will then be issued for those who desire to utilize them. All of that should take place within a couple of weeks once the courts resolve the interest issue.