Supreme Court Reaffirms "California Rule" for Public Agency Employee Pensions and Upholds PEPRA Changes

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The California Supreme Court has held that changes in pension calculation rules that close loopholes and prevent abuse of the pension system may be permissible even if these changes result in lower total benefits. In ***Alameda County Deputy Sheriffs' Association v. Alameda County Employees' Retirement Association*** (July 30, 2020), the Court reaffirmed the "California Rule," which requires that reductions in specific advantages to employees be replaced with comparable other advantages, unless the proposed changes bear some material relation to the theory of a pension system and its successful operation.

The case before the Court addressed changes made to the County Employees Retirement Law (CERL) by the Public Employees' Pension Reform Act of 2013 (PEPRA). Certain items of compensation that were previously required to be reported for calculating pension benefits were eliminated under PEPRA, resulting in potentially lower pension benefits for public employees. Several employee organizations sued, asserting that their pension benefits could not be reduced in this manner without replacing them with comparable benefits, as required by the California Rule. Retirement systems in three counties were named as defendants.

In upholding the changes, the Court recognized the need for flexibility in pension benefits to ensure the continued financial viability of public pension plans. The California Rule remains in place, but lower courts will now be required to consider the underlying health of California's pension systems when making changes to public employee pensions.

If you have any questions about how this decision may impact your agency, please contact **Dave Fleishman** or **Rebecca Green**.