

Bond Case Briefs

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PENSIONS - CALIFORNIA

Cal Fire Local 2881 v. California Public Employees' Retirement System

Court of Appeal, First District, Division 3, California - December 30, 2016 - Cal.Rptr.3d - 2016 WL 7488338

Union petitioned for writ of mandate and injunctive relief to compel California Public Employees' Retirement System (CalPERS) to continue to apply prior state law that provided eligible public employees the option to purchase at cost up to five years of nonqualifying service credit.

The Superior Court denied petition. Union appealed.

The Court of Appeal held that:

- Legislature's elimination of public employees' option to purchase nonqualifying service credit did not violate the contracts clause, and
- Modifications of vested contractual pension rights that result in disadvantage to employees need not be accompanied by comparable new advantages.

Legislature's elimination of public employees' option to purchase nonqualifying service credit after five years of service did not violate the contracts clause of the state constitution, even though a Public Employees' Retirement System (CalPERS) publication stated that employees without five years of service had a vested right to purchase the credit upon completing five years, since the prior statute did not preclude a change in the law in stating that the credit could be purchased "at any time," and since the option to purchase service credit was detrimental to the successful operation of the pension system.

Where modifications of vested contractual pension rights of an employee prior to retirement result in disadvantage to employees, the state constitution's contracts clause does not require the modifications to be accompanied by comparable new advantages.