

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Fitch: US Local Government Pension Reform Hits Another Snag.**

Fitch Ratings-New York-05 August 2014: This week's pension reform ruling in Los Angeles provides the latest example of the challenges local governments face in effecting pension reform, Fitch Ratings says. We believe this challenge is unusual as it concerns reform that only applies to new employees. Los Angeles' Employee Relations Board ordered the city council to rescind a 2012 pension reform that scaled back pension benefits for new employees of the Coalition of Los Angeles City Unions.

Legal challenges have been a frequent companion to pension reform efforts for some time and are unlikely to abate soon. Economic pressures have sensitized the electorate, officials, and employees to the costs of pension benefits and the potential relief possible with pension reforms. However, legal constraints and current and future beneficiary resistance favor preservation of current benefit levels. These issues are being considered by internal review bodies, courts and, at times, voter initiatives. Recent San Jose and San Diego cases were voter-driven and affected both existing employees and new employees. Neither case has reached final resolution.

Fitch considers the ability to adjust pension benefits for future employees to be critical to Los Angeles' financial flexibility. We believe Los Angeles will eventually be able to implement this reform, either through a judicial ruling or the meet and confer process. Similar reform has already been implemented for police, fire, and Department of Water and Power unions. This tentative decision will likely be finalized by the board next month and we expect the city to appeal the decision to the state court. Savings from the L.A. pension reform are estimated at approximately \$4.3 billion over 30 years, beginning at close to \$4 million in the first two years.

Contact:

Amy Laskey  
Managing Director  
U.S. Public Finance  
+ 1 212 908-0568  
33 Whitehall Street  
New York, NY

Alan Gibson  
Director  
U.S. Public Finance  
+1 415 732-7577  
650 California Street  
San Francisco, CA

Rob Rowan  
Senior Director

Fitch Wire  
+1 212 908-9159

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email:  
elizabeth.fogerty@fitchratings.com.

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com).

The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article, which may include hyperlinks to companies and current ratings, can be accessed at [www.fitchratings.com](http://www.fitchratings.com). All opinions expressed are those of Fitch Ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2026 Bond Case Briefs | [bondcasebriefs.com](http://bondcasebriefs.com)