

Daily Journal

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TOP VERDICTS OF 2024

TOP APPELLATE REVERSALS

Los Angeles County Employees Retirement Association v. County of Los Angeles et al.

The Los Angeles County Employees Retirement Association (LACERA) achieved a significant appellate victory against the county of Los Angeles. LACERA, the largest county retirement system in the United States, manages approximately \$80 billion in assets and provides pension and retiree health care benefits to current and former employees of Los Angeles County and other public agencies.

For many years, the county acknowledged that LACERA's fiduciary boards had the authority to make key personnel decisions for the system, as per the California Constitution and governing statutes, said Latham & Watkins partner Roman Martinez, who led a recent appellant team for LACERA.

However, in 2017, the county reversed its stance and began asserting veto power over these decisions. Despite LACERA's efforts to

reach a compromise, the county remained unyielding, Martinez said.

In 2021, LACERA filed a lawsuit against the county to affirm its right to oversee the administration of the pension system, including establishing the organizational chart and setting employee classifications and compensation. The trial court initially ruled in favor of the county, citing then-binding precedent from the 3rd District Court of Appeal, which granted ultimate control over these functions to the county, Martinez said.

Undeterred, LACERA's legal team appealed the decision. In June 2024, the Second District California Court of Appeal issued a comprehensive 79-page ruling, overturning the trial court's judgment, Martinez said. *Los Angeles County Employees Retirement Association v. County of Los Angeles et al.*, B326977 (Cal. App. 2nd Dist. June 24, 2024).



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CASE DETAILS

CASE NAME	Los Angeles County Employees Retirement Association v. County of Los Angeles et al.
TYPE OF CASE	Declaratory relief, employment classification
COURT	California Court of Appeal, 2nd District
JUDGE(S)	Justices John L. Segal, Gonzalo C. Martinez and Gail Ruderman Feuer
PLAINTIFF LAWYERS	Latham & Watkins, Roman Martinez, Manuel A. Abascal, Nicholas R. Rosellini, Uriel Hinberg
DEFENSE LAWYERS	Renne Public Law Group, Linda M. Ross, Steve J. Cikes, Ryan P. McGinley-Stempel

The court adopted nearly all of LACERA's arguments, affirming that LACERA has a constitutional and statutory right to exercise full control over its key personnel decisions, including its organizational chart, employee classifications, and compensation.

This ruling marked a significant departure from the prior precedent set by the Third District and established new precedent that,

if upheld by the California Supreme Court, will redefine the balance of power between California county pension funds and county politicians, Martinez said.

The appellate court recognized that the California Constitution and relevant statutes support LACERA's exclusive authority as a fiduciary to determine the classifications and salaries necessary to serve its members.

"Additionally, echoing a theme we stressed, the court emphasized that LACERA could not possibly fulfill its fiduciary duties to the nearly 200,000 members of the retirement system without plenary authority over core personnel decisions," Martinez said. "This appellate ruling reinforces LACERA's auto-

nomy and reaffirms the legal framework protecting its govern-ance."

The case presented considerable challenges, particularly in overcoming the unfavorable precedent from the Third District Court of Appeal. Courts of appeal are generally hesitant to diverge from their colleagues' opinions without compelling reasons, said Latham & Watkins partner Manny Abascal who also led the team representing LACERA. LACERA's legal team crafted a persuasive argument that convinced the Second District Court of Appeal to re-examine the issue and depart from the Third District's stance.

"The case also presented an intricate mix of textual, historical, and policy-based arguments," Abascal

said. "We needed to present all of this in a coherent and easy-to-understand fashion. We strongly believe that all three types of arguments come out in favor of our client, but the challenge was to present all these moving pieces as a compelling and cohesive whole."

This appellate victory not only vindicates LACERA's authority but also sets a crucial precedent for the governance of county pension systems in California. If upheld by the California Supreme Court, this decision will have far-reaching implications for the administration of public pension funds across the state.

"As mentioned, our argument was multi-faceted and centered on demonstrating that the text and

history of the California Constitution and relevant statutes favor our client, and that common sense and well-established principles of trust law also support that result. The Court of Appeal correctly realized that all these data points point in the same direction," Martinez said. "The California Constitution grants LACERA's fiduciary boards plenary authority over personnel decisions, and that authority is essential for the boards to best protect the retirement savings of plan participants and beneficiaries."

The county has since petitioned for a review of the decision and the California Supreme Court granted a review on October 16, 2024.