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PERSPECTIVE

Employees sue LA County over control of \$74B retirement fund

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The Los Angeles County Employees Retirement Association sued to gain control of a \$74 billion retirement fund after the county's board of supervisors blocked it from assigning and creating new positions and salaries this month.

As the largest county pension retirement system in the U.S., the association, called LACERA, has an annual budget of over \$100 million, and over 400 employees who manage benefits and investment assets of more than 180,000 employees and retirees.

Represented by Los Angeles attorneys Manuel "Manny" A. Abascal and Benjamin J. Hanelin of Latham & Watkins LLP, the association said in its complaint Monday that California law does not give the county the authority to veto decisions of its management and boards, as it tried to do earlier this month.

"The California constitution and laws vest the independent LACERA Boards of Trustee with the exclusive power and duty to manage the pension fund solely in the best interest of its members and beneficiaries," Abascal said in an email



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Tuesday. "This lawsuit seeks to confirm this critical issue for LACERA and its members. Notwithstanding our disagreement over this issue, LACERA and the County have an important relationship that will continue."

LACERA seeks a court order confirming that the California Constitution and state law empowers its boards of trustees, as fiduciaries, the right to administer the retirement system solely and exclusively as an independent agency separate from the county. LACERA also requests a court order implementing personnel changes as approved by the association's boards, which the county blocked from becoming effective.

According to the complaint, LACERA approved the creation

of several new positions in June, including a deputy chief investment officer and a principal staff counsel and changes to titles and salaries to existing positions. In July, LACERA submitted the June personnel decisions to the county to adopt the ordinances required for them to be implemented. However the board of supervisors unanimously blocked many of the intended changes this month and instead accepted an alternative ordinance recommended by County Chief Executive Officer Fesia Davenport.

Filed as a verified petition for writ of mandate and complaint for declaratory relief under County Employees Retirement Law of 1937, the lawsuit argues the California Constitution gives the association "plenary author-

ity and fiduciary responsibility" over the administration of the retirement system, including the power to administer benefits and related services to fund participants and their beneficiaries.

While county counsel did not respond to a request for comment Tuesday, LACERA said it took the position that because Government Code Section 31522.1 in the county retirement law designates association employees as county employees, the county has full power and authority to veto management decisions made by the LACERA boards regarding personnel decisions.

LACERA's complaint states the county's position, which focuses on the second half of the code section, "eviscerates the first half," which states that the LACERA boards have sole power to appoint the personnel needed to perform the association's work.

"The county's interpretation of the law is clearly incorrect and inconsistent with California law and the Constitution," the complaint states. *Los Angeles County Employees Retirement Association v. County of Los Angeles*, (L.A. Sup. Ct., filed Oct. 18, 2021). ■

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