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Jorge Navarrete Clerk

No. S239958

**IN THE SUPREME COURT
OF THE STATE OF CALIFORNIA**

Deputy

CAL FIRE LOCAL 2881 (formerly known as CDF Firefighters), et al.

Petitioners and Appellants,

v.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(CalPERS)**

Defendant and Respondent,

and

THE STATE OF CALIFORNIA,

Intervener and Respondent.

**On Review From The Court Of Appeal For the First Appellate District,
Division Three, Civil No. A142793**

**After An Appeal From the Superior Court For The State of California,
County of Alameda, Case Number RG12661622, Hon. Evelio Grillo,
Presiding Judge**

SUPPLEMENTAL BRIEF OF PETITIONERS AND APPELLANTS

**MESSING ADAM & JASMINE LLP
Gary M. Messing, Bar No. 75363
gary@majlabor.com
*Gregg McLean Adam, Bar No. 203436
gregg@majlabor.com
Jason H Jasmine, Bar No. 215757
jason@majlabor.com
Yonatan L. Moskowitz, Bar No. 306717
yonatan@majlabor.com
235 Montgomery St., Suite 828
San Francisco, California 94104
Telephone: 415.266.1800
Facsimile: 415.266.1128**

Attorneys for Petitioners and Appellants CAL FIRE Local 2881, et al.

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235 Montgomery St., Suite 828
San Francisco, California 94104
Telephone: 415.266.1800
Facsimile: 415.266.1128

Attorneys for Petitioners and Appellants CAL FIRE Local 2881, et al.

Petitioners respectfully submit this Supplemental Brief in compliance with Rule 8.520, subdivision (d) in response to the Supplemental Brief filed by the State on November 20, 2018.

The State's Supplemental Brief oversells the import of *Hipsher v. Los Angeles County Employees Retirement Association* (2018) 24 Cal.App.5th 740, review granted September 12, 2018 (S250244) (Willhite, J., concurring). The brief breaks no new ground because *Hipsher* itself offers no new analysis of the questions presented in this case, so dependent is it on the analysis of *Marin Assn. of Public Employees v. Marin County Employees' Retirement Assn.* (2016) 2 Cal.App.5th 674, review granted November 22, 2016 (S237460), a case which has been amply dissected by the parties and their amici.

Hipsher unapologetically casts its lot with the revisionist view of this Court's comparable new advantages rule first fashioned in *Marin Association of Public Employees* and embraced in the opinion below in this case and, to a lesser degree, in *Alameda County Deputy Sheriffs' Association v. Alameda County Employees' Retirement Assn.* (2018) 19 Cal.App.5th 61, review granted March 28, 2018 (S247095).¹ Yet in doing

¹ For an opinion that professed to "not disagree with ...[m]uch of [*Marin Association of Public Employees*'] vested rights analysis," *Alameda County Deputy Sheriffs' Association v. Alameda County Employees' Retirement Assn.* drew sharp distinctions with *Marin Association of Public Employees* in four key areas and ultimately "decline[d] to follow [*Marin Association of Public Employees*]." (19 Cal.App.5th at pp. 120-122 because *Marin*

so, *Hipsher* puts itself directly at odds with the reading of the comparable new advantages rule offered by every California appellate court to consider it between 1955 and 2016, including this Court on at least six occasions. (Petitioners’ Opening Br., at pp. 21-22; 45-47.)

And far from “further analyzing the language specifically relied upon by the Union from *Allen v. Board of Administration*” (State Supp. Br. of Nov. 20, 2018, at p. 2), *Hipsher* presents nothing original on this point. Instead, over a mere four sentences, the court adopts, wholesale and uncritically, *Marin Association of Public Employees*’ view that this Court’s comparable new advantages rule is discretionary not mandatory (24 Cal.App.5th at pp. 753-754) – a reasoning forcefully dispelled by Petitioners and their amici. (See Petitioners’ Opening Br., at pp. 45–47; Petitioners’ Reply Br., at pp. 24–27; Petitioners’ Consolidated Ans. to Amici Br., at pp. 28-32; Amicus California State Teachers’ Retirement System, at pp. 9–21; Amicus Orange County Attorneys Association, at pp. 16–24; Amicus Los Angeles Police Protective League, at pp. 10–17; Amicus Amalgamated Transit Union Local 1225, at pp. 18–21; Amicus

Association of Public Employees: (1) failed to determine what the changes caused by the new law were; (2) “improperly relied on its general sense of what a reasonable pension should be”; (3) “too quickly dismissed what could amount to significant financial disadvantages to legacy members as ‘quite modest’; and (4) wrongly focused on generalized concerns about pension costs instead of the impact of the statutory changes to the County retirement association.)

Californians for Retirement Security, at pp. 12–17; Amicus American Federation of State, County and Municipal Employees, at pp. 25–27; and Amicus Deputy Sheriffs’ Association of Alameda County, at pp. 17–20.)

Freed in its own mind from any obligation to follow *stare decisis*, *Hipsher* breaks from this Court’s opinion in *Wallace v. City of Fresno* (1954) 42 Cal.2d 180 on the basis that pension rights of active employees may be freely diminished, buttressing its reasoning by citing a 1941 court of appeal case which pre-dates *Kern v. City of Long Beach* (1947) 29 Cal.2d 848. (*Hipsher, supra*, 24 Cal.App.5th at pp. 754-755, citing *MacIntyre v. Retirement Board of City and County of San Francisco* (1941) 42 Cal.App.2d 734.) Citing *Betts v. Board of Administration* (1978) 21 Cal.3d 859, *Hipsher* presents Mr. Hipsher’s felony conviction as a “condition subsequent” that “defeats” his pension rights. (24 Cal.App.5th at p. 752.) But that inverts the proper analysis: the test is not whether the felony conviction is grounds for forfeiture under the new statute (Gov. Code § 7522.72) but whether the new statute was a reasonable modification of the vested pension rights (which the court conceded existed (24 Cal.App.5th at p. 752 [“Here it is clear that Hipsher had a vested contractual right to certain retirement benefits”])) of a pre-Public Employees’ Pension Reform Act (“PEPRA”) (Assem. Bill No. 340 (2011-2012 Reg. Sess.) employee such as Mr. Hipsher. (*Wallace, supra*, 42 Cal.2d at p. 185.) Whatever the wisdom of the new felony forfeiture rule that was

under review in *Hipsher*, the Legislature had not previously adopted it before the passage of PEPRRA. And to the extent the Legislature failed to include the condition subsequent that was later added, it cannot force on employees a disadvantageous new condition without comparable new advantages. (See *Allen v. Bd. of Admin.* (1983) 34 Cal.3d 114, 120; *Wallace, supra*, 42 Cal.2d at p. 185.)

The State uses *Hipsher* as a proxy to reprise its arguments to overturn 60 years of constitutional jurisprudence, moralizing on the basis of the unlawful acts of one individual. But the State's supporting citations are either incorrect,² or they are points Petitioners have rebutted before. (E.g., airtime is not anomalous [Petitioners' Reply Br., at pp. 27-32; Petitioners' Consolidated Ans. to Amici Br., at pp. 24-27, 39-41]; the comparable new advantages rule is mandatory [Petitioners' Opening Br., at pp. 44-50;

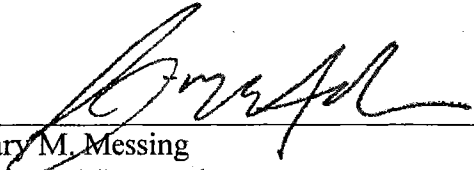
² The State's cites to the record on page 3 of its Supplemental Brief in no way support its conclusion that the benefits at issue in this case created an "unworkable" scheme (*ibid.*, citing JA 392), or that they "exacerbated shortages" (*ibid.*, citing JA 314-315, 392). And although JA 316-321 do show that the benefit at issue was originally insufficiently funded, that is an error in administration and not a basis to nullify the original statutory benefit. Moreover, the concerns expressed over the difficulty to accurately project the costs of the benefit are undercut by the fact that there is no discernable difference between the purchase of these service credits and military service credits (Gov. Code §§ 21020, 21024, 21032, 21033, Petitioners' Reply Br. at p. 32), for example, or full service credit for union leave (Gov. Code § 3558.8, see Petitioners' October 5, 2018 Supplemental Br. at pp. 2-3). All actuarial estimates are just that – estimates – based on many changing factors (average age of mortality, length of service, increases in compensation, etc.).

Petitioners' Reply Br., at pp. 23-27; Petitioners' Consolidated Ans. to Amici Br., at pp. 28-32]; the foreseeability of changes in actuarial estimates [Petitioners' Consolidated Ans. to Amici Br., at pp. 22-24].)

And as a parting shot, the State's Supplemental Brief goes from the facile to the fanciful when it suggests that Petitioners advocate a constitutional rule that requires the State to "mismanage its affairs." (State Supp. Br. of Nov. 20, 2018, at p. 4.) Hardly. Petitioners simply advocate maintenance of the comparable new advantages rule that has held sway for 60+ years: "any modification of vested pension rights must be reasonable, must bear a material relation to the theory and successful operation of a pension system, and, when resulting in disadvantage to employees, must be accompanied by comparable new advantages." (*Allen, supra*, 34 Cal.3d at p. 120; see also Petitioners' Opening Br., at pp. 21-22; Petitioners' Reply Br., at pp. 24-27; Petitioners' Consolidated Ans. to Amici Br., at pp. 13-15.)

DATED: November 21, 2018 MESSING ADAM & JASMINE LLP

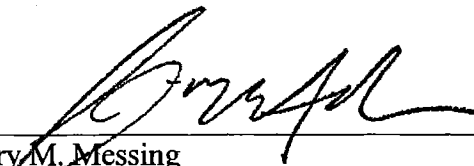
By: _____


Gary M. Messing
Gregg McLean Adam
Jason H Jasmine
Yonatan L. Moskowitz
Attorneys for Petitioners and Appellants
CAL FIRE Local 2881, *et al.*

**CERTIFICATE OF COMPLIANCE PURSUANT TO CALIFORNIA
RULES OF COURT RULE 8.504(d)(1)**

Pursuant to California Rules of Court Rule 8.504(d)(1), I certify that according to Microsoft Word the attached brief is proportionally spaced, has a typeface of 13 points and contains 1,226 words.

DATED: November 21, 2018 MESSING ADAM & JASMINE LLP

By: 

Gary M. Messing
Gregg McLean Adam
Jason H Jasmine
Yonatan L. Moskowitz
Attorneys for Petitioners and Appellants
CAL FIRE Local 2881, *et al.*

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PROOF OF SERVICE

**CAL FIRE Local 2881, et al. v. CalPERS (State of California)
California Supreme Court, Case No. S239958**

STATE OF CALIFORNIA, COUNTY OF SAN FRANCISCO

At the time of service, I was over 18 years of age and not a party to this action. I am employed in the County of San Francisco, State of California. My business address is 235 Montgomery St., Suite 828, San Francisco, CA 94104.

On November 21, 2018, I served true copies of the following document(s) described as **SUPPLEMENTAL BRIEF OF PETITIONERS AND APPELLANTS** on the interested parties in this action as follows:

Matthew G. Jacobs, General Counsel
Preet Kaur, Senior Staff Counsel *
CalPERS
Lincoln Plaza North
400 Q Street
Sacramento, CA 95814
Telephone: (916) 795-1054
Email: preet.kaur@calpers.ca.gov

Counsel for CALIFORNIA PUBLIC
EMPLOYEES' RETIREMENT
SYSTEM (CALPERS), Defendant
and Respondent

Peter A. Krause, Legal Affairs Secretary
Rei R. Onishi, Deputy Legal Affairs Secretary
Office of the Governor Edmund G. Brown, Jr.
State Capitol, Suite 1713
1315 10th Street
Sacramento, CA 95817
Telephone: 916.445.2873
Email: Rei.Onishi@gov.ca.gov

Counsel for THE STATE OF
CALIFORNIA, Intervener and
Respondent

Office of the Court Clerk
Alameda County Superior Court
1225 Fallon Street
Oakland, CA 94612

VIA U.S. MAIL

Clerk
California Court of Appeal
First Appellate District, Division 3
350 McAllister Street
San Francisco, CA 94102

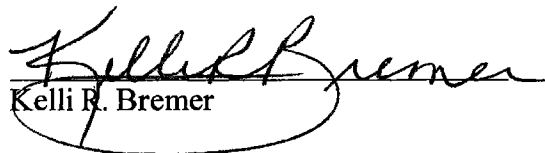
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ELECTRONIC SERVICE: I served the document on the persons listed in the above Service List (the Courts were served under separate cover) by submitting an electronic version of the document to TrueFiling, through the user interface at <https://www.truefiling.com>.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on November 21, 2018 at San Francisco, California.


Kelli R. Bremer