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I. INTRODUCTION

The County prevented LACERA from appointing personnel the LACERA Boards concluded were necessary and from adding approximately \$2 million to LACERA's annual budget. The County defends its action by claiming it has plenary power over the "number, compensation, tenure and appointment" of LACERA personnel and 78% of LACERA's budget. Affirming the County's action would vest it with control over LACERA's management and administration.

The County's position conflicts with the statutory scheme and plan design that the County adopted when creating LACERA. The County created LACERA under the County Employees Retirement Law (CERL) and voluntarily adopted all of CERL's provisions into the County Code. CERL and the Constitution use broad, sweeping, and explicit language to grant the LACERA Boards with "plenary" and "sole and exclusive" power and "fiduciary responsibility" to "administer," "manage," "appoint" personnel for, and set budgets for "the entire expense of administration" of the pension. CERL mandates that the personnel appointed by the LACERA Boards "shall be included in the salary ordinance or resolution adopted by the board of supervisors." Nothing in CERL or any other California pension law provides the County with the discretion or authority to veto or second guess the personnel and budget decisions of the LACERA Boards. Rather, the legislative intent of CERL and the Constitution was to do the opposite—to prevent elected officials from managing the pension and instead to vest those powers in independent trustees who owe fiduciary duties solely to members.

The County asks this Court to grant it broad powers by invoking authority inapplicable to pension funds. The County's legal arguments fail for many reasons, but perhaps most importantly because the County itself chose to create LACERA under CERL and therefore consented to its provisions giving the LACERA Boards their power. LACERA is not asking this Court to take power away from the County, but rather to enforce the laws and plan design the County itself adopted.

II. The Unambiguous Text of CERL, Which the County Ignores, Empowers LACERA to Appoint Personnel and Requires the County To Implement Those Appointments

The County does not apply accepted rules of statutory construction that require courts to interpret words using their ordinary meaning, to construe words in context, and to harmonize statutes internally and with related statutes. See Even Zohar Constr. & Remodeling, Inc. v. Bellaire Townhouses, LLC, 61

Cal. 4th 830, 837–38 (2015); Lungren v. Deukmejian, 45 Cal. 3d 727, 735 (1988); Corcoran v. Contra
Costa Cnty. Emps. Ret. Bd., 60 Cal. App. 4th 89, 92 (1997). The County also fails to construe CERL
liberally to achieve the benefit of pension legislation. Mijares v. Orange Cnty. Emps. Ret. Sys., 32 Cal.
App. 5th 316, 328-29 (2019). Instead, the County selects four words from CERL"shall be county
employees"—and argues that because certain laws unrelated to pensions state that the board of
supervisors "shall provide for the number, compensation, tenure, appointment and conditions of
employment of county employees," the County has plenary control over LACERA personnel decisions
and over the vast majority of LACERA's budget which is spent on salaries. The County does not
meaningfully address the following provisions in CERL and the Constitution:

- Boards "shall have plenary authority and fiduciary responsibility" and "sole and exclusive responsibility to administer," "[n]otwithstanding any other provisions of law or this Constitution to the contrary" (CAL. CONST. art. XVI, § 17 ("Section 17"));
- Board "may appoint such... personnel as are required to accomplish the necessary work of the boards" which "shall be included in the salary ordinance or resolution adopted by the board of supervisors" (GOV'T CODE § 31522.1);
- Pension funds "shall be administered solely by the board [of retirement]" (Id. § 31508);
- "[M]anagement . . . is vested in the board of retirement" (Id. § 31520);
- "[B]oards shall annually adopt a budget covering the entire expense of administration" (Id. § 31580.2); and
- Pension assets are "trust funds" held exclusively for "providing benefits" and "defraying reasonable expenses of administering the system." (Id. § 31595; Section 17).

Under the County's interpretation, these and other provisions would be rendered meaningless, the County would control the "appointment," "compensation," "tenure," and "conditions of employment," of all LACERA employees, and it would be allowed to act in its self-interest when managing the administration of assets held in a trust. The County's interpretation obviates the balance of power established in CERL, where the County appoints four trustees, the members elect four, and the Treasurer sits *ex officio* on the pension board. *See* GOV'T CODE § 31520.1. It also leaves the LACERA trustees with a fiduciary duty over a trust's administration they do not control and disenfranchises members by

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rendering their elected (and the appointed) trustees with solely advisory powers. The County offers no contextual, harmonious interpretation of CERL and the Constitution that would support this result.

Reading the above and related provisions in context, and giving words their ordinary meaning, the accurate and only reasonable interpretation of the above provisions is that independent trustees who owe their sole fiduciary duty to members are vested with control over the management, administration, budgeting, and appointment of personnel for the retirement system. The only reference to the board of supervisors in CERL relating to appointment and budgeting is the portion of § 31522.1 that specifies appointments made by the retirement board "shall be included in the salary ordinance or resolution adopted by the board of supervisors for the compensation of county officers and employees." Gov'T CODE § 31522.1. The Legislature used the mandatory, prescriptive words "shall be included" rather than words suggesting the County has the power and discretion it now seeks (such as "subject to board of supervisors approval"). In CERL, the Legislature dozens of times granted the board of supervisors discretion to make or approve a decision. See, e.g., GOV'T CODE § 31500 (pension may be established upon a "four-fifths vote of the board of supervisors"); Id. §§ 31520.4, 31522.2, 31558.1, 31592.3 (section shall not be operative until board of supervisors adopts it by majority vote); Id. § 31592.4 (section shall not be operative until board of supervisors and board of retirement each adopt it by majority vote). It chose not to do so with respect to appointments and budgets, which makes clear that CERL imposes a mandatory, ministerial duty on the County. "It is a well established rule of statutory construction that the word 'shall' connotes mandatory action and 'may' connotes discretionary action." In re Marriage of Fossum, 192 Cal. App. 4th 336, 348 (2011).

The County contends "shall" should be read as discretionary by arguing circuitously that because it has discretion to set salaries for county employees, its duty to include LACERA-approved salaries in ordinances must also be discretionary, citing Sonoma Ag Art, LLC v. Dep't of Food & Agric., 125 Cal. App. 4th 122 (2004). Sonoma, however, involved statutes creating a duty to test grapevines but providing the State with significant discretion on how to perform that duty. Id. at 128. CERL does not provide for such discretion. This matter is more similar to Lazan v. County of Riverside, 140 Cal. App. 4th 453 (2006), where the court found a statute providing that an employer "shall apply for disability retirement" to "indicate[] a mandatory or ministerial duty" and "the employer has no authority to do

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otherwise." Id. at 460; see also Kavanaugh v. W. Sonoma Cnty. Union High Sch. Dist., 29 Cal. 4th 911, 926 (2003) (statute stating a classification "shall be made at the time of employment" creates a ministerial duty).

The County appears at one point to concede that it has a ministerial duty to adopt LACERA's personnel appointments. On page 13 of its brief, the County admits "it may be mandatory that LACERA personnel be included in the County's salary ordinance" but then argues that it retains salaryfixing authority. In fact, the County's entire brief focuses on advocating for salary-setting power and fails to defend in earnest the County's second-guessing of LACERA's appointments. Regardless, the County's attempt to secure salary-fixing power cannot be squared with GoV'T CODE § 31580.2 which gives the LACERA Boards exclusive authority over "the entire expense of administration" and fails to provide the County with any oversight over budgeting decisions. This budgeting authority must include salary-setting because the vast majority of "administrative expense" is obviously salaries.

Ш. The Legislative History of §§ 31522.1 and 31580.2 Actually Supports LACERA's Position

The County misconstrues the legislative history of GOV'T CODE §§ 31522.1 and 31580.2 by again taking out of context three words—"salary fixing authority"—in an "Enrolled Bill Report" to argue that those statutes intended to vest the County with "plenary" authority over pension personnel decisions. The three words and surrounding context (which the County omits) are as follows:

The county retirement board is charged with management of a county retirement system (Sec. 31520, Govt. Code). Apparently, appointment of employees falls within the Jurisdiction of the Board of Supervisors as in other county departments. The bill would vest such appointing authority in the two administrative boards subject however, to county civil service and salary fixing authority.

County Opp. Ex. 6 at 213. While enrolled bill reports carry little weight, see, e.g., Kaufman & Broad Cmtys., Inc. v. Perf. Plastering, Inc., 133 Cal. App. 4th 26, 42 (2005) ("enrolled bill reports cannot reflect the intent of the Legislature"), this passage, and the entire Report, actually support LACERA's position. The passage describes the bill as transferring power from counties to the boards, and the beginning of the Report (which the County omits) describes a county's role in ministerial terms without any reference to counties retaining discretion. County Opp. Ex. 6 at 312 (bill "provides for inclusion of such [board-appointed] personnel in the county salary ordinance").

More importantly, the full legislative history makes clear that the purpose of the statutes was to

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personnel decisions of county pension funds; §§ 31522.1 and 31580.2 sought to transfer these powers away from the treasurer to the retirement board. The legislative history reflects that all stakeholders understood this purpose. See generally Ex. 66. In 1973, the County itself sent letters to the Legislature describing the bill as taking power away from the County. Ex. 2 at 90 (Chief Administrative Officer); Ex. 66 at 52–53 (Board of Supervisors). The County's 1973 letter stating that these statutes left it with "minimal" control stunningly conflicts with their current argument that it has "plenary" control. The County's current argument also conflicts with its prior acceptance of a different interpretation of this same Enrolled Bill Report. In 1996, the law firm Morrison & Foerster opined in writing that the LACERA Boards had sole and exclusive authority over personnel appointments and salaries. Ex. 8 at 158-59. That opinion addressed and dismissed the very same three words in the Enrolled Bill Report the County points to today. Id. at 161–62. In 1996, County Counsel agreed with the opinion, stating "[w]e concur with the Morrison & Foerster opinion, including the conclusion that the Board of Supervisors has a ministerial duty to adopt an ordinance implementing classification and compensation changes adopted by LACERA for its employees." Ex. 9 at 172.

IV. The County's Arguments Regarding Its Authority Over County Employees Fail

The County Ignores That It Adopted and Continues to Adopt CERL

The County fails to address that it adopted CERL into the County Code when creating LACERA. This key fact undermines all of the County's arguments regarding intrusions on its authority. Counties have several options to create a pension fund—e.g., they may create a self-managed system, contract with CalPERS, or create a system under CERL. For a board of supervisors to do the latter, it must adopt into the County Code by a four-fifths vote all of the provisions of CERL. GOV'T CODE § 31500. In 1937, the County passed Ordinance 3008, now codified in County Code Section 5.20.010 (mistakenly cited as 5.02.010 in Opening Brief) (Board of Supervisors "accepts the provisions" of CERL and "does hereby, by reference adopt and incorporate all and every one of the provisions of said Act."). Article X, § 47 of the County Charter also requires the County to follow state law when setting salaries. L.A. COUNTY CHARTER art. X, § 47. Despite exhibiting 25 pages of the County Charter in its Opposition, the County omitted this section. The County's decision to adopt CERL distinguishes all of the County's

"provide" as crea

authority regarding purported intrusions on its authority.

B. Article XI and Gov't Code § 25300 Are Inapplicable

The County argues that Article XI, §1(b) of the Constitution and GOV'T CODE § 25300 give it power to veto or modify the personnel decisions of the LACERA Boards. The pertinent text of § 25300 states that the board of supervisors "shall provide for the number, compensation, tenure, appointment and conditions of employment of county employees" and Article XI contains the same language except for "conditions of employment." The County's position is that this language overrides and renders unconstitutional the provisions of CERL granting pension boards power to appoint, manage, and set budgets for the system, including without limitation GOV'T CODE §§ 31522.1 and 31580.2. The County further argues that County of Riverside v. Superior Court, 30 Cal. 4th 278 (2003) and County of Sonoma v. Superior Court, 173 Cal. App. 4th 322 (2009) prohibit delegation of a county's power over personnel.

Riverside and Sonoma are distinguishable because they involved laws that stripped counties of authority without their consent, and both opinions acknowledge that counties may delegate authority. In Riverside, the Supreme Court "emphasize[d] that the issue [was] not whether a county may voluntarily submit compensation issues to arbitration, i.e., whether the county may delegate its own authority, but whether the Legislature may compel a county to submit to arbitration involuntarily." 30 Cal. 4th at 284. Similarly, in Sonoma, the court of appeal said there was no prohibition against statutes that "are dependent, for their effectiveness upon local option" such as statutes the court identified that authorized a county to create and delegate powers to a housing authority. 173 Cal. App. 4th at 356. The County's remaining citations similarly involve involuntary efforts to strip or question a government's right to set salaries and do not involve CERL. See Bagley v. City of Manhattan Beach, 18 Cal. 3d 22 (1976) (arbitration initiative); Carrier v. Robbins, 112 Cal. App. 2d 32 (1952) (challenge to determination of prevailing wage); Anderson v. Bd. Of Sup'rs of San Diego Cnty., 229 Cal. App. 2d 796 (1964) (same).

By adopting CERL into the County Code, the County delegated whatever authority it had over LACERA personnel to the LACERA Boards. This delegation is legal and consistent with Article XI, which states that the supervisors shall "provide" for compensation of county employees and "prescribe" compensation of supervisors and other county officers. Courts have consistently interpreted the word "provide" as creating a delegable power. See Sturgeon v. County of Los Angeles, 167 Cal. App. 4th 630,

652-53 (2008) ("When the Constitution has 'prescribed' a duty 'the named authority must itself exercise the function described; in other words, it imposes a nondelegable duty. The more general term 'provide' is used when it is intended not to require action by the named authority itself; in other words, it permits the delegation of the function to others.""); County of Madera v. Superior Ct., 39 Cal. App. 3d 665, 669-70 (1974) ("Constitutional Revision Commission used the word 'provide' rather than 'prescribe' to indicate an intention to permit the Legislature to delegate this duty.").

Further, it is well settled that courts should attempt to harmonize conflicts in statutes rather than invalidate a scheme. See Pac. Legal Found. v. Brown, 29 Cal. 3d 168, 175 (1981) (courts should harmonize duties of agencies when in conflict to preserve their purpose). LACERA's arguments harmonize the law whereas the County's position would require this Court to eviscerate CERL's and the Constitution's explicit and specific grant of appointment, budgeting, management and administrative powers to retirement boards. Finally, to the extent there is any conflict between Article XI, CERL and Section 17, the Court should recognize that Section 17 (which was passed by voters after Article XI was enacted) grants the LACERA Boards "plenary authority and fiduciary responsibility" "[n]otwithstanding any other provisions of law or th[e] Constitution to the contrary." Thus, the discretion provided to LACERA's Boards over their personnel should control over any purported discretion of the County.

C. County's Application of Westly Is Flawed

The County's interpretation of Westly is similarly incorrect. The County focuses on the Westly Court's holding that CalPERS lacked final authority to set salaries because salaries for state employees must be set and approved by the Department of Personnel Administration (DPA) pursuant to Gov'T Code § 19825, which states that "[n]otwithstanding any other provision of law, whenever any state agency is authorized . . . to fix the salary or compensation of an employee or officer . . . the salary is subject" to DPA approval, and Gov'T Code § 19826, which provides DPA with power to "establish and adjust" salaries. The Westly Court held that the "plenary authority" granted to pension boards in Section 17 did not allow the CalPERS Board to evade these statutes which provide the DPA with clear approval authority. The County's argument fails because there is no comparable provision in CERL that grants the County power to review, approve, veto or establish LACERA salaries—rather, CERL states that appointments "shall be included" in ordinances and the LACERA Boards have exclusive power to set

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budgets for the "entire expense" of administration. Westly is also distinguishable because (a) the County adopted CERL and thus the LACERA appointments do not violate any law providing the County with discretion over salaries and (b) for the additional reasons specified in LACERA's Opening Brief.

The County also relies on an unpublished minute order where a San Diego court relied on Westly to grant judgment on the pleadings (with partial leave to amend) against a pension fund. The case ended before the pleadings were amended or the decision appealed. This unpublished minute order may not be relied upon pursuant to California Rules of Court 8.1115(a) and thus carries no weight. See also People v. Williams, 176 Cal. App. 4th 1521, 1529 (2009) (suggesting that citation to unpublished opinions in violation of Rule 8.1115(a) can lead to sanctions).

LACERA reserves the right to argue that Westly should be overruled if it or any of its progeny is relied upon to authorize the County's failure to implement LACERA's personnel decisions.

V. The County's Other Arguments Fail

The Subsequent Enacted and Unenacted Legislation Cited By The County Has No Α. Weight and Regardless Supports LACERA's Position

The County argues that other counties passed legislation purporting to enable their pensions to hire employees directly and the fact that Los Angeles did not means LACERA's interpretation of CERL is incorrect. The County has its facts and law wrong. Los Angeles did in fact pass such legislation in 2001 (see GOV'T CODE § 31522.4), it was the first County to do so, and the statutes cited by other counties were patterned after the Los Angeles legislation. These statutes were passed to exempt certain pension employees from civil service, and LACERA and the County recognized in writing at the time the bills were passed that LACERA had plenary authority over personnel and salary-setting.

In 2000, Los Angeles County voters passed Measure A, which made county department heads at will employees. This Measure did not apply to LACERA because, as recognized by the Legislature, "LACERA is an independent governmental agency separate from the County." Ex. 67 at 59. In 2001, LACERA promoted and the Legislature passed SB 1132, now codified in Gov'T CODE § 31522.4. which made certain LACERA executive management at will employees exempt from civil service. LACERA observed in a letter included in the legislative history that "[a]lthough LACERA employees are statutorily classified as County employees, LACERA is an independent governmental agency

separate from the County." *Id.* at 57. That same year the County also acknowledged that LACERA had plenary power over appointments and salary setting when it authorized LACERA to negotiate its own labor contracts. *See* Ex. 11; Ex. 13 at 187; Exs. 12 & 14 (recognizing LACERA bargains with labor separately from County). Thus there was no reason in 2001 for LACERA to request language in the bill rejecting the County's current novel argument because the County and LACERA both agreed at that time that LACERA had plenary power over the appointment and compensation of its personnel.

The following year Orange County promoted a bill (now codified in § 31522.5) which it described as "the type of legislation approved for Los Angeles County last year." County Opp. Ex. 26 at 402. Other counties later passed similar legislation. See Gov't Code §§ 31522.7, -.9, -.10. While local motivations varied, the main purpose of each bill was to exempt certain pension personnel from civil service. See, e.g., Ex. 67 at 101–13; 120–21; 144; 150; 178 (citing retention, inconveniences of civil service, conflicts of interest and settling a lawsuit). In short, the factual history of these bills does not support the County's position, and regardless, subsequent legislation carries little to no weight in statutory interpretation. See W. Sec. Bank v. Superior Ct., 15 Cal. 4th 232, 244 (1997) (one Legislature may not speak authoritatively on the intent of another); City of Emeryville v. Cohen, 233 Cal. App. 4th 293, 310 (2015) (subsequent Legislature cannot interpret earlier statute "for that is a judicial task.").

The County also points to the Governor's 2016 veto of AB 1853, a bill that would have specified one process for pension funds to become districts. This veto is completely irrelevant. While unpassed bills carry little to no weight in statutory interpretation, *Pac. Fertility Cases*, 78 Cal. App. 5th 568, 584 (2022) (citing cases), the history of AB 1853 also does not support the County's position. As reflected in the legislative history, LACERA requested in writing that the Governor veto the bill because existing law already provided a path for pension funds to become a district and also already provided retirement boards with "plenary authority—and thus independence from plan sponsors—over the administration of the system, including the appointment of personnel and determination of compensation levels." County Opp. Ex. 39. The Governor vetoed the bill. *See* County Opp. Ex. 41. Again, there was no need for LACERA to be concerned by the bill because it and the County recognized at the time that LACERA already had plenary control over its personnel decisions.

B. Corcoran Remains On Point and Supports LACERA's Position

The County fails to distinguish the *Corcoran* decision, which squarely supports LACERA's argument. *Corcoran* confirmed the independence of a county retirement system organized under CERL and its ability to set compensation levels for its employees. Reading CERL's statutory scheme together with the Constitution, the court upheld that independence and found it "immaterial" that the retirement system's employees were county employees for other purposes. 60 Cal. App. 4th at 95. That is, the *Corcoran* court rejected the central—and overly generalized—argument that the County advances here.

C. County's Expert Witness Misdescribes How LACERA is Funded

The County argues that it "indirectly" pays LACERA's expenses because such expenses may increase the County's future contributions. This argument misstates the law and facts. LACERA's assets and earnings from those assets are owned by its members, and by law LACERA's expenses must be paid solely from those earnings. Thus, LACERA's expenses are paid directly by funds belonging to members. Further, as noted by Nick Collier, LACERA's actuary, and Thomas Terry, the former President of the American Academy of Actuaries and LACERA's rebuttal expert witness, LACERA's administrative expenses in practice actually reduce the County's contributions because they enable LACERA to employ personnel capable of generating substantial investment earnings. Mr. Collier further states that the financial impact of LACERA's personnel decisions on contributions is negligible.

VI. CONCLUSION

The County dismisses many of LACERA's arguments as policy arguments, but in fact they are grounded in fundamental rules of statutory interpretation. The County prevented LACERA from appointing personnel and incurring expenses the LACERA Boards concluded were necessary.

LACERA's Boards have the right to take these actions pursuant to Gov't Code §§ 31522.1, 31580.2 and other parts of CERL and the Constitution, and none of this authority provides the County with power or discretion to veto or modify those actions. Rather, Gov't Code § 31580.2 provides the LACERA Boards with exclusive control over "the entire expense of administration," and Gov't Code § 31522.1 states that the appointments of the LACERA Boards "shall be included" in County ordinances, creating a mandatory, ministerial duty on the County to implement LACERA's personnel decisions. For these reasons, this Court should grant LACERA's petition and issue a judgment declaring that the County has a ministerial duty to accept the personnel decisions of the LACERA Boards.

1	Dated: October 31, 2022 Respect	fully submitted,
2	LATHA	M & WATKINS LLP
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