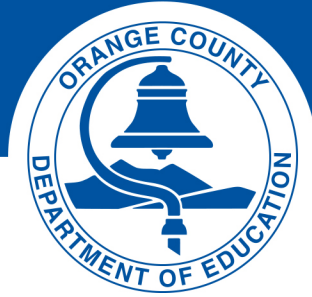


NEWS RELEASE

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Suit targets unlawful fees levied by Orange County Employees Retirement System County superintendent, OCDE seek declaratory judgment in claim over unfunded liabilities

COSTA MESA, Calif., Feb. 23, 2016 – In a lawsuit filed Tuesday, Feb. 23, Orange County Superintendent of Schools Dr. Al Mijares and the Orange County Department of Education (OCDE) have asked the courts to affirm that the Orange County Employees Retirement System (OCERS) has no legal authority to levey retroactive fees against OCDE to help cover OCERS' unfunded pension liabilities.

The suit, filed in Orange County Superior Court, seeks a declaratory judgment that would determine the legal rights and responsibilities of all parties, thereby ending ongoing efforts by OCERS to collect approximately \$3.5 million from OCDE's unrestricted budget.

"We believe the time has come for the courts to determine once and for all that the Orange County Employees Retirement System has no legal basis for levying these fees retroactively against the Orange County Department of Education," Dr. Mijares said. "While we have made every effort to resolve this matter, we can no longer sit idly by as OCERS attempts to unlawfully divert \$3.5 million from the programs and services that are helping Orange County's neediest children."

Currently, 21 former OCDE employees and one beneficiary receive pension benefits through the Orange County Employees Retirement System. Their enrollment predates the transition of educational duties and functions from the county Board of Supervisors to the Orange County Department of Education in the 1970s.

When OCDE formally separated from Orange County government in 1977, non-teaching OCDE employees were given the choice of remaining in OCERS or joining the California Public Employees' Retirement System, also known as CalPERS. Twenty-seven opted to remain in OCERS, while the rest enrolled in CalPERS. Consistent with other pension agreements, the Orange County Department of Education was responsible for regularly contributing a percentage of its payroll to OCERS on behalf of the 27 remaining members throughout the duration of their employment.

In 2013, the last OCERS pensioner retired from the department, which, by OCERS' own rules and policies, meant OCDE was no longer obligated to make additional employee contributions. However, on June 15, 2015, the OCERS Board of Retirement announced a policy change and demanded a sizable fee from OCDE to help cover its unfunded liabilities, amounting to \$3.5 million.

“This represents a retroactive and unlawful demand that far exceeds the authority of the OCERS board to the point of usurping the power of the California Legislature,” Superintendent Mijares said. “While we are sympathetic to the challenge of unfunded pension liabilities, the Orange County Employees Retirement System has had nearly 40 years to adjust to the reality that the contributions it received from our department would gradually taper off because, by OCERS’ own rules, no new OCDE employees have been permitted to enter that system.”

“This was a completely foreseeable fiscal event,” Dr. Mijares added of OCERS’ unfunded liabilities, “and we hope the courts will agree that no additional dollars are owed to OCERS at the expense of our students.”

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