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TOP VERDICTS OF 2011

TOP 5 APPELLATE REVERSALS

Retired Employees Association of Orange County v. County of Orange



Ernest Galvan

Health Benefits/ Retirees

California Supreme Court
San Francisco

Attorneys for appellant: Rosen, Bien & Galvan LLP, Ernest Galvan in San Francisco and Michael P. Brown of Law Offices of Michael Brown

Attorneys for appellee: Meyers Nave Riback Silver & Wilson;
Renne Sloan Holtzman Sakai LLP

In 2007, citing budgetary concerns, the County of Orange changed a long-standing and uninterrupted practice of combining benefits for active and retired employees into a single unified pool for the purposes of calculating health insurance premiums.

In response, the Retired Employees Association of Orange County filed a lawsuit on behalf of approximately 4,600 retired county employees contesting the validity of this change on the basis that it violated an implied contract. The district court granted summary judgment for the County of Orange on all claims.

According to lead appellant attorney and Rosen, Bien & Galvan partner Ernest Galvan, Orange County's altered stance on retiree health insurance was unwelcome and unsustainable.

"You have to find ways to have young and healthy people in the pool to make it economical," Galvan said. "My clients depended on this as part of their retirement plan. Any plan that reforms

health insurance or makes viable a current model does require that you spread risk."

In November 2011, the California Supreme Court set to answer the following question prompted by this case: "[Can] a California county and its employees [form] an implied contract that confers vested rights to health benefits on retired county employees?"

The Court unanimously ruled in favor of the appellants, stating, "...a county may be bound by an implied contract under California law if there is no legislative prohibition against such arrangements, such as a statute or ordinance."

The Court's decision on behalf of the appellants has returned the case to the Ninth Circuit for review. A hearing will be held on March 19 in federal district court.

"The decision isn't final yet," Galvan said. "I expect summary judgment to be granted for Orange County employees. That would require the county to restore the pool going forward and compensate retirees who have been paying inflated premiums."

— David McAfee