August 26, 2021

THE CALIFORNIA RULE

The California Rule has its origins in a case from 1955 called Allen V. City of Long Beach. The idea behind the California Rule is simple: workers enter into a contract with their employer on the day they begin work and the pension benefits they are offered as part of that contract cannot be diminished, unless replaced with similar benefits. To cut or reduce benefits without an equivalent benefit to offset the cut would be a violation of the employment contract. California courts have continued to uphold the precedent of the California Rule in multiple cases over the past six decades.

A dozen other states also use a contract rights approach to public pension benefits and have chosen to follow the principles of the California Rule. Those states are:

- Alaska
- Colorado
- Idaho
- Kansas
- Massachusetts
- Nebraska
- Nevada
- Oklahoma
- Oregon
- Pennsylvania
- Vermont
- Washington

The above states equal about 30 percent of the US population. In California there have been at least six recent legal challenges to the California Rule and in every case the judges have always ruled in favor of maintaining the 'Rule' and protecting the rights of workers. In other words, it treats government employee pensions as contracts protected by the State's Constitution.