

# Basic Concept of Vested Pension Rights

- “[U]pon acceptance of public employment plaintiff acquired a vested right to a pension based on the system then in effect. That system allowed him to earn successively higher levels of benefits based on his years of service and his highest average salary during three consecutive years.”
- “Although an employee does not obtain any ‘absolute right to fixed or specific benefits ... there [are] strict limitation[s] on the conditions which may modify the pension system in effect during employment.’ [Citation.] Such modifications must be reasonable and any ‘changes in a pension plan which result in disadvantage to employees should be accompanied by comparable new advantages.’”
- “We conclude that incumbent legislators had a vested right to earn additional pension benefits through continued service...”

California Supreme Court in *Legislature v. Eu*, 54 Cal.3d 492, 529 (1991)

## What this Means?

- An employer cannot reduce current employees' retirement terms without providing a “comparable new advantage.”
- This typically includes any changes to the employee contribution rate.
- Pension benefits of future employees are not vested.