

DATE: AUGUST 22, 2008
TO: OCERS MEMBERS AND BENEFIT RECIPIENTS
FROM: STEVE DELANEY, CHIEF EXECUTIVE OFFICER

**RE: NOTICE OF PENDING LEGAL ACTION THAT MAY AFFECT
YOUR RETIREMENT BENEFITS**

OCERS writes to inform you of a legal action that is currently proceeding in Los Angeles County Superior Court, which could result in a reduction to the monthly allowance you are receiving, or will receive upon retirement, from OCERS. The case is *County of Orange v. Association of Orange County Deputy Sheriffs, et al.*, Los Angeles County Superior Court Case No. BC389758. A full copy of the complaint, which describes the legal action in detail, can be obtained from OCERS' website, at www.ocers.org.

In this legal action, commonly known as the "3%@50 litigation," the Orange County Board of Supervisors is asking a court to declare that a portion of the benefits the County granted to some current and former safety employees and beneficiaries in 2001 violated the California Constitution. The County contends that applying the 3%@50 formula to service credit earned before June 28, 2002 was unlawful. The County is asking the Court to order OCERS to reduce the monthly allowance you will receive from OCERS going forward. Although OCERS is named as a defendant to this litigation, OCERS has not taken a position on the merits of the County's claims. That is, OCERS neither opposes nor supports the County's legal theories and the remedy it seeks. OCERS' role is to administer benefits lawfully negotiated between the County and its employees.

The Association of Orange County Deputy Sheriffs ("AOCDS") is the lead defendant in the case and is representing its members in opposing the County's requested relief. Both the County and AOCDS have argued to the Court that AOCDS' presence in the case adequately protects all affected parties' interests, including your interests -- even if you were not (or are no longer) a member of AOCDS. The County believes that, if it prevails in this action, the Court could order OCERS to reduce your monthly allowance even though you are not named as a party to the legal action. Thus far, the Court appears to agree with the County on this point, so it appears that the litigation will proceed whether or not you are named as a party.

OCERS has provided this notice to you so that (a) you are aware of these important events that could impact your finances, and (b) you have the opportunity to make your own determination as to whether AOCDS adequately represents your interests in this matter. If you want legal advice regarding how the County's legal action may impact you please consult with an attorney, as OCERS cannot provide legal advice to you on this matter.

Although OCERS does not anticipate further correspondence with affected members regarding this matter in the future, we will regularly post copies of important documents filed in the case on its website.