

January 16, 2003

03-054

AUTHORIZE JOINING OSBA LITIGATION REGARDING  
PERS EMPLOYER CONTRIBUTION RATES

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REPORT: Eight public employers previously brought suit against the Oregon Public Employee Retirement Systems (PERS) in Marion County Circuit Court, claiming, among other things, that employer contribution rates were incorrect.

Judge Libscomb, in his October 2002 decision, determined that the PERS Board failed to follow State law and had improperly impaired the overall financial resiliency and flexibility of the entire PERS system. The judge has returned the case to the PERS Board with instructions to update employee mortality tables, issue new employer contribution rate orders for 1998 and 2000, and make a new earnings allocation order for the 1999 investment year. The PERS Board has yet to comply with these instructions and (in early December 2002) has declared its intent to issue new employer rate increases January 14, 2003 that do not reflect Judge Lipscomb's instructions.

It is likely that these employer rates would be substantially reduced had the PERS Board implemented Judge Lipscomb's recommendations.

The Oregon School Board Association (OSBA) intends to appeal, through outside counsel and at OSBA expense, the January 14, 2003 employer contribution increases, and has provided OSBA members the opportunity to join with OSBA in this action at OSBA's cost.

RECOMMENDATION: That the Board of Directors authorize PCC to join the OSBA appeal of the new employer contribution rates to be issued January 14, 2003 for July 1, 2003 implementation, and to participate with OSBA in further relevant legal action.