



THEODORE R. KULONGOSKI
Governor

August 7, 2009

The Honorable Kate Brown
Secretary of State
136 State Capitol
900 Court St. NE
Salem, OR 97301

Dear Secretary Brown:

I am returning Enrolled Senate Bill 897 unsigned and disapproved.

SB 897 requires the Public Employee Retirement System to provide verification of member benefits, and then guarantee that level benefits regardless of their accuracy.

I am well aware that legal challenges are pending in the courts related to these data verification and guarantee provisions. My standing policy has been to allow matters pending in our appellate courts to run their course. Once a final decision has been rendered by the appropriate appellate court, the Executive and Legislative branches then have the opportunity to determine what statutory changes are needed, if any. That policy applies here.

In addition, the PERS Board has been unanimous and adamant in their opposition to the data verification and guarantee provisions on the principle that every agency should be allowed to correct errors. The variety of PERS tiers, options and criteria are truly complex. No other benefit program guarantees calculation and prohibits later correction of an error that had not been previously disclosed. This is particularly important for PERS because under SB 897 calculation errors that result in overpayment to a retiree cannot be corrected; PERS may only correct only errors that result in underpayment to the retiree.

PERS is already committed to updating and improving its data systems to reduce and eliminate data errors. Given that the data verification and guarantee provisions in SB 897 would not be implemented until July 2011, I believe we should allow PERS continue its work on data system enhancements before mandating data guarantees.

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Page Two

One of the reasons why PERS experienced tremendous cost overruns early in this decade was the Legislature's piecemeal approach to amending PERS's statutory framework. I believe that any reform of PERS must be measured and thoughtful, so that we can avoid returning to the flawed approach of the past.

Sincerely,

A handwritten signature in black ink, appearing to read 'Theodore R. Kulongoski', written in a cursive style.

THEODORE R. KULONGOSKI
Governor

TRK:ks:mh

CAPITOL BOND

SECTION