

**From:** Kai Jones [mailto:jonesk@bennetthartman.com] **On Behalf Of** Greg Hartman

**Sent:** Thursday, February 14, 2008 12:04 PM

**Subject:** 2007 Earnings Reduction; Our File 5415-237

I've had a number of e-mails and phone calls regarding the PERS board packet which indicates the distribution to Tier One members will be lowered to 7.97% for 2007 earnings. I think there may be a misconception that this adjustment is a result of some nefarious PERS board action. I want to remind all of you that the adjustment to the Tier One earnings rate was as a result of the Supreme Court order in the Strunk case awarding attorney fees. The attorney fees were awarded on what is called a common fund theory, which essentially means that those people who benefitted from the litigation pay a fair share of the cost of that litigation. The reduction in earnings for 2007 reflects the cost of litigation which is being borne by the Tier One active members.

The Strunk case also provided that window retirees pay a fair portion of the fees which were incurred protecting their rights. The court ordered a one-time reduction in payments, which as I recall will be in the \$25 to \$30 per retiree range, to fund the attorneys fees attributable to protecting their rights. I don't know when PERS will make that adjustment.

Again I want to emphasize that these charges are being made as a result of the Supreme Court's order and not because of any decision made by the PERS board. Let me know if you have any questions.