

SUPREME COURT

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Case decided August 6, 2020.

Jennifer James, et al. v. State of Oregon, et al., (SC S066933)

On petition for review under Oregon Laws 2019, chapter 355, section 65. Petitioners' requests for relief challenging Oregon Laws 2019, chapter 355, sections 1-19 and 39-40, are denied.

Today, the Oregon Supreme Court denied claims brought by petitioners challenging two amendments to the Public Employee Retirement System (PERS) enacted by the legislature in SB 1049 (Oregon Laws 2019, chapter 355). The first challenged amendment redirects a member's PERS contributions from the member's individual account program -- the defined-contribution component of the member's retirement plan -- to a newly created employee pension stability account, used to help fund the defined-benefit component of the member's retirement plan. The second challenged amendment imposes a cap on the salary used to calculate a member's benefits.

Petitioners primarily argued that the redirection and salary-cap provisions in SB 1049 unconstitutionally impaired their employment contracts in violation of the state Contract Clause, Article I, section 21, of the Oregon Constitution. In the alternative, petitioners argued that the amendments violated the federal Contract Clause, Article I, section 10, clause 1, of the United States Constitution, breached their contracts, and constituted an unconstitutional taking of their property without just compensation in violation of Article I, section 18, of the Oregon Constitution, and the Fifth and Fourteenth Amendments to the United States Constitution.

In a unanimous opinion authored by Chief Justice Martha L. Walters, the Oregon Supreme Court denied petitioners' challenges. The Court held that the challenged amendments did not impair petitioners' contract rights under the state Contract Clause,

because the amendments do not operate retrospectively to decrease the retirement benefits attributable to work that the member performed before the effective date of the amendments. The court further explained that, although the amendments operate prospectively to change the offer for future retirement benefits, the pre-amendment statutes did not include a promise that the retirement benefits would not be changed prospectively. The Court resolved petitioners' other claims on similar grounds and denied their requests for relief.