



## Legislative Testimony

### OREGON DEPARTMENT OF CORRECTIONS

April 3, 2019

The Honorable Jeff Barker, Chair  
House Committee on Business and Labor

#### **Re: House Bill 2646**

Chair Barker and members of the committee, I am Heidi Steward, Assistant Director of the Correctional Services Division for the Oregon Department of Corrections (DOC). I am here to testify in support of HB 2646 and answer any questions.

#### **What the Bill Does:**

This bill provides – for the purpose of determining the salary of certain members of the Public Employees Retirement System – a housing allowance paid to prison chaplains. This allowance shall be included in the members' taxable income under Oregon law.

#### **Background Information:**

When Department of Corrections Chaplains filed their 2016 taxes, an unintended disparity in ORS application was discovered which disadvantages Oregon Public Service Retirement Plan (OSPRP) members. Each year, in accordance with historical practice and federal tax law, all qualified religious service employees receive a housing allowance letter signed by a DOC Assistant Director. For tax-filing purposes, employees can report their housing allowance to payroll. Payroll deducts the allowance from the employees' gross salary, and the adjusted wages are reported on their W-2.

The issue for OPSRP members is the Public Employees Retirement System (PERS) applies an Oregon Revised Statute (ORS) that calculates retirement based on the adjusted W-2 rather than the full chaplain's salary. PERS allows Tier 1 and 2 members to receive benefits based on their full salary, even though the adjusted W-2 wages are minus the housing allowance.

This bill will amend statute to allow OPSRP members to receive PERS calculations in the same manner as Tiers 1 and 2 benefits are calculated.

The oversight of this disparity in PERS benefits calculation has significantly impacted affected employees, and resulted in a net loss of 35 percent of their gross income. This is a substantial loss that lasts the lifetime of the employee's retirement. DOC employees have to postpone and reconfigure their retirement plans due to this change. To that end, we have had conversations with the bill sponsor and some of you regarding a possible amendment requiring PERS to retroactively correct the disparate PERS retirement calculations for years 2016 and 2017.

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**Requested Action:**

DOC supports this bill and respectfully requests the legislation be passed out of the committee.

Thank you for your time and consideration. I am happy to answer any questions you may have.

*Submitted by:*

Oregon Department of Corrections

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