



Oregon

Tina Kotek, Governor

Public Employees Retirement System

Headquarters:

11410 S.W. 68th Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

(888) 320-7377

TTY (503) 603-7766

<http://oregon.gov/PERS/>

February 8, 2023

TO: Senate Committee on Veterans, Emergency Management, Federal and World Affairs

FROM: Kevin Olineck, Director, PERS

SUBJECT: SB 181 Written Testimony, February 8, 2023

As written, this bill will exempt from state income tax military pay received by an Oregon National Guard member while in active service of the state or on state active duty. The Oregon National Guard, under the Oregon Military Department is an active PERS participating employer, and therefore people serving in the Oregon National Guard may have salary related to their service reported as subject salary.

ORS 238A.005 defines salary for OPSRP PERS members. Among other things, salary is defined as remuneration that "is, or would be if the member were an Oregon resident, includable in the employee's taxable income under Oregon law."

If all wages earned from national guard service would be exempt from state income tax, then these wages would no longer be considered subject salary for PERS purposes, and no PERS IAP contributions would be made on that salary amount. Additionally, these members may not receive other benefits tied to subject salary, such as inclusion of this amount in their salary calculations for Final Average Salary determination at retirement.

The retroactive nature of the bill would also mean that PERS administration would be impacted. The agency would need to communicate with the employer to ensure proper reporting on and after the effective date of the bill, and would need to retroactively correct the records of impacted members whose subject salary data from 2021 to present would have to be reduced accordingly.

It should be noted that a similar bill, HB 2305 is being heard by the House Committee on Emergency Management, General Government, and Veterans. HB 2305's text is identical to SB 181, but with a different retroactive application date. PERS will be testifying in public hearing as to the same impacts written here.

Sincerely,

Kevin Olineck
PERS Director