



# Oregon

Tina Kotek, Governor

## Public Employees Retirement System

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February 4, 2025

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

**FROM:** Kevin Olineck, Director, PERS

**SUBJECT:** SB 225 Written Testimony, February 4, 2025

For taxpayers who have not attained 63 years of age, and are receiving retirement pay or pension for service in the Armed Forces of the United States, SB 225 would subtract from federal taxable income up to \$17,500 of that benefit.

The agency submitted testimony regarding a similar bill, SB 540 in the 2023 legislative session. That bill included much broader language, and we appreciate the sponsors of SB 540 amending that bill to remove the broad language that would have most assuredly included Oregon PERS pension payments from this exemption. SB 225 also does not include that broad language, and we appreciate the efforts that Senators Manning Jr. and Sollman have done to continue to ensure this bill does not include state pension income.

However, our policy team has identified another potentially unintended consequence of this bill that would increase the administrative burden to PERS and require increased calculations and manual reporting processes.

The Uniformed Services Employment and Reemployment Rights Act (USERRA) treats federal military service as continuous employment for state pension plan purposes- meaning that a military member's service/deployment in the Armed Forces of the United States will not cause them to lose out on state retirement credit or contributions in most cases. Oregon PERS administers USERRA on behalf of PERS-covered employers and their PERS members. We believe that this bill, as written, could potentially include state retirement pension pay received because of USERRA, while a member was on deployment for one of the Armed Forces of the United States. Particularly because a military service member can receive both USERRA protections (for their state public employment) and federal pension benefits.

Currently, after a member receives their "USERRA credit and contributions", as reported by their public employer, the agency does not continue to track members who received any retirement credit and contributions because of USERRA. The agency also does not track which time periods in a members' career were USERRA protected, versus benefits earned from working directly with their public employer. This bill would require PERS to separately calculate the amount of a member's yearly pension benefit that was associated with USERRA service segments so the impacted members could claim this income exemption each tax year (in conjunction with the exemption for their federal pension income).

Additionally, this would require new administrative processes and programming to identify the relevant population to ensure that we are reporting the correct taxable state income information to the Oregon Department of Revenue. The agency will need to create a manual process to correct our 1099-R reporting (box 16- taxable state distribution), and to block any state tax withholding in our system.

Through conversations with legislators and through public hearings/testimony on SB 540 in 2023, it was very clear that the intent of the bill language regarding “retirement pay or pension for service in the Armed Forces of the United States” is only meant to include federal military pension and retirement pay. We would request an amendment to this bill to change all references of “retirement pay or pension” to “federal retirement pay or pension”, to ensure maximum clarity regarding intent, and to prevent unintended administrative consequences to the agency, and increased state tax complexity for veterans of the Armed Forces.

PERS is currently working to identify these costs of administration for the bill as written and will provide those to the Legislative Fiscal Office through the fiscal impact statement process. We look forward to further discussing our agency’s perspective on the impacts of this bill as written, and potential amendments to the bill to lessen or eliminate these impacts.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Olineck". The signature is fluid and cursive, with a large initial "K" and "O".

Kevin Olineck  
PERS Director