
Appropriations Committee

SB 5881

Brief Description: Concerning membership in the public employees' retirement system for certain part-time bus drivers employed full-time by the federal government.

Sponsors: Senators MacEwen, Conway and Robinson; by request of Select Committee on Pension Policy.

Brief Summary of Bill

- Excludes individuals newly employed by Public Transportation Benefit Areas as part-time bus drivers serving naval shipyards from membership in the Public Employees' Retirement System.
- Limits the exclusion of part-time bus drivers to those employed on a full-time basis with an employer of the federal government and making contributions to the Federal Employees' Retirement System.

Hearing Date: 2/15/24

Staff: David Pringle (786-7310).

Background:

The Public Employees' Retirement System (PERS) is the largest of the state retirement systems, and generally covers employees of the state and political subdivisions. About 164,000 active state and local government employees participate in the PERS system. Cities, special districts, and other municipal entities and public corporate entities may be admitted to the retirement systems by applying to the Department of Retirement Systems (DRS) with the authorization of that entity's governing body.

While the employees of subdivisions or participating municipal entities are not employees of the

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state, they have a right to receive retirement benefits from the state under the terms of the retirement plan. The state, through the DRS, ensures that non-state employers properly administer the rules of the retirement system and that funds are collected from participating local employers to support the cost of benefits to the non-state retirees.

For the employers that participate in the PERS system, membership is extended to all regularly compensated employees employed in positions that meet the requirements of eligibility, are not covered by a different retirement system such as the Law Enforcement Officers' and Firefighters Retirement System or the Public Safety Employees' Retirement System, or are not covered by another exception.

A position of employment that normally earns at least 70 hours per month of regular compensation for five months during each of two consecutive years typically meets initial eligibility for PERS, and it will continue to be eligible if it meets that 70 hour threshold in at least five months of one year in any two-year period. All work that an employee performs for an employer, even if it is in several different PERS-covered positions, is combined for purposes of eligibility, but hours of work performed by an individual for separate employers are not combined to establish membership.

To become eligible for a retirement allowance from PERS Plan 2, a worker needs to "vest" by earning five years of vesting service credits. A full month of vesting service credit is earned where an employee works 90 or more compensated hours, one-half month with 70 to 90 hours, and one-quarter month for less than 70 hours. Members of PERS Plan 3 have several different vesting provisions.

Employers that choose to participate in PERS are responsible for ensuring employees are enrolled, have service reported, and have employer and employee contributions collected and remitted to the DRS. This responsibility requires evaluating new employees for eligibility, including initially completing and transmitting a variety of information about the worker to the DRS, and annually reviewing an employee's eligibility for membership.

In the event that an employer makes an error causing a member's service credit, compensation, or contributions to be understated, the DRS may bill the employer for the loss to the retirement systems of employer and employee contributions, including interest. It is a gross misdemeanor for an employer or employee to knowingly make false statements or submit false records in an attempt to defraud PERS.

Kitsap Transit was established as a Public Transportation Benefit Area in 1982 and is a PERS employer. Kitsap Transit employs about 50 part-time drivers that operate buses servicing the Puget Sound Naval Shipyard.

Summary of Bill:

Individuals newly employed by Public Transportation Benefit Areas as part-time bus drivers

serving naval shipyards are excluded from membership in the Public Employees' Retirement System. The exclusion is limited to those first hired on or after the effective date of the bill. The exclusion of part-time bus drivers is also limited to those employed on a full-time basis with an employer of the federal government and making contributions to the Federal Employees' Retirement System.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.