
Appropriations Committee

HB 2179

Brief Description: Concerning membership in the public employees' retirement system for port workers who participate in a federal railroad retirement plan, a union-sponsored defined benefit retirement plan, or another employer-funded private pension plan.

Sponsors: Representatives Abell and Engell.

Brief Summary of Bill

- Creates a new exception to membership in the Public Employees' Retirement System, exempting persons employed in eligible positions by a Port District and enrolled in a Federal Railroad Retirement Plan (FRRP) or a union-sponsored defined benefit plan (union plan).
- Applies the exemption both prospectively and retroactively to any period where a Port District made employer contributions to an FRRP or union plan.

Hearing Date: 1/15/26

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 165,000 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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

While the employees of subdivisions or participating municipal entities are not employees of the 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 nonstate 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 nonstate 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 state retirement system such as the Law Enforcement Officers' and Firefighters Retirement System or the Public Safety Employees' Retirement System, or defined benefit retirement plan operated wholly or in part by a state agency or political subdivision. Other specific exceptions are listed in the PERS laws.

The Federal Railroad Retirement Plan (FRRP) is a two-tiered annuity plan operated by the US Railroad Retirement Board that provides qualified railroad employees and survivors retirement, disability, and retirement benefits. The Tier I benefits are effectively a Social Security replacement plan and provides benefits that are largely equivalent to Social Security, including offsets and credits for Social Security that FRRP participants receive from other employment. The Tier II benefits are intended to be a pension benefit paid on top of Social Security-like benefits. The basic monthly benefit from Tier II is 0.7 percent of pay per year of service, using a 5-year average salary.

Port districts have participated in PERS since the 1950's. In 1965 Port District compensation statutes were amended to ensure that Port District employees could not be covered by both a private retirement plan and the state employees' retirement system. In 2002 the Legislature clarified that Port Districts could allow employee-only contributions to private pension plans without loss of eligibility for state pension plans.

Summary of Bill:

A new exception to membership in PERS is created. Persons employed in positions by a Port District and enrolled in a FRRP or a union-sponsored defined benefit plan (union plan) are not eligible for participation in PERS.

This new exemption from PERS applies both prospectively and retroactively to any period where a Port District made, or makes, employer contributions to an FRRP or union plan.

Appropriation: None.

Fiscal Note: Requested on January 8, 2026.

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