

Kitsap Transit Puget Sound Naval Shipyard Operators Exemption

Issue

Should part-time Puget Sound Naval Shipyard (PSNS) Operators employed by Kitsap Transit be exempt from PERS eligibility?

Background

Kitsap Transit is a Public Transportation Benefit Area (PTBA) employing part-time worker drivers that operate buses servicing the PSNS, referred to hereafter as PSNS Operators. Kitsap Transit reports employees in these positions work full-time for the Department of Defense and part-time for Kitsap Transit in a vanpool-like capacity transporting themselves and other federal employees to and from PSNS. Part-time positions where employees work limited hours may face challenges to maintain eligibility or vest in the Public Employees' Retirement System (PERS).

Highlights

- ❖ Generally, positions are defined by the employer and are typically PERS eligible after compensation for 70 hours or more for five months within one year, over two consecutive years. Anything less means the position is ineligible.
- ❖ An individual is eligible to vest and earn service credit each month in PERS 2 with five years of creditable service as follows: 1.0 vesting service credit when compensated hours are equal to 90 or more, 0.5 vesting service credit for 70 and up to 90 compensated hours, or 0.25 vesting service credits for less than 70 compensated hours.¹
- ❖ According to Kitsap Transit, PSNS Operators average 43.6 hours per month which makes PERS eligibility and vesting difficult. Federal employment takes priority and may disrupt or impact eligibility. As an example, a PSNS Operator who consistently works 70 and up to 90 hours per month earning 0.5 vesting service credits would become vested in PERS 2 in ten years, but the average tenure of PSNS Operators is 8.66 years.
- ❖ The [PERS membership statute](#) provides some narrowly defined exceptions to the retirement system, but the PSNS Operators request does not fit within the current law exceptions.
- ❖ A policy change may invite other exceptions to PERS for part-time employees if the positions face challenges with PERS eligibility or vesting, or if there is little value perceived from being included in PERS.

¹PERS 3 has additional vesting pathways that differ from PERS 2 that are not outlined here. For more information see the Department of Retirement Systems' [PERS Plan 3](#).

- ❖ If these positions are viewed as paid van pool drivers (i.e., the only reason they're driving is because of their PSNS jobs) then their driving could be perceived as an extension of their primary jobs. Policy makers with this view may not be concerned about excluding these positions from PERS since they are already receiving pensions from their primary employer.
- ❖ On the other hand, if these positions are viewed as stand-alone part-time positions, it may not matter to policy makers what kind of outside employment they have. Policy makers with this view may prefer these positions are treated like other part-time positions and may have concerns with excluding them from PERS.
- ❖ Some PSNS Operators may support an exception if they would rather have more pay upfront by not paying pension contributions towards PERS, and typically earn a Federal Employees' Retirement System retirement benefit.
- ❖ On the other hand, eligible employees who could vest may look back and wish they contributed and earned a supplemental retirement benefit through PERS for their tenure at Kitsap Transit.
- ❖ The proposed exception applies to new hires only, so some part-time employees who may currently be eligible to earn PERS benefits for services provided to Kitsap Transit will continue to be included in PERS going forward.

Committee Activity

- ❖ The Committee received an informational briefing in September, discussed this issue during an executive session in October, and received a policy briefing in December. At the December meeting the Committee voted to recommend a bill draft.

Recommendation to the 2024 Legislature

Sponsor a bill that creates a new PERS exception for part-time bus drivers serving a naval shipyard who also work full-time for a federal employer and are making contributions to the federal employees' retirement system as of the effective date of the bill.

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