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Subject: Follow-Up on Kitsap Transit Worker-Driver Operator Exemption Request
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Attachments: [KT-SCPP Follow-Up Points.docx](#)

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Melinda,

Thank you for all the work on the PERS exemption request for Kitsap Transit. As the Committee continues to consider the appropriate next steps, we wanted to share the attached document that hopefully provides more context and can help better quantify the issue for the members. We ask that you please share this with the Committee as official correspondence.

Please let us know if you or the Committee have additional questions. We look forward to continuing to work on this exemption request.

All the best,

Dylan

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Kitsap Transit Worker-Driver Operator Exemption

- In a vote of Worker Drivers in June 2023, which was conducted by Teamsters Local 589, the majority of responding Worker Drivers voted to ask Kitsap Transit staff to pursue a PERS exemption for their work group. 75% of the Worker Driver work group participated in the vote.
- It is very difficult for most Worker Drivers to qualify for PERS for several reasons. In a recent count or snapshot of Worker Drivers that could qualify to earn service credit hours towards vesting in PERS, only 9 of 51, or 17.6%, of the worker driver operators would qualify to earn and accumulate PERS service credits. Most worker driver routes do not meet the minimum hours of 70 hours in 5 months for two consecutive years. The average hours worked per month by a Worker Driver was 43.6 hours (Jan – June 2023). Qualifying for PERS is also complicated by the needs and priorities of their primary professions and responsibilities at the Puget Sound Naval Shipyard (PSNS). It is not uncommon for them to step away from their worker driver work for long periods of time due to assignments at sister shipyards in San Diego, Japan, or on the east coast or the need to work on high priority projects within the shipyard. This is the reason Kitsap Transit must maintain such a large group of backup Worker Drivers.
- It is even more difficult to vest in PERS for the minority that do qualify. Since 2008, there have been 167 Worker Driver operators. Only 3, or 1.8%, of the operators may have vested based on a recent review. Vesting in PERS2, as an example, requires a minimum of 60 service credits. A PERS qualified operator may earn a half service credit for each month they work between 70 – 90 hours per month (25% credit for less than 70 and a full credit greater than 90 hours per month). That would require that qualifying operator to consistently work 70 – 90 hours a month for a minimum of 10 years (12 months * 0.5 service credit * 10 years = 60 service credits). It is not uncommon that an operator has disruptions in their work for the reasons provided above.
- In accordance with RCW 41.40.023, there are several exceptions to mandatory PERS participation to accommodate circumstances or professions where PERS is not well designed for the circumstance. The majority of Worker Drivers and the staff asked to pursue the PERS exemption believe the Worker Driver group is one such group that PERS is not well designed for their circumstances. Most Worker Driver operators do not qualify and or vest for the reason noted above. Most, if not all, are highly compensated skilled workers and professionals working as federal Department of Defense employees that already participate within the Federal Employee Retirement System (FERS). Most, if not all, of the Worker Drivers earn greater than 50% of their gross income from their primary professions in the shipyard. There is a similar PERS exception in RCW



41.40.023 that says professional services to an employer on a fee, retainer, or contract basis OR when the income from these services is less than 50% of the gross income receive from the persons practice or profession. The approximate average annual income of a Worker Driver is approximately \$15,000 per year while the highest gross earnings of any of the Worker Drivers in 2022 was approximately \$27,000. If the 50% measure for PERS exemption was applied to the Worker Driver group, their professions in PSNS would need to be greater than \$30,000 on average and \$54,000 on the top end. Although it cannot be confirmed, it is a reasonable assumption that most, if not all, of the skilled and professional Worker Driver operators earn at least \$30,000 and, likely more, than \$54,000 per year from their primary professions in PSNS. And it is likely that all are participating in the Federal Employee Retirement System (FERS).

- Although not a primary consideration, there should be some consideration given to the administrative work of monitoring, communicating, changing status changes of qualifying and non-qualifying Worker Driver operators between Kitsap Transit and the DRS staff required to regularly and consistently maintain PERS employee and employer contributions and employee qualification status. It is manageable, but nonetheless not an efficient use of administrative time of either KT or DRS staff if PERS is not well designed for Worker Driver group and there is a very small minority that will ever vest.
- Also, while not a primary consideration, but still an important consideration is the PERS employee and employer contributions. The non-refundable employer PERS contribution would cost Kitsap Transit approximately \$15,000 per year with almost no benefit to Worker Driver employees based on the extremely low PERS vest percentage (2023 budgeted wages * approximate PERS employer rates * recent 17.6% qualification rate of the Worker Driver group). We informed the Worker Drivers that their employee contribution would be returned to them with interest if and when they are no longer a Worker Driver and have failed to vest in PERS. I cannot speak to the reasons the majority of the Worker Driver group voted to pursue a PERS exemption, but it is reasonable to assume they would rather receive their PERS contribution within their regular pay rather than wait when it is unlikely they will ever vest in PERS, particularly if they are satisfied with their contributions and benefits of the Federal Employee Retirement System.