

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5881 SB	<b>Title:</b> PERS/certain bus drivers
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## Estimated Cash Receipts

NONE

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Retirement Systems	.0	0	0	0	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

NONE

<b>Prepared by:</b> Marcus Ehrlander, OFM	<b>Phone:</b> (360) 489-4327	<b>Date Published:</b> Final 1/13/2024
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5881 SB	<b>Title:</b> PERS/certain bus drivers	<b>Agency:</b> 124-Department of Retirement Systems
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## Part I: Estimates

☒ **No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

NONE

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

<b>Legislative Contact:</b> Amanda Cecil	<b>Phone:</b> 360-786-7460	<b>Date:</b> 01/08/2024
<b>Agency Preparation:</b> Mike Ricchio	<b>Phone:</b> 360-664-7227	<b>Date:</b> 01/11/2024
<b>Agency Approval:</b> Mark Feldhausen	<b>Phone:</b> 360-664-7194	<b>Date:</b> 01/11/2024
<b>OFM Review:</b> Marcus Ehrlander	<b>Phone:</b> (360) 489-4327	<b>Date:</b> 01/11/2024

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

This bill excludes Kitsap County employees employed as part-time drivers servicing the Puget Sound Naval Shipyard from membership in the Public Employees’ Retirement System (PERS).

Sec. 1. RCW 41.40.023 and 2010 c 80 s 1 are each amended, to add new subsection (23), to read as follows:

Membership in the retirement system shall consist of all regularly compensated employees and appointive and elective officials of employers, as defined in this chapter, with the following exceptions:

"(23) Persons hired on or after the effective date of this section employed by a public transportation benefit area as defined in RCW 36.57A.010 as part-time bus drivers serving naval shipyards if the employee is simultaneously employed on a full-time basis with an employer of the federal government and is making contributions to the federal employees' retirement system."

This change does not have a cost impact on the Department of Retirement Systems (DRS) as DRS relies on public employers to make determinations on whether or not a position is eligible for membership in a retirement system/plan, In addition, this change only impacts Kitsap County.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5881 SB	<b>Title:</b> PERS/certain bus drivers	<b>Agency:</b> AFN-Actuarial Fiscal Note - State Actuary
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## Part I: Estimates

☒ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

NONE

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Amanda Cecil	Phone: 360-786-7460	Date: 01/08/2024
Agency Preparation: Melinda Aslakson	Phone: 360-786-6161	Date: 01/12/2024
Agency Approval: Michael Harbour	Phone: 360-786-6151	Date: 01/12/2024
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/13/2024

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

NONE

**III. B - Expenditures by Object Or Purpose**

NONE

**III. C - Operating FTE Detail:** FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

**IV. D - Capital FTE Detail:** FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.

NONE

**Part V: New Rule Making Required**

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

## SUMMARY OF RESULTS

**BRIEF SUMMARY OF BILL:** Creates a new PERS exception for people hired after the effective date of the bill that work as 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 (FERS).

### COST SUMMARY

This bill has **NO EXPECTED IMPACT** to rounded PERS 2/3 contribution rates. There will be an indeterminate decrease to future PERS 2/3 liabilities, assets, and salary (over which contributions are collected). However, we anticipate those combined changes to immaterially impact future calculated contribution rates based on the anticipated number of new hires who would be exempted from PERS membership.

### HIGHLIGHTS OF ACTUARIAL ANALYSIS

- ❖ Given the narrowly defined exception to PERS membership under this bill, we expect immaterial impacts to future plan costs.
  - We assume Puget Sound Naval Shipyard (PSNS) bus drivers that work for Kitsap Transit are the only positions impacted by this bill. According to Kitsap Transit, they have about 50 active part-time bus drivers which serve the PSNS; this bill exempts the new hires that eventually replace these current employees.
  - For context, as of our [June 30, 2022, Actuarial Valuation Report](#), there are roughly 164,000 active members in PERS 2/3.
- ❖ We received data from Kitsap Transit that we relied on as complete and accurate in making this actuarial determination. We did not audit the data, nor did we have access to the individual records on these part-time employees.
  - If the actual number of impacted new hires is significantly larger than expected (or other employers are also found to have positions that would be exempt under the bill), the impact could be material enough to impact future rounded PERS 2/3 contribution rates.
  - The ultimate impact to future PERS 2/3 liabilities, assets, and salary will depend on the actual number of new hires impacted as well as their demographic profile and behavior (e.g., rate of termination).
  - Any costs/savings that do emerge as a result of this bill would be divided between members and employers according to the standard PERS 2/3 funding method.
- ❖ Another reason we expect this bill to have a limited impact on PERS 2/3 is the part-time nature of the affected positions – employees that work fewer hours may not accrue benefits at the same rate as full-time employees and consequently may be less likely to earn a vested pension.
  - See the **What Is the Current Situation** section for more information regarding eligibility criteria for PERS 2/3 under current law.
- ❖ In terms of risk, we expect no impact to overall plan affordability or solvency compared to current law. (For more information, see our [Risk Assessment](#), [Commentary on Risk](#), and [Glossary](#) webpages.)

*See the remainder of this fiscal note for additional details on this summary and highlights.*

## WHAT IS THE PROPOSED CHANGE?

### Summary of Bill

This bill impacts the following systems:

- ❖ Public Employees' Retirement System (PERS) Plans 2/3.

This bill creates a new exception to PERS for part-time bus drivers serving a naval shipyard who also work full-time for a federal employer and are making contributions to FERS. This exception applies to new hires only after the effective date of the bill.

Effective Date: 90 days after session

In this summary, we only include changes pertinent to our Actuarial Fiscal Note (AFN). See the legislative bill report for a complete summary of the bill.

### What Is the Current Situation?

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 earn service credit each month in PERS 2/3 as follows: 1.0 service credit when compensated hours are equal to 90 or more, 0.5 service credit for 70 and up to 90 compensated hours, or 0.25 service credits for less than 70 compensated hours. See our [Summary of Plan Provisions](#) for details on total service credit required for vesting that vary by plan.

This proposal will impact Kitsap Transit, a Public Transportation Benefit Area, which employs part-time worker drivers that operate buses servicing the PSNS. It was reported to the Office of the State Actuary that 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 their primary employer. According to Kitsap Transit, current PSNS Operators average about 44 hours per month; as a result, these employees typically would receive lower service credits per month and are unlikely to earn a vested pension during the tenure with Kitsap Transit as a part-time employee.

The PERS membership statute provides some narrowly defined exceptions to the retirement system, however these part-time worker driver positions are not included within the current law exceptions. See the relevant [Select Committee on Pension Policy](#) meeting materials from December 2023 for further information.



## ACTUARY'S CERTIFICATION

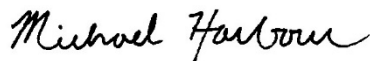
The undersigned certifies that:

1. The actuarial assumptions, methods, data, and models used are reasonable for the purposes of this pricing exercise. The use of another set of assumptions, methods, data, and models may also be reasonable and might produce different results.
2. The risk analysis summarized in this AFN involves the interpretation of many factors and the application of professional judgment. We believe that the assumptions, methods, and data used in our risk assessment model are reasonable for the purposes of this pricing exercise. However, the use of another set of assumptions, methods, and data could also be reasonable and could produce different results.
3. We prepared this AFN based on our current understanding of the bill as of the date shown in the footer. If the bill or our understanding of the bill changes, the results of a future AFN based on those changes may vary from this AFN. Additionally, the results of this AFN may change after our next annual update of the underlying actuarial measurements.
4. We prepared this AFN and provided opinions in accordance with Washington State law and accepted Actuarial Standards of Practice as of the date shown in the footer of this AFN.

We prepared this AFN to support legislative deliberations during the 2024 Legislative Session. This AFN may not be appropriate for other purposes.

We advise readers of this AFN to seek professional guidance as to its content and interpretation, and not to rely on this communication without such guidance. Please read the analysis shown in this AFN as a whole. Distribution of, or reliance on, only parts of this AFN could result in its misuse and may mislead others.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. While this AFN is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.



Michael T. Harbour, ASA, MAAA  
Actuary

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