

# HOUSE BILL REPORT

## HB 2895

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**As Reported by House Committee On:**  
Appropriations

**Title:** An act relating to allowing port employees to join more than one retirement plan subject to a labor agreement.

**Brief Description:** Allowing port employees to join more than one retirement plan subject to a labor agreement.

**Sponsors:** Representatives Kessler, Chase and Ogden.

**Brief History:**

**Committee Activity:**

Appropriations: 2/6/02, 2/7/02 [DPS].

**Brief Summary of Substitute Bill**

- Permits port employees to belong to both the state pension system and employer- sponsored deferred compensation or supplemental pension programs.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 21 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Sehlin, Ranking Minority Member; Alexander, Clements, Cody, Cox, Dunshee, Grant, Kagi, Kenney, Kessler, Linville, Lisk, Mastin, McIntire, Pflug, Ruderman, Schual-Berke and Talcott.

**Staff:** Andrea Hardy (786-7349).

**Background:**

Before 1999, Public Employees' Retirement System (PERS) employers were prohibited from providing additional retirement plans (such as employer sponsored 401K plans) to their employees. This excluded from PERS membership employees who were covered either by another state pension plan or by an independent employer-sponsored defined contribution plan.

Legislation enacted in 1999 authorized PERS employers to offer an employer-sponsored defined contribution plan qualified under Section 401 of the Internal Revenue Code. This legislation failed to amend a section affecting port employees, however, so the prohibition on participation in employer-sponsored defined contribution plans still applies to port employees.

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**Summary of Substitute Bill:**

A port district may enter into an agreement authorizing specified deductions from employee salaries for the purposes of participation in a private pension plan. No port district funds may be deposited in accounts subject to the agreement. The prohibition on PERS members who are port employees from participating in a private pension plan is lifted. No private pension plan in operation prior to December 31, 2001, will be invalidated as a result of the affected statute. Participation in such a private pension plan will not exclude members from membership in PERS.

**Substitute Bill Compared to Original Bill:**

The original bill provided that employees of port districts who, as part of a negotiated labor agreement, join supplemental pension programs or deferred compensation programs may also join the Public Employees' Retirement System. The substitute bill provides that a port district may enter into an agreement authorizing specified deductions from employee salaries for the purposes of participation in a private pension plan. The substitute bill also: adds the prohibition on depositing port funds into accounts subject to the agreement; adds the grandfathering of existing plans; and adds the clarification that participation in such plans does not exclude members from PERS.

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**Appropriation:** None.

**Fiscal Note:** Requested on February 4, 2002.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (Original bill) Although we appreciate the Legislature's addressing this issue, we have a different bill that better addresses this problem. The ports of Port Angeles have approached the Teamsters to participate in the Teamsters' defined contribution plan. The ports would like to allow employees to take a deduction from their paycheck to pay into the Teamsters' defined contribution plan, using their port employers as a pass-through.

The problem is that, by port law, it is not legal to allow these employees to participate in

an alternate defined contribution plan. The proposed language would enable the ports to do this by altering port law and allowing employee-only contributions to the Teamsters' plan. There are also some port employees who came into the ports with private pensions already established. The proposed language also allows a contract or a labor agreement between employers and employees, regardless of representation by a union.

**Testimony Against:** None.

**Testified:** (In support, with amendments) Mike Ryherd, Teamsters; and Scott Taylor, Washington Public Ports Association.