

HOUSE BILL REPORT

HB 2927

As Reported by House Committee On:
Appropriations

Title: An act relating to retirement benefits for judges.

Brief Description: Revising retirement benefits for judges.

Sponsors: Representatives Fromhold, Crouse, Nixon, Bailey, Kessler, Rodne, Moeller and Conway; by request of Board For Judicial Administration.

Brief History:

Committee Activity:

Appropriations: 1/26/06, 1/31/06 [DP].

Brief Summary of Bill

- Provides membership in the Judicial Retirement Account Plan (JRA) for any state-employed justice or judge who is not a member of the Judicial Retirement System.
- Removes options for the Administrator of the Courts to manage contributions, leaving investment of the principal account with the State Investment Board.
- Exempts JRA accounts from judicial process, including attachment and the operation of bankruptcy or insolvency laws, except for domestic relations orders and federal income tax levies.
- Subjects distribution of JRA accounts to the operation of state community property laws upon a member's death.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 31 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Chandler, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke, P. Sullivan, Talcott and Walsh.

Staff: David Pringle (786-7310).

Background:

State-employed justices and judges, including those on the Washington Supreme Court, Courts of Appeals, and Superior Courts, also participate in a supplemental defined contribution program called the Judicial Retirement Account (JRA). The JRA was established in 1988, and members and employers each contribute 2.5 percent of pay to an individual member account. Distribution of the JRA is available to the member upon retirement as a lump-sum, or in other payment forms as made available by the administering agency, the Administrator of the Courts.

Since July 1, 1988, newly elected or appointed judges and justices have become members of the Public Employees' Retirement System (PERS) Plan 2. Since March 1, 2002, judges and justices without previously established PERS membership have had the choice to enter PERS Plan 2 or Plan 3. Judges who established membership in PERS Plan 1 prior to October 1, 1977, and who became judges after the closure of the Judicial Retirement System in 1988 remain members of PERS Plan 1.

The PERS Plan 2 provides members with an unreduced benefit of 2 percent of average final compensation for each year of service credit earned at age 65. The PERS Plan 3 provides members with an unreduced benefit of 1 percent per year of service credit earned at age 65, plus an individual member account of accumulated employee contributions plus investment earnings. A member of PERS Plan 2 or 3 may include any number of years of service towards the 2 percent or 1 percent formula in calculating their retirement benefit. The PERS Plan 1 provides members with a 2 percent per year unreduced benefit of up to 60 percent of average final compensation after 30 years of service at any age, 25 years of service beginning at age 55, or five years of service beginning at age 60.

Between 1937 and 1971, judges participated in the Judges' Retirement Plan, and between 1971 and 1988, the Judicial Retirement System. Both plans offered a benefit capped at 75 percent of pay that could be accrued after approximately 21.5 years of service. Both systems are funded on a pay-as-you-go basis, with member contributions between 6.5 percent and 7.5 percent of pay, and state contributions averaging in excess of 40 percent of pay. There are 19 active members of the Judicial Retirement System and 127 annuitants (retirees plus survivors), and no active members of the Judges' Retirement Plan and 16 annuitants.

Summary of Bill:

Membership in the JRA is provided to all justices and judges of the Washington Supreme Court, Courts of Appeals, and Superior Courts, except members of the Judicial Retirement System. The State Investment Board, at the request of the Administrator of the Courts, may invest the JRA principal account.

The JRA accounts are made more broadly exempt from judicial process, including from attachment and the operation of bankruptcy or insolvency law. The JRA accounts are made

subject to domestic relations orders, and lawfully demanded levies issued by the federal Internal Revenue Service.

Distribution of the accumulated contributions in a member's JRA account are made subject to state community property laws at the time of a member's death.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This is at the request of the State Investment Board and endorsed by the Select Committee on Pension Policy. An attorney asked for a disbursement for a former spouse, and we could not do that under current law. This makes some important changes to the JRA program, including concerning one judge who is a member of the TRS system - a situation that wasn't anticipated when the JRA was created in 1988.

Testimony Against: None.

Persons Testifying: Jeff Hall, Board for Judicial Administration.

Persons Signed In To Testify But Not Testifying: None.