
Appropriations Committee

HB 1649

Brief Description: Authorizing the purchase of an increased benefit multiplier for past judicial service for judges in the public employees' retirement system and the teachers' retirement system.

Sponsors: Representatives Fromhold, Conway, Bailey, Crouse, Sells, Moeller and Simpson.

Brief Summary of Bill

- Reduces an individual judge's cost of purchasing an improvement in the multiplier for past years of judicial service in the Public Employees' Retirement System or the Teachers' Retirement System from the full actuarial cost to one-half of the actuarial cost.
- Requires judges purchasing the 3.5 percent multiplier for past service to pay one-half of the actuarially equivalent value of the increase in benefits prior to retirement, and requires the judge's employer to pay the other half of the actuarial cost within five years of the completion of the judge's payment.
- Permits judges who purchased the increased multiplier at higher costs before July 1, 2007, to apply between July 1, 2007, and December 31, 2007, to have their purchase recalculated and have the difference in cost reimbursed.

Hearing Date: 2/1/07

Staff: David Pringle (786-7310).

Background:

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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The PERS Plan 2 provides most 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 most 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 general 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.

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.

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. 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 2006 Legislature increased the required contribution rates for new judges in PERS and the Teachers' Retirement System, ceased contributions to the JRA, and increased the annual multiplier to 3.5 percent of pay per year of judicial service for members of Plan 1 or Plan 2, and to 1.6 percent of pay per year of service for members of Plan 3. Members serving as justices or judges at the effective date of the 2006 act were given the option of increasing member contributions and moving to the higher annual multipliers, or continuing participation the JRA. A maximum benefit of 75 percent of pay was placed on justices and judges using the higher yearly multiplier formulas.

In addition to providing for a higher multiplier for future service in exchange for higher contribution rates, judges could also purchase the higher multiplier for past years of judicial service earned at the 2 percent or 1 percent per year of service formulas. A judge electing to purchase or improve past years of service is required to pay the actuarially equivalent value of the increase in the member's benefit resulting from the increase in the benefit multiplier.

Summary of Bill:

The cost for justices or judges to purchase an improved yearly service multiplier for past years of judicial service in PERS and TRS is reduced to one-half of the actuarially equivalent value of the increase in the member's benefit resulting from the increase in the benefit multiplier. The employer of a member that purchases the increased benefit is required to pay the other one-half of the increased value of the benefit within five years of the completion of the member payment.

Judges who purchased past service credit at the higher multipliers before July 1, 2007, at full actuarial cost may apply to the Department of Retirement Systems between July 1, 2007, and December 31, 2007, to have their purchase costs recalculated and have the difference returned to them.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.