
Appropriations Committee

SB 5918

Brief Description: Revising retirement benefits for judges.

Sponsors: Senators Fraser and Delvin; by request of Board For Judicial Administration.

Brief Summary of Bill
<ul style="list-style-type: none">• 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.

Hearing Date: 3/22/07

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. The JRA was closed to new judges on January 1, 2007, and judges instead contribute and earn additional benefits in Public Employees' Retirement System (PERS).

State law for PERS and the other retirement plans administered by the Department of Retirement Systems have provisions exempting the plans from the operation of most judicial process, such as attachment or garnishment for the payments of debt or bankruptcy, but provide specific rules permitting the effective operation of domestic relations orders, such as property dissolution orders

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stemming from a member or retiree's divorce. The JRA, administered by the Administrator of the Courts, does not have similar rules in state law.

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.

Since July 1, 1988, newly elected or appointed judges and justices have become members of the 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 general non-judicial 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 general 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. 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 5 years of service beginning at age 60.

New Judges and Justices after January 1, 2007, earn 3.5 percent of average final compensation for year of service in PERS Plan 1 or 2 up to a maximum of 75 percent of pay. New Judges and Justices in PERS Plan 3 earn 1.6 percent of pay per year of service up to a maximum of 37.5 percent of average final compensation. These judicial members of PERS higher employee contribution rates for the higher benefit levels than general members. The amount of the additional judicial PERS contribution rate varies by plan. Judges and Justices employed prior to January 1, 2007 have the option of ceasing participation in the JRA, making additional contributions and earning the higher PERS multipliers, and making payments to the Department of Retirement System to increase the value of past service credit earned as a judge to reflect the higher multipliers earnable for future service.

Summary of Bill:

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.