

SENATE BILL REPORT

SB 5523

As Reported by Senate Committee On:
Ways & Means, March 2, 2009

Title: An act relating to public retirement benefits for employees of the supreme court, court of appeals, or superior, district, or municipal courts.

Brief Description: Including court commissioners employed by the supreme court, court of appeals, superior courts, district courts, and municipal courts in the judicial benefit multiplier program of the public employees' retirement system.

Sponsors: Senators Hobbs, Pridemore and Tom.

Brief History:

Committee Activity: Ways & Means: 2/26/09, 3/02/09 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5523 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Tom, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kohl-Welles, McDermott, Murray, Oemig, Pridemore, Regala and Rockefeller.

Minority Report: Do not pass.

Signed by Senators Fraser, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Brandland, Carrell, Parlette and Schoesler.

Staff: Erik Sund (786-7454)

Background: 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.

Since July 1, 1988, newly elected or appointed judges and justices have become members of the Public Employees' Retirement System (PERS). 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 remained members of PERS Plan 1. Judges that have not established membership in PERS Plan 1 have been enrolled in PERS Plan 2 or, optionally, since March of 2002, PERS 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.

Membership of the PERS Plan 1 provides most members with an unreduced benefit of 2 percent of average final compensation for each year of service credit earned. Plan 1 members are eligible to retire at any age with 30 years of service credit, at age 55 with at least 25 years of service or at age 60 with at least five years of service. The PERS Plan 2 provides a similar benefit; however, regular retirement is available starting at age 65 with at least five years of service. 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.

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 2006 Legislature increased the required contribution rates for new judges in PERS and the Teachers' Retirement System (TRS), 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 in the JRA. A maximum benefit of 75 percent of pay applies to justices and judges using the higher yearly multiplier formulas.

In addition to receiving a higher multiplier for future service in exchange for higher contribution rates, judges may also purchase the higher multiplier for years of judicial service rendered prior to participation in the enhanced judicial multiplier program. A judge electing to purchase or improve past years of service is required to pay the actuarially equivalent value of the resulting benefit increase.

Summary of Bill (Recommended Substitute): A member of PERS Plan 1, 2, or 3 who is employed by the Supreme Court, a court of appeals, a superior court, a district court, or a municipal court as a court commissioner may elect to accrue an enhanced benefit for periods of future service as a court commissioner. Participating Plan 1 and Plan 2 members accrue a defined benefit at a rate of 3.5 percent per year of eligible service, subject to a maximum benefit of 75 percent. Participating Plan 3 members accrue a defined benefit at a rate of 1.6 percent per year of eligible service, subject to a maximum benefit of 37.5 percent. A maximum benefit of 75 percent of pay applies to court commissioners using the higher yearly multiplier formulas.

In order to receive the enhanced multiplier, a current member must make an irrevocable election, filed in writing with the member's employer, the Department of Retirement Systems, and the Administrative Office of the Courts between September 1, 2009, and January 31, 2010, or between January 1 and January 31 of any subsequent year. Eligible members hired after September 1, 2009, have 90 days from the date of hire to elect to participate, or may elect to participate in January of any subsequent year.

A member of PERS Plan 1 who elects to participate in the Enhanced Judicial Multiplier Program must contribute an additional 6.26 percent of his or her pay for all future periods of service as court commissioner, in addition to the basic 6 percent member contribution rate in PERS Plan 1. A member of Plan 2 must contribute at a rate equal to 250 percent of the standard PERS Plan 2 contribution rate during all periods of applicable service. Plan 3 members must contribute to their Defined Contribution account at a rate of at least 7.5 percent of pay while working as a court commissioner.

Employers are responsible for paying all of the standard PERS employer contributions, plus an additional 2.5 percent of pay for participating court commissioners belonging to PERS Plan 3. Court commissioners belonging to any of the PERS Plans who elect to participate in the enhanced benefit multiplier may also purchase an upgrade to the higher multiplier for prior years of service credit earned as a court commissioner. A member choosing to make such a purchase must pay the full actuarial equivalent value of the resulting benefit increase.

This expansion of the judicial benefit multiplier to court commissioners may only be implemented within funds specifically appropriated for the associated administrative expenses.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The bill may be implemented only within funds specifically appropriated for the associated administrative expenses.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on September 1, 2009.

Staff Summary of Public Testimony on Original Bill: PRO: This bill would provide the judicial retirement benefits to the last group of judges who weren't covered by previous legislation. Court commissioners share many of the responsibilities of judges and preside over a wide range of legal proceedings. Court commissioners are an efficient, cost-effective way for courts to increase their capacity to handle cases. Members affected by this bill would pay most of the cost of the enhanced benefits themselves.

Persons Testifying: PRO: Royce Moe, Eric Watness, court commissioners.