

House Bill 4317 as introduced
First Analysis (2-24-93)

Sponsor: Rep. Kim Rhead
Committee: Public Retirement

THE APPARENT PROBLEM:

The various statutes that control the state's judicial retirement systems have undergone several changes during the last decade. Under Public Acts 508 and 510 of 1982, the Probate Judges' Retirement System (PJRS) was closed to new membership in January 1, 1983. Probate judges taking the bench after that date were allowed to become members of the Judges' Retirement System (JRS), which provides a retirement system for the justices and judges of the supreme court, the court of appeals, circuit courts, district courts, Detroit Recorder's Court, and various state officials. (The JRS also includes more senior probate judges who opted to transfer their membership from the PJRS). Under Public Act 234 of 1992, the JRS and the PJRS were merged into one system, the Michigan Judges Retirement System (MJRS), effective March 31, 1993.

Although there were inequities between the retirement benefits of the former PJRS and JRS members (retirement benefits under the JRS are considered superior to those of PJRS), Public Act 234 did not address that issue. It simply combined the provisions of each retirement system; benefit levels, contribution rates, and court fees in each system remain intact. However, just as there are inequities between the retirement benefits of probate judges and those of other judges, there are also inequities between the retirement annuities granted probate judges themselves. The maximum amount payable for a retirement annuity under PJRS may not exceed 66-2/3 percent of a member's final salary, and while the salary level of the judiciary has increased dramatically in the past decade, this was not always the case. Since PJRS contains no provisions for cost-of-living adjustments, some of the forty remaining members of that system reportedly receive pensions of only \$3,000 or \$4,000 per year, while the average retirement benefit for a probate judge who retires today is \$40,000 per year. In order to restore some equity to the public retirement system, it is proposed that a one-time increase be granted, and that minimum benefit

levels be established for these retirees.

THE CONTENT OF THE BILL:

House Bill 4317 would amend the Probate Judges' Retirement Act to adjust the annuities of members and their beneficiaries as follows:

Supplemental Retirement Benefits. The bill would provide supplements -- ranging from 11 percent for members who retired in 1979 to 24 percent for those who retired prior to 1967 -- for the retirement annuities of members who retired before January 1, 1980. Beneficiaries of these members would also receive the supplement. The bill would require that the supplement be paid before October 1, 1993, and that future adjustments would be based on the recalculated annuity.

Minimum Retirement Benefits. The bill would establish a minimum annuity amount for members who retired before January 1, 1980. The minimum annuity would be \$10,000 per year if the member had at least 8 years of credited service. This provision would also apply to the annuity of a member who had elected Option A, under which reduced benefits are payable at the time of retirement and continue after the member's death to a beneficiary. The beneficiary of a member who had at least 8 years of credited service but had not elected Option A would receive a minimum annuity of \$8,500 per year. The minimum annuity amount would be reduced by the amount of an annuity or retirement allowance a member received from another public retirement system while serving on the bench. However, the reduced amount could not be less than the amount payable on a supplemented annuity, if applicable, nor the amount of the current annuity.

The provisions of the bill would be effective March 1, 1993.

MCL 38.916a and MCL 38.916b

FISCAL IMPLICATIONS:

According to the Retirement Bureau in the Department of Management and Budget, the provisions of the bill would result in costs of less than \$50,000 for the first year. (2-23-93)

ARGUMENTS:

For:

The provisions of the bill would solve some of the inequities within the Probate Judges Retirement System which affect older retirees and widows of deceased members. Currently, a member of that system receives a retirement annuity equal to 3 percent of final salary times years of service, if the judge is also a member of another retirement system; or 3.5 percent of final salary times years of service for judges who are members of PJRS only. The maximum amount payable for a retirement annuity under PJRS may not exceed 66-2/3 percent of a member's final salary. For some, this has resulted in poverty-level retirement annuities, for while progress has been made in increasing probate judges' salaries in the past decade, this was not always the situation.

POSITIONS:

A representative of the Michigan Probate Judges Association testified in support of the bill. (2-23-93)