



**House
Legislative
Analysis
Section**

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JUDGES' RETIREMENT

House Bill 4672 with committee amendments First Analysis (2-20-96)

Sponsor: Rep. Clark Harder
Committee: Appropriations

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.

Public Act 234 simply combined the provisions of each retirement system; it did not address the issue of inequities between the two systems nor the inequities among members of the same system. Benefit levels, contribution rates, and court fees in each system remain intact. There are, however, inequities in each system. While progress has been made in increasing judicial salaries in the past decade, this was not always the situation, and the retirement benefits of those who retired before the general increase in salary levels reflect the lower salaries prevalent in prior years. Accordingly, a handful of retired judges and the widows of deceased judges receive extremely low pension benefits. The legislature addressed these inequities in Public Act 11 of 1993 for members of the former PJRS by granting a one-time increase in benefits for certain older retirees and beneficiaries, and by establishing a minimum benefit level. (Public Act 11 of 1993 was then almost immediately repealed by Public Act 234 of 1992, but the benefit increases took effect and have been applied to the retirement allowances of the former probate judges and beneficiaries.) It is proposed that these same benefit increases, a one-time supplement and a minimum benefit level, be granted for the other group of older retirees and beneficiaries -- certain members of the former Judges Retirement System who retired before 1980.

THE CONTENT OF THE BILL:

Under Public Act 234 of 1992, the Judges' Retirement Act, the Judges' Retirement System (JRS) and the Probate Judges' Retirement System (PJRS) were merged into one system, the Michigan Judges' Retirement System (MJRS), effective March 31, 1993. House Bill 4672 would amend the 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 supplement would be effective May 1, 1995, and paid before October 1, 1995. Future adjustments would be based on the recalculated annuity. The supplemental provisions of the bill would not apply to members who belonged to the former Judges' Retirement System before September 8, 1961, nor to their beneficiaries. Nor would the supplements be granted to members who received a supplement under Section 16a of that act. Members of the former JRS who are receiving two retirement allowances -- one for service credited under the former JRS and one for service credited under the former PJRS -- would receive a supplement on whichever of the two retirement allowances was the larger.

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

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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. Retirees who were eligible for the increase but who were receiving two retirement allowances -- one for service credited under the former JRS and one for service credited under the former PJRS -- would only receive an increase on whichever of the two retirement allowances was the larger. A retiree or Option A beneficiary who received an allowance of \$10,000 or more (or \$8,500 if other than an Option A beneficiary), would not be entitled to the increased allowance; nor would a retiree or beneficiary who received an increased annuity under Section 16b of the former PJRS act. The provisions of the bill would be effective October 1, 1995. No increases in retirement allowances would be paid for any month prior to October 1, 1995.

MCL 38.2510 and MCL 38.2511

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would require an increased employer contribution of about .05 percent of payroll, resulting in an annual cost of no more than \$24,200. (2-16-96)

ARGUMENTS:

For:

The bill would solve some of the inequities within the Judges Retirement System that affect older retirees and widows of deceased members. Judges who served on the bench during the 1960s and 1970s received much lower salaries and lower pension benefits (some as low as \$4,000 annually) than those who serve today. These members did not benefit from the "escalator" clause that was in effect between 1956 and 1961 and that provided corresponding increases in retirees' pension benefits in response to increases in judicial salaries. Though it would affect only 31 judges and beneficiaries, the bill would greatly assist these few at very little cost to the retirement system.

POSITIONS:

The Michigan Retired Judges Association submitted testimony in support of the bill. (2-14-96)

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.