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BILL ANALYSIS

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Senate Bill 524 (Substitute S-1 as reported)
Sponsor: Senator Bruce Patterson
Committee: Judiciary

CONTENT

The bill would amend the Judges Retirement Act to provide that, effective July 1, 2007, the retirement allowance payable to a retirant or beneficiary of a deceased retirant under Tier 1 (the defined benefit system) would be supplemented by 67% if all of the following applied to that retirant:

- He or she potentially was eligible to purchase two years' service credit under the Act, the former Judges Retirement System, or the former Probate Judges Retirement System, because he or she served honorably on active duty as a member of the U.S. Armed Forces.
- He or she was unable to purchase the military service credit while a member because he or she had not accumulated 12 years of credited service.
- He or she was older than 60 when entering the system and was prevented from accumulating 12 years of credited service by the mandatory retirement age for judges specified in the State Constitution (which prohibits a person from being elected or appointed to a judicial office after reaching the age of 70).

The supplement would have to be paid annually. For a retirant or beneficiary of a deceased retirant who was eligible to receive the supplement and who was receiving more than one judicial retirement allowance, the retirement system could supplement only the largest retirement allowance.

The recalculated retirement allowance under the bill would be the basis on which future adjustments to the retirement allowance were calculated. The percentage of final compensation limits specified in the Act would not apply to the increases authorized by the bill. If a retirant died before December 31, 2007, and no benefits became payable to a beneficiary under the Act, the retirant's retirement allowance could not be supplemented.

Proposed MCL 38.2514

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

It is estimated that only one person would be eligible to receive the 67% annual pension supplement proposed by the bill, and that this pension adjustment would cost \$15,000 per year. Whether the retirement rate otherwise charged to the judiciary would be affected based on this single adjustment would depend upon the value of the assets in the Judges Retirement System and how much the system is "overfunded". Likely, since this would be an adjustment to only one judge's pension, any impact would be minimal.

Date Completed: 12-5-07

Fiscal Analyst: Kathryn Summers-Coty

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Analysis available @ <http://www.michiganlegislature.org>

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