

# Legislative Analysis

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## **JUDGES RETIREMENT SYSTEM - HEALTH REIMBURSEMENT ACCOUNTS**

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### **House Bill 4319**

**Sponsor: Rep. Al Pscholka**

**House Committee: Financial Liabilities  
Complete to 4-25-13**

### **A SUMMARY OF HOUSE BILL 4319 AS INTRODUCED:**

The bill would amend the Judges Retirement Act (JRA) to create health reimbursement accounts (HRAs) for judges and certain other elected officials within the Section 115 irrevocable trust established under the Public Employee Retirement Health Care Funding Act (PA 77 of 2010). Funds deposited into the trust may be used only to pay for retirement health benefits and related administrative costs. The bill would also require certain judges to make a mandatory contribution equal to 2% of his or her compensation into an HRA.

#### Plan 1 and Plan 2 Members

Currently under the JRA, only Plan 1 and Plan 2 members receive health insurance premium subsidies in retirement. While those members are actively employed, they must contribute 2% of their compensation into a reserve for health benefits to contribute toward this benefit.

Plan 1 members include governors, lieutenant governors, secretaries of state, attorneys general, and legislative auditors general. Plan 2 members include state court administrators, supreme court justices, and court of appeals judges.

The bill would require that, beginning with the effective date of the bill, the 2% contributions made by Plan 1 and Plan 2 members instead would be deposited into a funding account in the irrevocable trust established under PA 77 of 2010. It also would shift any funds from the Court Fee Fund, which otherwise would have been deposited into the reserve for health benefits, into the irrevocable trust funding account. The funds would still be used for the same purpose, to provide retiree health care benefits for applicable members.

#### Other Plan Members

Other plan members include circuit court, district court, and probate court judges. They do not receive retirement health benefits from the state, but may receive retirement health benefits from their local employer.

The bill would require that all other plan members, who first become a judge after the bill's effective date or who are not covered by a local health benefit plan for retirees, make a mandatory contribution equal to 2% of his or her compensation into an HRA.

The bill would allow any eligible judge, who currently may make voluntary contributions into a medical benefit account, to make voluntary contributions into a health reimbursement account in the irrevocable trust.

The bill also would allow an employer to contribute an additional amount into the judge's HRA.

Administrative Costs

The bill would allow the retirement board to establish an administrative and investment fee structure to be charged against the health reimbursement accounts to defray the costs of administering the accounts.

**FISCAL IMPACT:**

The State may initially incur administrative costs in setting up the HRAs within the irrevocable trust, but costs are likely to be minimal and would be reimbursed from the HRAs once members begin contributions.

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■ 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.