

Legislative Analysis



INCREASE MAXIMUM CONTRIBUTION AND MATCH FOR JUDGES RETIREMENT SYSTEM TIER 2 PLANS

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House Bill 5328 (H-1) as adopted
Sponsor: Rep. Jimmie Wilson, Jr.
Committee: Judiciary
Complete to 9-25-24

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 152 of 2024)

SUMMARY:

House Bill 5328 would amend the Judges Retirement Act to increase the amount that a qualified participant in a Tier 2 (defined contribution) plan can contribute to their account, from 3% of their salary under current law to 5% of their salary under the bill. The increase would be effective beginning April 10, 2025. The qualified participant's employer must match contributions the qualified participant makes under these provisions, so the bill would also effectively increase the amount subject to that match from 3% to 5% of salary.

MCL 38.2664

BRIEF DISCUSSION:

According to committee testimony, allowing an additional match amount of 2% of salary for judges in the defined contribution plan would provide parity with match amounts for similarly situated state employees, who are eligible for a 2% employer matching contribution if they were hired too late to qualify for retiree health insurance benefits. This match option is offered in lieu of retiree health insurance and is meant to provide funds to offset postretirement health care expenses.

Generally speaking, judges who first took office after March 31, 1997, also do not have state retiree health insurance benefits—although some counties, such as Wayne, Macomb, Oakland, and Kent, do provide them. As judges are prohibited from being appointed or elected after 70, the majority of currently serving judges will have taken office after that date. The additional 2% match amount under the bill could similarly provide funds for their postretirement health care expenses and help them better plan for retirement.

Reportedly, judicial vacancies in some counties are not being easily filled. For attorneys in private practice, becoming a judge often means taking a job that pays less and has no pension or postretirement health care. Supporters argue not only that the bill will provide the above-described parity between judges and other state employees, but also that doing so could perhaps help attract and retain accomplished, knowledgeable, and dedicated attorneys to serve their communities and the state from the bench.

FISCAL IMPACT:

The bill would increase employer retirement contribution costs by approximately \$1.9 million, according to the Office of Retirement Services. The increased costs ultimately would depend on the extent to which qualified participants made additional contributions that necessitated

additional employer matching contributions. Under the current defined contribution plan, the employer makes a mandatory contribution of 4%. The employer also matches 100% of the contributions made by the employee, up to a maximum of 3%. The provisions of the bill would increase the employee contribution subject to a match to 5%, a two percentage point increase.

POSITIONS:

Representatives of the Michigan Judges Association testified in support of the bill. (2-21-24)

The following entities indicated support for the bill (5-22-24):

- State Court Administrative Office
- Michigan District Judges Association

The Office of Retirement Services indicated having no position on the bill. (5-22-24)

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