

JUDGES' RETIREMENT; SUPPLEMENTAL INCREASE



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FISCAL ANALYSIS

HOUSE BILL 4675 Enrolled
Sponsor: Rep. Jason Allen
House Committee: Appropriations

ENROLLED ANALYSIS - 1/9/03
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SUMMARY

Amends the Judges Retirement System (JRS) Act to provide a one-time increase to base pension allowances to those who retired between January 1, 1980 and December 31, 1992. The increases are graduated and range from 3.5% to 8.0%, with those being retired the longest receiving the largest percentage increase.

BACKGROUND:

Retirees under the JRS do not receive automatic, annual pension allowance cost-of-living increases. These can only be provided through legislation, which was done in 1996 for those who retired between 1961 and 1979. The JRS Defined Benefit Plan is a contributory plan and is now a closed system. All new judges and officials are members of the JRS Defined Contribution Plan. In addition to trial and appellate court judges, members in the system include the Governor, Lieutenant Governor, Attorney General, Secretary of State, Auditor General, and State Court Administrator.

The most recent JRS annual report (dated 9/30/2000) indicates that the JRS is nearly 135% funded, or \$70.6 million over-funded. Because the system is so well funded, in fact, no significant employer (state) contributions have been made since 1997. As of September 30, 2000, there were 399 active and 535 retirees/beneficiaries. The average annual pension allowance is \$28,447.

JRS Schedule of Revenues by Source

Fiscal Year Ended Sept 30	Member Contributions	Net Court Fees	GF/GP Dollars	% of Annual Covered Payroll	Net Investment & Other Income	Total
1991	\$2,705,409	\$5,661,204	\$1,505,192	3.43 %	\$22,486,378	\$32,358,183
1992	2,447,047	5,719,623	1,519,483	3.47	13,718,217	23,404,370
1993	2,833,083	6,101,841	1,588,274	3.57	21,551,382	32,074,580
1994	2,811,231	4,926,397	1,650,598	3.57	4,598,657	13,986,883
1995	2,915,335	5,263,144	1,614,633	3.35	23,803,055	33,596,197
1996	2,975,239	4,635,563	1,556,044	3.15	34,867,041	44,033,887
1997	3,208,635	4,080,730	1,592,853	3.25	61,494,465	70,376,683
1998	3,214,706	0	246,659	0.50	26,250,205	29,711,570
1999	3,316,840	0	58,499	0.00	53,008,576	56,383,915
2000	3,199,407	0	0	0.00	44,164,101	47,363,508

Source: Annual Report

STATE FISCAL IMPACT:

Enactment of this bill creates an unfunded liability of \$2.5 to \$3 million. This equates to a \$350,000 to \$375,000 annual cost. However, because the JRS is significantly over-funded, no employer contributions are likely to be required in the near future and the additional cost will be absorbed through the surplus.

The table below provides relevant data on the impact of this bill.

JRS Data/Impact of HB 4675 Adjustments

Retirement Year	COLA	Retirees/ Beneficiaries	Average Pension	Average Increase	Low Pension	High Pension	Median Pension
1/1/80-12/31/83	8.0%	66	\$18,206	\$1,456	\$2,868	\$42,294	\$16,984
1/1/84-12/31/84	7.5%	10	20,976	1,573	8,715	43,089	20,561
1/1/85-12/31/85	7.0%	35	22,587	1,581	6,104	34,131	23,143
1/1/86-12/31/86	6.5%	22	23,313	1,515	9,481	47,755	20,246
1/1/87-12/31/87	6.0%	18	28,131	1,688	6,039	46,890	31,475
1/1/88-12/31/88	5.5%	20	30,523	1,679	9,900	58,667	27,086
1/1/89-12/31/89	5.0%	33	31,974	1,599	6,932	56,703	35,249
1/1/90-12/31/90	4.5%	12	28,399	1,278	15,271	44,647	25,159
1/1/91-12/31/91	4.0%	40	34,382	1,375	9,245	61,408	41,513
1/1/92-12/31/92	3.5%	19	31,637	1,107	3,741	61,408	34,689
Totals/Averages		275	\$26,196	\$1,486	\$7,830	\$46,699	\$27,611

Source: Compiled from Office of Retirement Services data

LOCAL FISCAL IMPACT:

None.