

HOUSE BILL No. 5603

March 4, 1992, Introduced by Rep. Hollister and referred to the Committee on Senior Citizens and Retirement.

A bill to amend section 31 of Act No. 240 of the Public Acts of 1943, entitled as amended

"State employees' retirement act,"

as amended by Act No. 48 of the Public Acts of 1991, being section 38.31 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 31 of Act No. 240 of the Public Acts of
2 1943, as amended by Act No. 48 of the Public Acts of 1991, being
3 section 38.31 of the Michigan Compiled Laws, is amended to read
4 as follows:

5 Sec. 31. (1) Except as provided in subsection (6), before
6 the effective date of retirement, but not after the effective
7 date of retirement, a member or deferred member who is eligible
8 for retirement, as provided in ~~section 19, 19a, 21, 24, 46, or~~
9 ~~48-~~ THIS ACT, shall elect to receive his or her benefit in a

1 retirement allowance payable throughout life, which shall be
2 called a regular retirement allowance, or to receive the actuar-
3 ial equivalent at that time of his or her regular retirement
4 allowance in a reduced retirement allowance payable throughout
5 the lives of the retirant and a retirement allowance beneficiary,
6 pursuant to 1 of the following options:

7 (a) Option A. Upon the retirant's death his or her reduced
8 retirement allowance shall be continued throughout the life of
9 and paid to the retirement allowance beneficiary whom the member
10 nominated by written designation duly executed and filed with the
11 retirement board before the effective date of his or her
12 retirement.

13 (b) Option B. Upon the retirant's death, 1/2 of his or her
14 reduced retirement allowance shall be continued throughout the
15 life of and paid to the retirement allowance beneficiary whom the
16 member nominated by written designation duly executed and filed
17 with the retirement board before the effective date of his or her
18 retirement.

19 (2) Except as provided in subsections (3) and (8), the elec-
20 tion of an option shall not be changed on or after the effective
21 date of the retirement allowance. A retirement allowance benefi-
22 ciary designated under this section shall not be changed on or
23 after the effective date of the retirement allowance. ~~and~~
24 ~~shall be either a spouse, brother, sister, parent, child, includ-~~
25 ~~ing an adopted child, or grandchild of the person making the~~
26 ~~designation.~~ Payment to a retirement allowance beneficiary shall

1 begin on the first day of the month following the death of the
2 retirant or member.

3 (3) If the retirement allowance beneficiary named under
4 option A or B under subsection (1) predeceases the retirant, the
5 retirant's benefit shall revert to the regular retirement allow-
6 ance, effective with the first day of the month following the
7 retirement allowance beneficiary's death. For a retirant whose
8 effective date of retirement was on or before June 28, 1976, this
9 subsection shall apply, but the regular retirement allowance is
10 not payable for any month beginning before the later of the
11 retirement allowance beneficiary's death or January 1, 1986. A
12 retirant who on January 1, 1986 is receiving a reduced retirement
13 allowance because the retirant designated a retirement allowance
14 beneficiary and the retirement allowance beneficiary predeceased
15 the retirant is eligible to receive the regular retirement allow-
16 ance beginning January 1, 1986, but the regular retirement allow-
17 ance is not payable for any month beginning before January 1,
18 1986.

19 (4) A member who continues in the employ of this state on
20 and after the date he or she acquires 10 years of service credit
21 or becomes eligible for deferred retirement as provided by sec-
22 tion 20(4) or (5), whichever occurs first, may by written decla-
23 ration duly executed and filed with the retirement board elect
24 option A, provided for in subsection (1)(a), and nominate a
25 retirement allowance beneficiary in the same manner as if the
26 member were then retiring from service, notwithstanding that the
27 member may not have attained 60 years of age. In the case of the

1 beneficiary's death or divorce from the member before the
2 effective date of the member's retirement, the member's election
3 of option A and nomination of retirement allowance beneficiary
4 shall be automatically revoked and the member may again elect
5 option A and nominate a retirement allowance beneficiary at any
6 time before the effective date of retirement. If a member who
7 has made an election and nominated a retirement allowance benefi-
8 ciary as provided in this subsection dies before the effective
9 date of his or her retirement, then the retirement allowance ben-
10 eficiary shall immediately receive the retirement allowance that
11 he or she would have been entitled to receive under option A if
12 the member had been regularly retired on the date of the member's
13 death. Except as otherwise provided by subsection (5), if a
14 member who has made an election under this subsection subse-
15 quently retires under this act, his or her election of option A
16 shall take effect at the time of retirement. Subject to the
17 requirements of subsection (5), the member may, before the effec-
18 tive date of retirement, but not after the effective date of
19 retirement, revoke his or her previous election of option A and
20 elect to receive his or her retirement allowance as a regular
21 retirement allowance or under option B as provided for in subsec-
22 tion (1)(b). A retirement allowance shall not be paid under this
23 subsection on account of the death of a member if any benefits
24 are paid under section 27 on account of his or her death. If a
25 deferred member who has an option A election in effect dies
26 before the effective date of his or her retirement, the
27 retirement allowance payable under option A shall be paid to the

1 retirement allowance beneficiary at the time the deceased
2 deferred member otherwise would have been eligible to begin
3 receiving benefits.

4 (5) If a member, deferred member, retiring member, or retir-
5 ing deferred member is married at the effective date of the
6 retirement allowance, an election under this section, other than
7 an election of an option under subsection (1) naming the spouse
8 as retirement allowance beneficiary, shall not be effective
9 unless the election is signed by the spouse. However, this
10 requirement may be waived by the retirement board if the signa-
11 ture of a spouse cannot be obtained because of extenuating
12 circumstances. As used in this subsection, "spouse" means the
13 person to whom the member, deferred member, retiring member, or
14 retiring deferred member is married at the effective date of the
15 retirement allowance.

16 (6) Until July 1, 1991, upon request in a form as determined
17 by the retirement board, a nonduty disability retirant who
18 retired under section 24 may change his or her election to
19 receive a disability retirement allowance computed as a regular
20 retirement allowance and elect to receive the actuarial equiva-
21 lent at the time of the election pursuant to this subsection of
22 his or her disability retirement allowance in a reduced retire-
23 ment allowance payable to the retirant and the retirant's spouse
24 pursuant to the provisions of option A or B as provided in
25 subsection (1), if the disability retirement allowance effective
26 date was before November 12, 1985 and the retirant had 25 or more
27 years of credited service on the disability retirement allowance

1 effective date. The nonduty disability retirant shall begin to
2 receive the reduced retirement allowance under this subsection
3 effective the first day of the month following the month in which
4 the retirant makes the election pursuant to this subsection. As
5 used in this subsection, "spouse" means the person to whom the
6 nonduty disability retirant was married on the effective date of
7 his or her disability retirement allowance and on the date the
8 retirant makes the election pursuant to this subsection.

9 (7) If a member who continues in the employ of the state on
10 and after the date he or she acquires 10 years of service credit,
11 or on and after the date he or she becomes eligible for deferred
12 retirement as provided by section 20(4) or (5), whichever occurs
13 first, and who does not have an election of option A in force as
14 provided in subsection (4), dies before the effective date of
15 retirement and leaves a surviving spouse, the spouse shall
16 receive a retirement allowance computed in the same manner as if
17 the member had retired effective the day before the date of his
18 or her death, elected option A, and nominated the spouse as
19 retirement allowance beneficiary. When the retirement allowance
20 beneficiary dies, his or her retirement allowance shall
21 terminate. If the aggregate amount of retirement allowance pay-
22 ments received by the beneficiary is less than the accumulated
23 contributions credited to the member's account in the employees'
24 savings fund at the time of the member's death, the difference
25 between the accumulated contributions and the aggregate amount of
26 retirement allowance payments received by the beneficiary shall
27 be transferred from the employer's accumulation fund or pension

1 reserve fund to the employees' savings fund and paid pursuant to
2 section 29. A retirement allowance shall not be paid under this
3 subsection on account of the death of a member if benefits are
4 paid under section 27 on account of his or her death.

5 (8) If a retirant receiving a reduced retirement allowance
6 under option A or B under subsection (1) is divorced from the
7 spouse who had been designated as the retirant's retirement
8 allowance beneficiary under option A or B, the election of option
9 A or B shall be considered void by the retirement system if the
10 judgment of divorce or award or order of the court, or an amended
11 judgment of divorce or award or order of the court, described in
12 section 40 and dated after ~~the effective date of the amendatory~~
13 ~~act that added this subsection~~ JUNE 27, 1991 provides that the
14 election of option A or B under subsection (1) is to be consid-
15 ered void by the retirement system and the retirant provides a
16 certified copy of the judgment of divorce or award or order of
17 the court, or an amended judgment of divorce or award or order of
18 the court, to the retirement system. If the election of option A
19 or B under subsection (1) is considered void by the retirement
20 system under this subsection, the retirant's retirement allowance
21 shall revert to a regular retirement allowance, including postre-
22 tirement adjustments, if any, subject to an award or order of the
23 court as described in section 40. The retirement allowance shall
24 revert to a regular retirement allowance under this subsection
25 effective the first of the month after the date the retirement
26 system receives a certified copy of the judgment of divorce or
27 award or order of the court. This subsection does not supersede

1 a judgment of divorce or award or order of the court in effect on
2 ~~the effective date of the amendatory act that added this~~
3 ~~subsection~~ JUNE 27, 1991. This subsection does not require the
4 retirement system to distribute or pay retirement assets on
5 behalf of a retirant in an amount that exceeds the actuarially
6 determined amount that would otherwise become payable if a judg-
7 ment of divorce had not been rendered.

8 (9) A retirement allowance payable under a payment option
9 provided in this section is subject to an eligible domestic rela-
10 tions order under the eligible domestic relations order act, ACT
11 NO. 46 OF THE PUBLIC ACTS OF 1991, BEING SECTIONS 38.1701 TO
12 38.1711 OF THE MICHIGAN COMPILED LAWS.