



# HOUSE BILL No. 4048

January 11, 1995, Introduced by Reps. Rhead, Fitzgerald, Gilmer, Dalman, Horton, Ryan, DeLange, Hill, Green and Crissman and referred to the Committee on Appropriations.

A bill to amend sections 1, 17j, 19, and 31 of Act No. 240 of the Public Acts of 1943, entitled as amended "State employees' retirement act," section 1 as amended by Act No. 177 of the Public Acts of 1990, section 17j as amended by Act No. 9 of the Public Acts of 1989, section 19 as amended by Act No. 195 of the Public Acts of 1993, and section 31 as amended by Act No. 48 of the Public Acts of 1991, being sections 38.1, 38.17j, 38.19, and 38.31 of the Michigan Compiled Laws; and to add section 17m.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1 Section 1. Sections 1, 17j, 19, and 31 of Act No. 240 of  
2 the Public Acts of 1943, section 1 as amended by Act No. 177 of  
3 the Public Acts of 1990, section 17j as amended by Act No. 9 of  
4 the Public Acts of 1989, section 19 as amended by Act No. 195 of  
5 the Public Acts of 1993, and section 31 as amended by Act No. 48

1 of the Public Acts of 1991, being sections 38.1, 38.17j, 38.19,  
2 and 38.31 of the Michigan Compiled Laws, are amended and section  
3 17m is added to read as follows:

4       Sec. 1. As used in this act:

5       (a) "Retirement system" means the state employees' retire-  
6 ment system created by section 2.

7       (b) "Retirement board" means the board provided for in  
8 section 2 to administer the retirement system.

9       (c) "State treasurer" means the treasurer of this state.

10       (d) "Employer" or "state" means this state.

11       (e) "Member" means a state employee included in the member-  
12 ship of the retirement system, as provided for in section 13.

13       (f) "Original member" means a person who became a member of  
14 this retirement system before January 1, 1945, or as provided in  
15 section 18.

16       (g) "New member" means a person who becomes a member of this  
17 retirement system on or after January 1, 1945.

18       (h) "Appointing authority" means the departmental officer  
19 who has the responsibility of making appointments and handling  
20 all other personnel transactions affecting the employees in the  
21 agency that the officer represents.

22       (i) "Service" means service rendered to ~~the~~ THIS state by  
23 an elected or appointed state official or employee of ~~the~~ THIS  
24 state. Credit for service shall be determined by appropriate  
25 rules and regulations of the retirement board, but not more than  
26 1 year of service shall be creditable for all service in 1  
27 calendar year. The retirement board shall not allow credit as

1 service for any period of more than 1 month in any 1 calendar  
2 year during which the employee was absent without pay. However,  
3 full service credit shall be given for a period during which an  
4 employee is on leave of absence and is receiving worker's compen-  
5 sation benefits as the result of a ~~duty incurred~~ DUTY-INCURRED  
6 disability. Full service credit shall also be given to an  
7 employee for required 1-day layoffs, for voluntary or involuntary  
8 participation in pay reduction plan A, pay reduction plan B, or  
9 both, in effect during the fiscal years ending on and after  
10 September 30, 1981, and for required and designated temporary  
11 layoffs.

12 (j) "Prior service" means all service as a state employee or  
13 as an appointed state officer, and as an elected or appointed  
14 state official, rendered before July 1, 1943.

15 (k) "Membership service" means all service rendered after  
16 July 1, 1943.

17 (l) "Credited service" means the sum of the prior service  
18 and membership service credited to a member's service account.

19 (m) "Retirant" means a person who has ceased to be a member  
20 of the retirement system by reason of retirement with a pension  
21 or retirement allowance payable from the funds of the retirement  
22 system.

23 (n) "Beneficiary" or "disability beneficiary" means a person  
24 other than a retirant who receives a retirement allowance, pen-  
25 sion, or other benefit provided by this act.

26 (o) "Regular interest" means a rate or rates per annum,  
27 compounded annually, as the retirement board determines. For the

1 purposes of employee refunds, the interest rate payable shall not  
2 exceed 4% per annum, compounded annually.

3 (p) "Accumulated contributions" means the sum of all amounts  
4 deducted from the compensation of a member and credited to the  
5 member's individual account in the employees' savings fund,  
6 together with regular interest on that account.

7 (q) "Compensation" means the remuneration paid a member on  
8 account of the member's services rendered to ~~the~~ THIS state.  
9 If a member's remuneration is not paid totally in money, the  
10 retirement board shall employ the maintenance-compensation sched-  
11 ules established from time to time by the civil service  
12 commission. Compensation does not include any of the following:

13 (i) Remuneration paid in lieu of accumulated sick leave.

14 (ii) Remuneration for services rendered after October 1,  
15 1981, payable at retirement or termination under voluntary or  
16 involuntary pay reduction plan B, in excess of the amount the  
17 member would have received had the member been compensated for  
18 those services at the rate of pay in effect at the time those  
19 services were performed.

20 (iii) Payment for accrued annual leave at separation in  
21 excess of 240 hours.

22 (iv) Remuneration received by an employee of the department  
23 of mental health resulting from severance pay received because of  
24 the deinstitutionalization of the department of mental health  
25 resident population.

26 (v) Remuneration received as a bonus by investment managers  
27 of the department of treasury under the treasury incentive bonus

1 plan first approved by the civil service commission on  
2 February 11, 1988, pursuant to section 5 of article XI of the  
3 state constitution of 1963.

4 (vi) Remuneration received as a bonus or merit payment by  
5 assistant attorneys general in the department of attorney general  
6 under the merit pay plan approved by the civil service commission  
7 on January 19, 1990, pursuant to section 5 of article XI of the  
8 state constitution of 1963.

9 (r) "Final average compensation" means the average of those  
10 years of highest annual compensation received by a member during  
11 a period of 5 consecutive years of credited service; or if the  
12 member has less than 5 years of credited service, then the aver-  
13 age of the annual compensation received by the member during the  
14 member's total years of credited service. For a person whose  
15 retirement allowance effective date is on or after October 1,  
16 1987, "final average compensation" means the average of those  
17 years of highest annual compensation received by a member during  
18 a period of 3 consecutive years of credited service; or if the  
19 member has less than 3 years of credited service, then the aver-  
20 age of the annual compensation received by the member during the  
21 member's total years of credited service. A member's final aver-  
22 age compensation shall not be diminished because of required  
23 1-day layoffs. The compensation used in computing the final  
24 average compensation for a period during which a member is in a  
25 voluntary or involuntary pay reduction plan A or on a designated  
26 temporary layoff shall include the value of the hours not worked  
27 calculated at the member's hourly rate or rates of pay in effect

1 immediately before the applicable final average compensation  
2 period. A member's final average compensation shall not be  
3 increased or decreased by the member's participation in voluntary  
4 or involuntary pay reduction plan B. Payment for accrued annual  
5 leave at separation in excess of 240 hours shall not be included  
6 in final average compensation.

7 (s) "Final compensation" means a member's annual rate of  
8 compensation at the time the member last terminates employment  
9 with the state.

10 (t) "Annuity" means annual payments for life derived from  
11 the accumulated contributions of a member. An annuity shall be  
12 paid in equal monthly installments.

13 (u) "Pension" means annual payments for life payable from  
14 funds of the retirement system as provided in this act. A pen-  
15 sion shall be paid in equal monthly installments.

16 (v) "Retirement allowance" means the sum of the annuity and  
17 the pension.

18 (w) "Annuity reserve" means the present value, computed upon  
19 the basis of mortality and other tables adopted by the retirement  
20 board, of all payments to be made on account of an annuity, or  
21 benefits in lieu of an annuity, granted to a member under this  
22 act.

23 (x) "Pension reserve" means the present value, computed upon  
24 the basis of mortality and other tables adopted by the retirement  
25 board, of all payments to be made on account of a pension, or  
26 benefits in lieu of a pension, granted to a member under this  
27 act.

1 (y) "Employee" means a person who may become eligible for  
2 membership under this act, as provided in section 13, if the  
3 person's compensation is paid in whole or in part by ~~the~~ THIS  
4 state.

5 (z) "Pay reduction plan A" means the plan available to or  
6 required of a member during the fiscal years ending on and after  
7 September 30, 1981 under which the member may elect to reduce by  
8 1 hour or more in any ~~80-hour~~ FULL-TIME pay period the number  
9 of hours worked with a corresponding reduction in compensation.

10 (aa) "Pay reduction plan B" means the plan available to or  
11 required of a member during the fiscal years ending on and after  
12 September 30, 1981 under which the member may elect to work a  
13 full ~~80-hour~~ FULL-TIME pay period, defer compensation for 1 or  
14 more of those hours, and accumulate or use the hours for which  
15 compensation has been deferred in the same manner as annual leave  
16 hours.

17 (bb) "Designated temporary layoff" means the layoff of a  
18 member that does not exceed 1 month and has a fixed, predeter-  
19 mined, and announced recall date.

20 (cc) "Deferred member" means a member who is separated from  
21 state service for a reason other than retirement or death and who  
22 has satisfied the requirements of section 20(4) or (5) for a  
23 deferred retirement allowance.

24 (dd) "Actuarial cost" means AN AMOUNT THAT SHALL BE PAID,  
25 EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED BY THIS ACT, BY A  
26 MEMBER TO PURCHASE ADDITIONAL SERVICE CREDIT AS ALLOWED UNDER  
27 THIS ACT. ACTUARIAL COST SHALL BE COMPUTED AS PROVIDED IN

1 SECTION 17J. ~~a single percentage which, when multiplied by a~~  
2 ~~member's fiscal year compensation, will result in the average~~  
3 ~~actuarial present value of the additional benefits resulting from~~  
4 ~~the crediting of 1 additional year of service. This single per-~~  
5 ~~centage shall be based on the members who utilize those sections~~  
6 ~~of this act that permit the purchase of service. For purchases~~  
7 ~~of service credit made before December 31, 1990, the single per-~~  
8 ~~centage shall be 9%. Beginning December 31, 1990 and every 3~~  
9 ~~years thereafter, the single percentage shall be computed based~~  
10 ~~upon actual experience. If the computation results in an~~  
11 ~~increase or decrease in the percentage, not less than 6 months'~~  
12 ~~notice shall be given to the members.~~

13 (ee) "Conservation officer" means an employee of the depart-  
14 ment of natural resources, or its predecessor or successor  
15 agency, who has sworn to the prescribed oath of office and who is  
16 designated as a peace officer under section 6 of Act No. 192 of  
17 the Public Acts of 1929, being section 300.16 of the Michigan  
18 Compiled Laws, and section 1 of Act No. 109 of the Public Acts of  
19 1986, being section 300.21 of the Michigan Compiled Laws.

20 Sec. 17j. (1) On and after June 23, 1987, a member who is  
21 otherwise entitled to purchase service credit under section 17g,  
22 17h, 17i, ~~or~~ 17k, 17l, OR 17M shall not purchase a combined  
23 total of more than 10 years of service credit under those  
24 sections.

25 (2) On and after June 23, 1987, a member who under section  
26 17c, 17e, 17f, 17g, 17h, 17i, 17k, 17l, 17M, or 18(2) is  
27 otherwise entitled to purchase service credit may purchase ~~such~~

1 THE service credit in separate increments equal to 1 or more full  
2 years, or a remaining fraction of a year, if any, or both.

3 Partial purchase of service credit under this section ~~shall~~  
4 DOES not bar future purchases otherwise in compliance with this  
5 section and the provisions of this act authorizing the purchase,  
6 but computation of the amount of payment due shall be made sepa-  
7 rately for each purchase.

8 (3) If a member who made payment under this section dies and  
9 a retirement allowance is not payable or if the member leaves  
10 service with ~~the~~ THIS state before his or her retirement allow-  
11 ance becomes effective, the payment made by the member shall be  
12 refunded upon request to the member, to the person designated by  
13 the member in writing to the board, or if a person is not desig-  
14 nated, then to the member's legal representative or estate.

15 (4) ACTUARIAL COST SHALL BE EQUAL TO THE PRODUCT OF SUBDIVI-  
16 SIONS (A), (B), AND (C):

17 (A) A PERCENTAGE, DETERMINED BY THE RETIREMENT BOARD AND THE  
18 DEPARTMENT, THAT WHEN MULTIPLIED BY A MEMBER'S COMPENSATION, AS  
19 DETERMINED UNDER SUBDIVISION (B), RESULTS IN THE AVERAGE ACTUAR-  
20 IAL PRESENT VALUE OF THE ADDITIONAL BENEFITS RESULTING FROM THE  
21 CREDITING OF 1 ADDITIONAL YEAR OF SERVICE. THE PERCENTAGE MAY  
22 VARY BECAUSE OF AGE, CREDITED SERVICE, OR BENEFIT COVERAGE. AN  
23 INCREASE OR DECREASE IN THE PERCENTAGE UNDER THIS SUBDIVISION  
24 SHALL NOT BECOME EFFECTIVE BEFORE THE EXPIRATION OF 6 MONTHS OR  
25 MORE AFTER THE RETIREMENT BOARD NOTIFIES THE MEMBERS OF THE  
26 INCREASE OR DECREASE.

1 (B) A MEMBER'S COMPENSATION. THE MEMBER'S COMPENSATION  
2 SHALL BE THE MEMBER'S COMPENSATION EARNED IN THE FISCAL YEAR  
3 IMMEDIATELY BEFORE THE FISCAL YEAR IN WHICH THE APPLICATION TO  
4 PURCHASE AND PAYMENT FOR THE SERVICE ARE MADE. THE COMPENSATION  
5 AMOUNT USED SHALL NOT BE LESS THAN THE HIGHEST COMPENSATION PRE-  
6 VIOUSLY EARNED BY THE MEMBER.

7 (C) THE NUMBER OF YEARS, INCLUDING ANY FRACTION OF A YEAR,  
8 OF CREDITED SERVICE A MEMBER ELECTS TO PURCHASE UP TO THE MAXIMUM  
9 ALLOWED.

10 SEC. 17M. (1) A MEMBER MAY ELECT TO PURCHASE NOT MORE THAN  
11 5 YEARS OF SERVICE CREDIT UPON REQUEST AND PAYMENT TO THE RETIRE-  
12 MENT SYSTEM OF THE ACTUARIAL COST.

13 (2) SERVICE CREDIT PURCHASED UNDER THIS SECTION MAY NOT BE  
14 USED TO SATISFY THE MINIMUM NUMBER OF YEARS OF SERVICE CREDIT  
15 REQUIRED TO RECEIVE A RETIREMENT ALLOWANCE UNDER THIS ACT.

16 (3) IF A MEMBER WHO MADE PAYMENT UNDER THIS SECTION DIES AND  
17 A RETIREMENT ALLOWANCE IS NOT PAYABLE, OR IF THE MEMBER LEAVES  
18 SERVICE AND A RETIREMENT ALLOWANCE IS NOT PAYABLE, THE PAYMENT  
19 MADE BY THE MEMBER SHALL BE REFUNDED UPON REQUEST TO THE MEMBER,  
20 THE MEMBER'S REFUND BENEFICIARY, IF ANY, OR TO THE MEMBER'S LEGAL  
21 REPRESENTATIVE OR ESTATE.

22 Sec. 19. (1) A member who is 60 years of age or older and  
23 has 10 or more years of credited service OR A MEMBER WHO IS 60  
24 YEARS OF AGE OR OLDER AND HAS 5 OR MORE YEARS OF CREDITED SERVICE  
25 AS PROVIDED IN SECTION 20(4) OR (5) may retire upon written  
26 application to the retirement board, stating a date, not less  
27 than 30 or more than 90 days after the execution and filing of

1 the application, on which he or she desires to retire. Beginning  
2 on the retirement allowance effective date, he or she shall  
3 receive a retirement allowance computed according to section  
4 20(1).

5 (2) A member who is 55 years of age or older, but less than  
6 60 years of age, and has 15 or more years of credited service,  
7 may retire upon written application to the retirement board stat-  
8 ing a date, not less than 30 or more than 90 days after the exe-  
9 cution and filing of the application, on which he or she desires  
10 to retire. Upon retirement he or she shall receive a retirement  
11 allowance computed according to section 20(1). ~~The~~ EXCEPT AS  
12 OTHERWISE PROVIDED IN THIS ACT, THE retirement allowance of a  
13 member who has less than 30 ~~years~~ YEARS OF credited service  
14 shall be reduced by an amount ~~which~~ THAT is 0.5% of the retire-  
15 ment allowance multiplied by the number of months the person's  
16 age at retirement is under 60 years. The reduction of 1/2 of 1%  
17 for each month and fraction of a month from the member's retire-  
18 ment allowance effective date to the date of the member's six-  
19 tieth birthday provided for in this subsection ~~shall~~ DOES not  
20 apply to a member who retired before July 1, 1974 and before  
21 attainment of ~~age~~ 60 YEARS OF AGE, with 30 or more years of  
22 credited service. The retirement allowance of a retirant or ben-  
23 eficiary of a retirant who retired before that date shall be  
24 recalculated disregarding the reduction and the person receiving  
25 the retirement allowance ~~shall be~~ IS eligible to receive an  
26 adjusted retirement allowance based on the recalculation  
27 beginning October 1, 1987, but ~~shall~~ IS not ~~be~~ eligible to

1 receive the adjusted amount attributable to any month beginning  
2 before October 1, 1987. The recalculated retirement allowance  
3 provided by this subsection shall be paid by January 1, 1988.  
4 The retirement allowance of a retirant who dies before January 1,  
5 1988, and who has not nominated a retirement allowance benefi-  
6 ciary pursuant to section 31, shall not be recalculated pursuant  
7 to this subsection.

8 (3) Notwithstanding any other provision of this section,  
9 effective April 1, 1988, a member may retire with a retirement  
10 allowance computed according to section 20(1), without regard to  
11 the reduction in subsection (2), if all of the following apply:

12 (a) The member files a written application with the retire-  
13 ment board stating a date, not less than 30 or more than 90 days  
14 after the execution and filing of the application, on which the  
15 member desires to retire, and which is within the early retire-  
16 ment effective period.

17 (b) The member was employed by the state for the 6-month  
18 period immediately preceding the member's retirement allowance  
19 effective date. This subdivision ~~shall~~ DOES not apply to a  
20 member who ~~had been~~ WAS restored to active service during that  
21 6-month period pursuant to section 33.

22 (c) On the last day of the month immediately preceding the  
23 retirement allowance effective date stated in the application the  
24 member's combined age and length of credited service is equal to  
25 or greater than 80 years and the member is 50 years of age or  
26 older.

1 (d) For purposes of this subsection, "early retirement  
2 effective period" means 1 of the following:

3 (i) Except as provided in subparagraph (ii), the period  
4 beginning on April 1, 1988 and ending on April 1, 1989.

5 (ii) For a member employed by a department of mental health  
6 hospital or facility that is in the process of being closed by  
7 the department of mental health, the period beginning on April 1,  
8 1988 and ending on October 1, 1989.

9 (4) As used in subsections (5) to (9):

10 (a) "Agency of the department" means 1 of the following:

11 (i) Southwest Michigan community living services.

12 (ii) Wayne community living services.

13 (b) "Department inpatient facility" means 1 of the  
14 following:

15 (i) A developmental disability center that is directly oper-  
16 ated by the department of mental health for purposes of providing  
17 inpatient care and treatment services to persons with developmen-  
18 tal disabilities.

19 (ii) A psychiatric hospital that is directly operated by the  
20 department of mental health for purposes of providing inpatient  
21 diagnostic and therapeutic services to persons who are mentally  
22 ill.

23 (5) Notwithstanding any other provision of this section, a  
24 member who is an employee of an agency of the department or a  
25 department inpatient facility and is on layoff status because the  
26 agency OF THE DEPARTMENT or DEPARTMENT inpatient facility has  
27 been designated by the director of mental health for closure on

1 or after October 1, 1989, may retire as provided in subsection  
2 (7) or (8), as applicable, with a retirement allowance computed  
3 according to section 20(1), without regard to the reduction in  
4 subsection (2), upon satisfaction of any 1 of the following  
5 conditions:

6 (a) The member is 51 years of age or older and has 25 or  
7 more years of credited service, the last 5 of which are as an  
8 employee of an agency of the department designated for closure or  
9 a department inpatient facility designated for closure.

10 (b) The member is at least 56 years of age and has 10 or  
11 more years of credited service, the last 5 of which are as an  
12 employee of an agency of the department designated for closure or  
13 a department inpatient facility designated for closure.

14 (c) The member has 25 or more years of credited service,  
15 regardless of age, as an employee of an agency of the department  
16 designated for closure or a department inpatient facility desig-  
17 nated for closure.

18 (6) When a department inpatient facility or agency OF THE  
19 DEPARTMENT is designated for closure on or after October 1, 1989,  
20 the director of mental health shall certify in writing to the  
21 state legislature and the retirement board, not less than 240  
22 days before the designated official date of closure, which facil-  
23 ity or agency is to be closed and the designated official date of  
24 closure.

25 (7) Except as provided in subsection (8), a member who is  
26 eligible to receive a retirement allowance under subsection (5)  
27 may retire effective on the date that an agency of the department

1 or a department inpatient facility designated for closure as  
2 provided in subsection (5) actually closes, upon written applica-  
3 tion to the retirement board not less than 30 or more than 180  
4 days before the designated official date of closure. Beginning  
5 on the retirement allowance effective date, he or she shall  
6 receive a retirement allowance computed according to section  
7 20(1).

8 (8) A member who is on layoff status, is not working for the  
9 state, and becomes eligible to receive a retirement allowance  
10 under subsection (5) and who was an employee of an agency of the  
11 department or a department inpatient facility that has been des-  
12 ignated for closure as provided in subsection (5) and that actu-  
13 ally closes on or after October 1, 1989, may retire upon written  
14 application to the retirement board, stating a date, not less  
15 than 30 or more than 180 days after the facility actually closes,  
16 upon which he or she wishes to retire. Beginning on the retire-  
17 ment allowance effective date, he or she shall receive a retire-  
18 ment allowance computed according to section 20(1).

19 (9) Any additional accrued actuarial cost and costs for  
20 health insurance resulting from the implementation of subsection  
21 (5) shall be funded from appropriations to the department of  
22 mental health for this purpose.

23 (10) A member who is an employee of the state accident fund  
24 on the date of transfer to a permitted transferee as that term is  
25 defined by section 701a of the worker's disability compensation  
26 act of 1969, Act No. 317 of the Public Acts of 1969, being  
27 section 418.701a of the Michigan Compiled Laws, may retire if the

1 member's age and his or her length of service is equal to or  
2 greater than 70 years on the date of transfer. The member may  
3 retire upon written application to the retirement board, stating  
4 a date, not less than 30 or more than 90 days after the execution  
5 and filing of the application, on which he or she desires to  
6 retire. Beginning on the retirement allowance effective date, he  
7 or she shall receive a retirement allowance computed according to  
8 section 20(1), without regard to the reduction required by sub-  
9 section (2). THIS SUBSECTION SHALL NOT TAKE EFFECT UNLESS THE  
10 STATE ADMINISTRATIVE BOARD CERTIFIES IN WRITING TO THE SECRETARY  
11 OF STATE BY DECEMBER 31, 1994 THAT AN AGREEMENT FOR THE TRANSFER  
12 OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS AND THE ASSUMPTION OF  
13 ALL OR SUBSTANTIALLY ALL OF THE LIABILITIES OF THE STATE ACCIDENT  
14 FUND HAS BEEN CONSUMMATED WITH A PERMITTED TRANSFEREE PURSUANT TO  
15 THE REQUIREMENTS OF SECTION 701A OF ACT NO. 317 OF THE PUBLIC  
16 ACTS OF 1969. IF THE STATE ADMINISTRATIVE BOARD CERTIFIES IN  
17 WRITING TO THE SECRETARY OF STATE BY DECEMBER 31, 1994 THAT AN  
18 AGREEMENT FOR THE TRANSFER OF ALL OR SUBSTANTIALLY ALL OF THE  
19 ASSETS AND THE ASSUMPTION OF ALL OR SUBSTANTIALLY ALL OF THE  
20 LIABILITIES OF THE STATE ACCIDENT FUND HAS BEEN CONSUMMATED WITH  
21 A PERMITTED TRANSFEREE, THEN THIS SUBSECTION APPLIES.

22       Sec. 31. (1) Except as provided in subsection (6), before  
23 the effective date of retirement, but not after the effective  
24 date of retirement, a member or deferred member who is eligible  
25 for retirement, as provided in ~~section 19, 19a, 21, 24, 46, or~~  
26 ~~48~~ THIS ACT, shall elect to receive his or her benefit in a  
27 retirement allowance payable throughout life, which shall be

1 called a regular retirement allowance, or to receive the  
2 actuarial equivalent at that time of his or her regular retire-  
3 ment allowance in a reduced retirement allowance payable through-  
4 out the lives of the retirant and a retirement allowance benefi-  
5 ciary, pursuant to 1 of the following PAYMENT options:

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

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

18 (C) OPTION C. UPON THE RETIRANT'S DEATH, 3/4 OF HIS OR HER  
19 REDUCED RETIREMENT ALLOWANCE SHALL BE CONTINUED THROUGHOUT THE  
20 LIFE OF AND PAID TO THE RETIREMENT ALLOWANCE BENEFICIARY WHOM THE  
21 MEMBER NOMINATED BY WRITTEN DESIGNATION DULY EXECUTED AND FILED  
22 WITH THE RETIREMENT BOARD BEFORE THE EFFECTIVE DATE OF HIS OR HER  
23 RETIREMENT.

24 (2) Except as provided in subsections (3) and (8), the elec-  
25 tion of ~~an~~ A PAYMENT option UNDER SUBSECTION (1) shall not be  
26 changed on or after the effective date of the retirement  
27 allowance. A retirement allowance beneficiary designated under

1 this section shall not be changed on or after the effective date  
2 of the retirement allowance, and shall be either a spouse, broth-  
3 er, sister, parent, child, including an adopted child, or grand-  
4 child of the person making the designation. Payment to a retire-  
5 ment allowance beneficiary shall begin on the first day of the  
6 month following the death of the retirant or member.

7 (3) If the retirement allowance beneficiary named under A  
8 PAYMENT option ~~A or B~~ under subsection (1) predeceases the  
9 retirant, the retirant's benefit shall revert to the regular  
10 retirement allowance, effective with the first day of the month  
11 following the retirement allowance beneficiary's death. For a  
12 retirant whose effective date of retirement was on or before  
13 June 28, 1976, this subsection shall apply, but the regular  
14 retirement allowance is not payable for any month beginning  
15 before the later of the retirement allowance beneficiary's death  
16 or January 1, 1986. A retirant who on January 1, 1986 is receiv-  
17 ing a reduced retirement allowance because the retirant desig-  
18 nated a retirement allowance beneficiary and the retirement  
19 allowance beneficiary predeceased the retirant is eligible to  
20 receive the regular retirement allowance beginning January 1,  
21 1986, but the regular retirement allowance is not payable for any  
22 month beginning before January 1, 1986.

23 (4) A member who continues in the employ of this state on  
24 and after the date he or she acquires 10 years of service credit  
25 or becomes eligible for deferred retirement as provided by sec-  
26 tion 20(4) or (5), whichever occurs first, may by written  
27 declaration duly executed and filed with the retirement board

1 elect option A, provided for in subsection (1)(a), and nominate a  
2 retirement allowance beneficiary in the same manner as if the  
3 member were then retiring from service, notwithstanding that the  
4 member may not have attained 50 years of age. ~~In the case of~~  
5 IF the beneficiary's death or divorce from the member OCCURS  
6 before the effective date of the member's retirement, the  
7 member's election of option A and nomination of retirement allow-  
8 ance beneficiary shall be automatically revoked and the member  
9 may again elect option A and nominate a retirement allowance ben-  
10 eficiary at any time before the effective date of retirement. If  
11 a member who has made an election and nominated a retirement  
12 allowance beneficiary as provided in this subsection dies before  
13 the effective date of his or her retirement, then the retirement  
14 allowance beneficiary shall immediately receive the retirement  
15 allowance that he or she would have been entitled to receive  
16 under option A if the member had been regularly retired on the  
17 date of the member's death. Except as otherwise provided by sub-  
18 section (5), if a member who has made an election under this sub-  
19 section subsequently retires under this act, his or her election  
20 of option A shall take effect at the time of retirement. Subject  
21 to the requirements of subsection (5), the member, ~~may,~~ before  
22 the effective date of retirement, but not after the effective  
23 date of retirement, MAY revoke his or her previous election of  
24 option A and elect to receive his or her retirement allowance as  
25 a regular retirement allowance or under option B OR C as provided  
26 for in subsection ~~(1)(b)~~ (1). A retirement allowance shall not  
27 be paid under this subsection on account of the death of a member

1 if any benefits are paid under section 27 on account of his or  
2 her death. If a deferred member who has an option A election in  
3 effect dies before the effective date of his or her retirement,  
4 the retirement allowance payable under option A shall be paid to  
5 the retirement allowance beneficiary at the time the deceased  
6 deferred member otherwise would have been eligible to begin  
7 receiving benefits.

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

20 (6) Until July 1, 1991, upon request in a form as determined  
21 by the retirement board, a nonduty disability retirant who  
22 retired under section 24 may change his or her election to  
23 receive a disability retirement allowance computed as a regular  
24 retirement allowance and elect to receive the actuarial equiva-  
25 lent at the time of the election pursuant to this subsection of  
26 his or her disability retirement allowance in a reduced  
27 retirement allowance payable to the retirant and the retirant's

1 spouse pursuant to the provisions of A PAYMENT option ~~A or B~~ as  
2 provided in subsection (1), if the disability retirement allow-  
3 ance effective date was before November 12, 1985 and the retirant  
4 had 25 or more years of credited service on the disability  
5 retirement allowance effective date. The nonduty disability  
6 retirant shall begin to receive the reduced retirement allowance  
7 under this subsection effective the first day of the month fol-  
8 lowing the month in which the retirant makes the election pursu-  
9 ant to this subsection. As used in this subsection, "spouse"  
10 means the person to whom the nonduty disability retirant was mar-  
11 ried on the effective date of his or her disability retirement  
12 allowance and on the date the retirant makes the election pursu-  
13 ant to this subsection.

14 (7) If a member who continues in the employ of ~~the~~ THIS  
15 state on and after the date he or she acquires 10 years of serv-  
16 ice credit, or on and after the date he or she becomes eligible  
17 for deferred retirement as provided by section 20(4) or (5),  
18 whichever occurs first, and who does not have an election of  
19 option A in force as provided in subsection (4), dies before the  
20 effective date of retirement and leaves a surviving spouse, the  
21 spouse shall receive a retirement allowance computed in the same  
22 manner as if the member had retired effective the day before the  
23 date of his or her death, elected option A, and nominated the  
24 spouse as retirement allowance beneficiary. When the retirement  
25 allowance beneficiary dies, his or her retirement allowance shall  
26 terminate. If the aggregate amount of retirement allowance  
27 payments received by the beneficiary is less than the accumulated

1 contributions credited to the member's account in the employees'  
2 savings fund at the time of the member's death, the difference  
3 between the accumulated contributions and the aggregate amount of  
4 retirement allowance payments received by the beneficiary shall  
5 be transferred from the employer's accumulation fund or pension  
6 reserve fund to the employees' savings fund and paid pursuant to  
7 section 29. A retirement allowance shall not be paid under this  
8 subsection on account of the death of a member if benefits are  
9 paid under section 27 on account of his or her death.

10 (8) If a retirant receiving a reduced retirement allowance  
11 under A PAYMENT option ~~A or B~~ under subsection (1) is divorced  
12 from the spouse who had been designated as the retirant's retire-  
13 ment allowance beneficiary under THE option, ~~A or B~~, the elec-  
14 tion of THE PAYMENT option ~~A or B~~ shall be considered void by  
15 the retirement system if the judgment of divorce or award or  
16 order of the court, or an amended judgment of divorce or award or  
17 order of the court, described in section 40 and dated after ~~the~~  
18 ~~effective date of the amendatory act that added this subsection~~  
19 JUNE 27, 1991 provides that the election of THE PAYMENT option ~~A~~  
20 ~~or B~~ under subsection (1) is to be considered void by the  
21 retirement system and the retirant provides a certified copy of  
22 the judgment of divorce or award or order of the court, or an  
23 amended judgment of divorce or award or order of the court, to  
24 the retirement system. If the election of A PAYMENT option ~~A or~~  
25 ~~B~~ under subsection (1) is considered void by the retirement  
26 system under this subsection, the retirant's retirement allowance  
27 shall revert to a regular retirement allowance, including

1 postretirement adjustments, if any, subject to an award or order  
2 of the court as described in section 40. The retirement allow-  
3 ance shall revert to a regular retirement allowance under this  
4 subsection effective the first of the month after the date the  
5 retirement system receives a certified copy of the judgment of  
6 divorce or award or order of the court. This subsection does not  
7 supersede a judgment of divorce or award or order of the court in  
8 effect on ~~the effective date of the amendatory act that added~~  
9 ~~this subsection~~ JUNE 27, 1991. This subsection does not require  
10 the retirement system to distribute or pay retirement assets on  
11 behalf of a retirant in an amount that exceeds the actuarially  
12 determined amount that would otherwise become payable if a judg-  
13 ment of divorce had not been rendered.

14 (9) A retirement allowance payable under a payment option  
15 provided in this section is subject to an eligible domestic rela-  
16 tions order under the eligible domestic relations order act, ACT  
17 NO. 46 OF THE PUBLIC ACTS OF 1991, BEING SECTIONS 38.1701 TO  
18 38.1711 OF THE MICHIGAN COMPILED LAWS.