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SCHOOL RETIREES; CHANGE OF BENEFICIARY AFTER RETIREMENT

House Bill 4375

Sponsor: Rep. Stephen Ehardt

Committee: Senior Health, Security and
Retirement

Complete to 3-28-01

A SUMMARY OF HOUSE BILL 4375 AS INTRODUCED 2-27-01

Under the Public School Employees Retirement Act, members of the retirement system select a retirement allowance beneficiary who is eligible to receive survivor benefits under certain circumstances. (The act allows several payment options for receiving a retirement allowance, including options that allow the retiree to receive a reduced retirement allowance with payment continuing after the retiree's death and for the lifetime of the beneficiary, typically his or her spouse.) The beneficiary must be either a spouse, brother, sister, parent, or child of the member. If the member is married at the time of retirement, and if he or she selects someone other than his or her spouse as beneficiary, the act requires the spouse to sign off on that selection. Generally, after retiring, a retiree cannot change his or her beneficiary. There is an exception to this prohibition if a retiree "returns to service" (becomes re-employed with a school or other reporting unit of the retirement system), and if the member's beneficiary predeceases the member before he or she retires again. (If a retiree is receiving a reduced retirement allowance and his or her spouse dies, or if the couple divorces, the act provides for the retirement allowance "pop up" to a straight retirement allowance, but there is no provision allowing such a retiree to select a new beneficiary.)

House Bill 4375 would amend the act to allow a retiree to change his or her retirement allowance beneficiary after the date of retirement, under certain circumstances. The exception would apply if:

- The first named beneficiary was a spouse and predeceased the retiree after the retirement date; and,
- The retiree then remarries and names his or her new spouse as beneficiary

In addition, a retiree who was not married at the time of retirement and who did not select a payment option (a reduced retirement allowance to provide payments for the lifetime of a spouse) would be allowed to make that selection and designate a spouse as beneficiary if he or she married after retiring.

A retiree would have to file a written request with the retirement system to name a new spouse as a beneficiary (and to select a payment option, if applicable) no earlier than 180 days nor later than one year after the marriage. A retiree who married (or remarried after the death of his or her spouse/beneficiary) after retirement but before the effective date of the bill would have 180 days to file such a request with the retirement system.

House Bill 4375 (3-28-01)

The bill specifies that the retirement allowance of a retiree who names a new beneficiary (or selects a new payment option) under the bill could not be greater than the actuarial equivalent of the retirement allowance that the retiree would otherwise be entitled to. The new allowance would become effective on the first day of the month following the filing of the written request with the retirement system.

MCL 38.1385

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