

HOUSE BILL No. 6290

June 24, 2010, Introduced by Rep. Rick Jones and referred to the Committee on Labor.

A bill to amend 1943 PA 240, entitled
"State employees' retirement act,"
by amending section 31 (MCL 38.31), as amended by 2002 PA 99.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 31. (1) Except as provided in subsection (6), before the
2 effective date of retirement, but not after the effective date of
3 retirement, a member or deferred member who is eligible for
4 retirement, as provided in this act, shall elect to receive his or
5 her benefit in a retirement allowance payable throughout life,
6 which shall be called a regular retirement allowance, or to receive
7 the actuarial equivalent at that time of his or her regular
8 retirement allowance in a reduced retirement allowance payable
9 throughout the lives of the retirant and a retirement allowance

1 beneficiary, pursuant to 1 of the following payment options:

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

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

14 (c) Option C. On and after January 1, 2000, upon the
15 retirant's death, 3/4 of his or her reduced retirement allowance
16 shall be continued throughout the life of and paid to the
17 retirement allowance beneficiary whom the member nominated by
18 written designation executed and filed with the retirement board
19 before the effective date of his or her retirement.

20 (2) Except as provided in subsections (3) and (8), the
21 election of a payment option under subsection (1) shall not be
22 changed on or after the effective date of the retirement allowance.
23 A retirement allowance beneficiary designated under this section
24 shall not be changed on or after the effective date of the
25 retirement allowance, and shall be either a spouse, brother,
26 sister, parent, child, including an adopted child, or grandchild of
27 the person making the designation. Payment to a retirement

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

3 (3) If the retirement allowance beneficiary named under a
4 payment option under subsection (1) predeceases the retirant, the
5 retirant's benefit shall revert to the regular retirement
6 allowance, 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 not
10 payable for any month beginning before the later of the retirement
11 allowance beneficiary's death or January 1, 1986. A retirant who on
12 January 1, 1986 is receiving a reduced retirement allowance because
13 the retirant designated a retirement allowance beneficiary and the
14 retirement allowance beneficiary predeceased the retirant is
15 eligible to receive the regular retirement allowance beginning
16 January 1, 1986, but the regular retirement allowance is not
17 payable for any month beginning before January 1, 1986. **IF A MEMBER**
18 **SELECTS A REDUCED RETIREMENT ALLOWANCE AND THE RETIREMENT ALLOWANCE**
19 **BENEFICIARY NAMED UNDER THE PAYMENT OPTION UNDER SUBSECTION (1) IS**
20 **A SPOUSE OF THE MEMBER AND THE SPOUSE OF THE MEMBER PREDECEASES THE**
21 **MEMBER AFTER THE MEMBER BECOMES A RETIRANT AND THE RETIRANT**
22 **SUBSEQUENTLY REMARRIES, THE RETIRANT MAY RESELECT THE IDENTICAL**
23 **REDUCED RETIREMENT ALLOWANCE OPTION THAT HE OR SHE ORIGINALLY**
24 **SELECTED WHILE A MEMBER AFTER THE REMARRIAGE HAS LASTED 3 YEARS.**
25 **THE RETIRANT SHALL NOMINATE THE SPOUSE BY WRITTEN DESIGNATION**
26 **EXECUTED AND FILED WITH THE RETIREMENT BOARD AND SUBMIT ALL**
27 **INFORMATION AND DOCUMENTATION THAT THE RETIREMENT BOARD MAY**

1 REQUIRE. REVERSION OF THE RETIREMENT ALLOWANCE RECEIVED BY THE
2 RETIRANT TO THE REDUCED RETIREMENT ALLOWANCE PREVIOUSLY SELECTED
3 SHALL BEGIN ON THE FIRST DAY OF THE FIRST MONTH FOLLOWING THE
4 APPROVAL OF THE NEW NOMINATION BY THE RETIREMENT BOARD.

5 (4) A member who continues in the employ of this state on and
6 after the date he or she acquires 10 years of service credit or
7 becomes eligible for deferred retirement as provided by section
8 20(4) or (5), whichever occurs first, may by written declaration
9 executed and filed with the retirement board elect option A,
10 provided for in subsection (1)(a), and nominate a retirement
11 allowance beneficiary in the same manner as if the member were then
12 retiring from service, notwithstanding that the member may not have
13 attained 60 years of age. If the beneficiary's death or divorce
14 from the member occurs before the effective date of the member's
15 retirement, the member's election of option A and nomination of
16 retirement allowance beneficiary shall be automatically revoked and
17 the member may again elect option A and nominate a retirement
18 allowance beneficiary at any time before the effective date of
19 retirement. If a member who has made an election and nominated a
20 retirement allowance beneficiary as provided in this subsection
21 dies before the effective date of his or her retirement, then the
22 retirement allowance beneficiary shall immediately receive the
23 retirement allowance that he or she would have been entitled to
24 receive under option A if the member had been regularly retired on
25 the date of the member's death. Except as otherwise provided by
26 subsection (5), if a member who has made an election under this
27 subsection subsequently retires under this act, his or her election

1 of option A shall take effect at the time of retirement. Subject to
2 the requirements of subsection (5), the member, before the
3 effective date of retirement, but not after the effective date of
4 retirement, may revoke his or her previous election of option A and
5 elect to receive his or her retirement allowance as a regular
6 retirement allowance or under option B or C as provided for in
7 subsection (1). A retirement allowance shall not be paid under this
8 subsection on account of the death of a member if any benefits are
9 paid under section 27 on account of his or her death. If a deferred
10 member who has an option A election in effect dies before the
11 effective date of his or her retirement, the retirement allowance
12 payable under option A shall be paid to the retirement allowance
13 beneficiary at the time the deceased deferred member otherwise
14 would have been eligible to begin receiving benefits.

15 (5) If a member, deferred member, retiring member, or retiring
16 deferred member is married at the effective date of the retirement
17 allowance, an election under this section, other than an election
18 of a payment option under subsection (1) naming the spouse as
19 retirement allowance beneficiary, shall not be effective unless the
20 election is signed by the spouse. However, this requirement may be
21 waived by the retirement board if the signature of a spouse cannot
22 be obtained because of extenuating circumstances. As used in this
23 subsection, "spouse" means the person to whom the member, deferred
24 member, retiring member, or retiring deferred member is married at
25 the effective date of the retirement allowance.

26 (6) Until July 1, 1991, upon request in a form as determined
27 by the retirement board, a nonduty disability retirant who retired

1 under section 24 may change his or her election to receive a
2 disability retirement allowance computed as a regular retirement
3 allowance and elect to receive the actuarial equivalent at the time
4 of the election pursuant to this subsection of his or her
5 disability retirement allowance in a reduced retirement allowance
6 payable to the retirant and the retirant's spouse pursuant to the
7 provisions of a payment option as provided in subsection (1), if
8 the disability retirement allowance effective date was before
9 November 12, 1985 and the retirant had 25 or more years of credited
10 service on the disability retirement allowance effective date. The
11 nonduty disability retirant shall begin to receive the reduced
12 retirement allowance under this subsection effective the first day
13 of the month following the month in which the retirant makes the
14 election pursuant to this subsection. As used in this subsection,
15 "spouse" means the person to whom the nonduty disability retirant
16 was married on the effective date of his or her disability
17 retirement allowance and on the date the retirant makes the
18 election pursuant to this subsection.

19 (7) If 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 on and after the date he or she becomes eligible for deferred
22 retirement as provided by section 20(4) or (5), whichever occurs
23 first, and who does not have an election of option A in force as
24 provided in subsection (4), dies before the effective date of
25 retirement and leaves a surviving spouse, the spouse shall receive
26 a retirement allowance computed in the same manner as if the member
27 had retired effective the day before the date of his or her death,

1 elected option A, and nominated the spouse as retirement allowance
2 beneficiary. When the retirement allowance beneficiary dies, his or
3 her retirement allowance shall terminate. If the aggregate amount
4 of retirement allowance payments received by the beneficiary is
5 less than the accumulated contributions credited to the member's
6 account in the employees' savings fund at the time of the member's
7 death, the difference between the accumulated contributions and the
8 aggregate amount of retirement allowance payments received by the
9 beneficiary shall be transferred from the employer's accumulation
10 fund or pension reserve fund to the employees' savings fund and
11 paid pursuant to section 29. A retirement allowance shall not be
12 paid under this subsection on account of the death of a member if
13 benefits are paid under section 27 on account of his or her death.
14 If the other requirements of this subsection are met but a
15 surviving spouse does not exist, each of the deceased member's
16 surviving children less than 18 years of age shall receive an
17 allowance of an equal share of the retirement allowance that would
18 have been paid to the spouse if living at the time of the deceased
19 member's death. Payments under this subsection shall cease upon the
20 surviving child's marriage, adoption, or becoming 18 years of age,
21 which occurs first.

22 (8) If a retirant receiving a reduced retirement allowance
23 under a payment option under subsection (1) is divorced from the
24 spouse who had been designated as the retirant's retirement
25 allowance beneficiary under the option, the election of the payment
26 option shall be considered void by the retirement system if the
27 judgment of divorce or award or order of the court, or an amended

1 judgment of divorce or award or order of the court, described in
2 the public employee retirement benefit protection act, **2002 PA 100,**
3 **MCL 38.1361 TO 38.1369,** and dated after June 27, 1991 provides that
4 the election of the payment option under subsection (1) is to be
5 considered void by the retirement system and the retirant provides
6 a certified copy of the judgment of divorce or award or order of
7 the court, or an amended judgment of divorce or award or order of
8 the court, to the retirement system. If the election of a payment
9 option under subsection (1) is considered void by the retirement
10 system under this subsection, the retirant's retirement allowance
11 shall revert to a regular retirement allowance, including
12 postretirement adjustments, if any, subject to an award or order of
13 the court as described in the public employee retirement benefit
14 protection act, **2002 PA 100, MCL 38.1361 TO 38.1369.** The retirement
15 allowance shall revert to a regular retirement allowance under this
16 subsection effective the first of the month after the date the
17 retirement system receives a certified copy of the judgment of
18 divorce or award or order of the court. This subsection does not
19 supersede a judgment of divorce or award or order of the court in
20 effect on June 27, 1991. This subsection does not require the
21 retirement system to distribute or pay retirement assets on behalf
22 of a retirant in an amount that exceeds the actuarially determined
23 amount that would otherwise become payable if a judgment of divorce
24 had not been rendered.