

JUDGES RETIREMENT PAYMENT OPTIONS

House Bill 6117

Sponsor: Rep. Laura Baird

Committee: Public Retirement

Complete to 10-19-98

A SUMMARY OF HOUSE BILL 6117 AS INTRODUCED 9-17-98

Under the Judges Retirement Act (MCL 38.2506), at the time a member (or vested former member) makes application for retirement benefits, he or she may elect to receive either a straight life retirement allowance, or one of two alternative payment options. The straight life allowance is payable throughout the retiree's life, and payment ends with his or her death. The alternative options allow for an actuarial equivalent to be paid throughout the lives of the retiree and his or her beneficiary (a reduced amount that would continue after the retiree dies and throughout the lifetime of the beneficiary). Option A allows for a reduced retirement allowance in an amount that remains level through the life of the retiree and his or her beneficiary; Option B provides for an amount to be paid at retirement (reduced from the straight life amount but higher than the Option A amount), with a reduction to $\frac{1}{2}$ of that amount upon the death of the retiree and continuing throughout the life of the beneficiary. In the case of either Option A or Option B, if the spouse predeceases the retiree, the retirement allowance reverts to the straight life amount.

House Bill 6117 would amend the act to allow a member (or vested former member) with eight or more years of credited service to make an election for Option A and name a beneficiary before the time of retirement. It would also require the retirement board to provide, upon request, written information about the optional forms of payment to members and vested former members.

If a named beneficiary died or was divorced from the member or vested former member before the time of retirement, the election of Option A and designation of a beneficiary would be automatically revoked and the person would again be able to elect Option A and nominate a beneficiary at any time before retirement.

If the member or vested former member died before retiring, the beneficiary would immediately be entitled to receive the retirement allowance he or she would have been entitled to under Option A if the member had been receiving a retirement allowance at the time of death. (However, the bill also says that if a vested former member died before retiring, the beneficiary would receive Option A benefits at the time the deceased former member would otherwise have been eligible to begin receiving benefits.)

The bill would allow a member or vested former member to revoke an election of Option A at any time before the date of retirement (and instead receive the retirement allowance as a straight life benefit or under Option B); however, the election of Option A could not be changed after the date of retirement.

Analyst: D. Martens

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.