

# HOUSE BILL No. 6117

September 17, 1998, Introduced by Reps. Baird, Schauer, Martinez, Vaughn, LaForge, Brater and Scott and referred to the Committee on Public Retirement.

A bill to amend 1992 PA 234, entitled  
"The judges retirement act of 1992,"  
by amending section 506 (MCL 38.2506).

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

1       Sec. 506. (1) Upon application for retirement under this  
2 act, a member or vested former member who meets the requirements  
3 of section 501 may elect to receive a retirement allowance as a  
4 straight life retirement allowance or as an optional retirement  
5 allowance under 1 of the payment options provided in this  
6 section. The member or vested former member shall file a written  
7 election with the retirement system before the effective date of  
8 the retirement allowance. If a member or vested former member  
9 fails to file a written election under this subsection, the  
10 member or vested former member is considered to have elected the  
11 straight life retirement allowance under section 503. The member

1 or vested former member shall designate in the written election a  
2 retirement allowance beneficiary that shall be either the spouse,  
3 brother, sister, parent, or child, including an adopted child, of  
4 the member or vested former member. The amount of retirement  
5 allowance under options A and B are the actuarial equivalent of  
6 the amount of the straight life retirement allowance calculated  
7 under section 503. The options are as follows:

8 (a) Option A. The retirement system shall pay an optional  
9 retirement allowance to the retirant for life with the provision  
10 that upon the retirant's death, payment of the optional retire-  
11 ment allowance is continued throughout the lifetime of the  
12 retirement allowance beneficiary whom the member or vested former  
13 member designated in writing and filed with the retirement system  
14 at the time of election of the option.

15 (b) Option B. The retirement system shall pay an optional  
16 retirement allowance for life to the retirant with the provision  
17 that upon the retirant's death, payment of 1/2 of the optional  
18 retirement allowance is continued throughout the lifetime of the  
19 retirement allowance beneficiary whom the member or vested former  
20 member designated in writing and filed with the retirement system  
21 at the time of election of the option.

22 (2) Except as otherwise provided in this section, a retirant  
23 shall not change the election of a payment option or the designa-  
24 tion of a retirement allowance beneficiary under subsection (1)  
25 after the retirement allowance effective date. If a retirant who  
26 elected a payment option under subsection (1)(a) or (b) dies, the  
27 retirement system shall pay the optional retirement allowance to

1 the option A beneficiary or option B beneficiary effective the  
2 first day of the month following the retirant's death. If the  
3 option A or option B beneficiary designated under this section is  
4 the surviving spouse of the deceased retirant, the surviving  
5 spouse may elect to receive a retirement allowance as provided in  
6 section 508 in lieu of the survivor portion of the optional form  
7 of payment elected by the retirant under this section.

8 (3) If the option A beneficiary or option B beneficiary pre-  
9 deceases the retirant, the retirant's benefit reverts to a  
10 straight life retirement allowance and the retirement system  
11 shall begin payment of the straight life retirement allowance to  
12 the retirant effective the first day of the month following the  
13 option A or option B beneficiary's death.

14 (4) The retirement system shall provide each member or  
15 vested former member who applies for retirement a written expla-  
16 nation of the optional forms of payment under this section before  
17 the member or vested former member retires. THE RETIREMENT  
18 SYSTEM SHALL PROMPTLY PROVIDE A WRITTEN EXPLANATION OF THE  
19 OPTIONAL FORMS OF PAYMENT UNDER THIS SECTION TO EACH MEMBER OR  
20 VESTED FORMER MEMBER UPON HIS OR HER REQUEST.

21 (5) If a retirant receiving an optional retirement allowance  
22 under this section is divorced from the spouse who had been des-  
23 ignated the option A or option B beneficiary, the retirement  
24 system shall consider the election of the optional form of pay-  
25 ment option under this section void if the judgment of divorce or  
26 award or order of the court, or an amended judgment of divorce or  
27 award or order of the court, described in section 308 and dated

1 after June 27, 1991 provides that the election of the optional  
2 form of payment option under this section is to be considered  
3 void by the retirement system and the retirant provides a certi-  
4 fied copy of the judgment of divorce or award or order of the  
5 court, or an amended judgment of divorce or award or order of the  
6 court, to the retirement system. If the election of an optional  
7 form of payment under this section is considered void by the  
8 retirement system under this subsection, the retirant's retire-  
9 ment allowance shall revert to a straight life retirement allow-  
10 ance, including postretirement adjustments, if any, subject to an  
11 award or order of the court as described in section 308. The  
12 retirement allowance shall revert to a straight life retirement  
13 allowance under this subsection effective the first of the month  
14 after the date the retirement system receives a certified copy of  
15 the judgment of divorce or award or order of the court. This  
16 subsection does not supersede a judgment of divorce or award or  
17 order of the court in effect on June 27, 1991. This subsection  
18 does not require the retirement system to distribute or pay  
19 retirement assets on behalf of a retirant in an amount that  
20 exceeds the actuarially determined amount that would otherwise  
21 become payable if a judgment of divorce had not been rendered.

22 (6) A MEMBER OR VESTED FORMER MEMBER WHO HAS 8 OR MORE YEARS  
23 OF CREDITED SERVICE MAY BY WRITTEN DECLARATION DULY EXECUTED AND  
24 FILED WITH THE RETIREMENT BOARD ELECT OPTION A, PROVIDED FOR IN  
25 SUBSECTION (1)(A), AND NOMINATE A RETIREMENT ALLOWANCE BENEFI-  
26 CIARY IN THE SAME MANNER AS IF THE MEMBER OR VESTED FORMER MEMBER  
27 WERE THEN RETIRING FROM SERVICE. IF THE BENEFICIARY'S DEATH OR

1 DIVORCE FROM THE MEMBER OR VESTED FORMER MEMBER OCCURS BEFORE THE  
2 EFFECTIVE DATE OF THE MEMBER'S OR VESTED FORMER MEMBER'S RETIRE-  
3 MENT, THE MEMBER'S OR VESTED FORMER MEMBER'S ELECTION OF OPTION A  
4 AND NOMINATION OF RETIREMENT ALLOWANCE BENEFICIARY SHALL BE AUTO-  
5 MATICALLY REVOKED AND THE MEMBER OR VESTED FORMER MEMBER MAY  
6 AGAIN ELECT OPTION A AND NOMINATE A RETIREMENT ALLOWANCE BENEFI-  
7 CIARY AT ANY TIME BEFORE THE EFFECTIVE DATE OF RETIREMENT. IF A  
8 MEMBER OR VESTED FORMER MEMBER WHO HAS MADE AN ELECTION AND NOMI-  
9 NATED A RETIREMENT ALLOWANCE BENEFICIARY AS PROVIDED IN THIS SUB-  
10 SECTION DIES BEFORE THE EFFECTIVE DATE OF HIS OR HER RETIREMENT,  
11 THEN THE RETIREMENT ALLOWANCE BENEFICIARY SHALL IMMEDIATELY  
12 RECEIVE THE RETIREMENT ALLOWANCE THAT HE OR SHE WOULD HAVE BEEN  
13 ENTITLED TO RECEIVE UNDER OPTION A IF THE MEMBER OR VESTED FORMER  
14 MEMBER HAD BEEN REGULARLY RETIRED ON THE DATE OF THE MEMBER'S OR  
15 VESTED FORMER MEMBER'S DEATH. IF A MEMBER OR VESTED FORMER  
16 MEMBER WHO HAS MADE AN ELECTION UNDER THIS SUBSECTION SUBSE-  
17 QUENTLY RETIRES UNDER THIS ACT, HIS OR HER ELECTION OF OPTION A  
18 SHALL TAKE EFFECT AT THE TIME OF RETIREMENT. THE MEMBER OR  
19 VESTED FORMER MEMBER, BEFORE THE EFFECTIVE DATE OF RETIREMENT,  
20 BUT NOT AFTER THE EFFECTIVE DATE OF RETIREMENT, MAY REVOKE HIS OR  
21 HER PREVIOUS ELECTION OF OPTION A UNDER THIS SUBSECTION AND ELECT  
22 TO RECEIVE HIS OR HER RETIREMENT ALLOWANCE AS A STRAIGHT LIFE  
23 RETIREMENT ALLOWANCE UNDER SECTION 503 OR UNDER OPTION B AS PRO-  
24 VIDED FOR IN SUBSECTION (1). IF A VESTED FORMER MEMBER WHO HAS  
25 AN OPTION A ELECTION IN EFFECT DIES BEFORE THE EFFECTIVE DATE OF  
26 HIS OR HER RETIREMENT, THE RETIREMENT ALLOWANCE PAYABLE UNDER  
27 OPTION A SHALL BE PAID TO THE RETIREMENT ALLOWANCE BENEFICIARY AT

1 THE TIME THE DECEASED VESTED FORMER MEMBER OTHERWISE WOULD HAVE  
2 BEEN ELIGIBLE TO BEGIN RECEIVING BENEFITS.