

Legislative Analysis



PSERS RETIREMENT BENEFICIARY

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 1017

Sponsor: Sen. Ron Jelinek

House Committee: Education

Senate Committee: Education

Complete to 11-28-06

A SUMMARY OF SENATE BILL 1017 (S-2) AS PASSED BY THE SENATE 9-12-06

The bill would amend the Public School Employees Retirement Act to permit a "retirant" (i.e., a person who retires and is due retirement payments) to select a new spouse as a retirement allowance beneficiary if a previous spouse dies or if the retirant was not married at the time of retirement.

Currently, as a rule, if a retirant selects a beneficiary and the beneficiary dies before the retirant, the retirement benefit reverts ("pops up") to a straight retirement allowance payable during the remainder of the retirant's life. Senate Bill 1017 would create an exception to this provision for a retirant whose spouse dies and who later remarries and for a retirant who was not married on his or her retirement date and marries after that date.

If an individual selected a beneficiary under the bill, the retirement allowance could not be greater than the actuarial equivalent of the retirement allowance that the retirant otherwise would be entitled to under a straight retirement benefit with no additional payments to be made upon his or her death.

Upon the retirant's death, an individual who became a retirant allowance beneficiary as allowed by the bill would not be a health insurance dependent, and would not be entitled to health insurance benefits, with the following exception: A surviving spouse selected as a beneficiary could elect to receive insurance coverage if the surviving spouse is responsible for payment for the elected coverage, and the payment is made in a manner prescribed by the retirement system.

The bill also would allow individuals performing out-of-system public education service and members of the State Employees' Retirement System (as well as members of the Public School Employees Retirement System, as is currently provided) to purchase up to five years of service credit in the retirement system for time missed because of maternity, paternity, or child rearing. The bill would replace the term "maternity, paternity or child rearing" with "parental leave."

The bill would take effect on January 1, 2009.

MCL 38.1385 & 38.1391

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units.

Legislative Analyst: J. Hunault
Fiscal Analyst: Al Valenzio

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