



**House
Legislative
Analysis
Section**

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CO. RETIREES: OPTIONAL RETIREMENT DATE

**House Bill 6293 as introduced
First Analysis (12-4-90)**

**Sponsor: Rep. Joe Young, Sr.
Committee: Senior Citizens and Retirement**

THE APPARENT PROBLEM:

Under most public retirement plans in Michigan, a member may elect to receive either a) a regular retirement allowance, ending upon the member's death, or b) a reduced retirement allowance, payable throughout the lives of the retiree and his or her retirement allowance beneficiary. Several years ago, it was revealed that in some unfortunate situations spouses of members who had elected to receive a regular retirement allowance were unaware — until the member died — of the full implications of this choice: that they were no longer entitled to any retirement benefits. In response, both the State Employees and Public School Employees Retirement Systems took precautions to assure that a member's spouse was aware of the selection by requiring the signature of both spouses when a member elected to receive a regular allowance. Not all county retirement systems, however, have these provisions. Recently it came to light that in Wayne County the widow of a member who retired in 1981 discovered upon his death in 1989 that he had elected to receive a regular retirement allowance, and that she would receive no further benefits. (Wayne County now requires spousal consent when a member elects to receive a regular retirement allowance.) In response, Public Act 178 of 1990 amended public Act 156 of 1981 — the act that grants powers to county boards of commissioners — to permit the Wayne County Employees Retirement System to pay a retirement allowance to this widow. Unfortunately, the act, in error, provided for a "window" period for spouses of members who retired between May 1, 1981 and November 12, 1985. It was intended that this "window" period should extend from March, 1981, to November 12, 1985.

THE CONTENT OF THE BILL:

Currently, under Public Act 156 of 1981 — the act granting powers to county boards of commissioners — a county that provides an optional form of retirement allowance may pay a retirement allowance to the surviving spouse of a deceased member of a county retirement plan, provided that the member:

- Retired after May 1, 1981, and before November 12, 1985.
- Had elected to receive his or her retirement allowance in life payments.
- Died between November 1, 1989 and December 31, 1989.

House Bill 6293 would amend the act to change the eligibility criteria for this provision. Under the bill, the allowable period of retirement would begin on March 1, 1981, rather than May 1, 1981.

MCL 46.12a

FISCAL IMPLICATIONS:

According to the Retirement Bureau, the bill would not affect state expenditures. (11-19-90)

ARGUMENTS:

For:

The bill would correct a technical error in a previous act, and would then permit the Wayne County Employees Retirement System to pay a retirement allowance to the spouse of a member who retired between March 1, 1989, and November 12, 1985. The spouse of this member was denied the pension benefits that she had assumed would continue after her spouse's death. Most retirement systems have recognized that a retiree should not be able to choose a retirement allowance option that excludes his or her spouse without the consent of the spouse, and have amended their rules to require that decisions regarding pensions be shared with a spouse. It is only fair that Wayne County be given the opportunity to correct this oversight in its retirement rules.

Against:

The statutes that govern the various retirement systems specifically provide that the election of a payment option may not be changed on or after the effective date of a retirement allowance, since members who receive a regular retirement allowance receive a substantially higher monthly benefit than they would receive under a reduced retirement allowance. The bill would therefore grant an unfair benefit to one person out of many who might have claimed equal consideration, and could also set a precedent that could prove to be costly to county retirement systems.

POSITIONS:

The Retirement Bureau in the Department of Management and Budget supports the bill (11-29-90)

The Wayne County Employees Retirement System supports the bill (11-19-90)