



**House  
Legislative  
Analysis  
Section**

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**PSERS: DIVORCED SPOUSES AND DISABLED**

House Bill 5194 with committee amendment  
First Analysis (1-28-88)

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FEB 25 1988

Sponsor: Rep. Mary C. Brown

Committee: Senior Citizens and Retirement

Mich. State Law Library

***THE APPARENT PROBLEM:***

Under the Public School Employees Retirement Act, a retiree may choose to receive a reduced retirement allowance, with the provision that payment of the benefit continue after the retiree's death, throughout the lifetime of the person designated as beneficiary. Should the beneficiary die before the retiree, the retiree's benefit reverts to a straight retirement allowance. In cases where the beneficiary and the retiree divorce, however, there is no provision in the act allowing the retiree's benefit to revert to a straight retirement allowance. Even though the employee's retirement benefits may already have been included as an asset in the marital property settlement, or be subject to child support orders, selection of a payment option is irrevocable, and the retiree will receive a reduced allowance.

***THE CONTENT OF THE BILL:***

The bill would amend the act to specify that the benefit of a retiree receiving a reduced retirement allowance would revert to a straight retirement allowance upon divorce if the spouse has been designated as the retiree's retirement allowance beneficiary. The allowance would be subject to a court order to meet the person's obligations to a spouse, former spouse, or child, and could not supercede such an order.

The bill would also amend the act to emphasize that certain disabled retirees may exercise the same retirement options as other retirees.

MCL 38.1385

***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that, except for the administrative costs involved in notifying employees of the changes, the bill would incur no fiscal implications for the state. (1-28-88)

***ARGUMENTS:***

***For:***

A retiree who chooses to receive reduced retirement benefits does so to provide security for a spouse after his or her death. It is unfair that divorced retirees should lose part of their retirement benefits due to circumstances which they could not have foreseen, and may not have been able to control.

***Against:***

Most divorces occur before employees reach retirement age. The bill, therefore is unnecessary. It could, however, open the door to a flood of applications to have retirement options changed retroactively.

***POSITIONS:***

The Bureau of Retirement Systems in the Department of Management and Budget would support the bill with a further amendment specifying that only those who retired after the effective date of the bill would have their benefits revert to the straight retirement allowance. (1-28-88)

H.B. 5194 (1-28-88)