

REPRINT

**SUBSTITUTE FOR
SENATE BILL NO. 267**

(As Passed the Senate November 9, 2000)

A bill to amend 1986 PA 182, entitled "State police retirement act of 1986," by amending sections 3, 14, 25, and 26 (MCL 38.1603, 38.1614, 38.1625, and 38.1626), section 3 as amended by 1995 PA 192, section 14 as amended by 1989 PA 191, and section 26 as amended by 1991 PA 53, and by adding sections 13a and 40b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. (1) "Credited service" means the sum of the prior
2 service and membership service credited to a member's account.

3 (2) "Deferred member" means a member who separates from
4 service with entitlement to a deferred retirement allowance as
5 provided in section 30, but who is not a retirant.

6 (3) "Department" means the department of management and
7 budget.

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1 (4) "Direct rollover" means a payment by the retirement
2 system to the eligible retirement plan specified by the
3 distributee.

4 (5) "Distributee" includes a member or deferred member.
5 Distributee also includes the member's or deferred member's sur-
6 viving spouse or the member's or deferred member's spouse or
7 former spouse under an eligible domestic relations order, with
8 regard to the interest of the spouse or former spouse.

9 (6) Except as otherwise provided in this subsection,
10 "eligible retirement plan" means an individual retirement account
11 described in section 408(a) of the internal revenue code, an
12 individual retirement annuity described in section 408(b) of the
13 internal revenue code, an annuity plan described in section
14 403(a) of the internal revenue code, or a qualified trust
15 described in section 401(a) of the internal revenue code, that
16 accepts the distributee's eligible rollover distribution.
17 However, in the case of an eligible rollover distribution to a
18 surviving spouse, an eligible retirement plan means an individual
19 retirement account or an individual retirement annuity described
20 above.

21 (7) "Eligible rollover distribution" means a distribution of
22 all or any portion of the balance to the credit of the
23 distributee. Eligible rollover distribution does not include any
24 of the following:

25 (a) A distribution made for the life or life expectancy of
26 the distributee or the joint lives or joint life expectancies of
27 the distributee and the distributee's designated beneficiary.

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1 (b) A distribution for a specified period of 10 years or
2 more.

3 (c) A distribution to the extent that the distribution is
4 required under section 401(a)(9) of the internal revenue code.

5 (d) The portion of any distribution that is not includable
6 in federal gross income, determined without regard to the exclu-
7 sion for net unrealized appreciation with respect to employer
8 securities.

9 (8) "Final average compensation" means the average annual
10 salary for the last 2 years of service with the department of
11 state police for which the member was compensated AS DEFINED IN
12 SUBSECTION (10). In the case of a nonclassified member of the
13 department holding the rank of colonel, final average compensa-
14 tion means the same average annual salary as that computed for
15 the highest salaried classified member of the department, or at
16 the average annual salary for the last 2 years of service with
17 the department of state police for which the member was compen-
18 sated, whichever is greater. Average annual salary includes only
19 the following compensation items:

20 (a) Regular salary paid for the last 2 years of service,
21 including, but not limited to, that salary that is deferred pur-
22 suant to a state deferred compensation program.

23 (b) Overtime, shift differential, and shift differential
24 overtime paid for the last 2 years of service.

25 (c) Gross pay adjustments paid affecting the last 2 years of
26 service, including compensatory time and emergency response
27 compensation.

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1 (d) Up to a maximum of 240 hours of accumulated annual
2 leave, paid at the time of retirement separation.

3 (e) Deferred hours under Plan B of the fiscal years ending
4 September 30, 1981, and September 30, 1982, that are paid at the
5 time of retirement separation.

6 (f) Longevity pay equal to 2 full years.

7 (g) Bomb squad pay paid for the last 2 years of service.

8 (h) Post 29 freeway premium paid for the last 2 years of
9 service.

10 (i) On-call pay paid for the last 2 years of service.

11 (9) "Internal revenue code" means the United States internal
12 revenue code of 1986.

13 (10) "LAST 2 YEARS OF SERVICE" MEANS THE 2-YEAR PERIOD IMME-
14 DIATELY PRECEDING THE MEMBER'S LAST DAY OF SERVICE OR THAT PERIOD
15 OF 2 CONSECUTIVE YEARS OF SERVICE WITH THE DEPARTMENT OF STATE
16 POLICE IMMEDIATELY PRECEDING THE DATE THE DUTY DISABILITY
17 OCCURRED ACCORDING TO THE MEDICAL EXAMINATIONS CONDUCTED PURSUANT
18 TO SECTION 29.

19 SEC. 13A. IF A CHANGE OR ERROR IN THE RECORDS OF THE
20 RETIREMENT SYSTEM RESULTS IN A RETIRANT, RETIREMENT ALLOWANCE
21 BENEFICIARY, OR REFUND BENEFICIARY RECEIVING FROM THE RETIREMENT
22 SYSTEM MORE OR LESS THAN THE RETIRANT, RETIREMENT ALLOWANCE BENE-
23 FICIARY, OR REFUND BENEFICIARY WOULD HAVE BEEN ENTITLED TO
24 RECEIVE HAD THE RECORDS BEEN CORRECT, THE RETIREMENT SYSTEM SHALL
25 AS FAR AS PRACTICAL CORRECT THE ERROR, AND MAY ADJUST THE PAYMENT
26 TO PROVIDE AN ACTUARIAL EQUIVALENT OF THE BENEFIT TO WHICH THE
27 RETIRANT, RETIREMENT ALLOWANCE BENEFICIARY, REFUND BENEFICIARY,

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1 ESTATE, OR LEGAL REPRESENTATIVE WAS CORRECTLY ENTITLED. THE
2 RETIREMENT SYSTEM SHALL NOT MAKE AN ADJUSTMENT IN BENEFITS FOR AN
3 ERROR TOTALING \$20.00 OR LESS ANNUALLY.

4 Sec. 14. (1) The funding objective of the retirement system
5 is to establish and receive contributions during each fiscal year
6 that are sufficient to fully cover the actuarial cost of benefits
7 likely to be paid on account of services rendered by members
8 during the fiscal year, the normal cost requirements of the
9 retirement system, and finance the unfunded actuarial costs of
10 benefits likely to be paid on account of service rendered prior
11 to the fiscal year, the unfunded actuarial accrued liability of
12 the retirement system, and health, dental, and vision insurance.

13 (2) The annual level percentage of payroll contribution rate
14 shall be actuarially determined using experience assumptions and
15 level percent of payroll actuarial cost methods adopted by the
16 retirement board and the department pursuant to an annual actuar-
17 ial valuation, which shall be sufficient to finance benefits
18 being provided and to be provided by the retirement system.

19 (3) FOR DIFFERENCES OCCURRING IN FISCAL YEARS BEGINNING ON
20 OR AFTER OCTOBER 1, 2001, A MINIMUM OF 20% OF THE DIFFERENCE
21 BETWEEN THE ESTIMATED AND THE ACTUAL AGGREGATE COMPENSATION AND
22 THE ESTIMATED AND THE ACTUAL CONTRIBUTION RATE DESCRIBED IN
23 SUBSECTION (2), IF ANY, MAY BE SUBMITTED IN THE EXECUTIVE BUDGET
24 TO THE LEGISLATURE FOR APPROPRIATION IN THE NEXT SUCCEEDING STATE
25 FISCAL YEAR AND A MINIMUM OF 25% OF THE REMAINING DIFFERENCE
26 SHALL BE SUBMITTED IN THE EXECUTIVE BUDGET TO THE LEGISLATURE FOR
27 APPROPRIATION IN EACH OF THE FOLLOWING 4 STATE FISCAL YEARS, OR

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1 UNTIL 100% OF THE REMAINING DIFFERENCE IS SUBMITTED, WHICHEVER
2 FIRST OCCURS. IN ADDITION, INTEREST SHALL BE INCLUDED FOR EACH
3 YEAR THAT A PORTION OF THE REMAINING DIFFERENCE IS CARRIED
4 FORWARD. THE INTEREST RATE SHALL EQUAL THE ACTUARIALLY ASSUMED
5 RATE OF INVESTMENT RETURN FOR THE STATE FISCAL YEAR IN WHICH PAY-
6 MENT IS MADE.

7 Sec. 25. (1) A retirement allowance shall be paid to the
8 surviving spouse of a member of the retirement system who while
9 in the discharge of his or her duty is killed or receives inju-
10 ries or contracts a disease or illness, by reason of his or her
11 occupation, which results in his or her death. The retirement
12 allowance shall be equal to 60% of the member's final average
13 compensation. Upon the death of the surviving spouse, or if
14 there is no surviving spouse at the time of the death of the
15 member, the pension shall be paid to the children of the member
16 under the age of 18 years, share and share alike. When each
17 respective child attains the age of 18 years, payment to him or
18 her shall cease and his or her share shall be prorated among the
19 remaining children under 18 years of age. If there is a retire-
20 ment allowance payable to a surviving spouse under this section,
21 a retirement allowance of \$100.00 per month shall be paid to each
22 of the children under the age of 18 years, if any, of the
23 deceased member, and all payments to the children shall continue
24 until each respective child reaches the age of 18 years. If
25 there is not a surviving spouse, nor children under the age of 18
26 years, then a retirement allowance equal to 60% of the member's
27 final average compensation shall be paid to the mother or father,

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1 or both, of the member, if dependent on him or her for support,
2 until the dependency ceases. If there is not a dependent mother
3 or father, a retirement allowance of \$100.00 per month shall be
4 paid to each of the sisters or brothers, if there are any under
5 18 years of age dependent upon the member for support. If there
6 are not any dependents, then there shall be paid to the deceased
7 member's estate any residual accumulated contributions and inter-
8 est made by him or her into the reserve for employee contribu-
9 tions, or \$1,500.00, whichever is greater.

10 (2) The supplements to retirement allowances and minimum
11 annual retirement allowance provisions of this act shall not
12 apply to the special \$100.00 per month allowance to children and
13 the allowance to dependent parents and siblings.

14 (3) When an active or retired member is killed or dies from
15 injuries, disease, or illness, contracted by reason of his or her
16 occupation as a member of the department of state police, the
17 retirement board shall provide a sum not to exceed \$1,500.00 from
18 the reserve for casualty experience for funeral expenses.

19 (4) The retirement allowance payable under this section,
20 when added to the statutory worker's compensation benefits appli-
21 cable in the case, shall not exceed the average annual salary
22 paid to the member for the MEMBER'S LAST 2 years ~~immediately~~ OF
23 SERVICE WITH THE DEPARTMENT OF STATE POLICE prior to HIS OR HER
24 death.

25 Sec. 26. (1) A member who retires due to duty incurred dis-
26 ability after September 30, 1986, is entitled to receive a

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1 retirement allowance equal to 60% of the member's final average
2 compensation.

3 (2) If a retirant receiving a retirement allowance under
4 this section dies, the retirement allowance shall continue to be
5 paid to the surviving spouse of the deceased retirant for the
6 rest of the spouse's life.

7 (3) For purposes of this section, if there is no surviving
8 spouse or upon the spouse's death, the retirement allowance shall
9 be paid to the children under the age of 18 of the member, share
10 and share alike. If there are no eligible children remaining
11 after the spouse's death, there shall be paid to the deceased
12 member's estate any residual accumulated contributions and inter-
13 est made by him or her into the reserve for employee
14 contributions.

15 (4) The retirement allowance payable under this section,
16 when added to the statutory worker's compensation benefits appli-
17 cable in the case, shall not exceed the average annual salary
18 paid to the member for the MEMBER'S LAST 2 years ~~immediately~~ OF
19 SERVICE WITH THE DEPARTMENT OF STATE POLICE before the duty dis-
20 ability retirement allowance effective date.

21 SEC. 40B. THE RETIREMENT SYSTEM SHALL RECALCULATE EACH
22 RETIRANT'S OR BENEFICIARY'S RETIREMENT ALLOWANCE WHO RETIRED
23 UNDER SECTION 26 BASED UPON THE DEFINITION OF LAST 2 YEARS OF
24 SERVICE ADDED UNDER SECTION 3(10) BY THE AMENDATORY ACT THAT
25 ADDED THIS SECTION. IF THE RECALCULATION RESULTS IN AN INCREASED
26 RETIREMENT ALLOWANCE, THE RETIRANT OR BENEFICIARY IS ELIGIBLE TO
27 RECEIVE THE RECALCULATED RETIREMENT ALLOWANCE BEGINNING THE FIRST

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1 DAY OF THE MONTH FOLLOWING THE MONTH THAT THIS SECTION TAKES
2 EFFECT.