

**SUBSTITUTE FOR  
SENATE BILL NO. 267**

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.

**SB 267, As Passed Senate, November 9, 2000**

Senate Bill No. 267

2

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.

**SB 267, As Passed Senate, November 9, 2000**

Senate Bill No. 267

3

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.

**SB 267, As Passed Senate, November 9, 2000**

Senate Bill No. 267

4

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,

**SB 267, As Passed Senate, November 9, 2000**

Senate Bill No. 267

5

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 actuarial  
17 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

**SB 267, As Passed Senate, November 9, 2000**

Senate Bill No. 267

6

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,

**SB 267, As Passed Senate, November 9, 2000**

Senate Bill No. 267

7

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

**SB 267, As Passed Senate, November 9, 2000**

Senate Bill No. 267

8

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



**SB 267, As Passed Senate, November 9, 2000**

Senate Bill No. 267

9

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