

**SUBSTITUTE FOR  
SENATE BILL NO. 165**

A bill to amend 1986 PA 182, entitled  
"State police retirement act of 1986,"  
by amending sections 3 and 4 (MCL 38.1603 and 38.1604), as amended  
by 2018 PA 674.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 3. (1) "Banked leave time program" means the part B  
2 annual leave hours within the state's annual and sick leave program  
3 approved by a ruling of the Internal Revenue Service on September  
4 5, 2003, in which a pay reduction or other concessions are applied  
5 to a member in exchange for additional part B annual leave hours.

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

8           (3) "Deferred member" means a member who separates from

1 service with entitlement to a deferred retirement allowance as  
2 provided in section 30, but who is not a retirant.

3 (4) "Department" means the department of technology,  
4 management, and budget.

5 (5) "Direct rollover" means a payment by the retirement system  
6 to the eligible retirement plan specified by the distributee.

7 (6) "Distributee" includes a member or deferred member.  
8 Distributee also includes the member's or deferred member's  
9 surviving spouse or the member's or deferred member's spouse or  
10 former spouse under an eligible domestic relations order, with  
11 regard to the interest of the spouse or former spouse.

12 (7) "DROP participant" means an officer who participates in  
13 the deferred retirement option plan established in section 24a.

14 (8) Beginning January 1, 2002, except as otherwise provided in  
15 this subsection, "eligible retirement plan" means 1 or more of the  
16 following:

17 (a) An individual retirement account described in section  
18 408(a) of the internal revenue code, 26 USC 408.

19 (b) An individual retirement annuity described in section  
20 408(b) of the internal revenue code, 26 USC 408.

21 (c) An annuity plan described in section 403(a) of the  
22 internal revenue code, 26 USC 403.

23 (d) A qualified trust described in section 401(a) of the  
24 internal revenue code, 26 USC 401.

25 (e) An annuity contract described in section 403(b) of the  
26 internal revenue code, 26 USC 403.

27 (f) An eligible plan under section 457(b) of the internal  
28 revenue code, 26 USC 457, that is maintained by a state, political  
29 subdivision of a state, or an agency or instrumentality of a state

1 or political subdivision of a state and that agrees to separately  
2 account for amounts transferred into the eligible plan under  
3 section 457(b) of the internal revenue code, 26 USC 457, from this  
4 retirement system, that accepts the distributee's eligible rollover  
5 distribution.

6 (g) Beginning January 1, 2008, a Roth individual retirement  
7 account as described in section 408A of the internal revenue code,  
8 26 USC 408A, subject to the rules that apply to rollovers from a  
9 traditional individual retirement account to a Roth individual  
10 retirement account.

11 (9) Beginning January 1, 2007, "eligible rollover  
12 distribution" means a distribution of all or any portion of the  
13 balance to the credit of the distributee. Eligible rollover  
14 distribution does not include any of the following:

15 (a) A distribution made for the life or life expectancy of the  
16 distributee or the joint lives or joint life expectancies of the  
17 distributee and the distributee's designated beneficiary.

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

19 (c) A distribution to the extent that the distribution is  
20 required under section 401(a)(9) of the internal revenue code, 26  
21 USC 401.

22 (d) The portion of any distribution that is not includable in  
23 federal gross income, except to the extent the portion of the  
24 distribution is paid to either of the following:

25 (i) An individual retirement account or annuity described in  
26 section 408(a) or 408(b) of the internal revenue code, 26 USC 408.

27 (ii) A qualified plan described in section 401(a) of the  
28 internal revenue code, 26 USC 401, or an annuity contract described  
29 in section 403(b) of the internal revenue code, 26 USC 403, and the

1 plan providers agree to separately account for the amounts paid,  
2 including any portion of the distribution that is includable in  
3 federal gross income, and the portion of the distribution that is  
4 not so includable.

5 (10) "Final average compensation" means, except as otherwise  
6 provided in this subsection, the average annual salary for the last  
7 2 years of service with the department of state police, **department**  
8 **of corrections, department of health and human services, department**  
9 **of natural resources, or department of environment, Great Lakes,**  
10 **and energy, as applicable,** for which the member was compensated as  
11 defined in subsection (13). Except as otherwise provided in this  
12 subsection, for a nonclassified member of the department holding  
13 the rank of colonel, final average compensation means the same  
14 average annual salary as that computed for the highest salaried  
15 classified member of the department, or at the average annual  
16 salary for the last 2 years of service with the department of state  
17 police for which the member was compensated, whichever is greater.  
18 Beginning ~~with the effective date of the amendatory act that added~~  
19 ~~section 42a,~~ **December 28, 2018,** for a member who first became a  
20 member on or after June 10, 2012, final average compensation means  
21 the average salary for the last 5 years of service for which the  
22 member was compensated as defined in subsection (14). Average  
23 annual salary includes only the following compensation items:

24 (a) Beginning ~~with the effective date of the amendatory act~~  
25 ~~that added section 42a,~~ **December 28, 2018,** for a member who first  
26 became a member before June 10, 2012, only the following  
27 compensation items:

28 (i) Regular salary paid for the last 2 years of service,  
29 including, but not limited to, that salary that is deferred

1 pursuant to a state deferred compensation program.

2 (ii) Overtime, shift differential, and shift differential  
3 overtime paid for the last 2 years of service.

4 (iii) Gross pay adjustments paid affecting the last 2 years of  
5 service, including compensatory time and emergency response  
6 compensation.

7 (iv) Up to a maximum of 240 hours of accumulated annual leave,  
8 paid at the time of retirement separation excluding part B annual  
9 leave hours paid at the time of retirement separation.

10 (v) Deferred hours under Plan B of the fiscal years ending  
11 September 30, 1981, and September 30, 1982, that are paid at the  
12 time of retirement separation.

13 (vi) Longevity pay equal to 2 full years.

14 (vii) Bomb squad pay paid for the last 2 years of service.

15 (viii) Post 29 freeway premium paid for the last 2 years of  
16 service.

17 (ix) On-call pay paid for the last 2 years of service.

18 (x) Beginning October 1, 2003, the value of any unpaid  
19 furlough hours or the value of any unpaid hours exchanged for part  
20 B annual leave hours, calculated at the member's then-current  
21 hourly rate or rates of pay, for a period during which a member is  
22 participating in the banked leave time program.

23 (xi) Beginning May 1, 2009, the value of temporary layoff  
24 hours. As used in this subparagraph, "temporary layoff hours" means  
25 hours attributable to the layoff of a member if the layoff does not  
26 exceed 1 month and has a fixed, predetermined, and announced recall  
27 date.

28 (b) Beginning ~~with the effective date of the amendatory act~~  
29 ~~that added section 42a,~~ **December 28, 2018**, for a member who first

1 became a member on or after June 10, 2012, only the following  
2 compensation items:

3 (i) Regular salary paid for the last 5 years of service,  
4 including, but not limited to, that salary that is deferred  
5 pursuant to a state deferred compensation program.

6 (ii) Shift differential.

7 (iii) Gross pay adjustments paid affecting the last 5 years of  
8 service, including compensatory time and emergency response  
9 compensation.

10 (iv) Up to a maximum of 240 hours of accumulated annual leave,  
11 paid at the time of retirement separation excluding part B annual  
12 leave hours paid at the time of retirement separation.

13 (v) Longevity pay equal to 5 full years.

14 (vi) Bomb squad pay paid for the last 5 years of service.

15 (vii) Post 29 freeway premium paid for the last 5 years of  
16 service.

17 (viii) On-call pay paid for the last 5 years of service.

18 (ix) The value of any unpaid furlough hours or the value of any  
19 unpaid hours exchanged for part B annual leave hours, calculated at  
20 the member's then-current hourly rate or rates of pay, for a period  
21 during which a member is participating in the banked leave time  
22 program.

23 (x) The value of temporary layoff hours. As used in this  
24 subparagraph, "temporary layoff hours" means hours attributable to  
25 the layoff of a member if the layoff does not exceed 1 month and  
26 has a fixed, predetermined, and announced recall date.

27 (11) "Furlough hours" means unworked hours incurred in  
28 conjunction with the banked leave time program.

29 (12) "Internal revenue code" means the United States internal

1 revenue code of 1986.

2 (13) "Last 2 years of service" means the 2-year period  
3 immediately preceding the member's last day of service or that  
4 period of 2 consecutive years of service with the department of  
5 state police, **department of corrections, department of health and**  
6 **human services, department of natural resources, or department of**  
7 **environment, Great Lakes, and energy, as applicable,** immediately  
8 preceding the date the duty disability occurred according to the  
9 medical examinations conducted under section 29 or, if the officer  
10 participated in the deferred retirement option plan, the 2-year  
11 period immediately preceding participation in the deferred  
12 retirement option plan.

13 (14) "Last 5 years of service" means the 5-year period  
14 immediately preceding the member's last day of service or that  
15 period of 5 consecutive years of service with the department of  
16 state police, **department of corrections, department of health and**  
17 **human services, department of natural resources, or department of**  
18 **environment, Great Lakes, and energy, as applicable,** immediately  
19 preceding the date the duty disability occurred according to the  
20 medical examinations conducted under section 29.

21 Sec. 4. (1) "Member", except where the context otherwise  
22 requires, means ~~an~~**any of the following:**

23 (a) **An** employee of the department of state police who has  
24 subscribed to the constitutional oath of office.

25 (b) **An individual employed in an eligible position who elected**  
26 **to terminate his or her participation in the state employees'**  
27 **retirement system under section 50b of the state employees**  
28 **retirement act, 1943 PA 240, MCL 38.50b. An individual described in**  
29 **this subdivision is treated as an individual who first becomes a**

1 member after June 9, 2012. As used in this subdivision, "eligible  
2 position" means that term as defined in section 50b of the state  
3 employees' retirement act, 1943 PA 240, MCL 38.50b.

4 (c) An individual employed in an eligible position who is  
5 first employed and entered on the payroll after September 30, 2024.  
6 An individual described in this subdivision is treated as an  
7 individual who first becomes a member after June 9, 2012. As used  
8 in this subdivision, "eligible position" means that term as defined  
9 in section 50b of the state employees' retirement act, 1943 PA 240,  
10 MCL 38.50b.

11 (d) A conservation officer who elected to terminate his or her  
12 position in the state employees' retirement system under section  
13 50c of the state employees' retirement act, 1943 PA 240, MCL  
14 38.50c. An individual described in this subdivision is treated as  
15 an individual who first becomes a member after June 9, 2012. As  
16 used in this subdivision, "conservation officer" means that term as  
17 defined in section 1b of the state employees' retirement act, 1943  
18 PA 240, MCL 38.1b.

19 (e) A conservation officer who is first employed and entered  
20 on the payroll after September 30, 2024. An individual described in  
21 this subdivision is treated as an individual who first becomes a  
22 member after June 9, 2012. As used in this subdivision,  
23 "conservation officer" means that term as defined in section 1b of  
24 the state employees' retirement act, 1943 PA 240, MCL 38.1b.

25 (f) A state police motor carrier or Michigan state police  
26 properties securities officer who elected to terminate his or her  
27 position in the state employees' retirement system under section  
28 50d of the state employees' retirement act, 1943 PA 240, MCL  
29 38.50d. An individual described in this subdivision is treated as



1 an individual who first becomes a member after June 9, 2012.

2 (g) A state police motor carrier or Michigan state police  
3 properties securities officer who is first employed and entered on  
4 the payroll after September 30, 2024. An individual described in  
5 this subdivision is treated as an individual who first becomes a  
6 member after June 9, 2012.

7 (2) "Officer" means a nonexclusively represented member of the  
8 retirement system.

9 (3) "Qualified participant" means an individual who first  
10 becomes a member ~~on or~~ after June ~~10,~~ 9, 2012 and who is also a  
11 participant of Tier 2.

12 (4) "Regular interest" means a rate or rates per annum,  
13 compounded annually, as the retirement board determines. For the  
14 purposes of employee refunds, the interest rate payable must not  
15 exceed 4% per annum, compounded annually.

16 (5) "Retirant" means a member who separates from service and  
17 retires with a retirement allowance payable from the appropriate  
18 reserve of the retirement system.

19 (6) "Retirement allowance" means the annual amount, payable  
20 monthly, to which a retirant, retirement allowance beneficiary, or  
21 refund beneficiary is entitled under this act.

22 (7) "Retirement allowance beneficiary" means a person who is  
23 being paid or has entitlement to the payment of a retirement  
24 allowance in the event of the death of a member, deferred member,  
25 or retirant.

26 (8) "Retirement board" means the retirement board created in  
27 section 6.

28 (9) "Retirement system" means the system of benefits for  
29 members and qualified participants of the department of state

1 police and their survivors and beneficiaries provided by this act.

2 (10) "Surviving spouse" means the spouse at the time of death  
3 of the member or retirant.

4 (11) "Tier 1" means the retirement plan available to a member  
5 under this act.

6 (12) "Tier 2" means the retirement plan established pursuant  
7 to section 401(k) of the internal revenue code, 26 USC 401, that is  
8 available to qualified participants under sections 62 to 74.

9 Enacting section 1. This amendatory act does not take effect  
10 unless all of the following bills of the 102nd Legislature are  
11 enacted into law:

12 (a) Senate Bill No. 166.

13 (b) Senate Bill No. 167.