

HOUSE BILL NO. 6033

November 07, 2024, Introduced by Rep. Friske and referred to the Committee on Labor.

A bill to amend 1986 PA 182, entitled
"State police retirement act of 1986,"
by amending sections 3, 4, 14, and 70 (MCL 38.1603, 38.1604,
38.1614, and 38.1670), sections 3, 4, and 14 as amended and section
70 as added by 2018 PA 674, and by adding sections 14b and 24c.

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

1 5, 2003, in which a pay reduction or other concessions are applied
2 to a member in exchange for additional part B annual leave hours.

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

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

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

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

12 (6) "Distributee" includes a member or deferred member.
13 Distributee also includes the member's or deferred member's
14 surviving spouse or the member's or deferred member's spouse or
15 former spouse under an eligible domestic relations order, with
16 regard to the interest of the spouse or former spouse.

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

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

22 (a) An individual retirement account described in section
23 408(a) of the internal revenue code, 26 USC 408.

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

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

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

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

3 (f) An eligible plan under section 457(b) of the internal
4 revenue code, 26 USC 457, that is maintained by a state, political
5 subdivision of a state, or an agency or instrumentality of a state
6 or political subdivision of a state and that agrees to separately
7 account for amounts transferred into the eligible plan under
8 section 457(b) of the internal revenue code, 26 USC 457, from this
9 retirement system, that accepts the distributee's eligible rollover
10 distribution.

11 (g) Beginning January 1, 2008, a Roth individual retirement
12 account as described in section 408A of the internal revenue code,
13 26 USC 408A, subject to the rules that apply to rollovers from a
14 traditional individual retirement account to a Roth individual
15 retirement account.

16 (9) Beginning January 1, 2007, "eligible rollover
17 distribution" means a distribution of all or any portion of the
18 balance to the credit of the distributee. Eligible rollover
19 distribution does not include any of the following:

20 (a) A distribution made for the life or life expectancy of the
21 distributee or the joint lives or joint life expectancies of the
22 distributee and the distributee's designated beneficiary.

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

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

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

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

3 (ii) A qualified plan described in section 401(a) of the
4 internal revenue code, 26 USC 401, or an annuity contract described
5 in section 403(b) of the internal revenue code, 26 USC 403, and the
6 plan providers agree to separately account for the amounts paid,
7 including any portion of the distribution that is includable in
8 federal gross income, and the portion of the distribution that is
9 not so includable.

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

28 (a) 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 before June 10, 2012, only the following
2 compensation items:

3 (i) Regular salary paid for the last 2 years of service,
4 including, but not limited to, that salary that is deferred
5 pursuant to a state deferred compensation program.

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

8 (iii) Gross pay adjustments paid affecting the last 2 years of
9 service, including compensatory time and emergency response
10 compensation.

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

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

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

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

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

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

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

27 (xi) Beginning May 1, 2009, the value of temporary layoff
28 hours. As used in this subparagraph, "temporary layoff hours" means
29 hours attributable to the layoff of a member if the layoff does not

1 exceed 1 month and has a fixed, predetermined, and announced recall
2 date.

3 (b) Beginning ~~with the effective date of the amendatory act~~
4 ~~that added section 42a, December 28, 2018,~~ for a member who first
5 became a member on or after June 10, 2012, only the following
6 compensation items:

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

10 (ii) Shift differential.

11 (iii) Gross pay adjustments paid affecting the last 5 years of
12 service, including compensatory time and emergency response
13 compensation.

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

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

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

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

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

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

27 (x) The value of temporary layoff hours. As used in this
28 subparagraph, "temporary layoff hours" means hours attributable to
29 the layoff of a member if the layoff does not exceed 1 month and

1 has a fixed, predetermined, and announced recall date.

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

4 (12) "Internal revenue code" means the United States internal
5 revenue code of 1986.

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

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

21 Sec. 4. (1) "Member", except where the context otherwise
22 requires, means ~~an~~ **either 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 a covered 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 on or after June 10, 2012. As used in this subdivision,
2 "covered position" means that term as defined in section 45 of the
3 state employees' retirement act, 1943 PA 240, MCL 38.45.

4 (2) "Officer" means a nonexclusively represented member of the
5 retirement system.

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

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

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

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

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

23 (8) "Retirement board" means the retirement board created in
24 section 6.

25 (9) "Retirement system" means the system of benefits for
26 members and qualified participants of the department of state
27 police and their survivors and beneficiaries provided by this act.

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

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

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

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

15 (2) ~~Subject~~ **Except as otherwise provided in section 14b, and**
16 **subject** to subsections (5) to (7), the annual level percentage of
17 payroll contribution rate must be actuarially determined using
18 experience assumptions and level percent of payroll actuarial cost
19 methods adopted by the retirement board and the department pursuant
20 to an annual actuarial valuation, which must be sufficient to
21 finance benefits being provided and to be provided by the
22 retirement system.

23 (3) Subject to subsections (5) to (7), for differences
24 occurring in fiscal years beginning on or after October 1, 2001, a
25 minimum of 20% of the difference between the estimated and the
26 actual aggregate compensation and the estimated and the actual
27 contribution rate described in subsection (2), if any, may be
28 submitted in the executive budget to the legislature for
29 appropriation in the next succeeding state fiscal year and a

1 minimum of 25% of the remaining difference must be submitted in the
2 executive budget to the legislature for appropriation in each of
3 the following 4 state fiscal years, or until 100% of the remaining
4 difference is submitted, whichever first occurs. In addition,
5 interest must be included for each year that a portion of the
6 remaining difference is carried forward. The interest rate must
7 equal the actuarially assumed rate of investment return for the
8 state fiscal year in which payment is made.

9 (4) For each fiscal year that begins on or after October 1,
10 2003, if the actuarial valuation prepared under this section for
11 each ~~the~~ fiscal year demonstrates that ~~as of~~ **at** the beginning of a
12 fiscal year, and after all credits and transfers required by this
13 act for the previous fiscal year have been made, the sum of the
14 actuarial value of assets and the actuarial present value of future
15 normal cost contributions exceeds the actuarial present value of
16 benefits, the amount based on the annual level percent of payroll
17 contribution rate under subsections (1) and (2) may be deposited
18 into the health advance funding subaccount created by section 42.

19 (5) Beginning with the state fiscal year ending September 30,
20 2022 until the pension and retiree health care payroll growth
21 assumption rate is zero, the payroll growth assumption rate must be
22 reduced by 50 basis points. Beginning with the state fiscal year
23 ending September 30, 2022, the office of retirement services within
24 the department of technology, management, and budget and the
25 retirement board may agree to reduce the rate described in this
26 subsection by any number of additional basis points.

27 (6) Beginning with the state fiscal year ending September 30,
28 2019 and for each subsequent fiscal year, the normal cost
29 contribution rate must not be less than the normal cost

1 contribution rate in the ~~immediately~~-preceding fiscal year.
2 Additionally, the employer portion of the contribution rate must
3 not be less than the employer portion of the contribution rate in
4 the ~~immediately~~-preceding fiscal year.

5 (7) Subject to this subsection, beginning with the state
6 fiscal year ending September 30, 2019 and for each subsequent
7 fiscal year until the unfunded actuarial accrued liability is paid,
8 ~~eff,~~ the unfunded actuarial accrued liability contribution sum and
9 due payable must not be less than the unfunded actuarial accrued
10 liability contribution sum and due payable in the ~~immediately~~
11 preceding fiscal year. The unfunded actuarial accrued liability
12 must be paid ~~eff~~-no later than September 30, 2038. Additionally,
13 the employer portion of the unfunded actuarial accrued liability
14 contribution sum and due payable must not be less than the employer
15 portion of the unfunded actuarial accrued liability contribution
16 sum and due payable in the ~~immediately~~-preceding fiscal year.

17 (8) Notwithstanding any other provision of this act, if the
18 retirement board establishes an arrangement and fund as described
19 in section 6 of the public employee retirement benefit protection
20 act, 2002 PA 100, MCL 38.1686, the benefits that are required to be
21 paid from that fund must be paid from a portion of the employer
22 contributions described in this section or other eligible funds.
23 The retirement board shall determine the amount of the employer
24 contributions or other eligible funds that must be allocated to
25 that fund and deposit that amount in that fund before it deposits
26 any remaining employer contributions or other eligible funds in the
27 pension fund.

28 **Sec. 14b. The retirement system shall determine a separate**
29 **contribution rate for members who are employed in covered**

1 positions. The retirement system shall determine the separate
2 contribution rate in the manner prescribed in section 14, except
3 that any increase or decrease in the unfunded actuarial accrued
4 liabilities associated with members who are employed in covered
5 positions must be amortized on a 10-year level-dollar schedule with
6 a new contribution rate calculated for each year. As used in this
7 section, "covered position" means that term as defined in section
8 45 of the state employees' retirement act, 1943 PA 240, MCL 38.45.

9 Sec. 24c. (1) Subject to subsection (5), the retirement system
10 shall grant service under this act for service rendered under the
11 state employees' retirement act, 1943 PA 240, MCL 38.1 to 38.69, to
12 a member described in section 4(1)(b) if the member pays to the
13 retirement system an amount equal to the actuarial value of the
14 service as determined by the retirement system's actuary.

15 (2) Service under the state employees' retirement act, 1943 PA
16 240, MCL 38.1 to 38.69, is not creditable toward retirement under
17 this act if the member is or will be receiving a retirement
18 allowance for the same service from another retirement system.

19 (3) A member described in subsection (1) is not required to do
20 either of the following:

21 (a) Purchase any service credit under this section for service
22 rendered under the state employees' retirement act, 1943 PA 240,
23 MCL 38.1 to 38.69.

24 (b) If the member does purchase service credit under this
25 section for service rendered under the state employees' retirement
26 act, 1943 PA 240, MCL 38.1 to 38.69, purchase all of the service
27 rendered under the state employees' retirement act, 1943 PA 240,
28 MCL 38.1 to 38.69.

29 (4) A member has 5 years after the date of initiating service

1 credit purchase under this section to complete payment. If a member
2 does not complete purchasing service credit within 5 years after
3 the date of initiating the purchase, the member will not be granted
4 service credit under this section. A member may purchase service
5 under this section in 1 or more of the following manners:

6 (a) Tax deferred payments, in a form and manner as determined
7 by the retirement system.

8 (b) Additional payments, in a form and manner as determined by
9 the retirement system.

10 (5) The retirement system shall establish a method to
11 implement the payments under subsection (4).

12 (6) For purposes of vesting under section 42b, a member is
13 granted service under this act for service rendered under the state
14 employees' retirement act, 1943 PA 240, MCL 38.1 to 38.69, even if
15 the member did not purchase service under this section.

16 Sec. 70. (1) This section is subject to the vesting
17 requirements of section 42b.

18 (2) Unless the qualified participant affirmatively elects not
19 to contribute or elects to contribute a lesser amount, the
20 qualified participant shall contribute 2% of his or her
21 compensation to his or her Tier 2 account. The qualified
22 participant's employer shall make a contribution to the qualified
23 participant's Tier 2 account in an amount equal to 50% of the first
24 2% of compensation contribution made by the qualified participant
25 under this subsection.

26 (3) A qualified participant may make contributions in addition
27 to contributions made under subsection (2) to his or her Tier 2
28 account as permitted by the department and the internal revenue
29 code.

1 (4) For a qualified participant who is employed in a covered
2 position, in addition to the employer contribution under subsection
3 (2), the qualified participant's employer shall make a contribution
4 to the qualified participant's Tier 2 account as follows:

5 (a) If the qualified participant has 5 years or more but less
6 than 10 years of completed service, 1% of the qualified
7 participant's compensation.

8 (b) If the qualified participant has 10 years or more but less
9 than 15 years of completed service, 2% of the qualified
10 participant's compensation.

11 (c) If the qualified participant has 15 years or more but less
12 than 20 years of completed service, 3% of the qualified
13 participant's compensation.

14 (d) If the qualified participant has 20 years or more of
15 completed service, 4% of the qualified participant's compensation.

16 (5) As used in this section, "covered position" means that
17 term as defined in section 45 of the state employees' retirement
18 act, 1943 PA 240, MCL 38.45.

19 Enacting section 1. This amendatory act does not take effect
20 unless Senate Bill No.____ or House Bill No. 6032 (request no.
21 06723'24 *) of the 102nd Legislature is enacted into law.