

**SUBSTITUTE FOR
HOUSE BILL NO. 5241**

A bill to amend 1986 PA 182, entitled
"State police retirement act of 1986,"
by amending section 3 (MCL 38.1603), as amended by 2008 PA 366.

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

11 (4) "Department" means the department of management and

1 budget.

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

4 (6) "Distributee" includes a member or deferred member.
5 Distributee also includes the member's or deferred member's
6 surviving 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 (7) "DROP participant" means an officer who participates in
10 the deferred retirement option plan established in section 24a.

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

14 (a) An individual retirement account described in section
15 408(a) of the internal revenue code, 26 USC 408.

16 (b) An individual retirement annuity described in section
17 408(b) of the internal revenue code, 26 USC 408.

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

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

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

24 (f) An eligible plan under section 457(b) of the internal
25 revenue code, 26 USC 457, which is maintained by a state, political
26 subdivision of a state, or an agency or instrumentality of a state
27 or political subdivision of a state and which agrees to separately

1 account for amounts transferred into the eligible plan under
2 section 457(b) of the internal revenue code, 26 USC 457, from this
3 retirement system, that accepts the distributee's eligible rollover
4 distribution.

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

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

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

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

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

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

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

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

1 in section 403(b) of the internal revenue code, 26 USC 403, and the
2 plan providers agree to separately account for the amounts paid,
3 including any portion of the distribution that is includable in
4 federal gross income, and the portion of the distribution which is
5 not so includable.

6 (10) "Final average compensation" means the average annual
7 salary for the last 2 years of service with the department of state
8 police for which the member was compensated as defined in
9 subsection (13). In the case of a nonclassified member of the
10 department holding the rank of colonel, final average compensation
11 means the same average annual salary as that computed for the
12 highest salaried classified member of the department, or at the
13 average annual salary for the last 2 years of service with the
14 department of state police for which the member was compensated,
15 whichever is greater. Average annual salary includes only the
16 following compensation items:

17 (a) Regular salary paid for the last 2 years of service,
18 including, but not limited to, that salary that is deferred
19 pursuant to a state deferred compensation program.

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

22 (c) Gross pay adjustments paid affecting the last 2 years of
23 service, including compensatory time and emergency response
24 compensation.

25 (d) Up to a maximum of 240 hours of accumulated annual leave,
26 paid at the time of retirement separation excluding part B annual
27 leave hours paid at the time of retirement separation.

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

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

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

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

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

9 (j) Beginning October 1, 2003, the value of any unpaid
10 furlough hours or the value of any unpaid hours exchanged for part
11 B annual leave hours, calculated at the member's then-current
12 hourly rate or rates of pay, for a period during which a member is
13 participating in the banked leave time program.

14 **(K) BEGINNING MAY 1, 2009, THE VALUE OF TEMPORARY LAYOFF**
15 **HOURS. AS USED IN THIS SUBDIVISION, "TEMPORARY LAYOFF HOURS" MEANS**
16 **HOURS ATTRIBUTABLE TO THE LAYOFF OF A MEMBER IF THE LAYOFF DOES NOT**
17 **EXCEED 1 MONTH AND HAS A FIXED, PREDETERMINED, AND ANNOUNCED RECALL**
18 **DATE.**

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

21 (12) "Internal revenue code" means the United States internal
22 revenue code of 1986.

23 (13) "Last 2 years of service" means the 2-year period
24 immediately preceding the member's last day of service or that
25 period of 2 consecutive years of service with the department of
26 state police immediately preceding the date the duty disability
27 occurred according to the medical examinations conducted pursuant

1 to section 29 or, if the officer participated in the deferred
2 retirement option plan, the 2-year period immediately preceding
3 participation in the deferred retirement option plan.