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## STATE EMPLOYEES RETIREMENT: DUTY DEATH BENEFIT

### House Bill 4334 as introduced First Analysis (10-17-01)

**Sponsor: Rep. Jerry Vander Roest**  
**Committee: Senior Health, Security and Retirement**

#### ***THE APPARENT PROBLEM:***

Under the State Employees' Retirement Act, a monthly retirement allowance is payable to an eligible beneficiary of a member who dies as a result of injury or illness arising out of and in the course of his or her state employment, regardless of the member's age or years of service at the time of death. This benefit also applies in the case of a duty disability retiree who is less than age 60 and who dies within three years of the disability retirement.

The amount of the duty death benefit is specified in the statute: a surviving spouse is eligible to receive an annual benefit of 1/3 of the deceased member's final compensation. In addition, unmarried children under age 18 receive an equal share of 1/4 of the member's final compensation. (If there is no surviving spouse, each minor child receives 1/4 of the member's final compensation, up to a total of 1/2 of the member's final compensation.) Finally, if there is no surviving spouse or dependent child, each dependent parent receives an allowance of 1/6 of the deceased member's final compensation.

However, in any case, the duty death benefit is limited to \$2,400 per year. This amount is seen as unjustly small, especially given that the family has lost a spouse or parent by reason of the person's state employment. (By contrast, the non-duty death benefit, available only upon having served 10 years in state employment before death, generally results in a much higher benefit, as it is based on the regular retirement formula: 1.5 percent of final average compensation multiplied by years of service.)

#### ***THE CONTENT OF THE BILL:***

The bill would amend the State Employees' Retirement Act to eliminate the \$2,400 annual limitation on the duty death benefit. (As a result, benefits would be based

on the formula remaining in this provision, but could exceed \$2,400 annually.)  
MCL 38.27

#### ***BACKGROUND INFORMATION:***

According to the comprehensive annual financial report for the State Employees Retirement System for the fiscal year ending September 30, 2000, there were 32 families receiving a duty-death benefit.

#### ***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that a preliminary actuarial evaluation indicates that the cost of House Bill 4334 would be about \$200,000 per year. As of 9-30-01, the State Employees' Retirement System was overfunded by \$863 million. Even though employer contributions for fiscal year 2001 and 2002 were reduced to reflect the over-funding, this additional cost can be absorbed within the system. (10-16-01)

#### ***ARGUMENTS:***

##### ***For:***

The bill would lift the cap on the duty death benefit for state employees who are part of the defined benefit retirement program. The cap dates back to 1955, and has not been reviewed or increased since that time. It is fitting that the state show its appreciation of the sacrifice made by state employees who are killed in the line of duty by recognizing that the maximum benefit allowed under the statute is woefully out of date. As a result of the bill, the family of a state worker who dies in the line of duty (e.g., a road construction worker hit by a car, a corrections officer killed by an inmate) would be eligible to receive a benefit based on the formula enumerated in the statute, but without the limitation of \$2,400. For example, a surviving spouse with two minor children would receive, under the bill, a

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benefit of slightly more than half ( $\frac{1}{3}$  plus  $\frac{1}{4}$ ) of the deceased member's final compensation. As there are very few people who qualify for this benefit, the costs to the retirement system would be minimal.

***Response:***

As written, the bill would apply only to future duty-death survivors. Perhaps it would be appropriate to add language specifically allowing for a recalculation of benefits for the 32 families that currently are receiving the duty death benefit.

***POSITIONS:***

The Department of Management and Budget supports the bill. (10-16-01)

The Retirement Coordinating Council supports the bill. (10-16-01)

The Michigan Association of Governmental Employees supports the bill. (10-16-01)

Analyst: D. Martens

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.