

# HOUSE BILL No. 4952

May 14, 2009, Introduced by Reps. LeBlanc, Byrnes, Hammel, Barnett, Sheltroun, Angerer, Valentine, Miller, Roberts, McDowell, Lahti, Gonzales, Rick Jones, Hansen, Constan, Haugh, Durhal, Young, Gregory, Walsh, Neumann, Leland, Dean, Genetski, Espinoza, Terry Brown, Simpson, Meadows and Coulouris and referred to the Committee on Labor.

A bill to amend 1986 PA 182, entitled  
"State police retirement act of 1986,"  
by amending section 24a (MCL 38.1624a), as added by 2004 PA 83.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 24a. (1) A deferred retirement option plan is established  
2       within the defined benefit plan that is part of the retirement  
3       system, and it is to be administered by the office of retirement  
4       services. Exclusively represented members of the retirement system  
5       may only participate in the deferred retirement option plan  
6       pursuant to notice from their collective bargaining agent that the  
7       agent agrees to the terms of the deferred retirement option plan.  
8       For each fiscal year that begins on or after October 1, 2004, the  
9       director of state police and the retirement board may elect to  
10      discontinue accepting applications for the deferred retirement

1 option plan.

2 (2) An officer who has 25 years or more of credited service  
3 under this act or former act 1935 PA 251, or both, may elect to  
4 participate in the deferred retirement option plan by executing the  
5 application provided by the office of retirement services. Once the  
6 application is accepted by the office of retirement services, the  
7 officer's participation in the deferred retirement option plan is  
8 irrevocable and he or she becomes a DROP participant. The officer  
9 is solely responsible for any federal, state, or local tax due as a  
10 result of his or her participation in the deferred retirement  
11 option plan.

12 (3) Participation in the deferred retirement option plan does  
13 not guarantee continued employment. Except as otherwise provided in  
14 this section, an officer who elects to participate in the deferred  
15 retirement option plan will remain an active employee eligible to  
16 receive any applicable wage changes and benefits, will be subject  
17 to civil service rules and regulations, and will be subject to the  
18 policies and procedures of the department of state police and  
19 subject to removal by the governor, if applicable, in the same  
20 manner as if he or she had not elected to participate in the  
21 deferred retirement option plan.

22 (4) An officer shall indicate on the application for the  
23 deferred retirement option plan the number of years that the  
24 officer wants to participate in the deferred retirement option  
25 plan, up to a maximum of 6 years. As a condition for participation,  
26 the officer agrees to retire at the conclusion of his or her  
27 participation in the deferred retirement option plan.

1 (5) A deferred retirement option plan account shall be created  
2 in the accounting records of the retirement system for each DROP  
3 participant. Each deferred retirement option plan account shall  
4 earn interest at the rate of 3% per annum, prorated for any  
5 fraction of a year. ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION**  
6 **(13), THE** deferred retirement option plan account of a DROP  
7 participant shall be credited with the following percentage of his  
8 or her monthly retirement allowance as calculated pursuant to  
9 section 24 as if he or she had retired on the day prior to becoming  
10 a DROP participant:

11 (a) 100% if the officer remains in the deferred retirement  
12 option plan for 6 years.

13 (b) 90% if the officer remains in the deferred retirement  
14 option plan for 5 years but less than 6 years.

15 (c) 80% if the officer remains in the deferred retirement  
16 option plan for 4 years but less than 5 years.

17 (d) 70% if the officer remains in the deferred retirement  
18 option plan for 3 years but less than 4 years.

19 (e) 60% if the officer remains in the deferred retirement  
20 option plan for 2 years but less than 3 years.

21 (f) 50% if the officer remains in the deferred retirement  
22 option plan for 1 year but less than 2 years.

23 (g) 30% if the officer remains in the deferred retirement  
24 option plan for less than 1 year.

25 (6) A DROP participant shall not receive a monthly retirement  
26 allowance, as calculated pursuant to section 24, until termination  
27 of his or her deferred retirement option plan participation and

1 commencement of retirement. A DROP participant shall not have any  
2 claim to any funds in his or her deferred retirement option plan  
3 account until he or she retires at the termination of his or her  
4 deferred retirement option plan participation.

5 (7) Upon termination of the deferred retirement option plan  
6 participation and commencement of retirement, the former DROP  
7 participant shall select 1 or more of the following options with  
8 regard to his or her deferred retirement option plan account:

9 (a) A total lump-sum distribution.

10 (b) A partial lump-sum distribution.

11 (c) A lump-sum direct rollover to another qualified plan if  
12 allowed by federal law and subject to the procedures of the  
13 retirement system.

14 (d) Maintain the funds in the account.

15 A former DROP participant shall remove all funds from his or  
16 her deferred retirement option plan account no later than April 1  
17 following the later of the calendar year in which the DROP  
18 participant attains 70 years, 6 months of age or the calendar year  
19 in which the DROP participant is retired.

20 (8) If a DROP participant or former DROP participant dies  
21 before removing all funds from his or her deferred retirement  
22 option plan account, the former DROP participant's designated  
23 beneficiary shall receive any remaining balances. If the former  
24 DROP participant has not named a beneficiary for his or her  
25 deferred retirement option plan account, the amount in the deferred  
26 retirement option plan account shall be paid to the beneficiary of  
27 the former DROP participant's retirement allowance. If the former

1 DROP participant has not named a beneficiary to his or her  
2 retirement allowance, the balance in the former DROP participant's  
3 account shall be paid to the former DROP participant's estate.

4 (9) If a DROP participant is found to be disabled under  
5 section 29, his or her participation in the deferred retirement  
6 option plan shall immediately cease and he or she shall be retired.

7 (10) The deferred retirement option plan shall be administered  
8 in compliance with section 415 of the internal revenue code, 26 USC  
9 415, and regulations under that section that are applicable to a  
10 governmental deferred retirement option plan. If there is a  
11 conflict between this subsection and another subsection of this  
12 section, this subsection prevails.

13 (11) A deferred retirement option plan shall not be  
14 implemented until the civil service commission adopts rules to  
15 regulate all of the following:

16 (a) A DROP participant's payment for sick leave, annual leave,  
17 longevity, and related items.

18 (b) A DROP participant's accrual of sick leave, annual leave,  
19 compensatory time, and related items.

20 (c) A DROP participant's payment of group insurance plan  
21 premiums.

22 (12) If the department receives notification from the United  
23 States internal revenue service that this section or any portion of  
24 this section will cause the retirement system to be disqualified  
25 for tax purposes under the internal revenue code, 26 USC 1 to 1789,  
26 then the portion that will cause the disqualification does not  
27 apply.

1           (13) BEGINNING ON THE EFFECTIVE DATE OF THE AMENDATORY ACT  
2    THAT ADDED THIS SUBSECTION AND CONTINUING THROUGH 31 DAYS AFTER THE  
3    EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION, A  
4    DROP PARTICIPANT WHO HAS REMAINED IN THE DEFERRED RETIREMENT PLAN  
5    FOR AT LEAST 4 YEARS SHALL BE CREDITED WITH 100% OF HIS OR HER  
6    MONTHLY RETIREMENT ALLOWANCE AS CALCULATED PURSUANT TO SECTION 24  
7    AS IF HE OR SHE HAD RETIRED ON THE DAY PRIOR TO BECOMING A DROP  
8    PARTICIPANT.