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STATE EMPLOYEES RETIREMENT; DUTY DEATH BENEFIT

House Bill 5963 as passed by the House
First Analysis (10-10-00)

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 by 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:

House Bill 5963 would amend the State Employees' Retirement Act to eliminate the \$2,400 annual limitation on the duty death benefit.

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, 1999, there were 34 families receiving a duty-death benefit.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would result in a minimal cost to the retirement system. (10-4-00)

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. As a result, 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 larger benefit than the \$2,400 benefit that is currently available. For example, a surviving spouse with two minor children would receive, under the bill, a benefit of slightly more than half (1/3 plus 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. If the intent is to allow a recalculation of benefits for the 34 families currently receiving a duty-death benefit, it would be necessary to add language specifically allowing for a recalculation of their benefits.

POSITIONS:

The Department of Management and Budget supports the bill. (10-4-00)

A representative of the Retirement Coordinating Council testified in support of the bill. (10-4-00)

Analyst: D. Martens

#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.