

# SENATE BILL No. 642

June 17, 2009, Introduced by Senator SWITALSKI and referred to the Committee on Appropriations.

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~~

~~discontinue accepting applications for the deferred retirement option plan.~~ **FOR EACH FISCAL YEAR THAT BEGINS ON OR AFTER OCTOBER 1, 2009, THE DIRECTOR OF STATE POLICE AND THE RETIREMENT BOARD SHALL DISCONTINUE ACCEPTING APPLICATIONS FOR THE DEFERRED RETIREMENT OPTION PLAN.**

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

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

(4) An officer shall indicate on the application for the deferred retirement option plan the number of years that the

1 officer wants to participate in the deferred retirement option  
2 plan, up to a maximum of 6 years. As a condition for participation,  
3 the officer agrees to retire at the conclusion of his or her  
4 participation in the deferred retirement option plan.

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

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

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

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

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

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

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

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

1           (6) A DROP participant shall not receive a monthly retirement  
2 allowance, as calculated pursuant to section 24, until termination  
3 of his or her deferred retirement option plan participation and  
4 commencement of retirement. A DROP participant shall not have any  
5 claim to any funds in his or her deferred retirement option plan  
6 account until he or she retires at the termination of his or her  
7 deferred retirement option plan participation.

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

12           (a) A total lump-sum distribution.

13           (b) A partial lump-sum distribution.

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

17           (d) Maintain the funds in the account.

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

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

1 deferred retirement option plan account, the amount in the deferred  
2 retirement option plan account shall be paid to the beneficiary of  
3 the former DROP participant's retirement allowance. If the former  
4 DROP participant has not named a beneficiary to his or her  
5 retirement allowance, the balance in the former DROP participant's  
6 account shall be paid to the former DROP participant's estate.

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

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

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

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

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

23 (c) A DROP participant's payment of group insurance plan  
24 premiums.

25 (12) If the department receives notification from the United  
26 States internal revenue service that this section or any portion of  
27 this section will cause the retirement system to be disqualified

1 for tax purposes under the internal revenue code, 26 USC 1 to 1789,  
2 then the portion that will cause the disqualification does not  
3 apply.