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BILL ANALYSIS

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Senate Bill 198 (S-1)  
Sponsor: Senator Jon Cisky  
Committee: Appropriations

Date Completed: 12-4-95

### RATIONALE

Currently, of the approximately 1,700 retirees in the State Police retirement system, an estimated 1,200 do not receive any annual cost of living adjustment (COLA). Through the collective bargaining process, Michigan State Police troopers and sergeants gained an annual 2% COLA to their retirement allowances for those persons who retired after September 30, 1989. Later, Public Act 139 of 1992 extended that adjustment to the retirement allowances of State Police command officers (lieutenants and above) who retire after September 30, 1991. But for those State Police command officers who retired prior to October 1, 1991, and for all State Police enlisted personnel who retired prior to October 1, 1989, no annual COLA is provided by law.

Among the 1,200 or so uniform personnel who retired before the COLA increase became effective, approximately 260 receive less than \$10,000 in retirement allowances and 100 receive less than \$7,000. It has been argued, therefore, that for reasons of equity and to compensate for increases in the cost of living, an annual 2% COLA increase in retirement allowances should be provided for all retirees who do not already receive such an increase, and that the minimum annual retirement allowance for retirees with 25 years of service be raised from the current minimum of \$6,000 to \$10,800. Another issue of equity has been raised. State Police officers who retired on or after October 1, 1986, had their pensions based upon 60% of their final average compensation. All those retiring prior to that had their pensions based upon 50% of their final average compensation. It is argued that to provide equity with more recent retirants and to help these older retirants adjust to the increases in inflation, retirants with 25 years of service who retired prior to 1986 should receive a 10% increase in their retirement allowance.

### CONTENT

The bill would amend the State Police Retirement Act (Public Act 182 of 1986) to do the following beginning October 1, 1995:

- Provide that a retirant allowance payable to a retirant or a retirant allowance beneficiary whose allowance represents 25 years of service, including military buy-out time, and those receiving duty related disability or duty related death benefits, would receive a total retirement allowance of not less than \$10,800 per year.
- Provide that the retirement allowance of a retirant or retirant allowance beneficiary who has been retired for 12 months, be increased each October 1, by 2% (up to a \$500 per year maximum) for those not already benefiting from such an annual increase.
- Provide that a retirement allowance payable to a retirant or retirant allowance beneficiary whose effective date of retirement was before October 1, 1986, and represents 25 years of service, including military buy-out time, and those receiving duty related disability or duty related death benefits, would be supplemented by 10%. The recalculated allowance would be the basis upon which all future adjustments to the retirement allowance are calculated.

**FISCAL IMPACT**

The annual fiscal impact upon the State Police budget of raising the minimum yearly retirement payout for 25-year veterans from \$6,000 to \$10,800, providing a permanent 2% COLA for all retirees of the State Police Retirement System, providing a 10% increase for pre-1986 retirants, is estimated at \$1.9 million and is summarized in the table below. The added cost of these provisions would come from the State's General Fund/General Purpose account and would be appropriated in the FY 1995-96 budget for the Department of State Police.

The percentages shown in the table below are the increases in the FY 1995-96 contribution rates and are the percentages of payroll that would be required to fund the provisions in the bill, independently and taken together. The estimated payroll for the affected personnel of the Department of State Police for FY 1995-96 is \$108.5million.

Table 1  
Increases in Contribution Rates  
Under Provisions in S.B. 198 (S-1)

Provision in S.B. 198 (S-1)	Increase in Contribution Rate	Total Contribution Rate (Including S.B. 198 (S-1))	Total Pension Contribution	Amount of Increase in Contribution
Current Plan	n/a	30.16%	\$32,723,600	n/a
(1) Minimum benefit of \$10,800 per annum, if 25 years	0.18%	30.34%	32,918,900	195,300
(2) 2% COLA	1.17%	31.33%	33,993,100	1,269,500
(3) 10% increase for pre-1986 full retirants	0.45%	30.61%	33,211,900	488,300
(4)* Items (1), (2), (3)	1.78%	31.94%	\$34,654,900	\$1,931,300

(Source: Michigan Department of Management and Budget, Office of Retirement Systems.)

\*Note that these figures are not additive. This is the total of (1), (2), and (3) if all provisions are enacted.

This bill would extend the 2% COLA provision to approximately 1,200 retirees who do not currently receive annual increases in their pensions. All State Police sergeants and troopers who retired on and after October 1, 1989, receive a 2% COLA annually. In addition, command officers who retired on and after October 1, 1991, are also receiving a 2% annual COLA.

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