
Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 267 (Substitute S-3 as reported)
Sponsor: Senator Philip E. Hoffman
Committee: Appropriations

BACKGROUND

The retirement allowance for members of the State Police is based upon a formula that uses a member's final average compensation for the last two years of service with the Department of State Police. It is common for a member, fully cognizant of his or her final two years prior to retirement, to arrange for work schedules and assignments that maximize compensation levels so that retirement benefits will be more favorable. A member who becomes totally and permanently disabled from performing duties as a State Police Officer also is eligible for a pension based upon his or her final two years of compensation. It is not uncommon for a career-minded trooper, suffering from a potentially career-ending disability, to attempt for several weeks or months to continue his or her career as a trooper (in a lower-paying capacity), only to realize that his or her efforts were in vain. It is only at this point that the member files for duty disability, setting into motion the "two year clock" that can reflect several months of lower pay than what was received prior to the disabling incident.

In the final retirement allowance of many who retire on duty disability, the weeks and months of trying to maintain their status as an employee after a disabling event can cost a trooper several hundreds of dollars in monthly retirement allowance. Some people believe that the method of retirement allowance calculation for State Troopers often unfairly penalizes employees who make every attempt to continue their service to the State.

CONTENT

The bill would amend the State Police Retirement Act by adding a definition of "last 2 years of service". Currently, State Police retirement allowances are calculated from compensation levels of a member's last two years of service immediately preceding the member's final day of service. Under the bill, in the case of a member who retired with a duty disability, that member's retirement allowance would be calculated from the compensation of the last two years of service immediately preceding the date the disability occurred.

The bill also would require that the retirement system recalculate, under the bill's provisions, the retirement allowance of each member of the State Police Retirement System who retired under duty disability status. Should the recalculation result in an increased retirement allowance, that increased allowance would have to be paid to that retiree or that retiree's beneficiary beginning the first month following the month that this bill became effective. In addition, the bill specifies procedures for correcting errors in retirement allowance calculations and adjusting the retirement rate according to actuarial costs to conform to other State retirement systems.

MCL 38.1603 et al.

FISCAL IMPACT

The bill would result in an estimated average 15% increase in retirement allowance payouts to the 105 current members of the State Police Retirement System who are classified as being retired on duty disability (or to their beneficiaries). During 1999, a total of \$1.5 million was paid out to these retirees. Therefore, the increase in yearly payouts by the retirement system would be approximately \$225,000 to \$250,000 for the next fiscal year. Since retirement allowance costs are amortized over a 30-year period, the annual cost of the bill would be assumed within the annual State Police budget bill by a very slight increase in the current retirement rate of 37.76% for sergeants and troopers and 39.21% for lieutenants and above placed on salaries and wages. For FY 2000-01, that rate increase would require a nominal increase in General Fund/General Purpose appropriations. Future cost considerations would include accommodations for a growing population and an adjustment recognizing higher amounts paid for cost-of-living adjustments.

Date Completed: 10-3-00

Fiscal Analyst: B. Baker

S9900\ss67sb

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.