

**STATE POLICE RETIREMENT ACT OF 1986 (EXCERPT)**  
**Act 182 of 1986**

**38.1603 Definitions; B to L.**

Sec. 3.

(1) "Banked leave time program" means the part B annual leave hours within the state's annual and sick leave program approved by a ruling of the Internal Revenue Service on September 5, 2003, in which a pay reduction or other concessions are applied to a member in exchange for additional part B annual leave hours.

(2) "Credited service" means the sum of the prior service and membership service credited to a member's account.

(3) "Deferred member" means a member who separates from service with entitlement to a deferred retirement allowance as provided in section 30, but who is not a retirant.

(4) "Department" means the department of technology, management, and budget.

(5) "Direct rollover" means a payment by the retirement system to the eligible retirement plan specified by the distributee.

(6) "Distributee" includes a member or deferred member. Distributee also includes the member's or deferred member's surviving spouse or the member's or deferred member's spouse or former spouse under an eligible domestic relations order, with regard to the interest of the spouse or former spouse.

(7) "DROP participant" means an officer who participates in the deferred retirement option plan established in section 24a.

(8) Beginning January 1, 2002, except as otherwise provided in this subsection, "eligible retirement plan" means 1 or more of the following:

(a) An individual retirement account described in section 408(a) of the internal revenue code, 26 USC 408.

(b) An individual retirement annuity described in section 408(b) of the internal revenue code, 26 USC 408.

(c) An annuity plan described in section 403(a) of the internal revenue code, 26 USC 403.

(d) A qualified trust described in section 401(a) of the internal revenue code, 26 USC 401.

(e) An annuity contract described in section 403(b) of the internal revenue code, 26 USC 403.

(f) An eligible plan under section 457(b) of the internal revenue code, 26 USC 457, that is maintained by a state, political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state and that agrees to separately account for amounts transferred into the eligible plan under section 457(b) of the internal revenue code, 26 USC 457, from this retirement system, that accepts the distributee's eligible rollover distribution.

(g) Beginning January 1, 2008, a Roth individual retirement account as described in section 408A of the internal revenue code, 26 USC 408A, subject to the rules that apply to rollovers from a traditional individual retirement account to a Roth individual retirement account.

(9) Beginning January 1, 2007, "eligible rollover distribution" means a distribution of all or any portion of the balance to the credit of the distributee. Eligible rollover distribution does not include any of the following:

(a) A distribution made for the life or life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee's designated beneficiary.

(b) A distribution for a specified period of 10 years or more.

(c) A distribution to the extent that the distribution is required under section 401(a)(9) of the internal revenue code, 26 USC 401.

(d) The portion of any distribution that is not includable in federal gross income, except to the extent the portion of the distribution is paid to either of the following:

(i) An individual retirement account or annuity described in section 408(a) or 408(b) of the internal revenue code, 26 USC 408.

(ii) A qualified plan described in section 401(a) of the internal revenue code, 26 USC 401, or an annuity contract described in section 403(b) of the internal revenue code, 26 USC 403, and the plan providers agree to separately account for the amounts paid, including any portion of the distribution that is includable in federal gross income, and the portion of the distribution that is not so includable.

(10) "Final average compensation" means, except as otherwise provided in this subsection, the average annual salary for the last 2 years of service with the department of state police for which the member was compensated as defined in subsection (13). Except as otherwise provided in this subsection, for a nonclassified member of the department holding the rank of colonel, final average compensation means the same average annual salary as that computed for the highest salaried classified member of the department, or at the average annual salary for the last 2 years of service with the department of state police for which the member was compensated, whichever is greater. Beginning with the effective date of the amendatory act that added section 42a, for a member who first became a member on or after June 10, 2012, final average compensation means the average salary for the last 5 years of service for which the member was compensated as defined in subsection (14). Average annual salary includes only

the following compensation items:

(a) Beginning with the effective date of the amendatory act that added section 42a, for a member who first became a member before June 10, 2012, only the following compensation items:

(i) Regular salary paid for the last 2 years of service, including, but not limited to, that salary that is deferred pursuant to a state deferred compensation program.

(ii) Overtime, shift differential, and shift differential overtime paid for the last 2 years of service.

(iii) Gross pay adjustments paid affecting the last 2 years of service, including compensatory time and emergency response compensation.

(iv) Up to a maximum of 240 hours of accumulated annual leave, paid at the time of retirement separation excluding part B annual leave hours paid at the time of retirement separation.

(v) Deferred hours under Plan B of the fiscal years ending September 30, 1981, and September 30, 1982, that are paid at the time of retirement separation.

(vi) Longevity pay equal to 2 full years.

(vii) Bomb squad pay paid for the last 2 years of service.

(viii) Post 29 freeway premium paid for the last 2 years of service.

(ix) On-call pay paid for the last 2 years of service.

(x) Beginning October 1, 2003, the value of any unpaid furlough hours or the value of any unpaid hours exchanged for part B annual leave hours, calculated at the member's then-current hourly rate or rates of pay, for a period during which a member is participating in the banked leave time program.

(xi) Beginning May 1, 2009, the value of temporary layoff hours. As used in this subparagraph, "temporary layoff hours" means hours attributable to the layoff of a member if the layoff does not exceed 1 month and has a fixed, predetermined, and announced recall date.

(b) Beginning with the effective date of the amendatory act that added section 42a, for a member who first became a member on or after June 10, 2012, only the following compensation items:

(i) Regular salary paid for the last 5 years of service, including, but not limited to, that salary that is deferred pursuant to a state deferred compensation program.

(ii) Shift differential.

(iii) Gross pay adjustments paid affecting the last 5 years of service, including compensatory time and emergency response compensation.

(iv) Up to a maximum of 240 hours of accumulated annual leave, paid at the time of retirement separation excluding part B annual leave hours paid at the time of retirement separation.

(v) Longevity pay equal to 5 full years.

(vi) Bomb squad pay paid for the last 5 years of service.

(vii) Post 29 freeway premium paid for the last 5 years of service.

(viii) On-call pay paid for the last 5 years of service.

(ix) The value of any unpaid furlough hours or the value of any unpaid hours exchanged for part B annual leave hours, calculated at the member's then-current hourly rate or rates of pay, for a period during which a member is participating in the banked leave time program.

(x) The value of temporary layoff hours. As used in this subparagraph, "temporary layoff hours" means hours attributable to the layoff of a member if the layoff does not exceed 1 month and has a fixed, predetermined, and announced recall date.

(11) "Furlough hours" means unworked hours incurred in conjunction with the banked leave time program.

(12) "Internal revenue code" means the United States internal revenue code of 1986.

(13) "Last 2 years of service" means the 2-year period immediately preceding the member's last day of service or that period of 2 consecutive years of service with the department of state police immediately preceding the date the duty disability occurred according to the medical examinations conducted under section 29 or, if the officer participated in the deferred retirement option plan, the 2-year period immediately preceding participation in the deferred retirement option plan.

(14) "Last 5 years of service" means the 5-year period immediately preceding the member's last day of service or that period of 5 consecutive years of service with the department of state police immediately preceding the date the duty disability occurred according to the medical examinations conducted under section 29.

**History:** 1986, Act 182, Eff. Oct. 1, 1986 ;-- Am. 1989, Act 191, Imd. Eff. Aug. 25, 1989 ;-- Am. 1995, Act 192, Imd. Eff. Nov. 7, 1995 ;-- Am. 2000, Act 374, Imd. Eff. Jan. 2, 2001 ;-- Am. 2004, Act 50, Eff. Apr. 22, 2004 ;-- Am. 2004, Act 83, Imd. Eff. Apr. 22, 2004 ;-- Am. 2008, Act 366, Imd. Eff. Dec. 23, 2008 ;-- Am. 2010, Act 220, Imd. Eff. Dec. 9, 2010 ;-- Am. 2018, Act 674, Imd. Eff. Dec. 28, 2018