



**House
Legislative
Analysis
Section**

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RECIPROCAL TRANSFER OF SERVICE CREDIT

RECEIVED

House Bill 5594
Sponsor: Rep. Tom Power
Committee: Senior Citizens
and Retirement

CT 03 1988

Mich. State Law Library

Complete to 9-1-88

A SUMMARY OF HOUSE BILL 5594 AS INTRODUCED 5-2-88

The Reciprocal Retirement Act presently allows members with five or more years of credited service who have reached retirement age but have not met the service requirements for retirement to transfer credited service acquired in a governmental unit in which the member was previously employed to meet the requirements of the system from which he or she retires. The transferred service credits cannot be used to determine the amount of the member's retirement allowance unless otherwise provided by the retirement system. The bill would amend the act to allow credit for service in a preceding reciprocal unit to be transferred to a succeeding reciprocal unit for purposes of determining retirement allowance amounts. Under the bill, the two units would be required to enter into an agreement by resolution of the governing body of each reciprocal unit. The resolution would specify the amount of credited service and the amount of financial consideration being transferred. The financial consideration transferred could not be greater than the larger of a) the accumulated contributions of the member, or b) the actuarial present value of the retirement allowance payable by the preceding reciprocal unit, should the preceding reciprocal unit not transfer the member's credit service. The actuarial present value of the retirement allowance payable by the preceding reciprocal unit would be calculated using the interest rate and mortality table specified by the Pension Benefit Guarantee Corporation for calculating the actuarial present value of immediate and deferred pensions under a terminated pension plan, as provided in the Code of Federal Regulations.

MCL 38.1106

House Bill 5594 (9-1-88)