

HOUSE BILL No. 5741

April 6, 1992, Introduced by Reps. Gubow, Harrison, Emerson, Barns, Berman, Baade, Pitoniak and Harder and referred to the Committee on Senior Citizens and Retirement.

A bill to amend section 6 of Act No. 88 of the Public Acts of 1961, entitled
"Reciprocal retirement act,"
as added by Act No. 274 of the Public Acts of 1990, being section 38.1106 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 6 of Act No. 88 of the Public Acts of
2 1961, as added by Act No. 274 of the Public Acts of 1990, being
3 section 38.1106 of the Michigan Compiled Laws, is amended to read
4 as follows:

5 Sec. 6. (1) A reciprocal unit, designated as the preceding
6 reciprocal unit, may enter into an agreement with a reciprocal
7 unit, designated as the succeeding reciprocal unit, to transfer
8 credited service of a member who leaves the employ of the
9 preceding reciprocal unit and enters the employ of the succeeding

1 reciprocal unit. The agreement shall be by resolution of the
2 governing body of each reciprocal unit. The resolution shall
3 specify the amount of credited service being transferred from the
4 preceding reciprocal unit to the member's credit in the succeed-
5 ing reciprocal unit and the amount of financial consideration
6 being transferred from the preceding reciprocal unit to the suc-
7 ceeding reciprocal unit. The financial consideration transferred
8 under this section shall not be greater than the larger of the
9 following:

10 (a) The accumulated contributions of the member whose cred-
11 ited service is being transferred.

12 (b) The actuarial present value of the retirement allowance
13 payable by the preceding reciprocal unit under section 4 if the
14 preceding reciprocal unit does not transfer the member's credited
15 service under this section.

16 (2) A succeeding reciprocal unit, before passing a resolu-
17 tion described in subsection (1), shall determine the actuarial
18 present value of the retirement allowance that will be payable to
19 the member under the retirement plan of the succeeding reciprocal
20 unit attributable to the credited service to be transferred under
21 subsection (1).

22 (3) The actuarial present value of the retirement allowance
23 payable by the preceding reciprocal unit under subsection (1) and
24 by the succeeding reciprocal unit under subsection (2) shall be
25 calculated using the interest rate and mortality tables specified
26 by the Pension Benefit Guarantee Corporation for calculating the
27 actuarial present value of immediate and deferred pensions under

1 a terminated pension plan as provided in part 2619 of subchapter
2 C of chapter XXVI of title 29 of the Code of Federal Regulations,
3 29 C.F.R. part 2619.

4 (4) IF THE FINANCIAL CONSIDERATION TO BE TRANSFERRED FROM
5 THE PRECEDING RECIPROCAL UNIT TO THE SUCCEEDING RECIPROCAL UNIT
6 UNDER SUBSECTION (1) IS DETERMINED TO BE ACTUARIALLY INSUFFICIENT
7 TO COVER THE COSTS TO THE SUCCEEDING RECIPROCAL UNIT IN PAYING A
8 RETIREMENT BENEFIT TO THE MEMBER THAT INCLUDES THE PREVIOUS SERV-
9 ICE, THE MEMBER SHALL BE ALLOWED TO PAY TO THE SUCCEEDING RECIP-
10 ROCAL UNIT THE AMOUNT NECESSARY TO COVER THE ADDITIONAL COSTS TO
11 THE SUCCEEDING RECIPROCAL UNIT. IF THE MEMBER DOES NOT PAY THE
12 AMOUNT PROVIDED IN THIS SUBSECTION, THE SUCCEEDING RECIPROCAL
13 UNIT MAY RESCIND THE AGREEMENT ENTERED INTO UNDER
14 SUBSECTION (1).

15 (5) ~~-(4)-~~ Each reciprocal unit, by resolution of the govern-
16 ing body of the reciprocal unit, shall establish a written policy
17 to implement the provisions of this section in order to provide
18 uniform application of this section to all members of the recip-
19 rocal retirement system.