
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 73 (as introduced)
Sponsor: Senator Jon Cisky
Committee: Appropriations

Date Completed: 10-07-97

CONTENT

The bill would amend the Reciprocal Retirement Act to allow Act 88 retirees to retire at the earliest eligible retirement age if that age is less than 60.

Senate Bill 73 would delete the minimum retirement age of 60 for Act 88 retirees as specified in the act. This amendment would allow members choosing to invoke the provisions of Act 88 to do so at the earliest eligible age rather than having to wait until age 60. In summary, Act 88 allows a person employed by a governmental unit in Michigan to use service credited in another governmental unit to meet the vesting requirements. For example, if a person works for the State of Michigan for 3 years and then goes to work for Ingham County for 7 years, the person would be allowed to combine the years from the two units of government to meet the 10-year vesting requirement of each unit of government, provided the latter employer has adopted Act 88. However, the current provisions in Act 88 state that the person must attain age 60 before receiving a retirement benefit, even if the retirement system from which the person will receive a benefit allows retirement at an earlier age.

Currently, three of the four public retirement systems administered by the State of Michigan have adopted Act 88. They include the State Employees Retirement System (SERS), the Public School Employees Retirement System (PSERS), and the Judges Retirement System (JRS). The Municipal Employees Retirement System (MERS) has also adopted Act 88. MERS is comprised of over 490 local units of government, however, each local unit of government must separately adopt Act 88. The actual number of municipalities that have adopted Act 88 were unavailable. The youngest age at which members of SERS, PSERS, or JRS may retire with full normal benefits is age 55. Local units of government within the MERS network may adopt provisions that allow members to retire at age 50 or 55, otherwise, the minimum retirement age for full benefits in the MERS is age 60.

MCL 38.1104

FISCAL IMPACT

There would be no fiscal impact to the State or local units of government of adopting the proposed amendment to Act 88. The reason being that these members would not be receiving any additional benefit. They would only be receiving a benefit to which they are fully entitled and upon which the State or local governmental unit made contributions throughout the member's working career. It is unknown how many members in the four retirement systems that have adopted Act 88 will receive benefits through the provisions of the Act.

Previous data indicate that less than 2% of all eligible retirees are Act 88 retirees. Each year, the actuarial assumptions take into account the percentage of active employees that will be eligible to retire within the next year at various age levels. If the amendment to Act 88 is enacted, it can be assumed that about 2% of each system's retirees would be Act 88 retirees.

As stated earlier, it is unknown exactly how many members would benefit from the proposed amendment to Act 88. It is certain that many Act 88 retirees who now have to wait until age 60 to retire would retire at an earlier age. Again, it is important to state that the proposed amendment to Act 88 would have no measurable fiscal impact on the State or local units of government.

Fiscal Analyst: J. Carrasco

S9798\S73SA

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.