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BILL ANALYSIS

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Senate Bill 342 (as reported without amendment)

Sponsor: Senator Joel D. Gougeon

Committee: Appropriations

## **CONTENT**

The bill would amend the Reciprocal Retirement Act ("Act 88") to allow members to retire at the earliest eligible retirement age, even if that age were less than 60.

The bill 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 three years and then goes to work for Ingham County for seven years, the person may 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), which comprises over 490 local units of government, also has adopted Act 88. However, each local unit of government must separately adopt Act 88. The actual number of municipalities that have adopted Act 88 is 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 MERS is age 60.

MCL 38.1104

## **FISCAL IMPACT**

The bill would have a minimal fiscal impact on the State or local units of government, because retiring members would not be receiving any additional benefit. They only would receive a benefit to which they are fully entitled and upon which the State or local governmental unit made contributions throughout the members' working career. Although Act 88 retirees might receive a benefit earlier with the proposed changes, the actuarial impact would be negligible. 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 who will be eligible to retire within the next year at various age levels. If the amendment to Act 88 were enacted, it can be assumed that about 2% of each system's retirees would be Act 88 retirees.

Date Completed: 9-28-00

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