

RECIPROCAL RETIREMENT ACT

Act 88 of 1961

AN ACT to provide for the preservation and continuity of retirement system service credits for public employees who transfer their employment between units of government.

History: 1961, Act 88, Eff. Sept. 8, 1961.

The People of the State of Michigan enact:

38.1101 Reciprocal retirement act; short title.

Sec. 1. This act shall be known and may be cited as the “reciprocal retirement act”.

History: 1961, Act 88, Eff. Sept. 8, 1961.

38.1102 Reciprocal retirement act; definitions.

Sec. 2. As used in this act:

(a) “State unit” means the state employees' retirement system, established by Act No. 240 of the Public Acts of 1943, as amended, being sections 38.1 to 38.43 of the Compiled Laws of 1948; the public school employees' retirement system, established by chapter 1 of Act No. 136 of the Public Acts of 1945, as amended, being sections 38.201 to 38.234 of the Compiled Laws of 1948; the judges' retirement system, established by Act No. 198 of the Public Acts of 1951, as amended, being sections 38.801 to 38.830 of the Compiled Laws of 1948; the probate judges' retirement system, established by Act No. 165 of the Public Acts of 1954, as amended, being sections 38.901 to 38.933 of the Compiled Laws of 1948; the department of public safety pension, accident and disability fund, established by Act No. 251 of the Public Acts of 1935, as amended, being sections 28.101 to 28.110 of the Compiled Laws of 1948; and the legislative retirement system, established by Act No. 261 of the Public Acts of 1957, as amended, being sections 38.1001 to 38.1060 of the Compiled Laws of 1948.

(b) “Municipal unit” means a county, city, village, township or school district of the first class; any separate corporation or instrumentality established by 1 or more counties, cities or villages, as permitted by law; any corporation or instrumentality supported in most part by counties, cities and villages, or any of them; any public corporation charged by law with the performance of a governmental function and whose jurisdiction is coextensive with 1 or more counties, cities and villages.

(c) “Governmental unit” means the state to the extent the employees of the state are covered under an applicable state unit; and any municipal unit.

(d) “Reciprocal unit” means any state unit or municipal unit which elects to come under the provisions of this act.

(e) “Retirement system” means the retirement, pension or annuity system, plan or fund under which a governmental unit covers its employees. The term “retirement system” shall not include the federal social security old-age survivors' and disability insurance program.

(f) “Reciprocal retirement system”, in the case of a municipal unit electing to become a reciprocal unit, means the retirement systems under which the municipal unit covers its employees. In the case of a state unit, “reciprocal retirement system” means a state unit which elects to become a reciprocal unit.

(g) “Accumulated deposits” or “accumulated contributions” means the amounts deducted from the compensations of a member of a reciprocal retirement system and credited to his individual account in the system, together with interest, if any, credited thereon.

(h) “Final average salary” means the salary or the average of salaries used in computing a retirement allowance, as set forth in the retirement system plan.

(i) “Retirement allowance” means the annuity, pension or retirement allowance payable to a member of a reciprocal retirement system on account of his employment with a reciprocal unit.

(j) “Retirement” means the withdrawal of a member of a reciprocal retirement system from the employ of a reciprocal unit with a retirement allowance payable from funds of the reciprocal retirement system.

History: 1961, Act 88, Eff. Sept. 8, 1961;—Am. 1965, Act 106, Imd. Eff. June 30, 1965.

38.1102a Compliance with applicable requirements of protecting local government retirement and benefits act.

Sec. 2a. A reciprocal unit and a reciprocal retirement system shall comply with any applicable requirements under the protecting local government retirement and benefits act.

History: Add. 2017, Act 209, Imd. Eff. Dec. 20, 2017.

38.1103 Reciprocal retirement act; adoption by municipal or state unit; certification, force and effect.

Sec. 3. (1) Any municipal unit, which covers its employees under a retirement system or systems, by a majority vote of its governing body may elect to adopt the provisions of this act for its employees covered under such retirement system or systems.

(2) Any state unit, by a majority vote of its governing body, may elect to have the provisions of this act made applicable to its members.

(3) The governing body of a municipal or state unit, within 10 days after it elects to come under the provisions of this act, shall file written certification of its action with the secretary of state. Upon the filing of the certification the municipal unit or state unit shall be a reciprocal unit. The secretary of state shall maintain a list of reciprocal units, which list shall be available to any municipal unit or state unit requesting a copy.

(4) The provisions of this act, when adopted by a municipal or state unit shall be effective for the unit in addition to the provisions of charter, ordinance, resolution or state law governing the retirement systems for the reciprocal unit, as the provisions of charter, ordinance, resolution or state act are in force and as amended.

History: 1961, Act 88, Eff. Sept. 8, 1961;—Am. 1965, Act 106, Imd. Eff. June 30, 1965.

38.1104 Reciprocal retirement system; eligibility for retirement allowance; conditions; commencement of retirement allowance.

Sec. 4. A member of a reciprocal retirement system who leaves the employ of a reciprocal unit, designated as the preceding reciprocal unit, and enters the employ of another governmental unit, designated as the succeeding governmental unit, shall be entitled to a retirement allowance payable by the preceding reciprocal unit's retirement system subject to the following conditions:

(a) The member has 30 months or more of credited service in force acquired in the employ of the preceding reciprocal unit.

(b) Beginning September 1, 2006, the member does not withdraw his or her accumulated deposits from the preceding reciprocal unit's retirement system, or if the member has withdrawn the accumulated deposits, the member deposits with the preceding reciprocal unit the amount withdrawn together with interest compounded annually at the rate in effect for the preceding reciprocal unit; the deposit to be made within 20 years after the date the member becomes employed by the succeeding governmental unit.

(c) Beginning September 1, 2006, the member enters the employ of each succeeding governmental unit within 20 years after the date of leaving the employ of each preceding governmental unit.

(d) The member's credited service in force with the preceding reciprocal retirement systems plus the member's credited service acquired in the employ of succeeding governmental units equals or exceeds the minimum credited service required for age and service retirement in the applicable preceding reciprocal retirement system.

(e) The retirement allowance payable by any preceding reciprocal retirement system shall be determined at the time the member ceased to be a member of the preceding reciprocal retirement system, upon the basis of the retirement allowance formula of the preceding reciprocal retirement system, the member's credited service in force in the preceding reciprocal retirement system, and the member's final average salary at that time.

(f) Payment of a retirement allowance by a preceding reciprocal retirement system shall begin on the first day of the second calendar month immediately following the month in which proper written application is filed with the governing body of the preceding reciprocal retirement system on or after attainment of 60 years of age. The retirement allowance shall not begin before attainment of the minimum age for age and service retirement required in the preceding reciprocal retirement system.

History: 1961, Act 88, Eff. Sept. 8, 1961;—Am. 1963, Act 186, Eff. Sept. 6, 1963;—Am. 1965, Act 106, Imd. Eff. June 30, 1965;—Am. 1971, Act 48, Imd. Eff. June 28, 1971;—Am. 1975, Act 103, Eff. Jan. 1, 1976;—Am. 1979, Act 115, Imd. Eff. Oct. 9, 1979;—Am. 1982, Act 520, Imd. Eff. Dec. 31, 1982;—Am. 1988, Act 15, Imd. Eff. Feb. 18, 1988;—Am. 1990, Act 274, Imd. Eff. Dec. 3, 1990;—Am. 2008, Act 502, Imd. Eff. Jan. 13, 2009.

38.1105 Credited service generally.

Sec. 5. A member of a reciprocal retirement system who has 30 months or more of credited service acquired as a member of the system and who has attained the age but has not met the service requirements for age and service retirement shall be entitled to use his or her credited service in force previously acquired as a member of governmental unit retirement systems in meeting the service requirements of the system from which he or she retires. Beginning September 1, 2006, if the member has a break in governmental unit employment for a period longer than 20 years, his or her service rendered in the employ of the governmental units prior to his or her last break in service shall not be used in satisfying the service requirement for age and service retirement in the system from which he or she retires. Except as provided in section 6, credited service

acquired in a governmental unit in which the member was previously employed shall not be used in determining the amount of his or her retirement allowance payable by the reciprocal retirement system from which he or she retires unless otherwise provided by the retirement system.

History: 1961, Act 88, Eff. Sept. 8, 1961;—Am. 1965, Act 106, Imd. Eff. June 30, 1965;—Am. 1990, Act 274, Imd. Eff. Dec. 3, 1990;—Am. 2008, Act 502, Imd. Eff. Jan. 13, 2009.

38.1106 Transfer of credited service; agreement between preceding reciprocal unit and succeeding reciprocal unit; resolution; financial consideration; actuarial present value of retirement allowance; written policy.

Sec. 6. (1) A reciprocal unit, designated as the preceding reciprocal unit, may enter into an agreement with a reciprocal unit, designated as the succeeding reciprocal unit, to transfer credited service of a member who leaves the employ of the preceding reciprocal unit and enters the employ of the succeeding reciprocal unit. The agreement shall be by resolution of the governing body of each reciprocal unit. The resolution shall specify the amount of credited service being transferred from the preceding reciprocal unit to the member's credit in the succeeding reciprocal unit and the amount of financial consideration being transferred from the preceding reciprocal unit to the succeeding reciprocal unit. The financial consideration transferred under this section shall not be greater than the larger of the following:

(a) The accumulated contributions of the member whose credited service is being transferred.

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

(2) A succeeding reciprocal unit, before passing a resolution described in subsection (1), shall determine the actuarial present value of the retirement allowance that will be payable to the member under the retirement plan of the succeeding reciprocal unit attributable to the credited service to be transferred under subsection (1).

(3) The actuarial present value of the retirement allowance payable by the preceding reciprocal unit under subsection (1) and by the succeeding reciprocal unit under subsection (2) shall be calculated using the interest rate and mortality tables 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 part 2619 of subchapter C of chapter XXVI of title 29 of the Code of Federal Regulations, 29 C.F.R. part 2619.

(4) Each reciprocal unit, by resolution of the governing body of the reciprocal unit, shall establish a written policy to implement the provisions of this section in order to provide uniform application of this section to all members of the reciprocal retirement system.

History: Add. 1990, Act 274, Imd. Eff. Dec. 3, 1990.