



# RECIPROCITY

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IMPACTS AND IMPLICATIONS



# COUNTY EMPLOYEES' RETIREMENT ACT OF 1937

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- Article 15 of the 1937 Act
  - The law which guides our processing of reciprocal benefits
- Three types of statutes in the 1937 Act
  - Statutes designed and used by specific counties
  - Optional statutes approved by Board Of Retirement or Board of Supervisors
  - General statutes to be used by all counties
- Reciprocity falls under the general statutes



# WHAT IS RECIPROACITY?

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- The linking of two or more California public agencies (incoming or outgoing reciprocity)
  - 20 County Retirement Systems in California
  - State Teachers Retirement System (STRS)
  - Judges' Retirement System (JRS)
  - Public Employees' Retirement System (PERS)
  - Public agencies contracting with PERS – Examples:
    - City of Fresno – (Reciprocity only through PERS))
    - Madera County – (Retirement plan through PERS)
- Designed to protect member's retirement benefits when moving between agencies
- Intended to encourage a career in public service



# WHAT IS RECIPROCITY? (cont'd)

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- Reciprocity is designed to benefit the member
  - Reciprocity is not mandatory
  - Must be requested by the member
- FCERA allows reciprocity to be requested at any time prior to retirement
  - Enrollment card at hire/rehire
  - Inter-System Membership Advice (ISMA)
  - Disposition form at termination
  - During the retirement process



# BOARD OF RETIREMENT POLICY

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- Reciprocity Policy – Adopted January 23, 2008
- Directs FCERA staff to make all reasonable efforts to inform members of their reciprocal rights
  - FCERA takes this responsibility seriously
    - New Hire Orientation
    - FCERA's Website
    - Member Handbook
    - Periodic Newsletter Articles
    - Retirement Workshops
    - Retirement Counseling Sessions



# BENEFITS OF ESTABLISHING RECIPROCITY

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- New hires subject to reciprocity will be placed into the plan sponsor's Legacy Tier (I – IV)
- Service credit from both agencies will be combined to determine eligibility for retirement
- Tiers I – IV, FCERA will use member's entry age from reciprocal agency to determine contribution rates
- Final average compensation from whichever agency is highest will be used to calculate the retirement benefit for each agency



# REQUIREMENTS TO ESTABLISH RECIPROCITY

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- Terminate employment with reciprocal agency's employer
- Leave contributions on deposit with reciprocal agency
- Establish membership with FCERA within six months of termination from prior agency
- Same requirements to establish outgoing reciprocity



# REQUIREMENTS TO ESTABLISH RECIPROCITY – (cont'd)

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- Member must notify FCERA that they wish to establish reciprocity
  - Enrollment Card
  - Inter-System Membership Advice (ISMA)
  - Disposition Form
  - Written request to FCERA
  - Can request to establish reciprocity any time before retirement





# CONSEQUENCES OF BREAKING RECIPROCITY

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- Eligibility service may be impacted
  - Only FCERA's years of service will be used
  - Member may not meet years of service requirement to retire
- Contributions may be impacted
  - Entry age for contributions may change
  - FCERA will recalculate contributions due
  - Member won't be able to receive retirement benefit until underpaid contributions are paid



# RECIPROCITY DOES NOT ALWAYS BENEFIT A MEMBER

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- Deferred member establishes membership with a reciprocal agency with the intention of retiring from each agency on different dates

Member would not benefit from reciprocity because reciprocity requires concurrent retirement

- Deferred member dies before retiring

Beneficiary receives contributions and interest only, even though member may have had the age and years of service to retire



# QUESTIONS?

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- Not sure if your previous or outgoing employer is a reciprocal agency?
- Not sure if you meet the qualifications for reciprocity?
- Contact FCERA or and speak to a Retirement Coordinator about FCERA's requirements
- (559) 457-0681