

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (FCERA)
RECIPROCITY POLICY**

I. Policy Purpose

The reciprocity provisions of the County Employees Retirement Law of 1937 ("CERL") are found primarily in CERL Article 15 (Sections 31830 et seq.). Article 15 works in conjunction with CERL's deferred retirement provisions, which are found in Article 9 (Sections 31700 et seq.)

CERL's reciprocity provisions exist to encourage public service in the state of California. Without these provisions, a member who moved from one California public retirement system to another (either when the member changed employers or the employer changed retirement systems) would be disadvantaged as compared to a similar member whose entire career was under a single retirement system. Reciprocity essentially allows a member to count all his or her years of qualifying public service as a single unbroken career, and fairly apportions the payment of his or her total retirement allowance among the participating retirement systems.

Two of the more significant elements of reciprocity are:

- 1) Single "age at entry." A FCERA member with a younger "age at entry" in the retirement system will pay less in contributions to the retirement system than those with an older age at entry, in recognition of the fact that, on average, the younger member's contributions will increase with greater investment earnings over a longer period of time before he or she retires. The policy behind CERL's reciprocity provisions is not to penalize the member when transferring into another retirement system later in his or her career. Thus, CERL entitles FCERA members with prior service in a reciprocal system to pay contributions to FCERA based on their age when they entered the first system.
- 2) Flexibility in choosing "final compensation" period. A FCERA member's retirement benefits are based, in part, on his or her highest average annual compensation during a one or three year period. CERL allows a member to select the "final compensation" period from any time during the member's career. Because members ordinarily make more at the end of their career, a member's "final compensation" period for all reciprocal systems usually will be during service to the member's last system.

The reciprocity provisions in CERL are complex, inter-related and work in conjunction with numerous other provisions of CERL. Implementation of CERL's reciprocity provisions is further complicated by the fact that FCERA must consider information related to a member's service with other reciprocal systems, and those systems may be subject to different laws, policies and procedures, including the items of pay that are considered pensionable "compensation earnable."

FCERA's Board of Retirement adopts this Reciprocity Policy to provide predictability to FCERA members, guidance to FCERA staff, and consistency in the Board's application of CERL.

II. Policies

The following policies are intended to supplement, not supplant, the governing provisions of CERL. They are to be interpreted so as to carry out the letter and spirit of CERL and other applicable law. In the event any of these policies conflict with provisions of CERL or other applicable law, CERL and applicable law shall govern.

- 1) FCERA staff shall make all reasonable efforts to inform FCERA members of their reciprocal rights under CERL at the commencement of their membership in FCERA, at retirement and at any other time when asked by the member and/or when circumstances warrant such communication.
- 2) From time to time, FCERA staff may communicate to members estimated benefit levels, which may be based on information provided by reciprocal retirement systems. Those estimates are not binding and will have no impact on a member's rights and obligations, which will be determined according to law. FCERA staff shall (a) make its best efforts to provide accurate estimates to members, and (b) inform the members that the figures provided are estimates only and the member's final benefits may differ from the estimate.
- 3) FCERA requires official documentation from a reciprocal system in order to establish a member's rights arising from his or her employment under that reciprocal system. "Official documentation" ordinarily will consist of pay records from a reciprocal employer, membership records from a reciprocal system, letters signed by an officer of a reciprocal system and/or similar documentation. FCERA staff will make reasonable efforts to assist a member in obtaining the necessary documentation from the member's other system(s), although the member is ultimately responsible for obtaining the necessary documentation. In the event that such documentation is not available, the Board of Retirement retains the authority to determine whether a member is entitled to reciprocal rights, and whether the member has proved to the Board's satisfaction the facts necessary to qualify for those reciprocal rights.
- 4) The FCERA Board of Retirement has sole and exclusive responsibility for administering the benefits that FCERA pays. Decisions by the Board and FCERA staff ordinarily will not be impacted by the policies and decisions of other boards of retirement that administer other reciprocal retirement systems. The Board, however, reserves the right to make lawful and appropriate adjustments to its policies and decisions in the event that they conflict with another reciprocal system's policies and decisions, in order to avoid an unfair result to a member or the FCERA system.
- 5) The Board of Retirement construes all reciprocity provisions in the context of CERL as a whole. The Board and FCERA staff will construe each reciprocity provision in accordance

with its plain and literal meaning whenever possible, but will not apply a plain and literal meaning if doing so would cause an unjust or absurd result.

- 6) For the purposes of determining the benefits FCERA pays and the contributions FCERA collects, members with reciprocal status shall be neither penalized nor advantaged as compared to similarly situated members whose entire careers were with an employer participating in FCERA.
- 7) FCERA is obligated to pay the vested benefits granted by employers participating in FCERA. The benefits and benefit formulas granted by non-FCERA employers in reciprocal retirement systems do not impact the benefits paid by FCERA.
- 8) FCERA and its members are subject to a settlement agreement signed in 2000 (“Settlement Agreement”), which resolved certain litigation over the calculation of retirement allowances. The Settlement Agreement impacts FCERA members’ retirement benefits. For the purposes of the benefits paid by FCERA, a member with reciprocal status is subject to the terms of the Settlement Agreement.
- 9) FCERA staff is delegated authority to make all initial determinations regarding FCERA members’ reciprocity rights, with the assistance of legal counsel when necessary. Any FCERA member that is dissatisfied with a staff determination may appeal that determination to the Board for resolution.
- 10) A member will not pay for or receive service credit in FCERA earlier than the first day following the last day of credited service in a reciprocal system, to avoid violation of CERL section 31836, which provides that “[n]o credit shall be granted in [FCERA] for service for which the member has received credit in another retirement system or for which he is presently receiving a retirement allowance from another retirement system.”
- 11) The Board of Retirement and FCERA staff will make all reasonable efforts to implement the reciprocity provisions of CERL in a consistent manner for all FCERA members. Whenever the Board of Retirement adopts a specific interpretation of a reciprocity provision in CERL, that specific interpretation will be added to the list below to assist predictability and consistency.
- 12) According to Article III of the Bylaws and Regulations of the Board of Retirement as permissible under CERL Section 31527, subd. (h), and Section 31552, an employee may defer commencement of membership by as much as 12 weeks after the employee’s entrance into service, in order to avoid overlapping service credit with a prior reciprocal employer. Additionally, a member may cease accruing service credit with the Association as much as 12 weeks prior to the member’s termination from employment, in order to avoid overlapping service credit with a reciprocal employer.

III. Specific Board Interpretations

- 1) Interpretation No. 1: The “average compensation” and “compensation earnable” referenced in CERL Section 31835 are to be determined by FCERA’s Board of Retirement and staff, in accordance with CERL, the Settlement Agreement and other relevant Board policies. Thus, a member’s “final compensation” for the purposes of determining his or her FCERA benefits will be determined by using (a) the measuring period applicable to that member’s FCERA benefits, and (b) by including as “compensation earnable” only those items of pay that are properly included as such under CERL, the Settlement Agreement and/or as otherwise approved by the Board of Retirement.

Example of interpretation: CERL prohibits inclusion of employer contributions to the retirement system in the calculation of a member’s “compensation earnable” for purposes of determining a member’s retirement allowance. Other reciprocal systems not operating under CERL might be permitted to include employer contributions when calculating retirement allowances. A FCERA member’s “final compensation” measuring period may be with another such system. In that case, FCERA will not consider employer contributions as “compensation earnable,” even though the other system may have considered employer contributions as “compensation earnable” for the purposes of the benefits that it pays the member. Conversely, if a member can show that an item of pay that is considered “compensation earnable” in FCERA was not included as in “compensation earnable” by a reciprocal system, FCERA will include that item of pay, notwithstanding its exclusion by the reciprocal system.

IV. Policy Review

- 1) This policy will be reviewed at least every three years.

V. Policy History

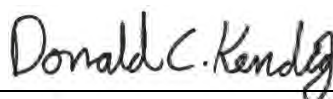
- 1) This policy was adopted by the Board on January 23, 2008.
- 2) This policy was reviewed by the Board on December 21, 2016.

VI. Secretary’s Certificate

I, Donald Kendig, the duly appointed Secretary of the Fresno County Employees’ Retirement Association, hereby certify the adoption of this Policy.

December 21, 2016

Date of Action:



By: Retirement Administrator