

RECIPROCITY POLICY

I. PURPOSE AND BACKGROUND

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 the CERL deferred retirement provisions, which are found in Article 9 (Sections 31700 et seq.)

The CERL 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 effectively allows a member to count all his or her years of qualifying public service as a single unbroken career, and 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. Use of a single “age at entry” to determine contributions. A Mendocino County Employees Retirement Association (MCERA) non-PEPRA 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, contributions of a younger member will increase with greater investment earnings over a longer period of time before he or she retires. The policy behind the CERL reciprocity provisions is not to penalize the member when transferring into another retirement system later in his or her career. Thus, CERL entitles MCERA members with prior service in a reciprocal system to pay contributions to MCERA based on their age when they entered the first system.
2. Flexibility in choosing “final compensation” period. Retirement benefits for a MCERA member are based, in part, on his or her highest average annual compensation during a one or three consecutive year period. CERL allows a member to select the “final compensation” period from any time during their career. Because members ordinarily earn more at the end of their career, the “final compensation” period for all reciprocal systems is usually during service with the last retirement system.

The reciprocity provisions in CERL are complex, inter-related and work in conjunction with numerous other provisions of CERL. Implementation of the CERL reciprocity provisions is further complicated by the fact that MCERA must consider information related to 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 either pensionable compensation or compensation earnable.

II. POLICY OBJECTIVES

This policy is adopted in order to ensure the Association complies with its Plan Documents and to provide clear guidance to Members regarding reciprocity provisions for MCERA.

III. POLICY GUIDELINES

A. ELIGIBILITY TO ESTABLISH RECIPROCITY

To be eligible to establish reciprocity between MCERA and another eligible public retirement system, a member must meet the following requirements:

1. The member must elect to establish reciprocity with an eligible public retirement system. It is not automatic.
2. The time between leaving one public retirement system and entering another cannot exceed six months, or 180 days.
3. There cannot be any overlapping service credit. The member must have a clean break in service from the previous system before entering the new one. For example, a member is ineligible to establish reciprocity if they are on paid leave with the previous employer while working at the new employer. For membership and separation dates with MCERA, see section F outlining MCERA Specific Reciprocity Dates.
4. The contributions from the previous system must be “on deposit” with that system, meaning the member did not withdraw them after separation from employment.
5. The member must not be retired and receiving a retirement benefit from the other system.

B. ELECTING TO ESTABLISH RECIPROCITY

To elect to establish reciprocity, a member must complete one of the following steps:

1. **New MCERA members or returning MCERA members:** Complete the section regarding reciprocity (prior public agency employment) on the MCERA Member Enrollment Affidavit provided by the employer upon employment.
2. **Current MCERA members:** Submit a written request to the previous public retirement system of the intent to establish reciprocity with MCERA. If the previous public retirement system is CalPERS, contact MCERA to complete CalPERS specific forms, which MCERA will submit to CalPERS on behalf of the member.
3. **Members leaving MCERA-covered employment:** Complete a Disposition of Retirement Distributions form and indicate the reciprocal retirement system with which a member wishes to establish reciprocity.

Upon submitting a request to establish reciprocity, MCERA will work closely with the other public retirement system to complete all necessary processes. MCERA will inform the member if, and when, reciprocity is established. This process can take up to 8 months to complete.

C. PUBLIC RETIREMENT SYSTEMS ELIGIBLE FOR RECIPROCITY WITH MCERA

MCERA has reciprocal agreements with the following public retirement systems:

1. California Public Employees' Retirement System (CalPERS),
2. California State Teachers' Retirement System (CalSTRS),
3. Judge's Retirement System (JRS) and the Judge's Retirement System II (JRS II),
4. Any pension plan that has reciprocity with CalPERS, except for the University of California system.
5. Retirement systems in the other 19 counties operated under the County Employee's Retirement Law of 1937 (1937 Act), which includes:
 - a. Alameda
 - b. Contra Costa
 - c. Fresno
 - d. Imperial
 - e. Kern
 - f. Los Angeles
 - g. Marin
 - h. Merced
 - i. Orange
 - j. Sacramento
 - k. San Bernardino
 - l. San Diego
 - m. San Joaquin
 - n. San Mateo
 - o. Santa Barbara
 - p. Sonoma
 - q. Stanislaus
 - r. Tulare
 - s. Ventura

D. RETIRING WITH RECIPROCITY

A member who has established reciprocity must retire from all reciprocal systems on the same date. A current MCERA member with established reciprocity should also be aware of the requirements of the MCERA Service Retirement Policy.

E. RECIPROCAL FINAL AVERAGE COMPENSATION

When a MCERA reciprocal member applies for retirement, MCERA obtains information regarding Final Average Compensation (FAC) from all reciprocal retirement systems. MCERA requires details of all pay items included in the calculation of FAC and will make any adjustments required by the then current MCERA Board Resolutions defining pensionable compensation and compensation earnable.

F. MCERA SPECIFIC RECIPROCITY DATES

1. **Membership Date:** In accordance with MCERA Board By Laws, the membership date for a new MCERA member is the first day of the pay period following their entrance into employment with the plan sponsor. Incoming MCERA members seeking to establish reciprocity should be aware of the membership date and plan accordingly as MCERA is unable to change the membership date.
2. **Separation Date:** When a member separates from employment with a MCERA plan sponsor, the employer submits that information to MCERA via the bi-weekly payroll transmittal. The separation date indicated in the transmittal is always the last day of the pay period. MCERA relies on this information from the employer and cannot adjust the separation date. Members planning to separate and establish reciprocity should be aware of the separation date provided to MCERA and plan accordingly.

G. NEW MCERA MEMBERS SEEKING TO ESTABLISH RECIPROCITY

New MCERA members who assert qualification for reciprocity are provisionally placed into the appropriate service tier based upon the assumption of reciprocity. Once reciprocity is established, any adjustments required to service tier or contributions will be made as soon as practical. If a new MCERA member asserts qualification for reciprocity and reciprocity is not established within 1 year, the member will be placed into the current service tier and any adjustments required to service tier and contributions will be made as soon as practical. This shall not preclude a member from seeking to establish reciprocity at a future date, but the member shall be responsible for any contribution deficit as a result of a delay in the establishment of reciprocity.

H. DELAYED APPLICATION FOR ESTABLISHMENT OF RECIPROCITY

If a current MCERA member seeks to establish reciprocity after failing to assert eligibility for reciprocity on the MCERA Membership Enrollment Affidavit, MCERA will take the following steps:

1. Work with the prior retirement system to establish eligibility for reciprocity;
2. If the member is ineligible for reciprocity, MCERA will notify the member of such and the reasons for ineligibility;
3. If reciprocity eligibility is established, MCERA will determine the appropriate adjustment to service tier and contributions and notify the member of such;

4. The member must pay any contribution deficit via a payroll deduction payment plan which must be completed prior to either separation from employment or retirement;
5. If the member does not complete the payroll deduction payment plan prior to either separation from employment or retirement, then the member shall be ineligible for reciprocity and reciprocity shall be severed;

I. FORMER MCERA MEMBERS SEEKING TO ESTABLISH RECIPROCITY

As specified in section B, a MCERA member that separates from employment with a MCERA plan sponsor who wishes to establish reciprocity with a new retirement system must complete a MCERA Disposition of Retirement Distributions form indicating the reciprocal retirement system with which they plan to establish reciprocity. Additionally, the member should inform the new retirement system of their intent to establish reciprocity with MCERA.

Upon receiving the MCERA Disposition of Retirement Distributions form indicating the system with which the member seeks to establish reciprocity, MCERA will verify the employment separation date and will provide the information necessary to establish reciprocity to the new retirement system. Former MCERA members should be aware of the MCERA specific reciprocity dates outlined in section F and take steps to ensure qualification for reciprocity between MCERA and the new retirement system.

When a former MCERA member seeks to establish reciprocity, MCERA will place that member in a deferred status. If a former MCERA member with established reciprocity subsequently breaks reciprocity, or fails to meet CERL vesting requirements, the former MCERA member shall have their reciprocity severed and will be placed in an inactive status effective upon their separation date from the MCERA plan sponsor. If the former MCERA member has their reciprocity severed, any interest that was credited to the member account after the separation date will be deducted from the member account.

J. BREAKING RECIPROCITY

If a MCERA member who has established reciprocity, subsequently breaks reciprocity by withdrawing funds from a reciprocal retirement system or any other action, then the member shall be treated as if reciprocity had never been established. Any adjustments to service tier, contributions, interest accrued or any other benefit of the member shall be adjusted as soon as practical to reflect the status of the member without reciprocity.

K. APPEAL OF RECIPROCITY DECISION

A member may appeal an administrative decision related to reciprocity in accordance with the Administrative Hearing Policy adopted by the MCERA Board.

IV. POLICY REVIEW

This Policy is subject to change in the exercise of the judgment of MCERA management. The Retirement Administrator may review and amend this policy at any time in accordance with the Retirement Administrator Charter, Section III.C.7.

V. POLICY HISTORY

This policy was implemented by the MCERA Retirement Administrator on July 18, 2018.

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