Getting the Most from Changing Public Employers and Retirement Systems within California

Understanding Reciprocity
As a member of the Stanislaus County Employees' Retirement Association, if you take a position with another public entity in California, you may be eligible for the benefits of reciprocity.

This booklet provides information about your potential rights and benefits as a StanCERA member when you move from one public retirement system to another.

Reciprocity is an agreement among most California public retirement systems to allow members to move from public employer to public employer within a specific time limit and retain certain retirement benefit rights.

Your StanCERA benefits are governed by law; therefore, any discrepancies between the law and the information in this booklet will be resolved in accordance with the law.
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RECIPROCITY

StanCERA has an agreement with most California public retirement systems that allows you to move from public employer to public employer and retain certain retirement benefit rights that can both reduce the cost to you for your benefits and increase the value of your benefits.

You cannot transfer your retirement funds or service credit from one employer to another, but you may coordinate your retirement plans.

When you establish reciprocity you become a member of both systems and gain the benefits from both of those systems. When you retire you receive separate retirement allowances from both systems and you must apply to retire from each system separately. In order for you to receive all of the benefits of reciprocity you must retire on the same date from all public retirement systems participating in the agreement. Among other important requirements, reciprocity is only available when your employment gap between eligible agencies is no more than 6 months.

Important: Because reciprocity is an agreement between retirement systems, and retirement benefit provisions vary, you should make sure that you know the potential advantages and disadvantages of requesting reciprocity before you change employers. Reciprocity benefits are governed by the plan documents of the various retirement systems. These plan documents are subject to change. If there are any discrepancies between those plan documents and the information in this booklet the plan documents have precedence.

As you read this information please note that StanCERA’s authority extends only to applying and implementing the County Employees’ Retirement Law of 1937. It does not extend to laws and regulations under which other public retirement systems are administered. Questions relating to rights, benefits, and obligations under any other public retirement system should be addressed directly to the appropriate system.

WHY CHOOSE RECIPROCITY?

- When you move to subsequent reciprocal agencies in many instances you may use a lower contribution rate based on your Age of Entry into your first reciprocal agency since subsequent agencies could have higher contribution rates for your Age of Entry on the later date of employment with them.
- With reciprocity your retirement at all reciprocal agencies is calculated using your highest average salary from any one of the participating systems (when you retire from all on the same day). This maximizes the value of your total benefit from all agencies.
- It enhances your retirement benefit for a career within participating California public agencies.
- It links your retirement funds and your service credit as you move from one public agency to another public agency.

WARNING: Reciprocity cannot be canceled once established. While reciprocity is advantageous for service retirement, reciprocity can be disadvantageous for disability retirement benefits.
PUBLIC RETIREMENT SYSTEMS WITH RECIPROCITY

Statewide Systems
- California Public Employees’ Retirement System (CalPERS)
- California State Teachers Retirement System (CalSTRS)
- All agencies whose employees are members of CalPERS and CalSTRS including state agencies, county schools, various cities, counties and special districts
- Judges’ Retirement System I & II (JRS)

County Systems
Counties that maintain retirement systems under the County Employees Retirement Law of 1937:
- Alameda
- Contra Costa
- Fresno
- Imperial
- Kern
- Los Angeles
- Marin
- Mendocino
- Merced
- Orange
- Sacramento
- San Bernardino
- San Diego
- San Joaquin
- San Mateo
- Santa Barbara
- Sonoma
- Stanislaus
- Tulare
- Ventura

Other Systems
Any other public agency in the State of California that has a reciprocal agreement with the California Public Employees’ Retirement System (CalPERS)

StanCERA does not have a reciprocity agreement with universities

If you are moving to employment covered under one of the retirement systems listed above you should check with your current and new retirement systems to determine if any of the following benefits or requirements will apply. Please contact StanCERA if you do not see the system listed to which you are moving.
RECIPROCITY REQUIREMENTS

You must satisfy the following requirements to get the full benefits of reciprocity:

- You must continue membership in the first retirement plan by leaving your service credit and contributions (if any) on deposit.

- You must begin your employment with the subsequent reciprocal retirement system within 6 months of ending employment as a member of your prior system.

- You must retire from both systems at the same time (the same day) by filing a retirement application in each system respectively.

IMPORTANT NOTES

- Terminated members: Some systems allow members who have terminated their membership but are now employed under a reciprocal retirement system to redeposit contributions in order to purchase time. If you think this might apply to you contact your new retirement system for eligibility requirements.

- StanCERA does not allow most members to purchase time for previous service in another system. Only Tier 1 or Tier 4 members are eligible to purchase this service.

- Movement between systems: In the past the laws specifying the maximum time period between separation from one system and employment at another system have changed. In addition, certain restrictions may exist if you became employed under an independent retirement system before the effective date of that system’s reciprocal agreement with CalPERS. Further, certain restrictions may also exist with CalSTRS. If you changed retirement systems in the past and are not sure if reciprocity applies to you contact your current and past retirement systems.

IMPORTANT RESTRICTIONS

- Concurrent employment: Reciprocity does not apply when your employment under the first system overlaps your employment under the new system. For the benefits of reciprocity to apply you must be separated under the first system prior to joining the new system. This may be true even if the overlapping time is due to running out vacation or sick time. You should check with both retirement systems about their rules before you leave employment.

- Refund restriction: StanCERA does not allow you to withdraw your member contributions while you are employed with a second reciprocal system. Upon termination, your current system must approve and complete its refund before StanCERA or any other previous systems will process a withdrawal request.
RECI PROCITY BENEFITS

- **Member contribution rate based on Age of Entry:** If the system you are moving to bases your member contribution rate on your Age of Entry, as a reciprocal member your contributions in the new system will be based on your Age of Entry into the first retirement system (your lower age). Note: Many systems including CalPERS have a fixed contribution rate regardless of age.

  *StanCERA Members:* If your initial reciprocal hiring entry is before January 1, 2013, StanCERA uses an entry age contribution rate. If your initial reciprocal hiring entry is January 1, 2013, or after, your contribution rates are not based on your entry age. StanCERA will contact your prior reciprocal agency to verify that you meet all reciprocity requirements including your employment history with that system to apply the appropriate entry age from your first system and the appropriate contribution rate.

- **Highest final compensation:** Upon your retirement all systems will calculate your retirement using your highest average salary under any system. Note: Some systems may utilize 1-year highest final compensation while others may utilize 3-year highest final compensation.

  *StanCERA Tier 1, 4 & 5 Members:* StanCERA uses the highest 1-year compensation to calculate your final average pay for your monthly retirement benefit.

  *StanCERA Tier 2, 3 & 6 Members:* StanCERA uses the highest 3-year compensation to calculate your final average pay for your monthly retirement benefit.

- **Qualification for Benefits:** Service earned under both systems may be combined to meet each system’s individual vesting and retirement eligibility requirements.

- **Disability Retirement:** If you are eligible for disability retirement from the last system of your employment you may also be entitled to a benefit from the first system of your employment (and all previous systems) as long as you retire from all systems on the same date. Generally, your benefit from the first system will be an amount that does not exceed the difference between what you are going to receive from the last system and what you would receive if your total public service in both systems were credited as time worked at the last system. In any case, your total benefits combined together cannot exceed the total amount you would receive if your total public service in both systems were calculated as your total service under the last system.

- **Active Member Death Benefits:** Your beneficiary may be entitled to death benefits from each system.

  *Retired StanCERA Members:* StanCERA does NOT provide the $5,000 death benefit for members whose final service is with a reciprocal system. StanCERA does provide a death benefit for employees whose last service is with StanCERA.
ESTABLISHING RECIPROCITY

If you become a member of a reciprocal retirement system within the 6-month timeframe required to establish reciprocity you should indicate your desire to establish reciprocity:

- On the Member Enrollment form for the current system you are entering or by contacting the Retirement office of the system you are entering to obtain their form.
- On the Termination of Employment form for the system you recently departed or by contacting the Retirement office of the system you are leaving to obtain their form.
- Once reciprocity is established StanCERA will send a confirmation letter to the member.

MEMBER ENROLLMENT FORM

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RETIRING UNDER RECIPROCITY

Applying for Retirement: When you have reciprocity and are ready to retire you must apply to all reciprocal agencies and your date of retirement must be the same date for all reciprocal systems. Each system has its own retirement application procedures, so you must contact each system separately to find out its retirement procedures.

Deferring Retirement: When you leave a StanCERA-covered employer but are not ready to retire under reciprocity you can defer your retirement. You must indicate on your termination from a StanCERA employer that you wish to defer your retirement, whether or not you are moving to another public agency with reciprocity. You must complete the StanCERA NOTICE OF TERMINATION FORM electing Deferred Retirement (see sample below). StanCERA will maintain your account (with interest) until you apply to retire.

☐ DEFER RETIREMENT

I wish to leave my funds on deposit with StanCERA. I believe that I will be eligible to receive monthly retirement benefits at a later date for the reason indicated below:

☐ I am a Tier 1, 2, 4 or 5 member with 5+ years of public service OR a Tier 3 member with 10+ years of service.

☐ I am transferring to the following reciprocal retirement system within 6 months of my termination date.

(New Employer) (Reciprocal System)

RECIPROCITY EXAMPLES
Example 1

Mike Jones works for an employer under Retirement Plan A for 3 years as an office assistant and then separates employment at age 35 leaving his contributions on deposit with Plan A. 3 months later he is hired by a county covered by Retirement Plan B and establishes reciprocity. He works for this employer for 22 years and decides to retire at age 57 from his job as a public health nurse. He retires concurrently from Plan A and Plan B.

Benefits of Reciprocity:
• Mike’s member contribution rate under Plan B will be based on his Age of Entry into Plan A (age 32) rather than his age at the time he was hired at the county covered by Plan B (age 35) if his initial entry date into Plan A is prior to January 1, 2013. This results in him paying lower monthly contributions to the second retirement system.
• Mike will be able to receive a lifetime retirement allowance from Plan A based on his 3 years of service even though he does not meet the 5-year vesting requirement under that system.
• Mike’s retirement allowance from Plan A will be based on his higher salary as a public health nurse with the county covered by Plan B.
• Mike will receive a lifetime retirement allowance from Plan B based on his 22 years of service and highest salary earned with that county.
**Example 2**

Maria Perez works for a county under Retirement Plan X as a dispatcher for 5 years. She decides to attend the Police Academy and is subsequently hired by a city police department covered by reciprocal Plan Y at a higher salary. She leaves her contributions on deposit at Plan X. She is aware of the 6-month limit on moving from one reciprocal agency to another and is also aware that the Police Academy is 6 months long. As a result she separates from employment under Plan X the day before the Police Academy begins. She is then hired by a city police department the day after the academy ends, and her move from one agency to another is completed with an employment gap of exactly 6 months. 8 years later at age 40 Maria becomes disabled due to a non-work-related injury and retires concurrently from Plan X and Plan Y.

**Benefits of Reciprocity:**
- Maria will be immediately vested in Plan Y based upon her 5 years with the county under Plan X.
- Maria will be entitled to a total disability retirement benefit from both systems equal to what that benefit would be if all of her 13 years of public service had been under Plan Y.

**Example 3**

Tom Lee works for a city covered by Plan S for 10 years and then accepts a job with a county covered by Plan T. When Tom leaves employment with the city he arranges to run out 6 weeks of accumulated vacation time and this overlaps his employment date with a county, his new employer, by 3 weeks. **Reciprocity was not established.** Tom works at a county under Plan T for 15 years and then decides to retire.

**Reciprocity is not established due to the overlapping service. Tom’s benefits are calculated separately by each system.**

- His benefit from Plan S is calculated based on his 10 years of service with the city and the salary he earned while working at the city more than 15 years ago.
- His benefit from Plan T is calculated based on his 15 years of service with the county and the salary he earned while working at the county.

**NOTE:** This situation may have been avoided if Tom had contacted Plan S at the time he took his new job and arranged to take his vacation as a lump-sum cash out so there would be no overlapping service time.