



RECIPROCITY

SUMMARY

Effective on December 9, 1994, the City of San José entered into an agreement with the California Public Employees' Retirement System (PERS) that extends reciprocal benefits to members of the Federated City Employees' Retirement System. Reciprocity is an agreement between the City and PERS that in certain situations, results in improved retirement benefits for persons who move from one eligible retirement system to another. It may apply, for example, if you leave San José employment and begin working for a City, County or State agency where you become a member of PERS (or the new employer has a reciprocal agreement with PERS). Reciprocity may also apply if you formerly worked for a reciprocal agency and joined the Federated City Employees' Retirement System upon leaving the reciprocal system.

Reciprocity does not mean that your contributions will be transferred from one system to another. You are still subject to the rights and obligations of each system. If you qualify, reciprocity offers you enhanced retirement benefits. At retirement, you may be eligible to receive retirement benefits from more than one system, and you will receive separate checks from each system.

This chapter describes the reciprocity provisions that are part of the Federated City Employees' Retirement System. These provisions will apply when you are eligible for reciprocal benefits from San José. Although San José adopted the uniform reciprocal provisions requested by PERS, other reciprocal systems (including PERS) may have different provisions. You should contact the reciprocal system to determine the reciprocal benefits of that system to which you may be entitled.

GENERAL ELIGIBILITY REQUIREMENTS

You must join the Federated City Employees' Retirement System within six months of terminating employment with a reciprocal system **or** you must join a reciprocal system within six months of terminating City of San José employment. (If your move between systems took place prior to January 1, 1976, the maximum time between leaving one plan and joining the other is ninety (90) days.) [SJMC 3.28.2410(A)]



You must not have concurrent or overlapping service between agencies. For example, if you leave a PERS agency allowing a week of vacation to run out, and start with the City of San Jose during that vacation time, you have concurrent payroll running at both agencies. There must be a complete break in service from one agency to the other for reciprocity eligibility.

Except for the use of average monthly salary described below, the benefits of reciprocity apply only if your transfer between this retirement system and a reciprocal system, or from a reciprocal system to this retirement system, takes place after December 9, 1994.

[SJMC 3.28.2410(B) and (C)]

BENEFITS

Right to Leave Contributions on Deposit Regardless of Length of Service

Normally, when leaving City service, you must have 5 years of service to be eligible to leave your contributions on deposit. However, if you qualify for reciprocity, you may leave your contributions on deposit with the Federated City Employees' Retirement System no matter how many years of service you have credited with the system. If you leave your contributions on deposit, ***you may not withdraw your contributions as long as you are still a member of a reciprocal system.***

[SJMC 3.28.2420(A)]

Use of Average Salary From Reciprocal System

An important factor in determining how much your retirement benefit will be is your average salary. If you qualify for reciprocity, **the highest final salary in either system will be used by both systems to calculate your benefit.** For example, let's say you have 15 years of service in the Federated City Employees' Retirement System. You quit on December 31, 1999, and leave your retirement contributions on deposit. At this point, your average salary was \$2,500 per month. On January 1, 2000, you start working for an agency whose retirement system is administered by PERS. Let's assume that you will continue working there for an additional 5 years. Now you're 55 and ready to retire. Your final average salary at the PERS agency is \$5,000 per month. What happens?



Without Reciprocity, an example of your possible benefits is:

(Note: 2% is used as an example. The reciprocal system would use whatever percentage applies under its benefit formula.)

Reciprocal System: 2% x 5 Years x \$5,000 = \$500.00 per month
San José: 2.5% x 15 Years x \$2,500 = \$937.50 per month
Total Pension from both systems \$1437.50

With Reciprocity, your benefits could be:

Reciprocal System: 2% x 5 Years x \$5,000 = \$ 500.00 per month
San José: 2.5% x 15 Years x \$5,000 = \$1875.00 per month
Total Pension from both systems \$2375.00

As you can see in this example, if you meet the qualifications for reciprocity, your benefit from the City of San José could go from \$937.50 per month to \$1875.00 per month. This is because both systems will use the highest average salary to calculate the pension.

If your San José final average salary is higher, then PERS will use your San José final average salary to calculate your PERS pension.

Eligibility Requirements for Use of Average Salary From Reciprocal System

To be eligible for this benefit, you must meet all of the following conditions:

- You must be at least 50 years of age at time of retirement. (You must still meet minimum age requirements of this system and the reciprocal system.)
- You must retire concurrently from this system and the reciprocal system.
- You must be credited with service in the reciprocal system.

[SJMC 3.28.2420(C)]

The benefit of using average salary from a reciprocal system may apply even if your transfer between systems took place before December 9, 1994.



Combining Service in Reciprocal Systems to Meet Minimum Service Requirements

For the purpose of meeting minimum service requirements for qualification to receive benefits, you may be eligible to combine service in this retirement system with service in a reciprocal system. For example, let's assume that you have 3 years of service in this retirement system. If you leave San José employment and join a reciprocal system within 6 months, you have a right to leave your contributions on deposit with San José. However, you must have at least 5 years of service in San José in order to be eligible to receive a benefit.

This provision will allow you to count your service with a reciprocal system to meet the 5 year requirement. In this example, you will need to work at least 2 years in a reciprocal system to meet the minimum requirements to receive a benefit from this retirement system. You will then be eligible to receive a benefit from San José if you retire concurrently from both systems.

*You will only be eligible to receive a benefit based on your actual years of service in San José. The combination of service is only used to meet minimum qualifications to receive a monthly benefit. It **cannot** be used to meet the minimum service required to receive medical or dental benefits.*

To be eligible for this benefit, you must meet all of the following conditions:

- You must be at least 50 years of age at time of retirement.
(You must still meet minimum age requirements of this system and the reciprocal system.)
- You must retire concurrently from this retirement system and the reciprocal system.
- You must be credited with service in the reciprocal system.

[SJMC 3.28.2420(D)]

NOTE: THIS BENEFIT APPLIES ONLY IF YOUR TRANSFER BETWEEN RETIREMENTS SYSTEMS TAKES PLACE AFTER DECEMBER 9, 1994.



Reciprocal Benefit When Member Receives Disability Allowance From a Reciprocal System

If you receive a disability allowance from a reciprocal system, San José will pay a retirement allowance with two limitations:

1. The benefit will not be greater than the difference between what the other system pays and what it would have paid for a nonservice-connected disability had all your service been there.

For example: San Jose retirement allowance < disability reciprocal allowance - nonservice-connected disability reciprocal allowance with service from both systems credited.

2. Your San José benefit will not be less than an annuity which is the actuarial equivalent of your San José contributions plus accumulated interest.

This applies whether or not the disability is for service-connected reasons.
[SJMC 3.28.2420(E)]

Survivorship or Death Benefits When Member Dies as a Member of a Reciprocal System

The survivorship benefits or death benefits payable if you die from nonservice-connected causes as a member of a reciprocal system shall not exceed an amount which when added to the survivorship and death benefits paid for you under the reciprocal systems equals the maximum death benefit payable under that system.

For example:

San Jose death benefit + death benefits from the reciprocal system < the maximum death benefit payable under the reciprocal system

This is subject to the following limitations:

1. The survivorship and death benefits shall be at least the amount of your accumulated contributions plus interest accrued as of the date of death.
2. If your death is caused by service-connected injury or disease in the reciprocal system, the survivorship and death benefits shall be the amount of your accumulated contributions plus interest accrued as of the date of death.

[SJMC 3.28.2420(F)]



Special Redeposit Provisions

If you are a former member of this retirement system who terminated City employment **after December 9, 1994**, and withdrew your accumulated contributions and interest, you may be allowed to redeposit those contributions and accrued interest. You may then be eligible for the benefits of reciprocity. To be eligible, you must meet the following requirements:

- You must meet the requirements in the section entitled “General Eligibility Requirements” found on this handbook.
- You must redeposit withdrawn contributions including interest that would have been earned by the withdrawn contributions and interest, at the retirement fund’s actual earnings rate.
- You must redeposit the above amount **before** retiring from this system or from the reciprocal system.

[SJMC 3.28.2430]

ELECTING RECIPROCITY

If you leave City service to join a reciprocal retirement system and meet the qualifications for reciprocal benefits, you can elect reciprocity by written request at any time **prior** to retiring. Send your request to the Retirement Services Department at the address on page 2.

