



# Understanding Pension System Reciprocity

Board of Directors

October 10, 2023

# Agenda

- Historical Background
- What is Reciprocity?
- What are the Eligibility Requirements?
- How is Reciprocity Administered at the District?

# Historical Background

- 1937 — the District's Board of Directors enacted Ordinance No. 40 ("Retirement Ordinance") to establish a Retirement System for its employees.
- 1984 — the Board authorized an agreement with the California Public Employees' Retirement System (CalPERS) to provide reciprocal benefits between the District and reciprocal public agencies.

# What is Reciprocity?

An agreement among participating California public retirement systems to:

1. Allow public employees to move between participating public employers without losing valuable retirement benefits
2. Allow public employees to continue to be a member of multiple retirement systems, but subject to the benefits and laws of each system
3. Provide reciprocal benefits to eligible employees
4. Assume any unfunded liability that may result from the application of reciprocal benefits

# What is Reciprocity?

Reciprocal Benefits for Eligible Employees which allows:

1. Vesting in a public pension system based on service accrued from another reciprocal public pension system, except for HIB (Health Insurance Benefit).
2. The application of the highest average compensation earned in any reciprocal agency to apply to all reciprocal agencies.

# What is Reciprocity – Example

Employee worked for three California public agencies (“reciprocal agencies”) who were subject to a reciprocity agreement throughout their career. Employee established reciprocity with each agency change.

Agency	Years of Service	Highest Salary
City of Hayward	15	\$25,000
City of Oakland	10	\$75,000
EBMUD	4	\$150,000

What is the employee’s pension?

- Hayward: 15 years of service and highest compensation of \$150,000
- Oakland: 10 years of service and highest compensation of \$150,000
- EBMUD: 4 years of service and highest compensation of \$150,000

# What are the Eligibility Requirements?

Because reciprocity could result in a significant pension enhancement, it has strict requirements for an employee to be eligible.

1. Must maintain membership in the prior reciprocal agency by leaving employee contributions
2. Become a member of a new reciprocal agency within 6 months of leaving the prior reciprocal agency
3. To prevent double dipping in two public pensions, there can be no overlapping service in two reciprocal agencies; there must be a clear separation of employment from the prior reciprocal agency before beginning work at the subsequent reciprocal agency
4. Must retire from all reciprocal agencies at the same time.

# What are the Eligibility Requirements – Example

Employee spent their career in public service.

- Worked for the City of Danville from January 1, 1985 to January 1, 1995.
- Left City of Danville and collected the contributions they made to the pension.
- Began employment with the City of Richmond on January 1, 1996.

*The employee is not eligible to establish Reciprocity between the City of Danville and the City of Richmond*



# What are the Eligibility Requirements – Example

Same employee as the previous slide.

- Employee works for the City of Richmond until January 1, 2006 (10 years)
- Employee decides to
  - “vacation out” from the City of Richmond AND
  - Begins employment with the City of Walnut Creek to get double compensation
- Employee began
  - Vacationing out from the City of Richmond on December 1, 2005 (one month of vacation) until the end their employment with City of Richmond on January 1, 2006
  - Started working for Walnut Creek on December 1, 2005.

*The employee is not eligible for reciprocity between the City of Richmond and City of Walnut Creek*

# Administration of Reciprocity

District Retirement System staff work with employees at hire (or later) to establish reciprocity

- Newly-hired District Members are provided information about reciprocity and asked to complete a history of their public sector employment.
- EBMUDERS' staff uses the employment history to complete request forms which are sent to the reciprocal agency.
- Upon the reciprocal agency's determination of reciprocity, the member receives notice from both agencies.

# Reciprocity Process

When members near retirement, District staff takes the following steps to verify continued reciprocity and process final retirement with reciprocal benefits if applicable.

- District staff verifies concurrent retirement date with the member and with the reciprocal agency(s).
- Reciprocal agencies coordinate exchange of compensation data from each other
- After determination of highest pay, each reciprocal agency processes the member's retirement using the agreed highest pay

Questions?

