

# RECIPROCITY



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## What is Reciprocity?

Under certain circumstances, reciprocity may increase the retirement benefits payable to you if you worked for more than one of the participating public retirement systems. If you are eligible for reciprocity and elect reciprocity, each retirement system will independently calculate your benefits to determine whether reciprocity will improve your benefit.

If you are eligible for reciprocity and have elected to have your benefits calculated under reciprocity, three things may be affected:

- Vesting
- Timing your retirement
- Benefit calculations

## Participating Retirement Systems

Reciprocity may be an option for those members who have a retirement account with more than one of these public retirement systems:

- Wisconsin Retirement System
- City of Milwaukee Employees' Retirement System
- Milwaukee County Employees' Retirement System

## Eligibility

You may be eligible for reciprocity if:

- You have a retirement account with more than one of the three participating retirement systems.
- You became fully vested in one participating retirement system before moving to another.
- You have not yet retired or closed your account with the retirement systems for which you are considering reciprocity.

# Vesting

Your vesting status is important because it determines whether your employer's contributions will be included in your benefit payment. If you are vested and have reached minimum retirement age, you are eligible for a retirement benefit that includes both the employee and employer contributions. If you are not vested (even if you have reached minimum retirement age), you are only eligible to receive a payment based on your employee contributions. All employer contributions would be lost.

Each participating retirement system has different requirements for vesting. Generally, an employee must work a certain amount of time to become vested.

By electing to take reciprocity, you can take advantage of a special rule regarding vesting. The rule comes into play when you meet the regular vesting requirements in one of the three participating retirement systems and then later work for one of the other participating retirement systems.

Under the special rule, your years of service under the vested system will be used to meet the vesting requirements for **subsequent** participating retirement systems. This special vesting rule only applies to subsequent employment, not to prior employment. In other words, vesting only goes forward, never backward.

## **Example 1: Employee A benefits from the special rules regarding vesting under reciprocity.**

Employee A worked for the City of Milwaukee in a covered position for 15 years and recently changed jobs to work in a WRS-covered position. Employee A plans to retire in two years, which will not be enough time to meet the standard WRS vesting requirements.

## Vesting, continued

If Employee A is eligible for, and elects to have their benefit calculated under reciprocity, they will automatically be vested in the WRS (the *subsequent* retirement system) because they met the vesting requirements under the City of Milwaukee Employees' Retirement System (the *previous* system). The special rule regarding vesting may benefit Employee A because without it, they would not be eligible for increased retirement benefits from the WRS.

### **Example 2: Employee B does not benefit from the special rules regarding vesting under reciprocity.**

Employee B worked for Milwaukee County for six months and the City of Milwaukee for one year. Then, they took a WRS-covered position where they have been working for the last 20 years. Employee B is only vested in the WRS. They were not employed long enough to be vested in either of the other two systems.

Vesting is never retroactive and does **not** allow for someone to become vested in a prior system. Therefore, Employee B is not eligible to elect reciprocity because even with the special vesting rule, they are not vested in more than one retirement system.

## Timing

It takes extra planning and time to coordinate your retirement benefits from all applicable systems under reciprocity. You should start this process about one year before you plan to retire.

Here are some things to consider:

- **Retirement benefits from all participating retirement systems** must be effective within 60 calendar days in order to elect to have benefits calculated under reciprocity.
- **Plan ahead to request estimates** and decide whether it will be more beneficial to coordinate the timing of your retirement benefits to elect reciprocity, or if it is more beneficial to forego reciprocity and begin receiving benefits as soon as possible from the system(s) in which you are inactive.
- **Sometimes it is more beneficial** to take a retirement benefit when you are first eligible rather than waiting to coordinate benefits under reciprocity.
- **If you have already closed your account** from one of the participating retirement systems, the closed account cannot be considered when determining eligibility for reciprocity.
- **Employment from at least one of the retirement systems** must terminate on or after May 11, 1990.

## Benefit Calculations

Under reciprocity, each prior retirement system applies its own formula factors in effect on your last termination date from *all three* participating systems. This is true even if you terminated covered employment with the previous system(s) before those factors went into effect.

Your benefits are calculated by adjusting your final average earnings by the rate of growth that occurred between the time you separated from the prior system and annuitized accounts from all systems. Wage growth is based on the National Average Wage Index (NAWI), which is determined by federal law under 42 U.S.C. § 415(b)(3)(A).

## Limitations

There are some important limitations that you should carefully consider before electing reciprocity:

- Reciprocity **does not** involve combining retirement accounts; the benefits from each system are calculated separately.
- Reciprocity **does not** result in “free” years of service nor “free” contributions.
- Reciprocity applies only to retirement benefits; it cannot be used to qualify for disability benefits.
- If you have *military service* that qualifies for credit under one or more of the participating retirement systems, you can only use your military service for credit in one of the systems. It is important that you identify how reciprocity increases your benefit in each system before deciding which system provides the greatest benefit for your military service.

## How to Proceed

If you believe that you are eligible and that reciprocity may increase your retirement benefits, the first step is to have your earlier service verified by the appropriate retirement system(s).

To do this, you must request a *Reciprocity: Employee Summary (ET-7356)* form from ETF and submit it to each of the previous participating retirement systems with which you have an account.

The previous system(s) will verify your service and account status and send a copy of the completed form to each of the other two participating systems. This provides each of the systems with documentation of your potential eligibility for reciprocity.

ETF encourages you to have your past service verified at least a year before your anticipated retirement date. This ensures that there is adequate lead time to get all of the information you need, which is critical because the benefits from each system that are calculated under reciprocity must begin within 60 calendar days of each other.

When you request retirement benefit estimates from each system (normally 6-12 months before your anticipated retirement date), it is important to also request information about how reciprocity would affect your benefits. You will need this information when deciding whether to elect to have your benefits calculated under reciprocity.

If you determine that it is to your advantage to have your retirement benefits calculated under reciprocity, contact ETF to request the *Reciprocity Election (ET-7366)* form. You



## **How to Proceed, continued**

must file the completed form with each of the participating retirement systems of which you are currently a member.

Once the form is filed, the election can only be withdrawn or canceled under the rules governing retirement application withdrawals and cancellations for the system covering the most recent employment.

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