



California Public Employees' Retirement System
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FEB - 9 2018

Special Compensation Circular Letter

February 1, 2018

Circular Letter: 200-009-18

Distribution: Special

To: All Reciprocal and Non-Reciprocal Retirement Systems
Subject: Reciprocity Agreement and Information to be Furnished to CalPERS

Purpose

The purpose of this Circular Letter is to address and clarify reciprocal retirement system obligations and CalPERS' review and determination process for computation of the Final Average Compensation (FAC) that CalPERS may use to calculate member benefits under a concurrent retirement between a reciprocal retirement system and CalPERS.

Reciprocal Final Average Compensation Determination Process

To receive full reciprocal benefits, a member must retire on the same date from both or all systems by submitting a retirement application in accordance with the rules and regulations associated with each system. When CalPERS receives a retirement application with service for an employer in a reciprocal retirement system, CalPERS will notify and send the reciprocal retirement system a **Retirement Salary Request** form if the member was last employed with the reciprocal system. Once notified, the reciprocal retirement system must then return the completed form to CalPERS.

Among other things, the **Retirement Salary Request** form requires the reciprocal retirement system to provide the member's FAC and indicate whether it includes special compensation (compensation other than base pay). If the member's FAC includes special compensation, the reciprocal retirement system must provide a breakdown of all compensation components. To ensure compliance with the Public Employees' Retirement Law (PERL), the reciprocal retirement system must also provide the publicly available pay schedule and written labor

policy or agreement to substantiate the payrate and special compensation. All breakdown information and substantiating documentation must be completed and returned to CalPERS in addition to the form titled ***Breakdown of Components of Final Average Compensation (FAC)***.

Impact on FAC

Any compensation that does not meet the applicable PERL statutes and regulations will not be used to calculate a member's CalPERS benefit. All reciprocal retirement systems are obligated to provide CalPERS with the information and data necessary to make appropriate determinations in accordance with the PERL statutes and regulations.

Effective March 1, 2018, failure to provide such a breakdown or providing false, incomplete or inaccurate information may result in delayed payments to the member. In addition, if the reciprocal retirement system does not provide a detailed breakdown, CalPERS may calculate the member's retirement benefit using the highest applicable FAC that is supported by sufficient documentation. In many instances, this will be the FAC from the member's CalPERS employer.

Government Code sections:

20630 – Definition of "Compensation"

20636 & 20636.1 – Definition of "Compensation Earnable"

7522.34 – Definition of "Pensionable Compensation"

California Code of Regulations sections:

570 – Definition of "Final Settlement Pay"

570.5 – Requirements of Publicly Available Pay Schedule

571 – Definition of "Special Compensation" for Classic Members

571.1 – Definition of "Special Compensation" for PEPRAs Members

An electronic version of the PERL with the full statutes and regulations is available on our website at **www.calpers.ca.gov/page/about/laws-regulations**.

If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

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Employer Account Management Division