Terminating Employment Before Retirement

If you are leaving employment with a MCERA covered employer but are not ready or not eligible to retire, then you have a choice to make regarding what to do with your retirement contributions. You will have the option to either establish reciprocity, defer your retirement, leave your contributions on deposit with MCERA, or withdraw your funds. The following pages describe these options in more detail.

What Happens Once You Leave Employment?

Your official date of termination will be the last day of your final pay period and not your last day of work. Upon notification of your termination of employment, MCERA will mail you the following documents:

- **Termination Letter.** This cover letter informs you of your final account balance and your official date of separation. It also provides instructions for the other enclosed documents.
- **Special Tax Notice Regarding Plan Payments and Federal Income Tax**. This notice explains the tax consequences that you will need to understand before you choose to withdraw your funds.
- **Distribution of Retirement Distributions form.** This form provides an explanation of each option available to you and requires you to elect one of those options. You are also required to acknowledge that you received and understand the Special tax Notice Regarding Plan Payments and Federal Income Tax. Normally, MCERA will not process a request to withdraw or rollover your contributions until at least 30 days after you have received the Special Tax Notice but you may choose to waive that 30 day waiting period by initialing the appropriate section. You will then sign and return the form to MCERA. If you have a spouse or domestic partner, they must also sign the document. If their signature is missing, you must complete the Declaration of Reason for Absence of Spouse/Domestic Partner Signature. If you do not complete the form in its entirety, it will be returned to you.

Leave Your Funds on Deposit

Reciprocity

If you are leaving employment and will become a member of another California public retirement System, you may be eligible to establish reciprocity.

Reciprocity refers to an agreement between most California public retirement systems. It allows members to maintain the retirement benefits they have already earned by linking the retirement benefits offered by different systems together.

Benefits of Reciprocity

- The service credit earned in all reciprocal systems will combine to help you meet all vesting and retirement eligibility requirements. This means you don't "start over" when you move between systems.
- The California Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefit tiers for new members on or after January 1, 2013. If your original entry date into the reciprocal system was prior to January 1, 2013 you may be eligible for pre-PEPRA membership. This may offer you a greater retirement benefit formula in the new retirement system.
- Your highest final average salary earned in any reciprocal system will be used by all systems to calculate your retirement benefit.

Eligibility Requirements for Reciprocity

- You must make an election with MCERA to establish reciprocity.
- You must leave active membership in one system and enter active membership in the next system within six months or 180 days.
- There can be no overlapping service time. Your official date of separation will be the end of a pay period. If you only work the first half of a pay period and then immediately enter membership in a new system, then your service may overlap and you may lose eligibility for reciprocity.
- You cannot take a refund from any reciprocal system.
- You must retire from all reciprocal systems on the same date.

Reciprocal Retirement Systems

Other retirement systems governed by the County Employees Retirement Law of 1937:

- Alameda
- Contra Costa
- Fresno
- Imperial
- Kern
- Los Angeles
- Marin
- Merced
- Orange
- Sacramento
- San Bernardino
- San Diego
- San Joaquin
- San Mateo
- Santa Barbara
- Sonoma
- Stanislaus
- Tulare
- Ventura

State Retirement Systems:

- CA Public Employees' Retirement System (CalPERS)
- CA State Teachers' Retirement System (CalSTRS).

Other Reciprocal Retirement Systems:

- City and County of San Francisco
- San Luis Obispo County Pension Trust
- Judges' Retirement System
- California public retirement systems having reciprocity with CalPERS. (The University of California Retirement System does not allow reciprocity with MCERA.)
- Retirement Systems to which reciprocity provisions apply.

Deferred Retirement

If you have 5 or more years of service credit when you separate from employment, including reciprocal and purchased service, you can choose deferred vested status. Your contributions remain with MCERA and this option puts off your retirement until you are either eligible or ready to retire.

You may apply for service retirement any time after reaching the date you would have been eligible to retire had you remained a MCERA member in a full-time position. MCERA will contact you once you are eligible to retire. If you decide to retire at that time, you must submit a retirement application.

Accumulated MCERA contributions earn the MCERA interest assumption rate semi- annually. An election to allow contributions to remain on deposit may be revoked by the member at any time, prior to retirement, as long as you haven't returned to active membership with MCERA or employed member of a reciprocal system who is eligible to develop reciprocity.

Withdrawing your funds revokes your right to any future retirement benefit from MCERA.

Leave Your Funds on Deposit without Being Vested

If you do not have 5 or more years of service when you separate from employment, you can still leave your contributions on deposit. However, you will not eligible to receive future retirement benefits unless you establish membership in a reciprocal system within the statutory time limit or return to service with a Mendocino County plan sponsor and meet all other requirements for retirement eligibility.

Your MCERA contributions will earn the MCERA assumed interest rate semi-annually. You may withdraw your contributions at any time prior to retirement as long as you are not working for a MCERA plan sponsor or are employed by a reciprocal system and are eligible to establish reciprocity. If your funds are still on deposit when you reach age 72, you will be required to receive a lump sum distribution of all your retirement contributions and interest.

Withdraw Your Funds

In most cases, you have the option to withdraw your retirement contributions and interest. However, an election to withdraw your funds is not allowed if you are employed in any capacity with a MCERA employer or are employed by a reciprocal system and are eligible to establish reciprocity. Once you withdraw your funds, you will not be eligible for any future retirement benefits, including disability retirement, unless you re-enter MCERA membership and redeposit the withdrawn funds plus interest.

Direct Refund

You can withdraw your contributions and interest and receive a refund that will be paid directly to you.

Refunds of taxable contributions and interest in an amount over $200 (not rolled over to an eligible retirement plan) will be subject to a mandatory 20% Federal tax that MCERA will withhold before issuing a refund. Refunds of less than $200 will not be subject to withholding. Any retirement contributions that have already been taxed are not subject to withholding.

If you are less than 59 ½ years old, and unless you rollover the taxable portion into an Individual Retirement Account (IRA) or another qualified plan within 60 days after distribution, your refund may be subject to early withdrawal penalties.

Direct Rollover

You can elect to have your retirement contributions and interest rolled over to an Individual Retirement Account (IRA) or other qualified retirement plan (401k, 457b, or 403b).

Choosing a Direct Rollover avoids any taxes and early withdrawal penalties that a member would incur with the Direct Refund Option.