



Roberto L. Peña
Retirement Administrator

General Tier I, Safety Refund
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
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August 31, 2007

[REDACTED]

Dear [REDACTED],

At its December 6, 2006 meeting, the Board of Retirement (Board) determined that beginning July 1, 2003, member contributions to FCERA had improperly included certain costs that should have been charged only to the employer plan sponsors of FCERA. In particular, the Board determined that members should not have been charged for any portion of the unfunded actuarial accrued liability (UAAL) related to the Cost of Living Adjustment (COLA) benefit. This is referred to as the "COLA UAAL Overpayment." You may remember that your contribution rate was reduced in March 2007 to eliminate the COLA UAAL component.

The Board also determined that prior actuarial calculations (unrelated to the COLA UAAL overpayment) with respect to Safety members rates resulted in additional overpayments, this is referred to as the "Safety Member overpayment". On August 15, 2007, the Board further determined that it should make adjustments to prior General Member Tier I contribution rates for (1) a separate error by the retirement system's prior actuary relating to General Tier I member's basic contribution rate from July 2003 to June 2004 and (2) the deferred normal cost resulting from the "phase in" of increases of employee contributions from July 2004 to February 2007. Please note that when balanced against the COLA UAAL issue, these two other issues caused an underpayment of contributions from July 2003 to June 2005; while the COLA UAAL issue caused an overpayment of contributions from July 2005 to February 2007.

We have now determined that, after balancing out all appropriate adjustments that included your contributions as a Safety member and General Tier I member, your net overpayment during this period totaled \$70.58. This amount includes interest at FCERA's assumed rate of return, which is currently 8.16% per annum. Interest was credited to the Overpayments through October 15, 2007, which is the anticipated date that you will receive your refund check.

Please note these important income tax provisions applicable to your refund of your Overpayments. The Overpayments are considered "excess contributions" and the refund of such Overpayments will be taxable income to you for 2007. FCERA will withhold federal and state income taxes from your refund of the Overpayment as required by applicable law. Please see the enclosed "FCERA Notice of Tax Withholding For Refund of Excess Contributions" (Withholding Notice) for more information concerning tax withholding.

Your refund of the Overpayment, including interest, is not a qualified plan distribution and is **not** eligible for tax-free rollover into an IRA or other tax qualified retirement plan or eligible for any other favorable federal income tax treatment available to qualified distributions from retirement plans.

Please note that FCERA cannot provide tax advice to you. The information in this letter and the enclosed Withholding Notice pertains only to (a) your initial withholding options, and (b) how FCERA will report the payment to the Internal Revenue Service (IRS) and state taxing authorities. It is your responsibility to determine how the payment will impact your state and federal tax liability.

Thank you for your patience and understanding throughout this process. Please note that FCERA has hired a new actuary and is taking further steps to prevent these types of discrepancies going forward. If you want to learn more about these corrections generally, or your individual refund calculation specifically, you may contact our offices at 559-457-0681.

Sincerely,



Roberto L. Peña
Retirement Administrator

Enclosure