



Roberto L. Peña
Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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Safety 30yr Stop (14)
H.K.

August 27, 2007

[REDACTED]

At its December 6, 2006 meeting, the Board of Retirement 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 Overpayments."

You may remember that your contribution rate was reduced in March 2007 to eliminate the COLA UAAL component.

The Board of Retirement further determined that it was necessary to refund the total excess COLA UAAL Overpayments paid by members between July 1, 2003 and February 2007.

FCERA has determined that your COLA UAAL Overpayments made between July 1, 2003 and February 2007 totaled \$5241.81. This amount includes interest at FCERA's assumed rate of return, which is currently 8.16% per annum. Interest was credited to the COLA UAAL Overpayments through October 15, 2007, which is the anticipated date that you will receive your refund check. Please note that this refund does not include any retirement contributions withheld after the effective date of your 30-year stop of retirement contributions. We expect to refund those contributions no later than the end of October 2007.

Please note these important income tax provisions applicable to your refund of your COLA Overpayments. The COLA UAAL 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 COLA UAAL Overpayments, 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.

August 27, 2007

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[REDACTED]

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. 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