



Roberto L. Peña
Retirement Administrator

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DATE: September 19, 2007

TO: Roberto L. Peña
Retirement Administrator

FROM: Frankie D. Dorsey
Retirement Coordinator

SUBJECT: Final Compensation Project-Update

The Final Compensation Project is close to 90% complete, with 3,710 of the 4,268 calculations completed as of August 31, 2007. Of the 558 calculations remaining to be completed, Phase One is nearly 98% complete with only 29 files remaining; Phase II is 96% complete with 20 files remaining; and Phase III is 80% complete with 509 files remaining.

The main reason for the delay in meeting our goal is our failure to retain the more experienced extra-help team members. Over the course of the project, 34 extra help and contract staff have worked on the project, with an average tenure on the project of less than 6 months each. Although our goal is to have nine processors and an office assistant on the project, we have been unable to consistently fill the positions even with the use of a temporary agency. Currently, we have five processors and one office assistant. Of the five processors, two have been on the project since October 2006, two since March 2007, and one since August 2007, and the office assistant has been on the project since March 2007. We've had to replace at least 1-2 team members per month since the project began in 2004 in order to keep seven processors on the project. As noted previously, it takes 2-4 weeks to train a new team member.

Please note that approximately 95 files per month, or a total of 283 files, have been processed during the period of June 2007 to August 2007. If this situation were to continue, the project would not be completed until March 2008. However, we have formulated a plan which will include assigning more experienced permanent staff to the project including two Retirement Coordinators and two support staff with the goal of completing the project by year-end. This would alleviate the factors that have plagued the project since the beginning; most importantly, the lack of experienced staff to meet our estimated goals, but, on the other hand, it will impact FCERA's current operations as the reassignment of job duties may lead to delays in processing service credit purchases, contribution adjustments (refunds), disability retirement applications and preparing retirement estimates.

We have categorized the remaining files based on the complexity of the calculation in order to expedite the recalculation process. This will enable the more experienced staff to work on the more difficult calculations. During this process, it was determined that some of the documents contained in the member's file that are used in the recalculation process were either missing or were substantially different than we were accustomed to seeing in the more recent member files. Additional review was required in order to isolate the information to complete the calculation.

In addition, it was determined that the recalculation process was more complex for this group of members than initially thought, predominately as a result of the supplemental cost of living adjustment that must be calculated based on year of retirement and "COLA bucket" (unused CPI factors from prior years). As a result, additional training was provided to aid in recognizing the required documents and to demonstrate the additional procedures necessary to complete the calculations. The additional training and procedures caused a delay in processing which contributed to the team's inability to meet the estimated monthly goal of 170 files per month.

We've determined that it would take, on average, approximately four hours per file to process each of the remaining 558 calculations, or 2,232 hours. Therefore, with the changes that we have identified, we estimate that it would take until the end of December 2007 to complete the recalculation process and to have the final checks issued in January 2008. Please note that these estimates do not take into account delays resulting from compound adjustments or calculations by the actuary. Also, reassigning permanent staff to the final compensation project will have an impact on other assignments including service credit purchases, contribution adjustments, and estimates.

The following table presents the current totals for the Final Compensation project:

Group/Phase	Period Covered	Number of Members	Calculations Remaining as of October 31, 2007
III	Prior to 10/7/1997	2,560	509
II	10/7/1997 to 12/30/00	496	20*
I	1/1/01 to 03/1/04	1, 026	29*
I	3/2/04 to 10/31/04	186	0
	Totals	4,268	558

*17 files must be sent to the actuary for calculation as our Pension system cannot perform the calculations due to the age of the member at retirement: 24 Compound Adjustments files which include at least one non-final compensation error, as well as the final compensation error; 4 Divorce files which require additional calculations to properly apportion the benefit; and 4 Deceased with no continuances for which we have no current address for the beneficiary.

Please let me know if you have any questions. Thank you.