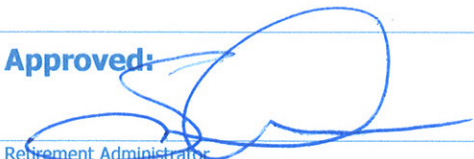




RETIREMENT BOARD POLICY AND REFERENCE MANUAL

SUBJECT: ACCUMULATED CONTRIBUTION ACCOUNT ELECTIONS AND UNSECURED CLAIMS	Section: 2-45 Date Adopted/Revised: 10/9/2013
SYSTEM(S): JOINT	Approved:  Retirement Administrator

PURPOSE

The purpose of this policy is to establish Board policy and document staff procedures regarding accumulated contribution account Elections and the processing of an Unsecured Claim when a former member fails to make an Election regarding his or her accumulated contribution account.

POLICY

It is the policy of the City of Fresno Retirement Systems to adhere to Fresno Municipal Code ("FMC") Sections 3-351(h) and 3-564(h) which require a former member to make an Election regarding his or her accumulated contribution account.

Absent an Election, the former member's accumulated contributions will be converted to an Unsecured Claim against the Retirement Fund, pursuant to the provisions in the FMC. The former member may request payment of the Unsecured Claim at any time. However, such payment would not constitute an eligible rollover distribution, nor would the former member be eligible to redeposit funds of an Unsecured Claim if they were re-employed by the City of Fresno.

BACKGROUND

- I. Following separation from City service, the FMC requires a former employee to make an Election regarding his or her retirement accumulated contribution account.

The Municipal Code at sections 3-327 and 3-534 provides for a return of contributions for employees who leave City service. The Municipal Code at sections 3-425(b)(c) and 3-568(b)(c), provides that an employee who moves to a reciprocal agency within six months may elect to leave his or her contributions on deposit. The Municipal Code at sections 3-328, 3-406, 3-535 permits an employee who has five or more years of service to make an election to leave his/her contributions on deposit. The employee must make this election within ninety days after the date staff sends the notice of the election to the employee.

FAILURE TO MAKE AN ELECTION

- II. FMC Sections 3-351(h) and 3-564(h) provide that an individual who has not taken any action with respect to his/her contributions is left with an unsecured and undifferentiated claim against the Retirement Fund.

The consequences include:

The individual's accumulated contributions are absorbed into the Retirement Fund and lose their characterization as the accumulated contributions of a specific individual. They simply become an Unsecured Claim of the Retirement Fund and part of the general assets of the Retirement Fund.

No interest will be paid on the Unsecured Claim.

As a non-retirement Unsecured Claim against the system, such a payment would not be an eligible rollover distribution because it is not retirement-related.

Since the former member did not make an Election to refund their accumulated contributions and their contributions became an unsecured claim, the former member will not be eligible to redeposit their accumulated contributions should the individual return to City service or request to redeposit pursuant to Reciprocity.

PROCEDURE

- III. Given the importance of a member's retirement contribution account and the severity of the consequences when a member fails to make an election, retirement staff shall employ the following noticing procedures.

Notice #1

Notice #1 shall advise the individual of the Member Elections available, including: An election to take a refund of the member's Accumulated Contributions, an election to establish Incoming/Outgoing Reciprocity, an election to Defer Vest or an election to retire from the System, if eligible.

The individual will be advised he or she has six months from the date of separation to make an election regarding his or her accumulated contribution account, and absent an employee election, retirement staff will be required to convert the account to an Unsecured Claim of the Retirement Fund.

The notice shall be sent by regular mail, no later than 15 calendar days following notification of the member's date of separation from City service. A copy of this Joint Board Policy and applicable forms will be included.

Notice #2

In situations where an election has not been made after 45 days of separation, staff will send a reminder notice to the individual. Notice #2 shall be a copy of Notice #1 and shall be sent by certified mail. A copy of this Joint Board Policy and applicable forms will be included.

Notice #3

In situations where the former employee has failed to make an Election after 90 days from separation, retirement staff shall send a third notice by certified mail, advising the former employee that unless an election is made within 90 days from the date of Notice #3, his or her accumulated contribution account will be converted to an Unsecured Claim of the Retirement Fund.

The former employee therefore forfeits any membership rights, including the right to redeposit should he or she return to City employment or request to redeposit pursuant to reciprocity. The former employee will also be advised that he or she may request payment of the Unsecured Claim at any time. However, such payment would not constitute an eligible rollover distribution. A copy of this Joint Board Policy and applicable forms will be included.

Notice #4

The fourth and final notice will advise the former member that his or her accumulated contribution account has been converted to an Unsecured Claim of the Retirement Fund. A copy of this Joint Board Policy and the applicable forms for requesting an Unsecured Claims payment will be included. Notice #4 will be sent by certified mail.