


COUNTY OF SAN MATEO  
INTER-DEPARTMENTAL CORRESPONDENCE

August 28, 2002

To: Honorable Board of Supervisors  
From:  Sidney C. McCausland, Chief Executive Officer, SamCERA  
Subject: Approval of Amendments to the *Regulations of the Board of Retirement*

RECOMMENDATION:

The Board of Retirement recommends that the Board of Supervisors adopt a Resolution approving amendments to the *Regulations of the Board of Retirement* relating to (1) Accounts of Terminated Non-vested Members without Reciprocity, (2) Notification to Disability Applicants of Informal Hearing & (3) Acceptance of Tax-Deferred Rollovers for the Purchase of Service Credit.

BACKGROUND: Government Code §31525 states that: *The board [of retirement] may make regulations not inconsistent with this chapter [the '37 Act]. The regulations become effective when approved by the board of supervisors.* The *Regulations of the Board of Retirement* set forth San Mateo County's implementation of the provisions of the County Employees' Retirement Law.

**(1) Accounts of Terminated Non-vested Members without Reciprocity**

DISCUSSION: This proposed regulation halts the crediting of interest to the accounts of former County employees who left County service before accumulating five years of SamCERA service credit. It also establishes a formal procedure for the mandatory refunding or escheating of the balances in such accounts. This proposed regulation addresses a problem cited in the County Auditor's 2001 Management Letter for SamCERA. Terminated Non-vested Members currently have little incentive to withdraw their contributions, since they have been receiving interest on their account balances. The proposed regulation facilitates the clearing these accounts.

FISCAL IMPACT: This regulation will result in a net savings to the County. Refunds have totaled less than \$2 million per year over the past five years. Interest represents a small percentage of the amount of those refunds. Therefore, the savings to the County will not be significant.

**(2) Notification to Disability Applicants of Informal Hearing**

DISCUSSION: This proposed regulation formalizes the Board's standing policy, which is to provide the disability applicant with advance notice of staff's recommendation when such recommendation is to deny a disability application. It also provides for formal notification of the Board's action on the application.

FISCAL IMPACT: Postage for approximately eighty certified letters per year.

**(3) Acceptance of Tax-Deferred Rollovers for the Purchase of Service Credit**

DISCUSSION: This proposed regulation implements the rollover provisions of the Federal Economic Growth and Tax Relief Reconciliation Act of 2001, which included provisions that liberalized the law for rollovers between tax-deferred savings programs. California law is now in compliance with these provisions of the Federal law.

Currently, SamCERA's Members are purchasing (a) service credit for their extra help time, (b) an upgrade of their Plan 3 service or (c) an upgrade of their General service to Probation by **payroll deduction and post-tax lump sum** purchase. The new laws & this regulation permit them to use a **pre-tax rollover** of tax-deferred funds.

FISCAL IMPACT: This regulation will result in a slight increase in the County's pension costs, because it provides an additional means for a few more individuals to purchase SamCERA service credit. However, the majority of those who are serious about paying for the cost of service credit will elect to do so through whatever means are available to them. This regulation merely adds one more means for them to consider when making the decision to undertake the purchase.

**RECOMMENDED**

  
ASSISTANT COUNTY MANAGER