

Mendocino County Board of Retirement
Audit and Budget Committee Meeting Minutes
January 7, 2016

4:00 p.m.

Participants: Ted Stephens, Committee Chair, Kathryn Cavness, Tim Knudsen, John Sakowicz, James Wilbanks Ph.D., Retirement Administrator, Stan Conwell, Financial/Investment Officer, and Judy Zeller, Administrative Assistant.

Public Comment: None

1) Approval of the April 27, 2015 Committee meeting minutes.

The April 27, 2015 minutes will be carried to the next meeting for approval.

2) Discussion and Recommendation regarding the Draft External Audit report for Fiscal Year 2014/2015.

The Committee discussed the draft audit report including the different types of risk, whether risk is clearly defined in the report, and if there is sufficient disclosure included in the Management Discussion and Analysis (MD&A). Mr. Stephens referenced the financial highlights on page 5, and suggested adding disclosure regarding no new contributions going into the plan.

Crystal Ekanayake and Dan Matzinger of Gallina LLP joined the meeting by teleconference. Mr. Stephens asked if there were any areas that should be discussed regarding the report. Ms. Ekanayake referenced page 18, note 2, which included the new accounting standards update and explained that this will be included in the June 30, 2016 report and the footnote will change. The Net Pension Liability (NPL) footnote is the same as last year. Government Accounting Standards Board (GASB) 68 impacted the County financials due to separation of reporting between three employers. The County financial statements were issued as a qualified opinion because Actuarial work had not been completed before the due date. Dr. Wilbanks reported that Segal Consulting will present the next Valuation in November 2016 to assist the County in the timing of their financial statements.

Ms. Ekanayake stated that an earlier mailing of Audit Confirmations and earlier closing of the County books would assist Gallina in the completion of their work sooner. She suggested the audit field work be done in April or May so there would be less to do post June 30 and the draft report could be prepared sooner. Ms. Ekanayake confirmed that she will present the June 30, 2015 draft report to the board on January 19, 2016. As far as Gallina's findings, most issues will clear with the implementation of the new Pension Administration System.

(Pursuant to Government Code Section 54954, this agenda was posted 72 hours prior to the meeting.)

MEETING LOCATION: Retirement Association Conference Room , 625-B Kings Court, Ukiah, CA 95482

Phone: 707-463-4328 Fax: 707-467-6472

RETIREMENT ASSOCIATION WEBSITE: www.co.mendocino.ca.us/retirement

Mr. Stephens asked if more board oversight was needed. Ms. Ekanayeke commented that the board does good job and suggested more involvement in the review of contracts. It's not a current concern, but is good governance. Documentation of board contract review could be included in meeting minutes and fees could be checked every three to five years for reasonably. Mr. Knudsen referenced the subsequent events on page 30 and the time period used to determine the portfolio decrease. It was determined that the period should end September 30, 2015 and the auditor will make that correction.

The committee discussed the MD&A and asked if more information regarding NPL should be disclosed. Ms. Ekanayake referred to the MD&A as a template that was missing NPL concept verbage. June 30, 2014 was the first year to include the concept and there was an increase from 2014 to 2015. This could be refreshed to catch up with current disclosures. Ms. Ekaanayake reminded the committee that the financial statements are presented for a single year and stated that she had no concerns regarding the MD&A. Ms. Ekanayake confirmed that Gallina does not provide an opinion on the MD&A. Ms. Cavness asked the committee to consider including disclosure regarding the rate of return and how it has effected the NPL.

The committee discussed and agreed to add a fifth bullet pont to the MD&A regarding the NPL and asked Gallina to update the subsequent events.

Motion was made by Mr. Sakowicz to recommend the amended June 30, 2015 Audit Report to the full board for approval. Mr. Knudsen seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Stephens, Mr. Knudsen. Noes: Ms. Cavness. Abstain: 0. Absent: 0.

3) Schedule the next Audit & Budget Committee meeting.

The next Audit and Budget Committee meeting is yet to be determined.

Dr. Wilbanks stated that the next meeting will include the draft budget for fiscal year 2016/2017. Mr. Stephens asked to include the past five to six budget years for reference.

Meeting Adjourned at 5:38 p.m.

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