

Mendocino County Board of Retirement  
Audit and Budget Committee Meeting Minutes  
January 8, 2014

11:02 a.m.

Participants: Lloyd Weer, Committee Chair, Randy Goodman, Bob Mirata, Rich White, Retirement Administrator and Judy Zeller. Crystal Ekanayake and Dan Matzinger of Gallina LLP, and Scott German of Fechter and Company, participated by teleconference. Absent: Ted Stephens.

Public Comment: None

1) Approval of the October 22, 2013 Committee meeting minutes.

Mr. Goodman motioned to approve the October 22, 2013 minutes. Mr. Mirata seconded the motion and the minutes were approved unanimously.

2) Discussion and Recommendation regarding the Draft External Audit report for Fiscal Year 2012/13.

Presenters: Mr. White began discussion regarding the revised Draft External Audit report for Fiscal Year 2012/13 prepared by Gallina LLP. He mentioned that Mr. Stephens had submitted comments regarding the report which we can discuss.

Mr. Goodman mentioned that he noticed some rounding issues and requested correction to page 5 of the report as follows: The \$383.1 million should be \$383.2 million; the \$14.2 million should be \$14.3 million and the \$26.2 million should be \$26.5 million. Ms. Ekanayake mentioned that Gallina was correcting a typo on page 7, changing LLC to LLP. Mr. Goodman referenced the comments submitted by Mr. Stephens regarding the net investment gain of \$48.9 million on page 5 of the report. Mr. German stated that this figure matches the income statement on page 11. Mr. Goodman went to the next comment regarding the investment return of 14.52% on page 7. Mr. White stated that this is a time weighted investment return. The next comment was regarding the \$383,207,546 Investment at Fair Value listed on page 10. Ms. Ekanayake stated that this is the market value net of assets. Mr. Matzinger added that the \$383,196,817 net market value of assets on page 40 of the Segal report equals the net assets available for benefits at the bottom of page 10 in the Gallina report.

The next comment was regarding page 21 of the report and it was agreed by all that the last two paragraphs could be deleted. Next the committee reviewed page 23 of the report and why the June 30, 2010 projected payroll amounts were used. There was a great deal of discussion regarding the appropriate year to use and it was decided that this information would need to

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

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be verified by our actuary, The Segal Company. Ms. Ekanayake requested that Callan Associates provide the December 31, 2013 market value of assets. Mr. White and Mr. German agreed that the financial statements were complete through November 30, 2013 and the Callan report would not be complete until the end of January or beginning of February. Mr. White mentioned that there would be a significant change from November 30, 2013 to the year end December 31, 2013 financials due to the rebalancing. Mr. Goodman suggested using the September 30, 2013 figure included in the Callan report and all agreed.

The last comment from Mr. Stephens was regarding page 26 and the Employer rate issues in 2006 and 2010. Mr. Goodman commented that we discuss this same question each year. Mr. White stated that both the Board of Retirement and the Audit & Budget Committee have discussed the fact that this issue goes back to the prior actuarial consultant's methodology. This information will drop off reports over time and The Segal Company does not feel it is worth the expense to find out what that methodology was. All agreed that there would be no change to this information.

Ms. Ekanayake mentioned that Gallina was waiting to receive the Segal Audit Confirmation letter. Once this is received the revised report can go to technical review. A final revised report can be ready for Wednesday's Board meeting. Staff will forward an electronic copy to Board members prior to their meeting. Mr. German reported that the State Controller's Report has been filed. Mr. White added that this filing is two months ahead of last year.

3) Schedule the next Audit & Budget Committee meeting.

The next Audit and Budget Committee meeting will be scheduled on February 5, 2014 at 10:00 a.m. The Committee will review the June 30, 2013 Comprehensive Annual Financial Report (CAFR).

Meeting Adjourned (11:37 a.m.)

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