

Mendocino County Board of Retirement  
Audit and Budget Committee Meeting Minutes  
September 15, 2014

9:30 a.m.

Participants: Lloyd Weer, Committee Chair, Bob Mirata, Randy Goodman, Jim Andersen, Interim Retirement Administrator, and Judy Zeller, Administrative Assistant. Ted Stephens participated by conference call from his office located at 1101 College Ave., Ste. 210, Santa Rosa, CA 95404, where the agenda was posted publicly prior to the meeting and the public was welcome to participate.

Public Comment: None

1) Approval of the July 10, 2014 Committee meeting minutes.

Mr. Mirata motioned to approve the July 10, 2014 minutes. Mr. Goodman seconded the motion and the minutes were approved by the following vote: Ayes: Mr. Weer, Mr. Goodman and Mr. Mirata. Noes: 0. Abstain: Mr. Stephens. Absent: 0

2) Update and Possible Direction Regarding the 2014/15 Audit Field Work, Pending Audit Items, and Timing for Draft Financial Statements. (Crystal Ekanayake, Gallina LLP)

Ms. Ekanayake of Gallina LLP stated that all field work was completed last week and everything went well. Draft financial statements should be available within two weeks. The Government Accounting Standards Board (GASB) 67 requires additional testing of census data. Employer personnel file selections will be made this week and will need to be coordinated with the employers. Testing should to take up to two business days at each location and must be scheduled with employers in order to provide them with a list so that the required information is pulled and ready. Some of this information is readily available and some may be in storage.

She explained that Segal will need to split liability by employer. Gallina will verify that employees are correctly associated with the proper employer as the liability data is based on census data. The committee agreed that we should reach out to the plan sponsors, provide proper notice, and help to coordinate schedules.

Ms. Ekanayake commented that Scott German did very good job in providing information for the audit field work and was well prepared. Mr. Andersen added that he will request an extension of the Fetchter and Company contract through December at the Board meeting on Wednesday. He asked the committee to consider the possibility of having Mr. German

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**RETIREMENT ASSOCIATION WEBSITE:** [www.co.mendocino.ca.us/retirement](http://www.co.mendocino.ca.us/retirement)

available for one full accounting cycle as a resource regarding our actuarial valuation and annual audit. This issue will be brought to the board in October.

3) Discussion Regarding Past Actuarial Reports' Government Accounting Standards Board (GASB) 25 Schedule of Employer Contributions.

Mr. Andersen referenced the GASB 25 Schedule of Employer Contributions prepared by our prior actuary leading up to the year ending 06/30/2010 and the fact that the percentage of the Annual Required Contribution (ARC) payment as a percent of payroll shows divergence from historical practice. GASB 25 allows for the "percent of payroll method" to move with an increase or decrease in actual payroll and it assumes that 100% is paid if recommended rates are adopted. Clearly a percentage of payroll was reported, but this varied to reporting "projected contributions" for a few years. This has been verified and should have been reported at 100% for those years or at the least footnoted. He explained that Mr. Goodman had done quite a lot of research on this issue and asked him to explain his work to the committee.

Mr. Goodman explained that his focus was on the years 2004, 2005, and 2006 due to divergence in historical practice. He referred to Munis reports, provided by the County Auditor Contoller's office that show the employer's contributions for these years. After review it was determined that the required ARC payment was paid, but it was allocated to different accounts once received by MCERA. Then the information was reported incorrectly in the GASB 25 Schedule in our valuation reports.

Mr. Stephens asked if this issue was handled appropriately pursuant to the 37 Act and GASB. Mr. Andersen replied that GASB 25 allows for two alternatives for calculation of required employer contributions. Percent of payroll or establish the payment as calculated by an actuary. The 37 Act requires an actuarial report no less than every other year and is not explicit regarding reporting. He stated that the GASB 25 schedule is incorrect because retiree health transfers and reimbursement to the County Treasurer were netted out of the total contributions. MCERA will report 100% going forward and is required to report six years of history. The numbers should roll off the valuation reports. This will be confirmed with Segal and we believe that no correction is required. Gallina has also agreed with this.

Mr. Andersen mentioned the 08/09 reporting difference. This was the year of market collapse and smoothing was used. Our prior actuary recommended a reduction in rates, but the Board of Retirement and the Board of Supervisors agreed not to make any rate changes. In 2009 contributions were reported as a percent of payroll using the rates that had recommended, but had not been adopted. In 2009 it is easy to explain the 141 %. In 2010 we assume they did the same, but it must be further evaluated unless the committee will accept that this is reporting error only. Future actuarial reports and the Comprehensive Annual Financial Reports (CAFRs) can be corrected and footnoted. The years in question will drop off the valuation and

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audit reports. An explanation would be provided in the appropriate section of each report. Gallina has already planned on adding a footnote to the financials.

Mr. Stephens asked for review and explanation of 2010 and mentioned that during this period the County had pay cuts, attrition, and layoffs.

4) Discussion and Possible Direction Regarding Monthly Financial Reports Received by the Board.

Mr. Andersen referenced copies of the financial reports and stated that the Vendor Leger report has not been very helpful and suggested replacing it with a year to date budget analysis.

Mr. Stephens requested that the report show our contract providers as budget line items. The committee agreed that the Vendor Ledger is helpful, but it must be compared to the budget to make sense. They agreed to keep the Vendor Ledger as a report to board. To avoid duplication in reports, it was agreed to continue this discussion at the next Audit & Budget Committee meeting to allow for additional time to review current financial reports prepared for the board.

5) Schedule the next Audit & Budget Committee meeting.

The next Audit and Budget Committee meeting will be scheduled for Thursday October 9, 2014 at 9:30 a.m.

Meeting Adjourned (10:55 a.m.)

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