

Special Meeting
Mendocino County Board of Retirement
Audit and Budget Committee Meeting Minutes
October 22, 2013

9:00 a.m.

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

Public Comment: None

1) Approval of the September 18, 2013 Committee meeting minutes.

Mr. Mirata motioned to approve the September 18, 2013 minutes. Mr. Goodman 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. Weer began discussion regarding the revised Draft External Audit report for Fiscal Year 2012/13.

Mr. Goodman stated that he has the same concerns as Mr. Stephens regarding the last paragraph on page 7. It sounds like we are still providing retiree health benefits and we should remove that reference if our legal counsel approves. Mr. White will contact Judith Boyette at Hanson Bridgett regarding the change. Mr. Goodman also asked about Note 1 on page 13, 1st paragraph, and if we need to include it. Mr. Matzinger explained that this note provides historical data on past practice. We still report that there were no subsidies paid each year and we don't provide any new information. Mr. Goodman requested asking counsel for an opinion on Note 1 and Note 2, 2nd paragraph on page 16 and whether we can delete them. Mr. Weer questioned whether the items may be related to the Voluntary Correction Program.

Mr. Goodman asked about Note 4 on page 19 and whether Level 3 is really applicable to Kings Court. Mr. Matzinger replied that it is classified as a Level 3 because it is valued independently and there are no other assets valued as such. Mr. Goodman stated that we don't value Kings Court at cost. Mr. German added that we use appraisal or approximate fair value. Mr. Matzinger will make that change.

Mr. German brought up footnote 6 on page 24 and the 1% contingency reserve. Last year's figure was \$3.5m and Segal used \$3.4m in the valuation report for the contingency reserve.

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

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What basis is the 1% calculated on, gross assets or net assets? The numbers were different last year, but should be the same and the figure on page 24 is footnoted because of this difference. Mr. German suggested using the higher, gross assets, which are not much different and safer. The committee agreed that we will use the amount of total assets, \$383,535,070, on page 10 of the report, to calculate the 1% contingency reserve and the footnote will be removed. Mr. German added that the categories of investments on page 10 have been verified and will work for us to reconcile with our other reports.

Gallina will make the approved changes and will finalize the report for submission to Segal.

3) Schedule the next Audit & Budget Committee meeting.

The next Audit and Budget Committee meeting will be scheduled during November 2013 once the draft Segal report is available.

Meeting Adjourned (9:31 a.m.)

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