

## OPERATIONS OVERSIGHT COMMITTEE MINUTES 3-2-11

### PRESENT

Yves Chery, Chair  
William de la Garza, Vice Chair  
Shawn R. Kehoe  
Ed C. Morris  
Simon S. Russin, Alternate

### ALSO ATTENDING:

#### BOARD MEMBERS AT LARGE

Marvin Adams  
Sadonya Antebi  
Les Robbins

#### STAFF, ADVISORS, PARTICIPANTS

Robert Hill  
Janice Golden  
Beulah Auten  
Shamila Freeman  
Kaelyn Ung

The meeting was called to order by Chery at 12:05 p.m.

#### I. I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

All regular members of the Committee were present.

#### II. II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF JANUARY 13, 2011

A motion was made by Mr. Morris, seconded by Mr. Kehoe, to approve the minutes of the regular meeting of January 13, 2011.

The motion passed unanimously.

#### III. III. FOR INFORMATION

##### A. FY 2009-2010: Financial Review (oral presentation)

Beulah Auten

Beulah Auten gave a brief financial review of the past fiscal year 2009-2010. This included an overview of LACERA's Comprehensive Financial Report (CAFR) process, with comments on the Letter of Transmittal and the Management Discussion and Analysis (MD&A).

In compiling the financial statements, Financial and Accounting Services (FASD) partners with other LACERA divisions to obtain data and/or review information. External to LACERA, FASD works with the custodian bank, investment managers, and our external auditors, as well as our professional affiliations. Brown Armstrong, LACERA's external financial auditor, is responsible for conducting the audit of the financial statements. At the conclusion of their audit, we receive the "Report on Audited Financial Statements" to meet our statutory reporting deadline with the County Board of Supervisors of October 31. We then work with our Communications Division to transform our financials into the CAFR for consideration in the GFOA's Excellence in Financial Reporting Award Program by the December 31 deadline. Brown Armstrong rendered a clean opinion of LACERA's FY 2010 financial statements. They found our financial statements to be in compliance with accounting and reporting requirements established by the Governmental Accounting Standards Board (GASB).

The Letter of Transmittal from the Chief Executive Officer serves as an introduction to LACERA's mission, discusses who is covered in our membership program, and the services we provide to our 156,000 members. It clearly communicates management's responsibility over maintaining proper internal controls and financial statement preparation. It also provides basic financial information, including the total fund return and funding ratio. Finally, it includes some big ticket customer service enhancements achieved during the year. The MD&A supplements the financial statements. It is required by GASB, since it is an essential part of financial reporting for placing the financial statements in an appropriate operational, historical, and economic context. It also includes an overview of LACERA's financial statements.

The first of two basic financial statements is the Statement of Plan Net Assets, which is essentially LACERA's balance sheet. The plan net assets are reported on a fair value basis. Our investment portfolio consists of 96% of the total

assets, with the other 4% being made up of cash and other receivables.

The second basic financial statement is the Statement of Changes in Plan Net Assets, which is the income statement identifying any transactions that alter the net assets available for pension benefits. This includes additions to available benefits such as investment income, employer contributions, and any rental income. Deductions are also listed, including pension benefits paid out, death benefits, and administrative expenses.

Notes to the basic financial statements are the required disclosures which are an integral part of the statements, including major policies, programs, and certain activities that occur during the year.

The MD&A also discusses economic factors. The economic factor that most impacts LACERA is the investment return earned in the financial markets.

In conclusion, Ms. Auten acknowledged and introduced her individual staff assisting with the completion of this report on a daily basis.

**B. 2010-2011 Budget Control Report as of December 31, 2010**

Shamila Freeman, Kaelyn Ung

Shamila Alam and Kaelyn Ung presented the Budget Control Report for the first six months of fiscal year 2010-2011, based on actual expenditures through December 31, 2010. Total operating expenses for the LACERA Administrative Budget are projected to be \$51.7 million, an underexpenditure of approximately \$1.6 million from LACERA's operating budget. Significant progress is being made in keeping the budgeted salaries and employee benefits number closer to actual expenditures.

The Retiree Health Care Benefits Program Budget's total operating expenses are projected to be \$3.7 million. This represents an underexpenditure of approximately \$61,000 from the operating budget.

**IV. MISCELLANEOUS**

**V. PUBLIC COMMENT**

**VI. GOOD OF THE ORDER**

(For discussion purposes only)

**VII. ADJOURNMENT**