MONTECITO FIRE PROTECTION DISTRICT

AGENDA FOR THE FINANCE COMMITTEE MEETING

Montecito Fire Protection District Headquarters

595 San Ysidro Road

Santa Barbara, California

June 6, 2013 at 10:00 a.m.

Agenda Items May Not Be Taken In The Order Shown

1. Public comment: Any person may address the Board at this time on any non-agenda matter that is within the subject matter jurisdiction of the Montecito Fire Protection District; 30 minutes total time is allotted for this discussion.

2. Determine the process to analyze the District's unfunded liabilities, including identification of potential resources that can assist in the process.

3. Determine the options the District has to address the District's unfunded liabilities.

4. Review documentation of items discussed at Committee meetings and make recommendations to improve process.

5. Requests for items to be included for the next Finance Committee Meeting.

6. Fire Chief's Report.

Adjournment

This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of the posting is June 4, 2013.

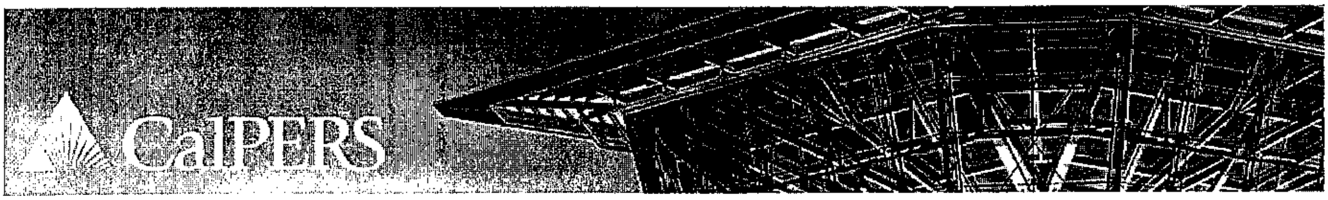
MONTECITO FIRE PROTECTION DISTRICT

By John K. Venable
John Venable, Board President

Note: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District office at 969-7762. Notification at least 48 hours prior to the meeting will enable the District to make reasonable arrangements.

Materials related to an item on this agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Montecito Fire Protection District's office located at 595 San Ysidro Road during normal business hours.

Agenda Item #2



Press Release

April 17, 2013

External Affairs Branch
(916) 795-3991
Robert Udall Glazier, Deputy Executive Officer
Brad Pacheco, Chief, Office of Public Affairs
Contact: Amy Norris, Information Officer
pressroom@calpers.ca.gov

CalPERS Board Approves New Actuarial Policies

New methods aimed at fully funding system

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) Board of Administration today approved new actuarial policies that are aimed at returning the System to fully-funded status within 30 years.

"This was one of the most difficult, yet most important decisions we have had to make," said Rob Feckner, President of the CalPERS Board. "Moving our plans more swiftly toward full funding will ensure a sustainable pension system for our members, employers and ultimately taxpayers over the long-term."

The new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses. The amortization would have a five-year ramp-up of rates at the start and a five-year ramp-down at the end.

At the Board's request, actuarial staff examined various alternatives to the adopted method to mitigate some impact of rate increases in the first several years of implementation. It was determined that although alternatives did provide lower rates up front, rates would be higher over time. However, the Board did delay the implementation of the new policy until 2015-16 for the State, schools and all public agencies.

In addition to closing the funding gap in 30 years, the new method will also help avoid large increases in employer contribution rates in extreme years, while maintaining a reasonable level of change in normal years.

"While this was a tough decision, it was the right thing to do for CalPERS," said Priya Mathur, Pension & Health Benefits Committee Chair. "Though rates will initially be higher in the short term, we can now provide better transparency and greater rate predictability, which our employers need for budgeting purposes."

Based on investment return simulations performed for the next 30 years, increasing contributions more rapidly in the short term is expected to result in almost a 25 percent improvement in funded status over a 30-year-period.

Find a detailed explanation of the new rate-smoothing methods, a video workshop and the Annual Review of Funding Levels and Risk.

CalPERS is the largest public pension fund in the U.S. with approximately $256 billion in assets. The retirement system administers retirement benefits for more than 1.6 million current and retired California State, public school and local public agency employees and their families on behalf of more than 3,000 public employers in the state, and health benefits for 1.3 million enrollees. For more information about CalPERS, visit www.calpers.ca.gov.

###

Dated: 04-17-2013

Press Release

April 16, 2013

External Affairs Branch
(916) 795-3991
Robert Udall Glazier, Deputy Executive Officer
Brad Pacheco, Chief, Office of Public Affairs
Contact: Amy Norris, Information Officer
pressroom@calpers.ca.gov

CalPERS Takes Steps to Address Funding Level Risk

Adopted policy part of long-term plan to return to fully-funded status

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) Pension & Health Benefits Committee today approved new actuarial policies that are aimed at returning the System to fully-funded status within 30 years. The full CalPERS Board will vote on the policies tomorrow.

The new rate-smoothing and amortization methods used when setting employer contributions were proposed by the Actuarial Office to address risk identified in the Annual Review of Funding Levels. That report was presented to the CalPERS Board of Administration by CalPERS Chief Actuary Alan Milligan during the Pension Fund's March Board meetings.

The report showed that most CalPERS plans are now between 65 and 80 percent funded. The desired goal is 100 percent funding, in which assets on hand are equal to the desired level of assets needed to pay pension benefits. Using current smoothing methods, progress toward 100 percent funded status is very slow for many plans. Despite significant gains in the investment portfolio, liabilities continue to grow faster than assets.

The Actuarial Office recommended, and the Pension & Health Benefits Committee approved, the rate-smoothing method with a 30-year fixed amortization period for gains and losses. The amortization would have a five year ramp up of rates at the start and a five-year ramp-down at the end.

In addition to reaching full funding in 30 years, the new method will also help avoid large increases in employer contribution rates in extreme years, while maintaining a reasonable level of change in normal years. However, employer contributions will rise by nearly 50 percent in the short-term as the plan is implemented. To mitigate the initial rate increases, the Committee voted to delay implementation for all employers including State and schools until Fiscal Year 2015-16.

"We understand that rate increases never come at a good time," said Priya Mathur, Pension & Health Benefits Committee Chair. "This is a difficult and important decision that we have been working toward for 18 months, involving our stakeholders in discussions at conferences, workshops and other meetings."

"Our goal with these changes is to move toward a stronger, sound and fully funded system," said Milligan. "The new rate-smoothing method is a significant step in that direction. We will need to consider our discount rate and asset allocation as well, but those are decisions for the future. I deeply appreciate the commitment of our Board to address the risks we face."

Based on investment return simulations performed for the next 30 years, using the newly adopted methods, in seven years, the State miscellaneous plan median employer contribution rate is expected to be 29.2 percent, but the plan has a median funded status of 103 percent in 30 years. In sum, increasing contributions more rapidly in the short term is expected to result in almost a 25 percent improvement in funded status over a 30-year-period.

Find a detailed explanation of the new rate-smoothing methods, a video workshop and the Annual Review of Funding Levels and Risk.

CalPERS is the largest public pension fund in the U.S. with approximately $256 billion in assets. The retirement system administers retirement benefits for more than 1.6 million current and retired California State, public school and local public agency employees and their families on behalf of more than 3,000 public employers in the state, and health benefits for 1.3 million enrollees. For more information about CalPERS, visit www.calpers.ca.gov.

###

Dated: 04-16-2013

California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (or 888-225-7377)
TTY: (877) 249-7442
www.calpers.ca.gov

CalPERS

Reference No.:
Circular Letter No.: 200-019-13
Distribution: VI
Special:

Circular Letter

April 26, 2013

TO: **ALL PUBLIC AGENCY EMPLOYERS**

SUBJECT: **EMPLOYER RATE INCREASES DUE TO AMORTIZATION AND SMOOTHING POLICY CHANGES**

The purpose of this Circular Letter is to inform you of recent changes to the CalPERS amortization and smoothing policies. **These changes are expected to increase employer contribution rates in the near term but result in lower contribution rates in the long term.**

Background

At the April 17, 2013 meeting, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for the Fiscal Year 2015-16.

Analysis

The current amortization and smoothing policy was designed to reduce volatility in employer contribution rates. The policy has accomplished this goal fairly well since its adoption, however a number of concerns have developed:

- The use of an actuarial value of assets corridor can lead to significant single year increases to rates in years when there are large investment losses.
- The use of long asset smoothing periods and long rolling amortization periods result in slow progress toward full funding.
- The use of an actuarial value of assets requires the disclosure of two different funded statuses and unfunded liability numbers in actuarial valuation reports. This adds confusion and inhibits transparency.
- The use of rolling amortization and long asset smoothing periods makes it difficult for employers to predict when contribution rates will peak and how high that peak will be.

- The use of rolling amortization and asset smoothing periods may result in additional calculations for the new accounting standards. These calculations would be avoided with a quicker funded status recovery.

The adoption of the new smoothing and amortization policies will change future employer contribution rates. Changes are as follows:

- Funding levels will improve, which will reduce the funding level risk. The new methods will put your plan on a path to be fully funded in 30 years.
- Your plan will experience more rate volatility in normal years, but a much reduced chance of very large rate increases in years when there are large investment losses.
- Contribution rates in the near term will increase.
- Long term contribution rates will be lower.
- There will be greater transparency about the timing and impact of future employer contribution rate changes.
- The new policy eliminates the need for an actuarial value of assets. As a result, there will be only one funded status and unfunded liability in actuarial reports.
- There will be less confusion when the new accounting standards are implemented since there will be no need for extra liability calculations.

Expected Rate Increases Due to Changes
The following table can be used to gauge your agency's expected increase in employer contribution rates under the new amortization and smoothing policy.

The illustrated rates are based on public agency asset volatility ratios. The asset volatility ratio (AVR) is an agency's assets divided by their annual payroll. This ratio provides a measure of how sensitive an agency's contribution rate will be due to investment returns. For pooled plans, the AVR is the asset volatility ratio of the pool. Your plans AVR is provided in the risk analysis section of your annual actuarial report. The table shows the projected increases in employer contribution rates for Fiscal Years 2015-16 through 2019-20, assuming CalPERS earns 7.50 percent after 2011-12. Projections for Fiscal Year 2014-15 are not affected. As an extreme example, we have included a plan with an AVR of 15.

Cumulative Projected Increase in Employer Contribution Rate beyond the Projected Fiscal Year 2014-15 Rate

Fiscal Year	AVR of 4	AVR of 6	AVR of 8	AVR of 10	AVR of 15
2015 – 2016	1.1%	1.7%	2.2%	2.8%	4.2%
2016 – 2017	2.2%	3.4%	4.4%	5.6%	8.4%
2017 – 2018	3.3%	5.1%	6.6%	8.4%	12.6%
2018 – 2019	4.4%	6.8%	8.8%	11.2%	16.8%
2019 – 2020	5.5%	8.5%	11.0%	14.0%	21.0%

+ MFD SAFETY HAS AN AVR of $\underline{7}$
+ MFD MISC. HAS AN AVR of $\underline{4.6}$

For example, suppose your agency has an estimated 2014-15 contribution rate of 14.5 percent and an AVR of 4. Referring to the table above, under the AVR of 4 column, you can expect to see a 1.1 percent increase in your current employer contribution rate for 2015-16 resulting in a 15.6 percent rate, a 2.2 percent increase for 2016-17 for a 16.7 percent rate, and so forth until the rate reaches an expected maximum of 20.0 percent in Fiscal Year 2019-20.

Be aware these are only estimates since we do not know the final return on investments beyond June 30, 2012. Your employer rate will also differ due to your own plans demographic experience, or if you are in a pool, due to the pool's demographic experience.

Overall, these contribution increases will result in your plan being better funded in time and will ultimately result in lower contribution rates.

If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888**-225-7377).

ALAN MILLIGAN
Chief Actuary

Volatility Ratios

The actuarial calculations supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year to year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise the employer's rates from one year to the next. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

Pools that have higher asset to payroll ratios produce more volatile employer rates due to investment return. For example, a pool with an asset to payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility than a pool with an asset to payroll ratio of 4. Below we have shown your asset volatility ratio, a measure of the pool's potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the pool matures.

Liability Volatility Ratio

Pools that have higher asset to liability ratios produce more volatile employer rates due to investment return. For example, a pool with an asset to liability ratio of 8 may experience twice the contribution volatility due to investment return volatility than a pool with an asset to liability ratio of 4. Below we have shown your volatility index, a measure of the plan's potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the pool matures.

	As of June 30, 2011
1. Market Value of Assets without Receivables	$ 744,590,599
2. Payroll	160,900,495
3. Asset Volatility Ratio (1. / 2.)	4.6
4. Accrued Liability	1,023,127,404
5. Payroll	160,900,495
6. Liability Volatility Ratio (4. / 5.)	6.4

Volatility Ratios

The actuarial calculations supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year to year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise the employer's rates from one year to the next. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

Pools that have higher asset to payroll ratios produce more volatile employer rates due to investment return. For example, a pool with an asset to payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility than a pool with an asset to payroll ratio of 4. Below we have shown your asset volatility ratio, a measure of the pool's potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the pool matures.

Liability Volatility Ratio

Pools that have higher asset to liability ratios produce more volatile employer rates due to investment return. For example, a pool with an asset to liability ratio of 8 may experience twice the contribution volatility due to investment return volatility than a pool with an asset to liability ratio of 4. Below we have shown your volatility index, a measure of the plan's potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the pool matures.

	As of June 30, 2011
1. Market Value of Assets without Receivables	$ 1,573,915,872
2. Payroll	225,026,216
3. Asset Volatility Ratio (1. / 2.)	7.0
4. Accrued Liability	2,061,923,933
5. Payroll	225,026,216
6. Liability Volatility Ratio (4. / 5.)	9.2

Plan's Funded Status

	June 30, 2010		June 30, 2011
1. Present Value of Projected Benefits (PVB)	N/A	$	6,537,146
2. Entry Age Normal Accrued Liability	N/A		5,452,466
3. Plan's Actuarial Value of Assets (AVA)	N/A	$	4,747,992
4. Unfunded Liability (AVA Basis) [(2) - (3)]	N/A	$	704,474
5. Funded Ratio (AVA Basis) [(3) / (2)]	N/A		87.1%
6. Plan's Market Value of Assets (MVA)	N/A	$	4,290,152
7. Unfunded Liability (MVA Basis) [(2) - (6)]	N/A		1,162,314
8. Funded Ratio (MVA Basis) [(6) / (2)]	N/A		78.7%

Superfunded Status

	June 30, 2010	June 30, 2011
Is the plan Superfunded? [Yes if AVA exceeds PVB, No otherwise]	No	No

Projected Contributions

The rate shown below is an estimate for the employer contribution for Fiscal Year 2014/2015. The estimated rate is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2011/2012, namely 0%:

Projected Employer Contribution Rate: 19.1%

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.0% in the 2011/2012 fiscal year. Therefore, the projected employer contribution rate for 2014/2015 is just an estimate. Your actual rate for 2014/2015 will be provided in next year's report.

Plan's Funded Status

	June 30, 2010		June 30, 2011
1. Present Value of Projected Benefits (PVB)	N/A	$	61,682,942
2. Entry Age Normal Accrued Liability	N/A		50,943,352
3. Plan's Actuarial Value of Assets (AVA)	N/A	$	45,665,579
4. Unfunded Liability (AVA Basis) [(2) - (3)]	N/A	$	5,277,773
5. Funded Ratio (AVA Basis) [(3) / (2)]	N/A		89.6%
6. Plan's Market Value of Assets (MVA)	N/A	$	40,895,066
7. Unfunded Liability (MVA Basis) [(2) - (6)]	N/A		10,048,286
8. Funded Ratio (MVA Basis) [(6) / (2)]	N/A		80.3%

Superfunded Status

	June 30, 2010	June 30, 2011
Is the plan Superfunded? [Yes if AVA exceeds PVB, No otherwise]	No	No

Projected Contributions

The rate shown below is an estimate for the employer contribution for Fiscal Year 2014/2015. The estimated rate is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2011/2012, namely 0%:

Projected Employer Contribution Rate: 24.9%

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.0% in the 2011/2012 fiscal year. Therefore, the projected employer contribution rate for 2014/2015 is just an estimate. Your actual rate for 2014/2015 will be provided in next year's report.

Montecito Fire Protection District

Sample Funding Schedules (Closed Group)

Starting Fund Value of $2,746,320 as of July 1, 2013

Fiscal Year Beginning	Pay-as-you-go	Level Contribution for 17 years	Level % of Unfunded Liability*	Constant Percentage Increase
2013	$414,412	$963,270	$869,335	$786,540
2014	479,843	963,270	841,980	810,136
2015	539,698	963,270	817,777	834,440
2016	604,665	963,270	796,256	859,473
2017	667,546	963,270	777,232	885,258
2018	732,482	963,270	760,355	911,815
2019	794,654	963,270	745,382	939,170
2020	838,191	963,270	731,984	967,345
2021	882,553	963,270	719,558	996,365
2022	927,077	963,270	707,949	1,026,256
2023	948,602	963,270	696,994	1,057,044
2024	966,172	963,270	686,166	1,088,755
2025	1,003,815	963,270	675,340	1,121,418
2026	1,029,379	963,270	664,748	1,155,061
2027	1,027,684	963,270	654,110	1,189,712
2028	1,055,387	963,270	643,017	1,225,404
2029	1,053,229	963,270	631,829	1,262,166
2030	1,071,042	0	620,153	0
2031	1,104,095	0	608,207	0
2032	1,102,931	0	596,075	0
2033	1,108,341	0	583,403	0
2034	1,149,115	0	570,255	0
2035	1,163,661	0	556,835	0
2036	1,149,316	0	542,898	0
2037	1,174,405	0	528,299	0
2038	1,178,573	0	513,215	0
2039	1,175,008	0	497,536	0
2040	1,164,287	0	481,250	0
2041	1,147,060	0	464,371	0
2042	1,112,290	0	440,504	0
2043	1,077,212	0	415,308	0
2044	1,032,640	0	391,555	0
2045	998,219	0	369,161	0
2046	966,628	0	348,050	0
2047	924,421	0	328,148	0
2048	885,054	0	309,384	0
2049	843,253	0	291,694	0
2050	812,033	0	275,016	0
2055	608,476	0	204,890	0
2060	424,411	0	152,644	0
2065	262,040	0	113,709	0
2070	129,870	0	129,870	0
2075	46,811	0	46,811	0

*Reverts to pay-as-you-go in 2068.

Montecito Fire Protection District

Sample Funding Schedules (Closed Group)

Beginning Fund Value of $633,471 as of July 1, 2010

Fiscal Year Beginning	Pay-as-you-go	Level Contribution for 20 years	Level % of Unfunded Liability*	Constant Percentage Increase
2010	$409,915	$1,024,775	$1,322,927	$810,788
2011	451,858	1,024,775	1,232,936	835,111
2012	494,864	1,024,775	1,152,409	860,165
2013	535,406	1,024,775	1,080,412	885,969
2014	575,176	1,024,775	1,015,974	912,549
2015	610,845	1,024,775	958,276	939,925
2016	650,303	1,024,775	906,476	968,123
2017	693,407	1,024,775	860,046	997,166
2018	742,417	1,024,775	818,480	1,027,081
2019	792,948	1,024,775	781,358	1,057,894
2020	823,440	1,024,775	748,159	1,089,631
2021	859,265	1,024,775	717,906	1,122,320
2022	900,604	1,024,775	690,353	1,155,989
2023	938,234	1,024,775	665,254	1,190,669
2024	964,519	1,024,775	642,178	1,226,389
2025	998,729	1,024,775	620,605	1,263,181
2026	1,026,959	1,024,775	600,445	1,301,076
2027	1,041,267	1,024,775	581,353	1,340,108
2028	1,072,394	1,024,775	562,926	1,380,312
2029	1,087,012	1,024,775	545,276	1,421,721
2030	1,112,879	0	528,011	0
2031	1,142,910	0	511,162	0
2032	1,153,624	0	494,633	0
2033	1,169,106	0	478,098	0
2034	1,199,081	0	461,540	0
2035	1,215,716	0	444,986	0
2036	1,214,325	0	428,232	0
2037	1,227,951	0	411,133	0
2038	1,231,631	0	393,745	0
2039	1,227,537	0	375,994	0
2040	1,218,708	0	357,860	0
2041	1,201,511	0	336,156	0
2042	1,173,522	0	306,036	0
2043	1,144,903	0	278,621	0
2044	1,108,987	0	253,668	0
2045	1,075,663	0	230,954	0
2050	876,015	0	144,539	0
2055	647,460	0	90,508	0
2060	438,951	0	56,696	0
2065	261,984	0	35,520	0
2070	124,974	0	22,244	0
2075	43,339	0	13,918	0

*Reverts to pay-as-you-go in 2077.

Agenda Item #4

MONTECITO FIRE PROTECTION DISTRICT

NOTES FOR THE FINANCE COMMITTEE MEETING

May 7, 2013 at 1:00 pm.

1. **Public comment: Any person may address the Board at this time on any non-agenda matter that is within the subject matter jurisdiction of the Montecito Fire Protection District; 30 minutes total time is allotted for this discussion.**

   No public comment.

2. **Conference call with CalPERS Pension Actuary regarding liability to pensions and retirement benefits, including the following highlights:**

   Explained CalPERS Defined Benefit plans for Safety 3%@55 and Misc 3%@60 including:

   - Employer has variable contribution rates which are adjusted annually to meet projected estimated costs.
   - Employee contribution rate is fixed by statute.
   - Risk pools based on the same benefit formulas.
   - An unfunded liability is the difference between market value of assets and the accumulated value of benefits earned to date. (If markets continue to climb, unfunded liabilities will shrink.)
   - As of this FY the CalPERS performance is up 13% compared to assumed rate of 7.5%
   - There will be several smoothing methods put in place which will increase Employer contribution rates through 2019/20.
   - The District could pay off its unfunded liabilities, and those funds would be invested in a separate portfolio. However, “it would not remove the unfunded liability”, as that will be constantly changing based on employees, retirees, and future gains and losses.
   - MFD reports its information to CalPERS on a monthly basis, and the information is reviewed for the actuarial annually at the end of June.
   - A potential increase in unfunded liability would occur if the CalPERS board adopts any assumption changes. Current rate of return is 7.5% but if there is a ¼ % drop in assumed rate of return, this would increase the cost of the plan and the unfunded liability.
   - Beginning 6/2015 it is the intent of CalPERS to provide the necessary information to participating agencies to meet the GASB 68 accounting standard.
   - Hypothetical Termination (HTL) was explained (page 9 of Safety section 1): the HTL is a calculation that assumes if the pension plan was terminated, this is what would be owed.
   - What protects the District in the event that CalPERS collapsed.
     - CalPERS administrates the plans, however, the money and all of the assets belong to the public agency. In order to fund the pensions, there are three sources of money: Employee contributions, Employer contributions, and investment earnings.
     - 65% of every retirement dollar paid out comes from investment earnings. Employers would have to make up the shortfall if CalPERS became insolvent.

   Board members were encouraged to attend annual CalPERS forum in San Jose in October.

   The Committee took no action.

3. Report from Informa Co. on current IT system and suggested upgrades.

Terry Schladetzky reviewed his report relating the District's current IT system and suggested upgrades including:

- Purchase dates of all computers and servers and recommended replacement dates
- In house training for employees
- Pros and cons of consolidating information systems with other agencies

The Committee took no action.

4. Review April and year to date financials.

The Committee and Staff reviewed the content of the report.

Director Sinser recommended inclusion of comparisons from the previous year for future reports.

5. Requests for items to be included for the next Finance Committee Meeting.

Add the Audit MD&A to the Regular agenda.

6. Fire Chief's Report.

The Fire Chief reported that the MD& A is almost complete, and will be ready for the regular Board Meeting.

7. Review Staff Report on proposed selection of Broker of Record for Worker's Compensation Insurance.

Chief McElwee reviewed the staff report recommending SullivanCurtisMonroe Insurance Services LLC, and explained how this could benefit the District, including:

- Advocacy for the District to assist in reducing its premiums.
- They will also provide training.
- Broker's fee is paid by State Fund, and per the agreement with SullivanCurtisMonroe, they will refund the District 3% so there will be no cost to the District.

Director Sinser asked to postpone this to see all proposals before he is willing to make a recommendation. Chief Hickman explained that it is time sensitive and must be done by the end of the month, or we cannot make the choice to use an agency other than State Compensation Insurance Fund until next year.

Director Venable recommended that this be presented to the Board for consideration.

8. Review proposed changes to Resolution 1998-9 regarding the rules and regulations for the purchase of supplies and equipment.

Chief Hickman reviewed the resolution and discussed his concern with the changes recommended by Director Sinser on #7.

After coming to no agreement, the committee recommended that the changes be submitted to the Board for consideration.

9. Review proposed changes to Resolution 2004-04 regarding the capital assets policy.

Director Sinser advised that he recommended the changes to this resolution, as he feels that $1000 is too low to capitalize District property/equipment.

The committee recommended that the changes be submitted to the Board for consideration.

10. Review Preliminary Budget proposals for FY 2013-14.

After discussing the content of the proposed Preliminary Budget for FY 2013-14 the Committee recommended that it be submitted to the Board on the May agenda for consideration.

11. Set date for next meeting

The Committee decided to hold their regular meetings on the first Thursday of each month at 10:00 am.

The meeting was adjourned at 4:35 pm.