

Executive Team

Dominic D. Brown, CPA, CFE
Chief Executive Officer

Daryn Miller, CFA
Chief Investment Officer

Jennifer Zahry, JD
Chief Legal Officer

Matthew Henry, CFE
Chief Operations Officer



Board of Retirement

Tyler Whitezell, Chair
Phil Franey, Vice-Chair
Jeanine Adams
David Couch
Juan Gonzalez
Joseph D. Hughes
Jordan Kaufman
Rick Kratt
Dustin Contreras, Alternate
Chase Nunneley, Alternate
Robb Seibly, Alternate
6th Member (Vacant)

March 16, 2023

Members, Board of Retirement
Employee Bargaining Units
Requesting News Media
Other Interested Parties

Subject: Meeting of the Kern County Employees' Retirement Association Finance Committee

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Finance Committee will be held on Wednesday, March 22, 2023 at 8:30 a.m. in the KCERA Boardroom, 11125 River Run Boulevard, Bakersfield, California, 93311.

How to Participate: Listen to or View the Board Meeting

To listen to the live audio of the Board meeting, please dial one of the following numbers and enter ID# 824-0062-7093:

- (669) 900-9128; U.S. Toll-free: (888) 788-0099 or (877) 853-5247

To access live audio and video of the Board meeting, please use the following:

- <https://us02web.zoom.us/j/82400627093?pwd=Z2RRTE56YUNDMkEyYmpET2JwU1poZz09>
- Passcode: 275703

Items of business will be limited to the matters shown on the attached agenda. If you have any questions or require additional service, please contact KCERA at (661) 381-7700 or send an email to administration@kcera.org.

Sincerely,

Dominic D. Brown
Chief Executive Officer

Attachment

AGENDA:

All agenda item supporting documentation is available for public review on KCERA's website at www.kcera.org following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

**AMERICANS WITH DISABILITIES ACT
(Government Code §54953.2)**

Disabled individuals who need special assistance to listen to and/or participate in the teleconference meeting of the Board of Retirement may request assistance by calling (661) 381-7700 or sending an email to administration@kcera.org. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two (2) days in advance of a meeting whenever possible.

CALL TO ORDER

ROLL CALL (IN PERSON)

AB 2449 REMOTE APPEARANCE(S)

Items 1 and/or 2 withdrawn from agenda if KCERA is aware no trustees will have a need to appear via teleconference:

THE FIRST TWO ITEMS ON THE AGENDA ARE RESERVED FOR TRUSTEES WHO HAVE A NEED TO APPEAR VIA TELECONFERENCE DUE TO A "JUST CAUSE" NEED OR AN "EMERGENCY CIRCUMSTANCE." TRUSTEES WHO HAVE NOTIFIED THIS COMMITTEE BEFORE AGENDA-POSTING WILL BE CALLED UPON AND WILL PROVIDE A GENERAL DESCRIPTION OF THEIR NEED TO ATTEND VIA TELECONFERENCE AS ALLOWED BY LAW. TRUSTEES WHO WERE NOT ABLE TO NOTIFY THE BOARD IN ADVANCE OF POSTING AND HAVE A NEED TO ATTEND VIA TELECONFERENCE WILL STATE THEIR NOTIFICATION OR REQUEST WHEN CALLED UPON TO DO SO. ALL TRUSTEES APPEARING VIA TELECONFERENCE WILL NEED TO DISCLOSE ANY ADULT PERSON(S) PRESENT IN THE ROOM OF THEIR REMOTE LOCATION AND THEIR RELATIONSHIP TO SUCH PERSON(S). TRUSTEES APPEARING REMOTELY ARE REMINDED TO KEEP THEIR CAMERA ON THROUGHOUT THE MEETING.

1. JUST CAUSE CIRCUMSTANCE(S):

- a) The following Trustee(s) have notified the Committee of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953).

- NONE

- b) Call for Trustee(s) who wish to notify the Committee of a “Just Cause” to attend this meeting via teleconference. (See Government Code § 54953).

2. EMERGENCY CIRCUMSTANCE(S):

- a) The following Trustee(s) have requested the Committee approve their attendance of this meeting via teleconference due to an “Emergency Circumstance.” (See Government Code § 54953).

- NONE

- b) Call for Trustee(s) requesting the Committee approve their attendance of this meeting via teleconference due to an “Emergency Circumstance”. (See Government Code § 54953).

TAKE ACTION ON REQUEST(S) FOR REMOTE APPEARANCE

CONSENT MATTERS

ALL ITEMS LISTED WITH AN ASTERISK (*) ARE CONSIDERED TO BE ROUTINE AND NON-CONTROVERSIAL BY STAFF AND WILL BE APPROVED BY ONE MOTION IF NO MEMBER OF THE COMMITTEE OR PUBLIC WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED BY ANYONE, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED IN THE LISTED SEQUENCE WITH AN OPPORTUNITY FOR ANY MEMBER OF THE PUBLIC TO ADDRESS THE COMMITTEE CONCERNING THE ITEM BEFORE ACTION IS TAKEN. STAFF RECOMMENDATIONS ARE SHOWN IN CAPS AFTER EACH ITEM.

- *3. [Memo from Chief Operations Officer Matthew Henry regarding issuance of RFP for Auditor Services](#) – RECEIVE AND FILE
- *4. [Agreement for Audit Services with UHY LLP, effective April 12, 2023](#) – RECOMMEND THE BOARD OF RETIREMENT APPROVE AGREEMENT
- *5. [Memo from Chief Executive Officer Dominic Brown regarding application of the Supplemental Retiree Benefit Reserve \(SRBR\) Actuarial Valuation to the SRBR Policy](#) – RECOMMEND THE BOARD OF RETIREMENT RECEIVE AND FILE
- *6. [Proposed edits to the Declining Employer Payroll Policy](#) – RECOMMEND THE BOARD OF RETIREMENT APPROVE PROPOSED CHANGES

7. [Discussion and appropriate action on changes to the Finance Committee Charter](#), including response to referral regarding clarification of Form 700 reporting, presented by Chief Executive Officer Dominic Brown and Chief Legal Officer Jennifer Zahry – RECOMMEND THE BOARD OF RETIREMENT APPROVE PROPOSED CHARTER CHANGES
8. [Application of the Actuarial Valuation to the Declining Employer Payroll Policy](#) presented by Chief Operations Officer Matthew Henry – RECOMMEND THE BOARD OF RETIREMENT RECEIVE AND FILE

PUBLIC COMMENTS

9. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation.

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

10. On their own initiative, Committee members may make a brief announcement, refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities.
11. Adjournment



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Operations Officer
Matthew Henry

Date: March 22, 2023
To: Trustee, Finance Committee
From: Matthew Henry, Chief Operations Officer
Subject: Issuance of RFP for Audit Services

This memorandum is in conjunction with Finance Committee Charter and is notifying this committee that a Request for Proposal (RFP) has been issued for financial auditor. The RFP is for the audit of KCERA's financial statements for the fiscal years ending June 30, 2023, 2024 & 2025. These audits are to be performed in accordance with Government Auditing Standards issued by the Comptroller of the United States and the "Minimum Audit Requirements and Reporting Guidelines for California Public Retirement Systems" issued by the California State Controller.

The RFP responses will be reviewed by the Evaluation Committee, which was selected by the CEO and will utilize the evaluation and selection procedures outlined in the RFP. Once a firm has been selected by the Evaluation Committee, we will bring that proposal before the Finance Committee for recommendation to the Board of Retirement for approval.



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Operations Officer
Matthew Henry

Date: March 22, 2023
To: Trustees, Finance Committee
From: Matthew Henry, Chief Operations Officer
Subject: **GASB 68 Services Contract**

Each fiscal year KCERA staff prepares the *Schedules of Employer Allocations and Pension Amount by Employer*. These schedules are prepared and audited for the information and use by KCERA, the plan sponsors, and their auditors. KCERA has identified a service provider, UHY, to complete the audit of these schedules for the fiscal year ended June 30, 2022. Per the Finance Charter, we are bringing UHY as the service provider to the Committee for selection and recommendation to the Board of Retirement.

AGREEMENT FOR AUDIT SERVICES

(KCERA – UHY LLP)

THIS AGREEMENT is made and entered into this _____ day of _____, 2023 between the KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ("KCERA"), a public retirement system governed under the County Employees' Retirement Law of 1937 ("CERL") and UHY LLP, a limited liability partnership with its principal place of business located at 200 Spectrum Center Dr., Suite 300, Irvine, CA 92618 ("Auditor").

W I T N E S S E I H :

WHEREAS, KCERA requires an audit of the schedule of employer allocations of the KCERA; and

WHEREAS, Auditor holds itself out as specially trained, licensed, experienced and qualified to perform the required services.

NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

I. SERVICES OF AUDITOR

Auditor shall provide the following services during the term of this Agreement:

A. As required by GASB 68, Auditor shall audit the schedule of employer allocations of KCERA as of and for the fiscal year ending June 30, 2022 and the respective related notes, as more fully described in the attached Exhibit "A," which is incorporated herein by this reference.

B. Auditor shall arrange for special meetings with the KCERA staff and/or Audit/Actuarial Committee ("the Committee") of the KCERA Board whenever any problem is found during the field work which could materially affect the outcome of the audit.

C. Auditor shall immediately report in writing any and all instances of defalcation or misuse of funds, suspected or actual, or instances of serious noncompliance with applicable statutes or regulations that are encountered to the KCERA Board Chairperson and the Chief Executive Officer.

II. KCERA'S RESPONSIBILITIES

A. KCERA shall provide information about its requirements for the audit.

B. KCERA staff and/or the Committee shall review draft reports prepared by Auditor and shall promptly render decisions pertaining thereto to avoid unreasonable delay in the progress of the annual audit.

C. KCERA shall furnish copies of existing information reasonably requested by the Auditor.

III. AUDITOR'S COMPENSATION

Auditor agrees to perform the professional services required by this Agreement and the KCERA agrees to pay Auditor, for such service, in an amount not to exceed the following fixed fees:

	FY 2022-23
GASB 68 Schedules	\$6,480

The fixed fees listed above contain all direct and indirect costs, including all out-of-pocket expenses.

No additional compensation will be paid for secretarial, clerical support staff or overhead costs.

IV. PAYMENTS TO AUDITOR

Payments on account of Auditor's services rendered pursuant to Section I, herein, shall be made within thirty (30) days of receipt of an approved invoice. Auditor's written demand for payment shall include an itemized statement showing services to date. KCERA shall withhold ten percent (10%) from each payment, and the final payment shall be made after the Board approves the final audit report.

V. TERM AND TERMINATION OF AGREEMENT

A. This Agreement shall commence as of the date first written above and shall terminate upon completion of the audit for the period from July 1, 2021 to June 30, 2022, unless sooner terminated as provided herein, or upon the parties written agreement to extend this Agreement for additional fiscal years in accordance with Section XI below. However, this Agreement may be terminated or suspended by KCERA upon giving Auditor thirty (30) days prior written notice.

B. KCERA may terminate this Agreement at any time without prior notice to Auditor as follows: if KCERA determines that Auditor has failed to timely or properly perform the services required under this Agreement, or in accordance with Section VII.H. Required Insurance or Section XXIII. Conflict of Interest. Either party may terminate the Agreement at any time upon thirty (30) days' prior written notice to the other. Termination is effective upon receipt of the notice of termination as described in Section XIII. Notices

C. In the event of such termination, KCERA shall pay Auditor, as full payment, for services actually and satisfactorily performed by Auditor prior to the effective date of the termination. Such payment, together with other payments received during the fiscal year in which the termination is effective, shall not exceed the fixed fee for that year, as listed in Section III above. Consideration shall be given to both completed work and work

in progress. Upon such termination, Auditor shall deliver to the KCERA all data and documents reviewed or generated by Auditor, whether completed or not.

D. Following the termination of this Agreement, if the KCERA should determine to complete an audit, then the KCERA shall have the right to utilize any documents prepared under this Agreement by Auditor without additional compensation to Auditor.

VI. TIME SCHEDULE

It is agreed that time is of the essence of this Agreement. Auditor shall comply with the following schedule for completion of the audit:

Draft report by June 1

The time during which Auditor is delayed in Auditor's work by the neglect of the KCERA, by other public agencies having jurisdiction, or by acts of God which Auditor could not reasonably have foreseen and provided for and which are not caused by, or the continuance of which is not due to any fault or neglect on the part of Auditor, shall be added to the time for completion of the respective items of work described in this Section. However, the KCERA shall not be liable for any damages, and Auditor shall not be entitled to any additional compensation, on account of any such delay.

VII. REQUIRED INSURANCE

Auditor, in order to protect the KCERA and its Board members, officials, agents, officers, and employees against all claims and liability for death, injury, loss and damage as a result of Auditor's actions in connection with the performance of Auditor's obligations, as required in this Agreement, shall secure and maintain insurance as described below. Auditor shall not perform any work under this Agreement until Auditor has obtained all insurance required under this section and the required certificates of insurance and completed endorsement(s) have been filed with and approved by the KCERA. Auditor shall pay any deductibles and self-insured retentions under all required insurance policies.

A. Workers' Compensation and Employers Liability Insurance Requirement -- Auditor shall submit written proof that Auditor is insured against liability for workers' compensation in accordance with the provisions of section 3700 of the Labor Code.

In signing this Agreement, Auditor makes the following certification, required by section 1861 of the Labor Code:

"I am aware of the provisions of section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this Agreement."

Auditor shall also maintain employers' liability insurance with a minimum limit of one million dollars (\$1,000,000) for bodily injury or disease.

B. Liability Insurance Requirements:

1. Auditor shall maintain in full force and effect, at all times during the term of this Agreement, the following insurance:

(a) Commercial General Liability Insurance, including, but not limited to, Contractual Liability Insurance (specifically concerning the indemnity provisions of this Agreement), Products-Completed Operations Hazard, Personal Injury (including bodily injury and death), and Property Damage for liability arising out of Auditor's performance of work under this Agreement. Said insurance coverage shall have minimum limits for Bodily Injury and Property Damage liability in accordance with the policy limits which shall be no less than one million dollars (\$1,000,000) each occurrence and five million dollars (\$5,000,000) aggregate.

(b) Automobile Liability Insurance against claims of Personal Injury (including bodily injury and death) and Property Damage covering all owned, leased, hired and non-owned vehicles used in the performance of services pursuant to this Agreement with minimum limits for Bodily Injury and Property Damage liability in accordance with the policy limits which shall be no less than one million dollars (\$1,000,000) each occurrence and five million dollars (\$5,000,000) aggregate.

(c) Professional Liability (Errors and Omissions) Insurance, for liability arising out of, or in connection with, the performance of all required services under this Agreement, with limits in accordance with the policy limits which shall be no less than five million dollars (\$5,000,000) aggregate.

2. The Commercial General Liability and Automobile Liability Insurance required in this Section VII.B. shall include an endorsement naming the KCERA and KCERA's Board members, officials, officers, agents and employees as additional insureds for liability arising out of this Agreement and any operations related thereto.

3. None of the insurance coverages required under this Agreement may be written on a claims-made basis.

4. Prior to Auditor commencing any of its obligations under this Agreement, evidence of insurance in compliance with the requirements above shall be furnished to the KCERA. Receipt of evidence of insurance that does not comply with above requirements shall not constitute a waiver of the insurance requirements set forth above.

C. Cancellation of Insurance -- The above stated insurance coverages required to be maintained by Auditor shall be maintained until the completion of all of Auditor's obligations under this Agreement, and shall not be reduced, modified, or canceled without thirty (30) days prior written notice to KCERA. Also, phrases such as "endeavor to" and "but failure to mail such notice shall impose no obligation or liability of any kind upon the company" shall not be included in the cancellation wording of all Certificates of Insurance or any coverage for the KCERA and the KCERA's Board members, officials, agents, and employees. Auditor shall immediately obtain replacement

coverage for any insurance policy that is terminated, canceled, non-renewed, or whose policy limits have been exhausted or upon insolvency of the insurer that issued the policy.

D. All insurance shall be issued by a company or companies admitted to do business in California and listed in the current "Best's Key Rating Guide" publication with a minimum of a "A-;VII" rating. Any exception to these requirements must be approved by the KCERA.

E. If Auditor is, or becomes during the term of this Agreement, self-insured or a member of a self-insurance pool, Auditor shall provide coverage equivalent to the insurance coverages and endorsements required above. The KCERA will not accept such coverage unless the KCERA determines, in its sole discretion and by written acceptance, that the coverage proposed to be provided by Auditor is equivalent to the above-required coverages.

F. All insurance afforded by Auditor pursuant to this Agreement shall be primary to and not contributing to any other insurance maintained by the KCERA.

G. Insurance coverages in the minimum amounts set forth herein shall not be construed to relieve Auditor for any liability, whether within, outside, or in excess of such coverage, and regardless of solvency or insolvency of the insurer that issues the coverage; nor shall it preclude the KCERA from taking such other actions as are available to it under any other provision of this Agreement or otherwise in law.

H. Failure by Auditor to maintain all such insurance in effect at all times required by this Agreement shall be a material breach of this Agreement by Auditor. KCERA, at its sole option, may terminate this Agreement and obtain damages from Auditor resulting from said breach. Alternatively, the KCERA may purchase such required insurance coverage, and without further notice to Auditor, the KCERA shall deduct from sums due to Auditor any premiums and associated costs advanced or paid by the KCERA for such insurance. If the balance of monies obligated to Auditor pursuant to this Agreement are insufficient to reimburse the KCERA for the premiums and any associated costs, Auditor agrees to reimburse the KCERA for the premiums and pay for all costs associated with the purchase of said insurance. Any failure by the KCERA to take this alternative action shall not relieve Auditor of its obligation to obtain and maintain the insurance coverages required by this Agreement.

VIII. OWNERSHIP OF DOCUMENTS

All reports, documents and other items generated or gathered in the course of providing services to the KCERA under this Agreement are and shall remain the property of the KCERA and shall be returned to the KCERA upon full completion of all services by Auditor or termination of this Agreement, whichever occurs first. This shall not include the workpapers generated by the services, which are and shall remain the property of Auditor.

IX. SUCCESSORS AND ASSIGNS

It is mutually understood and agreed that this Agreement shall be binding upon KCERA and its successors and upon Auditor and Auditor's partners, successors,

executors, and administrators. Neither this Agreement, nor any part thereof, nor any monies due or to become due thereunder, may be assigned by Auditor without the prior written consent of the KCERA.

X. **INDEMNIFICATION**

Auditor agrees to indemnify, defend (upon request of the KCERA) and hold harmless KCERA and KCERA's agents, Board members, elected and appointed officials and officers, employees, volunteers and authorized representatives from any and all losses, liabilities, charges, damages, claim, liens, causes of action, awards, judgments, costs, and expenses (including, but not limited to, reasonable attorneys' fees of counsel retained by the KCERA, expert fees, costs of staff time, and investigation costs) of whatever kind or nature, which arise out of or are in any way connected with any intentional misconduct or negligent error, wrongful act or wrongful omission of Auditor or Auditor's officers, agents, employees, independent contractors, sub-consultants, or authorized representatives. Without limiting the generality of the foregoing, the same shall include bodily and personal injury or death to any person or persons; damage to any property, regardless of where located, including the property of the KCERA, and any workers' compensation claim or suit arising from or connected with any services performed pursuant to this Agreement on behalf of Auditor by any person or entity.

XI. **INDEPENDENT CONTRACTOR; AUDITOR'S RESPONSIBILITY; KEY PERSONNEL**

A. In the performance of the services under this Agreement, Auditor shall be, and acknowledges that Auditor is in fact and law, an independent contractor and not an agent or employee of the KCERA. Auditor has and retains the right to exercise full supervision and control over the manner and methods of providing services to the KCERA under this Agreement. Auditor retains full supervision and control over the employment, direction, compensation and discharge of all persons assisting Auditor in the provision of services under this Agreement. With respect to Auditor's employees, if any, Auditor shall be solely responsible for payment of wages, benefits and other compensation, compliance with all occupational safety, welfare and civil rights laws, tax withholding and payment of employment taxes whether federal, state or local, and compliance with any other laws regulating employment.

B. In providing services under this Agreement, Auditor shall exercise the degree of skill and care customarily exercised by similar professionals in the State of California when providing similar services. Auditor understands and acknowledges that the value of its services is in large part derived from the trust and reliance that the Board places in key personnel assigned to the KCERA's audit by Auditor. Auditor agrees that Jason Ostroski, principal, and Tim Rawal, audit manager, will be assigned to this engagement. Auditor shall not make any change to the lead auditor or project manager except upon thirty (30) days' prior written notice to the KCERA.

XII. **NOTICES**

Notices to be given by one party to the other under this Agreement shall be given in writing by personal delivery, by certified mail, return receipt requested, or express delivery service at the addresses specified below. Notices delivered personally shall be deemed received upon receipt; mailed or expressed notices shall be deemed received five (5) days after deposit; and notices sent via express delivery service shall be deemed received two (2) days after deposit. A party may change the address to which notice is to be given by giving notice as provided above.

To KCERA: Kern County Employees' Retirement Association
Attn: Dominic Brown, Chief Executive Officer
11125 River Run Boulevard
Bakersfield, CA 93311

To Auditor: UHY, LLP
Attn: Jason Ostroski, Principal
8601 Robert Fulton Drive, Suite 210
Columbia, MD 21046

XIII. **SIGNATORY AUTHORITY**

Each party has full power and authority to enter into and perform this Agreement, and the person signing this Agreement on behalf of each party has been properly authorized and empowered to enter into this Agreement.

XIV. **CONSTRUED ACCORDING TO CALIFORNIA LAW**

The provisions of this Agreement shall be construed in accordance with the laws of the State of California.

XV. **VENUE**

This Agreement has been entered into in Kern County, California. Accordingly, the parties agree that any action relating to this Agreement shall be brought in Kern County.

XVI. **NO AUTHORITY TO BIND THE KCERA**

It is understood that Auditor, in its performance of any and all duties under this Agreement, except as otherwise provided in this Agreement, has no authority to bind the KCERA to any agreements or undertakings.

XVII. **NONWAIVER**

No covenant or condition of this Agreement to be performed by Auditor can be waived except by written consent of the KCERA. Forbearance or indulgence by the KCERA in any regard whatsoever shall not constitute a waiver of any covenant or condition to be performed by Auditor. The KCERA shall be entitled to invoke any remedy

available to the KCERA under this Agreement or by law or in equity despite any such forbearance or indulgence.

XVIII. PARTIAL INVALIDITY

Should any part, term, portion or provision of this Agreement be decided finally to be in conflict with any law of the United States or the State of California, or otherwise be unenforceable or ineffectual, the validity of the remaining parts, terms, portions, or provisions shall be deemed severable and shall not be affected thereby, provided such remaining portions or provisions can be construed in substance to constitute the agreement which the parties intended to enter into in the first instance.

XIX. CONFIDENTIALITY

Auditor shall not, without the written consent of the KCERA, communicate confidential information, designated in writing or identified in this Agreement as such, to any third party and shall protect such information from inadvertent disclosure to any third party in the same manner that they protect their own confidential information, unless such disclosure is required in response to a validly issued subpoena or other process of law or regulation. Upon completion of this Agreement, the provisions of this paragraph shall continue to survive. Any and all information related to individual members of the KCERA is designated as confidential.

XX. COMPLIANCE WITH LAW

Auditor shall observe and comply with all applicable state and federal laws, ordinances effective in the County of Kern, rules and regulations now in effect or hereafter enacted, each of which are hereby made a part hereof and incorporated herein by reference.

XXI. ENFORCEMENT OF REMEDIES

No right or remedy herein conferred on or reserved to the KCERA is exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing by law or in equity or by statute or otherwise, and may be enforced concurrently or from time to time.

XXII. CONFLICT OF INTEREST

The parties to this Agreement have read and are aware of the provisions of Section 1090 et seq. and Section 87100 et seq. of the Government Code relating to conflict of interest of public officers and employees. Auditor agrees that it is unaware of any financial or economic interest of any public officer or employee of the KCERA relating to this Agreement. It is further understood and agreed that if such a financial interest does exist at the inception of this Agreement, the KCERA may immediately terminate this Agreement by giving written notice thereof. Auditor shall comply with the requirements of Government Code section 87100 et seq. during the term of this Agreement.

XXIII. NONDISCRIMINATION

Neither Auditor, nor any officer, agent, employee, servant or subcontractor of Auditor, shall discriminate in the treatment or employment of any individual or groups of individuals on the grounds of race, color, religion, national origin, age or sex, either directly, indirectly or through contractual or other arrangements.

XXIV. CAPTIONS AND INTERPRETATION

Paragraph headings in this Agreement are used solely for convenience, and shall be wholly disregarded in the construction of this Agreement.

No provision of this Agreement shall be interpreted for or against a party because that party or its legal representative drafted such provision, and this Agreement shall be construed as if jointly prepared by the parties.

XXV. AUDIT, INSPECTION AND RETENTION OF RECORDS

Auditor agrees to maintain and make available to the KCERA accurate books and records relative to all its activities under this Agreement. Auditor shall permit the KCERA to audit, examine and make excerpts and transcripts from such records, and to conduct audits of all invoices, materials, records or personnel or other data related to all other matters covered by this Agreement. Auditor shall maintain such data and records in an accessible location and condition for a period of not less than three (3) years from the date of final payment under this Agreement, or until after the conclusion of any audit, whichever occurs last. The State of California and/or any federal agency having an interest in the subject of this Agreement shall have the same rights conferred upon KCERA herein.

XXVI. NON-COLLUSION COVENANT

Auditor represents and agrees that it has in no way entered into any contingent fee arrangement with any firm or person concerning the obtaining of this Agreement with the KCERA. Auditor has received from the KCERA no incentive or special payments, nor considerations not related to the provision of services hereunder.

XXVII. NO THIRD PARTY BENEFICIARIES

It is expressly understood and agreed that the enforcement of this Agreement and all rights of action relating to such enforcement, shall be strictly reserved to the KCERA and Auditor. Nothing contained in this Agreement shall give or allow any claim or right of action whatsoever by any other third person. It is the express intention of the KCERA and Auditor that any such person or entity, other than the KCERA or Auditor, receiving services or benefits under this Agreement shall be deemed an incidental beneficiary only.

[Remainder of this page left intentionally blank]

IN WITNESS WHEREOF, this Agreement has been executed as of that date first herein above appearing.

APPROVED AS TO CONTENT:
KERN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

By _____
Dominic Brown
KCERA Chief Executive Officer

APPROVED AS TO FORM:

By _____
Jennifer Esquivel Zahry,
KCERA Chief Legal Officer

UHY LLP


By  _____
Jason Ostroski
Principal
"Auditor"

Exhibit A

Description of Auditor Services

Audit services

Auditor will audit the schedule of employer allocations of the Kern County Employees Retirement Association, as of and for the fiscal year ending June 30, 2022 and the related notes for this fiscal year. Auditor will also audit the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the schedule of pension amounts by employer of the Kern County Employees Retirement Association as of and for the fiscal year ending June 30, 2022 and related notes for listed fiscal year.

Audit objective

The objective of the audit is the expression of an opinion about whether KCERA's schedule of employer allocations and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in KCERA's schedule of pension amounts by employer are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The audit will be conducted in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and will include tests of KCERA's accounting records and other procedures Auditor considers necessary to enable Auditor to express such opinions.




KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Executive Officer
Dominic D. Brown

Date: March 22, 2023

To: Trustees, Finance Committee

From: Dominic D. Brown, Chief Executive Officer 

Subject: **Application of Supplemental Retiree Benefit Reserve (SRBR) Annual Actuarial Valuation to SRBR Policy**

The KCERA Supplemental Retiree Benefit Reserve (SRBR) Policy was last amended by the Board of Retirement on September 14, 2022. The policy requires that the Board monitor the long-term funding implications of all SRBR benefits and consider making amendments to the benefits if the funding ratio drops below 95% or exceeds 115% for two consecutive actuarial valuations.

Because the current funded ratio is within the 95% - 115% corridor, it is recommended that the your Committee forward this report to the Board of Retirement to receive and file.



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Legal Officer
Jennifer Esquivel Zahry

Date: March 22, 2023
To: Trustees, Finance Committee
From: Jennifer Esquivel Zahry, Chief Legal Officer
Subject: **Declining Employer Payroll Policy**

Introduction

This memo provides proposed updates to the Declining Employer Payroll Policy which reflect new CERL legislation.

Statutory Authority Added to Declining Employer Payroll Policy

Staff has updated the Declining Employer Payroll Policy to reflect the addition of California Government Code section 31454.7 to the CERL. With the addition of section 31454.7, the Legislature has affirmed the decision in *Mijares.v. Orange County Employees' Retirement System* (2019) 32 Cal.App.5th 316 in which the appellate court found OCERS properly adjusted employer payments on its unfunded liability to ensure appropriate funding of the system.

It is recommended that the Finance Committee recommend the Board of Retirement approve the proposed updates to the Declining Employer Payroll Policy.

DECLINING EMPLOYER PAYROLL POLICY

PURPOSE AND BACKGROUND

- 1) A participating employer in the Kern County Employees' Retirement Association (KCERA) may experience an actual or expected material decline in the payroll attributable to its KCERA active members (KCERA-covered payroll). This Declining Employer Payroll Policy is intended to establish guidelines by which KCERA intends to assure that such employer will continue to satisfy its obligation to timely fund all unfunded actuarial accrued liability (UAAL) attributable to the employer's active, retired and deferred employees and their beneficiaries by reason of their prior and future service as KCERA members.

BACKGROUND AND OBJECTIVES

- 2) Under KCERA's practices in place prior to the adoption of this Declining Payroll Policy, KCERA generally determined employers' contribution obligations for UAAL by applying a contribution rate recommended by KCERA's actuary to the employer's KCERA-covered payroll (the percentage-of-payroll methodology). For employers whose payrolls are generally consistent with KCERA's actuarial assumptions regarding payroll growth, the percentage-of-payroll methodology is appropriate for the collection of contributions necessary to support the benefits of the employer's active, retired and deferred members.

However, for employers whose KCERA-covered payroll is declining, or is expected to decline, materially over time, the Board of Retirement has determined that the percentage-of-payroll methodology is not the appropriate means of collecting employer contributions owed to the system.

The objectives of this Declining Employer Payroll Policy are to:

- (i) to ensure equitable and adequate funding of UAAL in cases involving employers with declining payrolls,
- (ii) approve procedures for identifying employers who should be subject to this Policy, and
- (iii) approve a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund such UAAL.

This Policy does not change the methodology regarding how contributions for "normal cost" are determined for participating employers.

Generally, the objectives of this Policy also are to ensure compliance with County Employees' Retirement Law of 1937, California Government Code sections 31450 et seq., as amended ("CERL"), and other applicable provisions of law. Pursuant to CERL sections 31453, 31453.5, 31454, 31454.7, 31581, 31582, 31584, 31585, 31586, 31611, and other applicable provisions of law, the Board of Retirement has plenary authority to recommend adjustments to employer contributions as necessary to ensure the appropriate funding of the system. Under all circumstances a participating employer remains liable, and must make the required appropriations and transfers, to KCERA for the employer's respective share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability and related benefits from KCERA.

It is the Board of Retirement's primary intent to ensure the adequacy of the assets attributable to each employer to satisfy that employer's funding obligations. This will generally require redetermination of the employer's funding obligations annually until fully satisfied. In accordance with this intent, the Board of Retirement will also seek to allow an employer covered by this Policy to satisfy its funding obligation in a manner which provides the employer reasonable flexibility under the circumstances existing from time to time.

This Policy is intended to be consistent with and not supersede the terms of any other existing agreements, policies and guidelines that may be in place between KCERA and the employer.

POLICY PROCEDURES AND GUIDELINES

- 3) Absent exigent circumstances or unless otherwise expressly approved by the Board of Retirement at a duly-noticed public meeting, the procedures and guidelines for implementing this Policy are set forth below.

COMMENCEMENT OF COVERAGE – TRIGGERING EVENTS

- 4) This Policy covers only those employers for whom the Board determines, based on a recommendation from KCERA's Chief Executive Officer (CEO), that a triggering event as described in this section 4 has occurred and who are not excluded from coverage under this Policy as described in sections 5 and 6 below. The Board hereby directs the CEO to work with KCERA Staff and other KCERA service providers (e.g., the actuary) to obtain the information (e.g., KCERA-covered payroll history) needed for the Board to make determinations regarding triggering events. The CEO is further directed to report to the Board, at least annually, regarding these activities.

- **Triggering event resulting from ceasing to enroll new hires.** Some KCERA participating employers cease to enroll new hires with KCERA but, for a period of time, continue to have at least some previously-enrolled employees maintaining their status as active KCERA members. These employers' KCERA-covered payroll will eventually diminish to zero as their active employees retire or otherwise terminate employment. Examples of employers in this category may include an employer that is acquired by another entity that is not a KCERA participating employer, or a KCERA employer that is taken over by a state agency whose employees are covered by another pension system such as CalPERS. There may be other examples as well.
- **Triggering event resulting from a material and expected long-lasting reduction in KCERA-covered payroll.** Some employers may experience a material reduction in their KCERA-covered payroll, but nevertheless continue to enroll their new hires with KCERA. The reduction may be sudden (e.g., due to a discrete event such as a partial loss of funding, or partial outsourcing), or it may be more gradual, over a period of years (due to technological advances, payroll attrition, etc.), and might not be tied to a discrete event. Generally, the Board would determine that this type of triggering event has occurred only if the Board expects that the reduction in an employer's KCERA-covered payroll is expected to be permanent, long-lasting or for an indefinite period of time that is greater than a cycle that the employer may typically experience, or a cycle similarly experienced by the other participating employers, if any, in the same KCERA cost group. Necessarily, by its nature, the determination whether this type of triggering event has occurred is more subjective than that described immediately above.

EXCLUSIONS FROM COVERAGE; TERMINATIONS OF COVERAGE

- 5) This Policy also covers only those employers (i) who are financially-viable entities when a triggering event occurs, and (ii) whom KCERA expects to continue indefinitely thereafter to be financially-viable entities. This Policy does not cover any other situation, including, without limitation, an employer going out of business by reason of dissolution, loss of funding, consolidation or merger (unless there is a surviving financially-viable entity that is acceptable to the Board that will make the ongoing appropriations and transfers under the Policy). This Policy also does not cover a "withdrawing employer" who ceases to provide KCERA membership for all of the employer's active KCERA members (i.e., as of a date certain, withdraws both new hires and existing actives from membership with KCERA).

The Board of Retirement recognizes that participating employers covered by this Policy will have UAAL funding obligations for several years. Therefore, if concerns arise during that period of time regarding the employer's ongoing existence as a financially-viable entity, the Board may remove the employer from coverage under this Policy and/or take any other measures that may be available to ensure the actuarial soundness of the retirement system. This includes, without limitation, assessing the projected entire amount of the employer's UAAL (as recommended

by the fund's actuary and approved by the Board) in a manner consistent with KCERA's Employer Termination Policy.

PROCEDURES

6)

- A. The CEO will (i) work with KCERA Staff and other KCERA service providers (e.g., the actuary), and KCERA participating employers to obtain the information (e.g., KCERA covered payroll history, employer financial reports, budgets, future financial projections, bond-rating agency submissions) needed for the Board to make determinations regarding likely triggering events and exclusions from, or terminations of, coverage and (ii) report to the Board, at least annually, regarding these activities.
- B. Upon a recommendation from the CEO and notice to the affected participating employer, the Board will make a determination at a duly-noticed public meeting regarding (i) whether a triggering event has occurred for the employer, (ii) whether the employer should be excluded from coverage under this Policy, and (iii) for those employers that the Board has previously determined to be covered under the Policy, whether their coverage should be terminated under section 5 above. Employers may be required to provide KCERA with updated employee census and payroll data and financial reports. See CERL section 31543.
- C. If the Board determines that a triggering event has occurred and the employer is not excluded from coverage under the Policy, then, solely for purposes of determining the covered employer's UAAL contribution obligation, KCERA will segregate on its books all assets and liabilities attributable to the employer, based upon the recommendation of KCERA actuary, and shall maintain such separate accounting for the employer until all of the participating employer's obligations to KCERA have been fully satisfied. The employer will be placed in its own cost group for purposes of determining employer and employee contributions. Consistent with section 2 above, the employer's Normal Cost will continue to be based on the active members of the covered employer.
- D. KCERA's actuary will determine, and certify to the Board of Retirement, the covered employer's funding obligation for its initial UAAL, which obligation shall not be pro-rata based on payroll, but rather based on the dollar amount of the employer's actuarial accrued liability (AAL), including inactive and deferred members. The Board will generally require the employer's contributions to be paid in level, fixed-dollar amounts over a period not to exceed eighteen (18) years, beginning on July 1 of the fiscal year immediately after the year in which the triggering event occurs. In appropriate circumstances, the Board may determine, consistent with its

fiduciaries duties, it is appropriate to collect the necessary contributions in a different manner.

- E. The actuary will use the actuarial valuation performed for KCERA as of the end of the fiscal year immediately prior to the fiscal year in which the triggering event occurs (and based on all of KCERA's then current actuarial assumptions and methodologies) to determine the initial AAL of the covered employer. The initial valuation value of assets (VVA), a smoothed value, will be determined using a pro-rata allocation based on the ratio of the employer's initial AAL to the AAL of all employers in the same cost group. As a result of this methodology, the initial UAAL (i.e., the initial AAL minus the initial VVA) will also be allocated pro-rata based on the covered employer's AAL in proportion to that of the other employers in the same cost group. Later values of the VVA (i.e., those used in the future valuations described below) shall be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments, and crediting earnings at the actual smoothed (VVA) earnings rate on total KCERA assets.
- F. Annually, after the determination of the covered employer's initial funding obligation, as part of the regular annual actuarial valuation of the plan, KCERA's actuary will measure any change in the UAAL of the participating employer due to actuarial experience or changes in actuarial assumptions. In addition to the amortized payments for the covered employer's initial UAAL funding obligation determined as of the initial valuation, the employer will be liable for, and must contribute to KCERA, any such new UAAL determined as of subsequent valuations, based upon an amortization schedule recommended by the actuary and adopted by the Board of Retirement. KCERA will hold any negative UAAL (Surplus) to be applied against any future UAAL of the covered employer.
- G. If any Surplus remains after the covered employer has fully satisfied all of its UAAL obligations (Final Surplus), KCERA will distribute the Final Surplus in accordance with the terms of applicable law.

POLICY REVIEW AND HISTORY

- 7) This policy will be reviewed at least every five (5) years.
- 8) This policy was:
 - a) Adopted by the Board on May 9, 2018.
 - b) Amended June 8, 2022 [and April 12, 2023](#).

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- G. If any Surplus remains after the covered employer has fully satisfied all of its UAAL obligations (Final Surplus), KCERA will distribute the Final Surplus in accordance with the terms of applicable law.

POLICY REVIEW AND HISTORY

- 7) This policy will be reviewed at least every five (5) years.
- 8) This policy was:
 - a) Adopted by the Board on May 9, 2018.
 - b) Amended June 8, 2022 and April 12, 2023.



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Executive Officer
Dominic D. Brown

Date: March 22, 2023

To: Trustees, Finance Committee

From: Dominic D. Brown, Chief Executive Officer 

Subject: Finance Committee Charter Updates – Response to Referral

On March 30, 2022 KCERA staff made a presentation to the Finance Committee because one or more Trustees had not fully complied with Statement of Economic Interests (Form 700) filing requirements. However, Staff noted the non-compliance was not substantive in nature, but rather related to being a few days late. This led to a discussion around the Form 700 notification guidance and the requirement to report non-compliance to the Finance Committee, the Board of Retirement, and the Fair Political Practices Commission (FPPC).

Staff has consulted with the Board's governance consultant, Aon, and proposes the attached revision to the Finance Committee Charter. These Charter changes clarify that the Committee will be notified of a trustee's failure to file their Form 700 after the trustee receives a Second Non-Filer Notice.

In addition, Staff identified other opportunities to amend the Finance Committee Charter's audit reporting requirements and the coordination between the financial statement auditors, other external auditors, internal auditors, Staff, and the Finance Committee.

Therefore, it is recommended that your Committee forward to the Board of Retirement to approve proposed charter changes.

FINANCE COMMITTEE CHARTER

INTRODUCTION

- 1) The Board is responsible for the oversight of the financial and operational controls of KCERA, the accuracy of financial and actuarial reporting released by KCERA, the budgeting of KCERA's resources, and the general safekeeping of KCERA's assets. To assist the Board with the above responsibilities, the Board has established a Finance Committee, to be comprised of not less than four trustees and one alternate member.
- 2) The duties of the Finance Committee and the manner in which it will operate are set out below.

COMMITTEE OPERATIONS

- 3) The Finance Committee shall operate as follows:
 - a) The presence of a majority of Finance Committee members shall constitute a quorum.
 - b) All actions of the Finance Committee shall be by an affirmative vote of the majority of the members present at a meeting of the Finance Committee, provided a quorum is present.
 - c) All actions of the Finance Committee shall be approved by the Board to be effective, unless otherwise provided herein.
 - d) The Finance Committee shall meet at least annually or as deemed necessary by the Finance Committee or Chair of the Finance Committee, in consultation with the Chief Executive Officer.
 - e) The meetings of the Finance Committee shall be open to the public and noticed and held in accordance with the Brown Act.
 - f) The Finance Committee shall keep minutes of its meetings.
 - g) The Chief Executive Officer shall serve as the staff contact for the Committee.

COMMITTEE RESPONSIBILITIES

Risk Management

- 4) The Finance Committee shall require Management to implement and maintain appropriate internal controls pertaining to financial statements, actuarial valuation reports, operating budgets, and operational risk. The Finance Committee shall meet

~~regularly~~ with Management to discuss the effectiveness of such controls and procedures as needed, but no less than annually.

Accounting and Audit Functions

5) The Finance Committee shall:

- a) Recommend material accounting, financial, and operational control policies to the Board for approval.
- b) Examine and approve the objectives and scope of financial audits, including the audit plans of the financial auditor, the duties and responsibilities of the financial auditor, and the timing and estimated budget of the annual financial audit.
- c) At least annually, meet with the financial auditors and Management to review the audit process.
- d) Meet with the financial auditor to discuss the KCERA's Annual Comprehensive Financial Report (ACFR) annual financial statements, review the findings of the financial auditor, and review any response thereto by Management.
- e) ~~Review and recommend to the Board for approval the Management Discussion and Analysis section of the Plan's Annual Comprehensive Financial Report (ACFR) and all other financial information contained in the ACFR.~~
- f) Review the engagement of the financial auditor at least every five (5) years with regards to performance, internal quality control procedures, fees, qualifications, and independence; and make recommendations to the Board.
- g) Serve as the primary liaison, on behalf of the Board, for ~~all~~ matters related to financial audits, examinations, investigations, or inquiries from financial authorities.
- h) Review and respond to the findings or comments of any regulatory agencies concerning financial information of KCERA and management's response thereto.
- i) Review any claims or contingencies that could have a material effect on the financial condition of KCERA and the manner in which they have been disclosed in the financial statements.
- j) Review the appropriateness of accounting policies and financial reporting practices, any significant proposed changes thereto, and any new or pending developments in accounting and reporting standards that may have an impact on KCERA.
- k) ~~Pre-approve all non-audit services, if any, to be provided by the financial auditor.~~
- l) Coordinate special investigations or audits of KCERA, as necessary, and ensure the Board is kept informed of such investigations or audits.
- m) Review any internal audit plans that may be established.

Actuarial and Funding Matters

6) The Finance Committee shall:

- a) Recommend to the Board any actuarial or funding-related policies requiring Board approval.
- b) Review the objectives, scope, and process for actuarial valuations, including the actuarial plans of the actuary, and meet with the actuary to review and discuss the annual actuarial valuation report.
- c) Recommend to the Board the annual actuarial valuation.
- d) Annually recommend to the Board, upon the advice of the actuary or other experts, as necessary, changes in the rates of interest, in the rates of contributions of members, and in county and district appropriations as necessary (§31453).
- e) Review the triennial actuarial experience of KCERA.
- f) ~~Initiate and coordinate an~~ Monitor timely initiation and completion of actuarial audit ~~periodically~~.¹
- g) Review any significant changes in actuarial practices or policies that may have an impact on KCERA.

Budgeting

7) The Finance Committee shall:

- a) Review the Operating Budget and recommend it to the Board for approval.²
- b) ~~Authorize, at its discretion, transfers from any approved contingency allocations and report to the Board on any such transfers in a timely manner.~~
- c) Periodically review the budget process and format with Management.

Service Providers

8) The Finance Committee shall:

- a) Recommend to the Board for approval, the appointment of the financial auditor and the actuarial auditor.
- b) Select and appoint, as necessary, other specialists to advise the Finance Committee or assist in the conduct of any special audits or investigations.

¹ The *Reporting & Monitoring Policy* requires that actuarial audits occur every 3-5 years.

² The Board annually adopts an Operating Budget that is comprised of two components: the administrative budget and non-administrative expenses. Both components will be charged against the earnings of the Fund. The administrative expenses incurred in any year, however, shall not exceed 0.21% of actuarial accrued liabilities, unless the Board finds that additional expenditures are necessary to meet its fiduciary obligations. Financial impacts to current or future budgets are reserved for the Finance Committee. As set forth in the Chief Executive Officer Charter and Administrative Committee Charter, the development and establishment of human resource staff positions are delegated to the Chief Executive Officer and reported to the Administrative Committee and Board of Retirement in the Human Resources Report.

Other Duties

9) The Finance Committee shall receive exception reports from Counsel regarding the filing of Statements of Economic Interests (SEI) by trustees and shall advise the Board accordingly. [Exception reports shall be provided to the Committee for any trustee who has received a second non-filer notice.](#)

10) The Finance Committee shall:

- a) Be available to advise the Board and Management as required.
- b) Report regularly to the Board on its activities.
- c) Perform any other duties assigned to it by the Board.

POLICY REVIEW AND HISTORY

11) This charter shall be reviewed at least every five years.

12) This charter was:

- a) Adopted by the Board on September 12, 2012.
- b) Amended on April 13, 2016; August 11, 2021; ~~and~~ April 13, 2022; and April 12, 2023.

DRAFT

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INTRODUCTION

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COMMITTEE RESPONSIBILITIES

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- 4) The Finance Committee shall require Management to implement and maintain appropriate internal controls pertaining to financial statements, actuarial valuation reports, operating budgets, and operational risk. The Finance Committee shall meet

with Management to discuss the effectiveness of such controls and procedures as needed, but no less than annually.

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5) The Finance Committee shall:

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- b) Examine and approve the objectives and scope of financial audits, including the audit plans of the financial auditor, the duties and responsibilities of the financial auditor, and the timing and estimated budget of the annual financial audit.
- c) At least annually, meet with the financial auditors and Management to review the audit process.
- d) Meet with the financial auditor to discuss KCERA's Annual Comprehensive Financial Report (ACFR), review the findings of the financial auditor, and review any response thereto by Management.
- e) Review the engagement of the financial auditor at least every five (5) years with regards to performance, internal quality control procedures, fees, qualifications, and independence; and make recommendations to the Board.
- f) Serve as the primary liaison, on behalf of the Board, for matters related to financial audits, examinations, investigations, or inquiries from financial authorities.
- g) Review and respond to the findings or comments of any regulatory agencies concerning financial information of KCERA and management's response thereto.
- h) Review any claims or contingencies that could have a material effect on the financial condition of KCERA and the manner in which they have been disclosed in the financial statements.
- i) Review the appropriateness of accounting policies and financial reporting practices, any significant proposed changes thereto, and any new or pending developments in accounting and reporting standards that may have an impact on KCERA.
- j) Approve all non-audit services.
- k) Coordinate special investigations or audits of KCERA, as necessary, and ensure the Board is kept informed of such investigations or audits.
- l) Review any internal audit plans that may be established.

Actuarial and Funding Matters

6) The Finance Committee shall:

- a) Recommend to the Board any actuarial or funding-related policies requiring Board approval.

- b) Review the objectives, scope, and process for actuarial valuations, including the actuarial plans of the actuary, and meet with the actuary to review and discuss the annual actuarial valuation report.
- c) Recommend to the Board the annual actuarial valuation.
- d) Annually recommend to the Board, upon the advice of the actuary or other experts, as necessary, changes in the rates of interest, in the rates of contributions of members, and in county and district appropriations as necessary (§31453).
- e) Review the triennial actuarial experience of KCERA.
- f) Monitor timely initiation and completion of actuarial audit.¹
- g) Review any significant changes in actuarial practices or policies that may have an impact on KCERA.

Budgeting

7) The Finance Committee shall:

- a) Review the Operating Budget and recommend it to the Board for approval.²
- b) Periodically review the budget process and format with Management.

Service Providers

8) The Finance Committee shall:

- a) Recommend to the Board for approval, the appointment of the financial auditor and the actuarial auditor.
- b) Select and appoint, as necessary, other specialists to advise the Finance Committee or assist in the conduct of any special audits or investigations.

Other Duties

9) The Finance Committee shall receive exception reports from Counsel regarding the filing of Statements of Economic Interests (SEI) by trustees and shall advise the Board accordingly. Exception reports shall be provided to the Committee for any trustee who has received a second non-filer notice.

¹ The *Reporting & Monitoring Policy* requires that actuarial audits occur every 3-5 years.

² The Board annually adopts an Operating Budget that is comprised of two components: the administrative budget and non-administrative expenses. Both components will be charged against the earnings of the Fund. The administrative expenses incurred in any year, however, shall not exceed 0.21% of actuarial accrued liabilities, unless the Board finds that additional expenditures are necessary to meet its fiduciary obligations. Financial impacts to current or future budgets are reserved for the Finance Committee. As set forth in the Chief Executive Officer Charter and Administrative Committee Charter, the development and establishment of human resource staff positions are delegated to the Chief Executive Officer and reported to the Administrative Committee and Board of Retirement in the Human Resources Report.

10) The Finance Committee shall:

- a) Be available to advise the Board and Management as required.
- b) Report regularly to the Board on its activities.
- c) Perform any other duties assigned to it by the Board.

POLICY REVIEW AND HISTORY

11) This charter shall be reviewed at least every five years.


12) This charter was:

- a) Adopted by the Board on September 12, 2012.
- b) Amended on April 13, 2016; August 11, 2021; April 13, 2022; and April 12, 2023.



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Operations Officer
Matthew Henry

Date: March 22, 2023
To: Trustees, Finance Committee
From: Matthew Henry, Chief Operations Officer 
Subject: **Application of Actuarial Valuation to Declining Employer Payroll Policy**

Introduction

This memo updates your Committee on the status of three KCERA plan sponsors following the 6/30/2022 actuarial valuation performed by KCERA's actuary.

Inyokern

On July 31, 2019, the Finance Committee was informed about the Inyokern CSD (ICSD) being reviewed under the Declining Employer Payroll policy. At that meeting it was determined that a triggering event occurred and ICSD was considered a declining employer under the policy. As reported by Segal in their 06/30/2022 actuarial valuation and declining employer letter, ICSD has made the required contributions in accordance with the actuarial calculations. Our recommendation is to continue to monitor the ICSD and evaluate whether any action needs to be considered by the Finance Committee in the future.

Berrenda Mesa Water District

Also on July 31, 2019, the Finance Committee was informed about the Berrenda Mesa Water District (BMWD) being reviewed under the Declining Employer Payroll policy. At that meeting it was determined that a triggering event occurred and BMWD was considered a declining employer under the policy. As reported by Segal in their 06/30/2022 actuarial valuation and declining employer letter, BMWD has made the required contributions in accordance with the actuarial calculations. Our recommendation is to continue to monitor the BMWD and evaluate whether any action needs to be considered by the Finance Committee in the future.

Buttonwillow Recreation and Park District

On July 15, 2022 the Finance Committee was informed about the Buttonwillow Recreation and Park District (BRPD) being reviewed under the Declining Employer Payroll policy. The report recommended continuing to monitor BRPD and evaluate whether any action needs to be considered by the Finance Committee in the future. In reviewing the BRPD after the 06/30/2022 actuarial valuation we recommended to continue to monitor the BRPD and evaluate whether any action needs to be considered by the Finance Committee in the future.

Therefore, it is recommended that your Committee forward this report to the Board of Retirement to receive and file.