



AGENDA
AUDIT COMMITTEE
SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
March 21, 2011
9:30 AM
Board Room
348 West Hospitality Lane, First Floor
San Bernardino, California

PUBLIC NOTICE:

1. Call meeting to order.
2. Approve minutes of Audit Committee of February 22, 2011.
3. Financial Statement Audit Services Agreement for Gold Coast Entities.
 - a. Approve a one year agreement (with an additional four year renewal option) with KPMG, to provide financial statement audit services for all Gold Coast Capital entities.
 - b. Approve authorizing Managing Trustee to contract with KPMG for a one year agreement (with an additional four year renewal option) to provide financial statement audit services for all Gold Coast Global entities.

PUBLIC COMMENT

ADJOURN

NOTES:



**MINUTES
AUDIT COMMITTEE
February 22, 2011
BOARD ROOM
348 WEST HOSPITALITY LANE, FIRST FLOOR
SAN BERNARDINO, CA**

Trustees Present:

LARRY WALKER, Chairman
LOUIS FIORINO, Committee Member
NEAL WANER, Committee Member

Others Present:

ANDREW KJELDGAARD, Counsel
JULIE UNDERWOOD, Chief Fiscal Services
JAMES PERRY, Senior Investment Officer
EYDIE COX, Investment Analyst
CAROL FENN, Recorder

Not Present:

DAVID WILLIAMS, Committee Member

1. Call meeting to order.

Walker called the meeting to order at 10:30 a.m.

2. Approve minutes of Audit Committee of October 6, 2010.

Waner moved, Fiorino seconded, to Approve minutes of Audit Committee of October 6, 2010.

Absent: Williams
Motion Passed.

3. Approve a two year contract amendment with Macias Gini & O-Connell, LLP to provide financial statement audit services.

Underwood presented. This would extend the existing 3 year contract, set to expire on May 26, 2012, an additional 2 years. This is in accordance with the recommendation by the Government Finance Officers Association's (GFOA) Best Practices and Advisories for Audit Procurement.

Waner moved, Fiorino seconded, to Approve a two year contract amendment with Macias Gini & O-Connell, LLP to provide financial statement audit services.

Absent: Williams
Motion Passed.

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4. Approve the Fourth Amendment to the Actuary Services Agreement with The Segal Company.

Walker and Kjeldgaard reviewed. This is to extend the contract for one year beginning July 1, 2011.

Fiorino moved, Waner seconded, to Approve the Fourth Amendment to the Actuary Services Agreement with The Segal Company.

Absent: Williams

Motion Passed.

5. Review the Consolidated Compliance & Fund Related Programs Report for 4th Quarter 2010.

Perry and Cox reviewed.

PUBLIC COMMENT

No public comment was provided.

ADJOURN

The meeting adjourned at 10:41 a.m.

Respectfully submitted,

ELLEN WEISSER, Board Chairman

LARRY WALKER, Acting Secretary

DATED _____

**REPORT/RECOMMENDATION TO THE AUDIT COMMITTEE
OF SAN BERNARDINO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

March 21, 2011

FROM: Julie Underwood
Chief of Fiscal Services

SUBJECT: Financial Statement Audit Services Agreement for Gold Coast Entities

RECOMMENDATION:

1. Review, discuss and approve a one year agreement (with an additional four year renewal option) with KPMG, to provide financial statement audit services for all Gold Coast Capital entities.
2. Review, discuss and approve authorizing Managing Trustee to contract with KPMG for a one year agreement (with an additional four year renewal option), to provide financial statement audit services for all Gold Coast Global entities.

BACKGROUND INFORMATION: For #1: In December 2009, the Board approved and subsequently implemented an investment program thru off-shore investment holding companies in the Cayman Islands (Gold Coast Capital Ltd, & Subsidiaries I thru IX) for the purpose of addressing Unrelated Business Taxable Income (UBTI). Maples Finance Company (Maples) is responsible for preparing financial statements for all of our off-shore companies, in accordance with Generally Accepted Accounting Principles (GAAP). The financial statements prepared by Maples should be independently audited to obtain a reasonable assurance about whether the financial statements prepared are free of material misstatement.

As previously approved by the audit committee, SBCERA staff issued an RFP for the Gold Coast Capital entities, received and evaluated five proposals and is now recommending a one year agreement (with an additional four year renewal option) with KPMG, a professional CPA firm, located in the Cayman Islands, to perform an annual financial statement audit for all Gold Coast Capital entities, for fiscal year 2011. The cost for these services is \$203,500 (\$12,000 to \$30,000 per entity which is based on the investment structure within each entity). As this is a new investment program, never before audited, the fee is reasonable based on proposals received and KPMG has agreed with staff to reconsider their fees for fiscal year 2012 once they have a full understanding of the investment program.

For #2: In October 2010, the Board approved an investment program thru off-shore investment holding companies located in the Cayman Islands (Gold Coast Global Ltd & Subsidiaries) and Luxembourg (Kneiff Tower Sarl & Subsidiaries) for the purpose of addressing European tax withholding. Maples is also responsible for preparing financial statements for these companies. This new investment vehicle was not included in the original RFP for financial statement audit services; therefore, staff is recommending we use the same independent auditor, KPMG, to audit these financial statements, as efficiencies will be gained by using the same auditor for all Gold Coast entities. The first audit needed for Gold Coast Global will be fiscal year 2012 as these entities have not been funded yet.

ADMINISTRATIVE BUDGET IMPACT: Costs for this item are excluded from the administrative budget per Government Code section 31596.1.

ATTACHMENTS: No

PRESENTER: Julie Underwood & Don Pierce

