

**Montgomery County Board of Education
Fiscal Management Committee**

**January 7, 2013
Minutes**

A meeting of the Montgomery County Board of Education Fiscal Management Committee was held at the Carver Educational Services Center in room 120 on Monday, January 7, 2013. In attendance were:

Members: Mr. Philip Kauffman, Chair
 Mr. Christopher Barclay, Member
 Mr. Michael Durso, Member

Staff: Mr. Larry A. Bowers, Chief Operating Officer
 Ms. Laura Steinberg, Staff Assistant, Board of Education
 Mrs. Bei (Susan) Chen, Controller, Division of Controller
 Mrs. Susanne DeGraba, Chief Financial Officer
 Mr. Roger Pisha, Supervisor, Internal Audit Unit
 Mr. Jonathan Gabel, Chief Investment Officer, Chief Financial Office
 Mr. Thomas P. Klausing, Director, Management, Budget, and Planning

Guests: Mr. Jamie Roberts, AON Hewitt
 Ms. Kate Shiflett, AON Hewitt

The meeting was called to order by Mr. Philip Kauffman, chair, at 10:02 a.m.

Approval of December 17, 2012 Meeting Minutes

The meeting minutes of December 17, 2012, were approved as submitted. (Mr. Durso was not in attendance for approval.)

Pension Funding Strategies

AON Hewitt staff presented their preliminary actuarial estimates of the projected employer contribution rates; Employee's Retirement and Pension Systems funding strategies and options; and the new GASB reporting requirements. AON Hewitt staff reviewed basic benefit funding concepts including ways that impact the funded status and MCPS' current funding formula with projected estimates. Employee contributions began in 1998, where MCPS changed their decision to match the State board.

Committee members discussed with AON Hewitt funding alternatives to look at ways to pay down the unfunded liability; including amortization of unfunded liability, based on actuarially currently assumed unfunded liabilities amortized over an open 15 year period, closing the amortization period or shortening the amortization period; keeping minimum contribution percentages; or adding a flat dollar contribution amount. Eighty percent is a common goal in the

private sector and the long term goal is to reach 100 percent funded status. Assuming that the state is going to go through the same process, changes at the state level would affect MCPS.

Upcoming Accounting Standards for Pensions

AON Hewitt staff provided a brief overview of the Government Accounting Standards Board (GASB) new standards (GASB 67/68) for reporting information about pensions. They explained that GASB 67 and 68 are intended to provide better information about defined benefit pensions in annual financial statements and shared that the key changes will impact the following issues: discount rates, timing considerations, new expense calculation, net pension liability, and new disclosure requirements.

School Software Implementation

MCPS Staff updated the Fiscal Management committee on the implementation of new school software. Currently 39 schools are live on the new software including ten elementary schools and 22 more schools will go live in February. By March 2013, all secondary schools will be online using the general ledger. First training with the online school will be held in February, phase three will be obligations, and phase four will include a teacher module for classroom receipt use. In June, student obligations will be uploaded online. All schools will be fully online by the end of August. The new software will give auditors more access to ledgers and reporting with less time spent in the schools. The implementation will ultimately significantly reduce the amount of cash on hand at the schools and hopefully help principals monitor the schools accounts. The vision is that visiting bookkeepers and school administrative secretaries will monitor financial accounts at the elementary school level.

The meeting adjourned at 10:46 a.m.

Recorder: Becky Gibson