



BOARD OF ADMINISTRATION

City Hall
Wing Rooms 118-120
200 East Santa Clara
Street,
San Jose, CA 95113

Meeting Minutes - Final FCERS and Police&Fire Retirement Plan Audit Committee

Thursday, October 18, 2018

11:00 AM

City Hall Wing Rooms 118-120
San Jose, CA 95113

or immediately following the
Federated City Employees Retirement System Board meeting.

FCERS Committee Members:

Mike Armstrong, Chair

Marty Dirks, Trustee

Jay Castellano, Trustee

Police and Fire Committee Members:

Andrew Lanza, Chair

Ghia Griarte, Trustee

Franco Vado, Trustee

Alternates:

Andrew Gardanier, Trustee

- **Call To Order**

The Joint Federated and Police and Fire Audit/Risk Committee met on Thursday, October 18, 2018, at 11:00 a.m. at City Hall Wing Rooms, 118-120, 200 E. Santa Clara St., San Jose, CA. The meeting was called to order at 11:00 a.m. by Trustee Armstrong on the Federated side and Trustee Lanza on the Police and Fire side.

Staff Present: Roberto Peña, Donna Busse, Barbara Hayman, Benjie Chua-Foy, Linda Alexander, Michelle San Miguel and Marti Zarate.

Others Present: Harvey Leiderman, General and Fiduciary Counsel; Sue Ziegler, L.R. Wechsler; John Caldwell and Angela Hans, Grant Thornton.

Present: 4 - Martin Dirks, Andrew Lanza, Andrew Gardanier and Jay Castellano

Absent: 1 - Franco Vado

FEDERATED AUDIT COMMITTEE

- **Consent Calendar**

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Armstrong/Dirks 3-0-0) The motion passed unanimously.

1. Approval of the 7/1/18 - 9/30/18 Quarterly Travel and attendance analysis for Federated.

- **New Business**

2. Discussion and action on the approval of the Federated City Employees' Retirement System's Comprehensive Annual Financial Report for the Fiscal Year 2017-2018.

Benje Chua-Foy spoke to the item. As of October 10th there were no significant changes from last year, there were only minor formatting changes. She is still awaiting open items from Cheiron, specifically the note one accounts & statistical sections. The report is still going through Grant Thornton's review and should be final by the time of the Board meeting.

A motion was made to approve the Federated City Employees' Retirement System's Comprehensive Annual Financial Report for the Fiscal Year 2017-2018.

Approved. (M.S.C. Castellano/Dirks 3-0-0). The motion passed unanimously.

JOINT AUDIT COMMITTEE

- **Consent Calendar**

3. Approval of the Minutes of the August 16, 2018 Joint Audit Committee meeting for the Federated City Employee's Retirement System and the Police and Fire Retirement Plan.

Trustee Lanza reported that the Police and Fire Audit/Risk Committee did not meet on August 16, 2018.

A motion was made to approve the Minutes of the August 16, 2018 Joint Audit Committee meeting for the Federated City Employees' Retirement System.

Approved (M.S.C. Dirks/Castellano 3-0-0) The motion passed unanimously.

New Business

4. Update on the City Auditor's Recommendations to the Office of Retirement Services.

Ms. Chua-Foy gave an update on the City Auditor's Recommendations to the Office of Retirement Services. This will be the last meeting with an update for the Pensionable Corrections project since it is now complete. Ms. Chua-Foy went over the color coding of the matrix. Mr. Peña reported he will be meeting with the Mayor's Office this week and will keep the Chairs apprised as to the discussion of the meeting.

5. Update on the Pension Administration System.

Barbara Hayman, I.T. Manager and Sue Ziegler, L.R. Wechsler, gave a quarterly update and answered questions from the Committee on the Pension Administration System. Ms. Hayman reported the project is currently in the software Deliverable 5 phase which is the last Deliverable. Staff will begin parallel on November 5th. There have been no modifications to the budget since the last update. The Board did approve extra resource money for L.R. Wechsler to help with parallel and support staff. Ms. Ziegler reported on the activities since August and activities for the next 90 days.

6. Update on the Pensionable Earnings Corrections.

Donna Busse and Ms. Chua-Foy gave an update and answered questions from the Committee on the Pensionable Earnings Corrections. Ms. Busse reported all October adjustments have gone in and go forward adjustments have been put in place. CEO Peña reported communication has been sent to the City on the end result of this project.

- 7. Discussion and action regarding Communication to the Board of Administration of the City of San Jose Police and Fire Department Retirement Plan and the Federated City Employees' Retirement System from Grant Thornton, LLP (GT), the Plans' external auditor:**
- a. Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an Audit of Financial Statements performed in accordance with Government Auditing Standards and Management comments and recommendations.**
 - b. Required communications.**

John Caldwell and Angela Han from Grant Thornton spoke to the item and answered questions from the Committee. They reported on the areas of significant risk, deficiencies and material weaknesses in internal control, findings and issues that were relevant, and the open items as of October 10, 2018. Mr. Peña thanked Grant Thornton and Staff for their hard work on a job well done.

A motion was made to bring the reports forward to the Board.

**Approved by Police & Fire. (M.S.C. Lanza/Gardanier 3-0-0) The motion passed unanimously.
Approved by Federated (M.S.C. Dirks/Castellano 3-0-0) The motion passed unanimously.**

- 8. Discussion and action on request by Grant Thornton for an increase of \$27,600 to be split by each Board for their work on the current 2018 annual financial audit.**

The Committee discussed the request by Grant Thornton for an increase of \$27,600 to be split by each Board for their work on the current 2018 annual financial audit.

A motion was made by Federated to approve the increase of \$27,600 for this year and the following two years.

Approved by Federated (M.S.C. Castellano/Dirks 3-0-0) The motion passed unanimously.

A motion was made by Police & Fire to leave it to staff to determine how to split the increase over the two years. An amended motion was made that the CEO will make a recommendation to the Board on behalf of staff.

Approved by Police & Fire (M.S.C. Griarte/Gardanier 3-0-0) The motion passed unanimously.

POLICE & FIRE AUDIT COMMITTEE

- **Consent Calendar**

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Gardanier/Griarte 3-0-0) The motion passed unanimously.

9. Approval of the Minutes of the May 17, 2018 Joint Audit Committee meeting for the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan.
(Approved by Federated at August 16, 2018 Audit Committee meeting)
10. Approval of the 7/1/18 - 9/30/18 Quarterly Travel and attendance analysis for Police and Fire.

- **New Business**

11. Discussion and action on the approval of the Police & Fire Department Retirement Plan's Comprehensive Annual Financial Report for the Fiscal Year 2017-2018.

Ms. Chua-Foy reported there were no significant changes from last year, there were only minor formatting changes. She is still awaiting open items from Cheiron as discussed earlier under Item 2.

A motion was made to approve the Police & Fire Department Retirement Plan's Comprehensive Annual Financial Report for the Fiscal Year 2017-2018.

Approved. (M.S.C. Gardanier/Griarte 3-0-0). The motion passed unanimously.

Next Meeting: February 21, 2019

- **Adjournment**

**The Federated meeting adjourned at 1:00 p.m.
The Police and Fire meeting adjourned at 1:02 p.m.**

Minutes Recorded, Prepared and Respectfully submitted by,

Roberto L. Peña, CEO, Office of Retirement Services