



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 17, 2019

12:00 PM

1737 North First Street
5th Floor Board Room
San Jose, 95112

or immediately following the FCERS Board meeting

FCERS Committee Members:

Jay Castellano, Chair
Spencer Horowitz, Trustee
Elaine Orr, Trustee

Police and Fire Committee Members:

Andrew Lanza, Chair
Franco Vado, Vice-Chair
Eswar Menon, Trustee

Alternates:

Andrew Gardanier, Trustee

The Joint Federated and Police and Fire Audit/Risk Committee met on Thursday, October 17, 2019 at City Hall Wing Rooms, 118-120, 200 E. Santa Clara St., San Jose, CA. The meeting was called to order at 12:43 p.m. by Trustee Lanza.

Staff Present: Roberto Peña, Barbara Hayman, Benjie Chua-Foy, Brian Starr, Dhinesh Ganapathiappan, Allain Mallari, Ron Kumar, Linda Alexander, Michelle San Miguel and Marti Zarate.

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

Present: 4 - Andrew Lanza, Franco Vado, Elaine Orr and Spencer Horowitz

Absent: 2 - Jay Castellano and Eswar Menon

- **Call To Order**

CEO Peña reported Trustee Horowitz was assigned to the Joint Audit Committee at the Board meeting prior to the Audit Committee meeting.

Counsel Rieger made an announcement regarding the correct location of the meeting being held at City Hall not the Office of Retirement Services.

Waive Sunshine (attchments received late):

Item 4 - Discussion and action on the approval of the Federated City Employees' Retirement System's and the Police and Fire Department Retirement Plan's Comprehensive Annual Financial Reports for the Fiscal Year 2018-2019.

A motion was made to Waive Sunshine on Item 4.

Approved by Police and Fire. (M.S.C. Vado/Gardanier 2-0-0) The motion passed unanimously.

Approved by Federated. (M.S.C. Orr/Horowitz 2-0-0) The motion passed unanimously.

FEDERATED AUDIT COMMITTEE

- **Consent Calendar**

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Orr/Horowitz 2-0-0) The motion passed unanimously.

1. Approval of the 7/1/19-9/30/19 Quarterly Travel and attendance analysis for Federated.

JOINT AUDIT COMMITTEE

- **Old Business-Deferred/Continued Items**

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

This item was received and filed.

3. Update on the Pension Administration System implementation project.

Barbara Hayman, Deputy Director and Sue Ziegler, L.R. Wechsler, gave a quarterly update on the Pension Administration System. Ms. Hayman reviewed the attached memo noting since the last update ORS has focused on the Member Portal, Measure F and data security. Ms. Ziegler reported on the remaining work and presented the Member Direct/Measure F schedule chart, activities since August and highlights for the next 90 days. The budget for the project is on track and has not changed. There were no questions from the Committee. CEO Peña acknowledged and thanked Ms. Hayman, Ms. Ziegler and staff.

- **New Business**

4. Discussion and action on the approval of the Federated City Employees' Retirement System's and the Police and Fire Department Retirement Plan's Comprehensive Annual Financial Reports for the Fiscal Year 2018-2019.

Benjie Chua-Foy led the discussion on the Federated City Employees' Retirement System's and the Police and Fire Department Retirement Plan's Comprehensive Annual Financial Reports for the Fiscal Year 2018-2019 (CAFRs). She reported the CAFRs are in draft form and the completion target date is November 5. There are no new accounting standards. Changes include separating the Police Health Care from the Fire Health Care presentation and a new investment policy which has caused asset classifications to change. The remaining open items pending are accounts for Note 1 showing numbers and statistical information from the actuaries. There were no questions from the Committee.

A motion was made to approve the Federated City Employees' Retirement System's and the Police and Fire Department Retirement Plan's Comprehensive Annual Financial Reports for the Fiscal Year 2018-2019.

Approved by Police and Fire. (M.S.C. Lanza/Vado 2-0-0) The motion passed unanimously.

Approved by Federated. (M.S.C. Orr/Horowitz 2-0-0) The motion passed unanimously.

- 5.** 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 Plan's external auditor:

- a. Independent auditor's report on the 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 Hans from Grant Thornton spoke to the item and answered questions from the Committee on the communication to the Board from the Plan's external auditor. Mr. Caldwell reported the Audit Plan was presented in April and work is substantially complete. Ms. Hans reviewed the key areas the audit was focused on. No significant issues were found. The final report is expected to be issued by November 5. Trustee Lanza thanked staff for the work done on the audit. CEO Peña also thanked staff and Grant Thornton.

A motion was made to accept the Audit Report.

Approved by Police and Fire. (M.S.C. Lanza/Gardanier 2-0-0) The motion passed unanimously.

Approved by Federated. (M.S.C. Orr/Horowitz 2-0-0) The motion passed unanimously.

- 6.** Discussion on the Investment Wires and Internal Transfers Audit.

Allain Mallari, Senior Auditor presented and answered questions from the Committee on the Investment Wires and Internal Transfers Audit. CEO Peña gave some background and noted that the 5-year Audit plan was approved at the August meeting. Mr. Mallari reported on the audit procedures performed indicating the process was adequate and working well. He identified strengths and addressed issues to further strengthen controls over the investment cash outflow process. He made recommendations based on his findings to improve internal controls. Brian Starr, Senior Investment Officer reported investment staff is considering some of the recommendations and has concerns with others. CEO Peña thanked Mr. Mallari and staff.

- 7.** Discussion on the Death Verification and Overpayment Tracking Process.

Mr. Mallari presented and answered questions from the Committee on the Death Verification and Overpayment Tracking Process. He noted the objective is to evaluate the overall process and spoke on the importance of preventing and minimizing overpayments. He reported on the positive observations noted in the audit and made recommendations based on his findings to improve the implementation of the death verification and overpayment tracking process which are detailed in his report. Ms. Hayman expressed her appreciation and was open to making improvements.

POLICE & FIRE AUDIT COMMITTEE

• **Consent Calendar**

A motion was made to approve the Consent Calendar.

Approved. (M.S.C. Gardanier/Vado 2-0-0) The motion passed unanimously.

8. Approval of the Minutes of the August 15, 2019 Audit Committee meeting for the Police and Fire Retirement Plan.
9. Approval of the 7/1/19-9/30/19 Quarterly Travel and attendance analysis for Police and Fire.

Next Meeting: February 20, 2020

• **Adjournment**

The Police and Fire meeting adjourned at 1:55 p.m.

The Federated meeting adjourned at 1:55 p.m.

Minutes Recorded, Prepared and Respectfully submitted by,

Roberto L. Peña, CEO, Office of Retirement Services