



Date: April 20, 2017
To: Members of the Audit Committee
From: Tarrell Gamble, Chair
Subject: Summary of the April 20, 2017, Audit Committee Meeting

Audit Committee Chair Tarrell Gamble called the April 20, 2017, Audit Committee meeting to order at 1:05 pm. Committee members present were, George Wood, Elizabeth Rogers, Annette Cain-Darnes, and Ophelia Basgal. Other Board members present were, Dale Amaral, Liz Koppenhaver, Greg Lawson, Nancy Reilly, and Darryl Walker. Members of the Staff present were David Nelsen, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Margo Allen, Fiscal Services Officer; Harsh Jadhav, Chief of Internal Audit; Betty Tse, Chief Investment Officer; Victoria Arruda, Human Resources Officer; and, Sandra Dueñas-Cuevas, Benefits Manager.

ACTION ITEMS

- None

INFORMATION ITEMS

External Audit

1. Presentation and discussion of the GASB 67 Valuation and addendums as of December 31, 2016

Staff explained that the GASB Statement No. 67 valuation without addendums was presented for review to the Actuarial Committee at its May 12, 2017 meeting, and is now being presented with addendums to the Audit Committee for review. Staff discussed that it plans to bring the valuation back to the May 25, 2017, Audit Committee meeting with a recommendation. The valuation and its addendums will be presented to the participating employers at the April 27, 2017, Participating Employers' Meeting.

Staff verbally corrected an error in the cover memo: In the last line of the second paragraph where it states: "... and 34.5 million added to the NPL...", should read "...34.5 million added to the Fiduciary Net Position (FNP)...".

Andy Yeung, ACERA's actuary from Segal Consulting, presented the GASB Statement No. 67 Valuation as of December 31, 2016 and addendums. Mr. Yeung explained that since 2014, Segal has been providing two different valuation reports, that is, one for funding purposes and one for financial reporting (GASB Statement No. 67) purposes.

The latter is based on the *market value of assets* and is used to report the Net Pension Liability (NPL), while the former is based on *actuarial value of assets*, and is used to set the contribution rate requirements. Mr. Yeung further went on to explain that the only change to the GASB Statement No. 67 valuation was the first-time use of *the unlimited liability* for *Non-OPEB* to comply with GASB Statement No. 74 financial reporting requirements.

INFORMATION ITEMS

Internal Audit

1. Progress Report on 2017 Internal Audit Plan

Staff presented an update of the 2017 Internal Audit Plan, and expressed that the audit plan is on track for a timely completion.

2. Review of Completed Audits

Staff presented a review of the internal audits in progress.

TRUSTEE/PUBLIC INPUT

- None

RECOMMENDATION

- Not applicable.

ESTABLISHMENT OF NEXT MEETING DATE

May 25, 2017 at 1:00 pm

MEETING ADJOURNED

The meeting adjourned at 1:26 pm