



Date: April 19, 2018
To: Members of the Audit Committee
From: Henry C. Levy, Chair
Subject: Summary of the April 19, 2018, Audit Committee Meeting

Audit Committee Chair Henry Levy called the April 19, 2018, Audit Committee meeting to order at 1:00 pm. Committee members present were Dale Amaral, Keith Carson, and Elizabeth Rogers. Other Board members present were Tarrell Gamble, Nancy Reilly, Darryl Walker, and George Wood. 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; Kathy Mount, Chief Counsel; Vijay Jagar, Retirement Chief Technology Officer; Betty Tse, Chief Investment Officer; and Sandra Dueñas-Cuevas, Benefits Manager.

ACTION ITEMS

None

INFORMATION ITEMS

External Audit

1. Presentation and discussion of the Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 74 Valuations and addendums as of December 31, 2017 (Segal Consulting).

Staff commented that ACERA has been implementing GASB Statement No. 67 for four years, while this is the first year to implement GASB Statement No. 74. Staff also pointed out that these GASB statements are *reporting* valuations presented to the Audit Committee as opposed to the *funding* valuation presented to the Actuarial Committee. The actuary explained that the purpose for the *reporting* valuations is different from that for the *funding* valuation. The funding valuation sets the contributions rates that employers and members must pay into the plan, while the *reporting* valuations use the market value of assets to report the total and net pension and OPEB/non-OPEB liabilities.

Staff reminded the committee that ACERA would be meeting with the participating employers on April 25, 2018, to present both the funding and the reporting valuations, as well as the associated addendums for GASB Statements No. 67 and No. 74. Staff also noted that GASB Statements No. 68 and No. 75 valuations will be issued in time for participating employers to complete their 2017/2018 financial reporting obligations.

Internal Audit

1. Progress report on the Internal Audit Plan

Staff informed the Audit Committee that the Internal Audit Plan is moving forward according to schedule, with a few changes made due to logistics. In addition, two internal audit lean projects are in the process of being launched. With regards to the Employer Audit Plan, the employer audit of Alameda Health Systems is in progress.

Staff introduced *cybersecurity* as a new area of risk. Cyberattacks can originate from anywhere in the world and they keep changing and evolving, making it impossible to anticipate. Finally, staff mentioned that ACERA is working with the FBI and the Department of Homeland Security (DHS) to enhance their incident response procedures.

2. Review of completed audits

Staff noted that there were no completed audits to be reported for this meeting.

TRUSTEE/PUBLIC INPUT

None

RECOMMENDATION

None

ESTABLISHMENT OF NEXT MEETING DATE

May 24, 2018 at 12:30 pm

MEETING ADJOURNED

The meeting adjourned at 1:38 pm