

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

**BOARD OF RETIREMENT  
2223 WELLINGTON AVENUE, SUITE 100  
SANTA ANA, CA 92701**

**AUDIT COMMITTEE MEETING**

**February 28, 2017**

**1:00 p.m.**

**MINUTES**

The Chair called the meeting to order at 1:05 p.m. and read the opening statement for the record. Attendance was as follows:

Present: Charles Packard, Chair; Frank Eley, Vice Chair; Eric Gilbert; Shari Freidenrich

Staff: Brenda Shott, Assistant CEO; Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Gina Ratto, Chief Legal Officer; David James, Director of Internal Audit; Mark Adviento, Internal Auditor; Anthony Beltran, Audio/Visual Technician; Brenda Vazquez, Recording Secretary

**A. AUDIT COMMITTEE ORIENTATION**

*Presentation by David James, Director of Internal Audit*

**Recommendation:** Receive and file the *Audit Committee Orientation*.

Mr. James presented the Audit Committee Orientation covering the Investment Committee Charter, Internal Audit Charter, Hotline Policy, and past audit outcomes.

During discussion, Mr. Packard suggested OCERS should pursue a Service Level Agreement with plan sponsors for providing accurate information to OCERS through the transmittal process. Mr. Packard also asked staff to provide plan sponsors with documentation on how to properly report payroll transmittal information to OCERS. Mr. Packard directed that Internal Audit staff to follow up on audit recommendations with plan sponsors.

Following discussion, a **motion** was made by Mr. Eley and **seconded** by Mr. Packard to receive and file the *Audit Committee Orientation*.

The **motion passed unanimously**.

**B. CONSIDERATION OF INTERNAL AUDIT CHARTER AND AUDIT COMMITTEE CHARTER**

*Presentation by David James, Director of Internal Audit*

**Recommendation:** Take appropriate action.

Mr. James presented the Internal Audit Charter and Audit Committee Charter that are up for review. Internal Audit did not recommend changes to the charters that were last updated in July 2015.

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The Committee suggested changes to both the Internal Audit Charter and Audit Committee Charter. Ms. Freidenrich also recommended that the CEO consider having a CPA on the Audit Committee.

Following discussion, Ms. Shott suggested Internal Audit bring back to the next Audit Committee meeting a red line version reflecting all changes requested by Ms. Freidenrich and the Committee members.

After discussion, a **motion** was made by Mr. Eley and **seconded** by Ms. Freidenrich to receive and file with the direction to Internal Audit to bring back a red line version of the Internal Audit Charter and Audit Committee Charter to the next Audit Committee meeting.

The **motion passed unanimously.**

**C. REVIEW OF THE CHIEF INVESTMENT OFFICER (CIO) POSITION**

*Presentation by David James, Director of Internal Audit*

**Recommendation:** Receive and file the report *Review of the CIO Position*.

Internal Audit completed an independent review of the CIO position and its responsibilities. Internal Audit recommends that the Investment Committee and management consider changes to the CIO Charter and Investment Policy Statement. Internal Audit also recommends improvements to reporting of the CIO's investment activities to the Investment Committee. Internal Audit also recommends improved communications between the CIO, Investments' staff, and the Investments Committee.

The Committee suggested edits to the report. The Committee directed Mr. James to review the revised report with the Audit Committee Chair and that the revised report be presented at the Investment Committee meeting on March 28, 2017.

Following discussion, a **motion** was made by Mr. Eley and **seconded** by Mr. Gilbert to receive and file the report *Review of the CIO Position* with staff direction to revise the report for presentation to the Investment Committee.

The **motion passed unanimously.**

**Break – 3:04 p.m.**

**Reconvened – 3:15 pm.**

**D. RFP FOR AN ACTUARIAL FIRM TO PERFORM AN AUDIT OF OCERS' CONSULTING ACTUARY**

*Presentation by David James, Director of Internal Audit*

**Recommendation:** Approve the RFP for an actuarial firm to perform an audit of OCERS' consulting actuary.

Mr. James presented the RFP for an actuarial firm to perform an audit of OCERS' consulting actuary. A timeline of the audit was presented, with the RFP dated to be posted on March 1, 2017.

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The Committee directed changes to the RFP before distribution, with inclusion of rating criteria.

Following discussion, a **motion** was made by Mr. Eley and **seconded** by Ms. Freidenrich to approve the RFP for an actuarial firm to perform an audit of OCERS' consulting actuary with direction to make discussed changes.

The **motion passed unanimously**.

**E. REVIEW OF 2016 AUDIT PLAN**

*Presentation by David James, Director of Internal Audit*

**Recommendation:** Receive and file the *2016 Audit Plan*.

Mr. James gave a summary of Audits processed in 2016 with staff hours used and audit outcomes.

Following discussion, a **motion** was made by Ms. Freidenrich and **seconded** by Mr. Eley to receive and file the *2016 Audit Plan*.

**F. CONSIDERATION OF 2017 RISK ASSESSMENT AND 2017 AUDIT PLAN**

*Presentation by David James, Director of Internal Audit*

**Recommendation:** Approve the *2017 Risk Assessment and 2017 Audit Plan*.

Internal Audit completed the annual risk assessment process and the 2017 Audit Plan. Mr. James presented an Internal Audit Risk Assessment matrix to help understand the risk areas.

Ms. Freidenrich suggested that in the future Internal Audit spend less audit time on employer audits and more on high risk areas identified by the risk assessment.

Following discussion, a **motion** was made by Mr. Eley and **seconded** by Ms. Freidenrich to approve the *2017 Risk Assessment and 2017 Audit Plan*

The **motion passed unanimously**.

**G. OVERVIEW OF AUDIT COMMITTEE OVERSIGHT OF OCERS' SECURITY**

*Presentation by Brenda Shott, Assistant CEO, Internal Ops; and Gina Ratto, Chief Legal Officer*

**Recommendation:** Receive and file.

Ms. Shott introduced the Overview of Audit Committee Oversight of OCERS' Security. Ms. Shott advised the Committee that moving forward, security updates would be presented to the Audit Committee.

Following discussion, a **motion** was made by Ms. Freidenrich and **seconded** by Mr. Eley to receive and file the *2016 Audit Plan*.

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The motion passed unanimously.

Meeting adjourned at 3:58 p.m.

**PUBLIC COMMENTS:**

None

**COMMITTEE MEMBERS COMMENTS:**

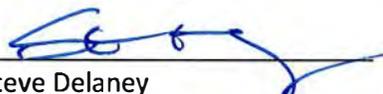
Ms. Freidenrich asked the Chief Legal Officer to review the Audit committee activities and provide feedback on best practices.

Mr. Eley asked that the Records Retention Policy be amended to allow for documents in special circumstances to be retained past the policy timeframes to ensure evidence is preserved.

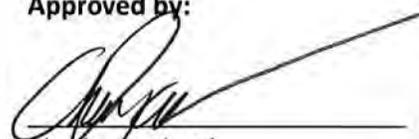
**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS:**

None

**Submitted by:**

  
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Steve Delaney  
Secretary to the Committee

**Approved by:**

  
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Charles Packard  
Committee Chair