

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
2223 E. WELLINGTON AVENUE, SUITE 100  
SANTA ANA, CALIFORNIA**

**AUDIT COMMITTEE MEETING**

**March 30, 2022**

**9:30 a.m.**

**MINUTES**

**OPEN SESSION**

The Chair called the meeting to order at 9:31 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present: Frank Eley, Chair; Shari Freidenrich, Vice Chair; Richard Oates

Present via Zoom Video  
conference pursuant to  
Government Code § 54953,  
as amended by AB 361: Charles Packard

Also Present: David Kim, Director of Internal Audit; Steve Delaney, Chief Executive Officer; Gina Ratto, General Counsel; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Jeff Lamberson, Director of Member Services; Tracy Bowman, Director of Finance; Laura Barker; Finance Manager; Jennifer Reyes, Financial Manager; Manuel Serpa, Staff Attorney; Mark Adviento, Internal Auditor; Jenny Sadoski, Director of Information Technology; Javier Lara, Audio Visual Technician; Marielle Horst, Recording Secretary; Carolyn Nih; Executive Secretary

**PUBLIC COMMENT**

None.

**CONSENT AGENDA**

**MOTION** by Oates, **seconded** by Packard, to approve the following Consent Agenda items:

**C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES**

Audit Committee Meeting Minutes

March 30, 2022

The motion passed **unanimously**.

**ACTION AGENDA**

Audit Committee Meeting  
June 2, 2022

**A-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA.**

**A-2 2021 FINANCIAL STATEMENT AUDIT**

*Introduction by Brenda Shott, Assistant CEO of Finance and Internal Operations, and Tracy Bowman, Director of Finance, OCERS*

*Presentation by Kory Hoggan and Aaron Hamilton, Moss Adams*

**Recommendations:**

1. Approve OCERS' audited financial statements for the year ended December 31, 2021;
2. Direct staff to finalize OCERS' 2021 Annual Comprehensive Financial Report (Annual Report);
3. Approve the Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2021; and
4. Receive and file Moss Adams LLP's "OCERS' Report to the Audit Committee for the Year Ended December 31, 2021" and their "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."

Ms. Shott thanked staff and Moss Adams for their hard work in preparing the Audit.

Ms. Bowman presented a summary of OCERS' financial results for the year ended December 31, 2021.

Moss Adams presented their results, issuing an unmodified opinion, noting no audit adjustments, uncorrected misstatements, illegal acts, or difficulties.

After discussion by the Committee, **MOTION** by Freidenrich, **seconded** by Packard to adopt staff's recommendation.

The motion passed **unanimously**.

**A-3 GASB 68 VALUATION AND AUDIT REPORT**

*Presentation by Brenda Shott, Assistant CEO of Finance and Internal Operations*

**Recommendations:**

1. Approve OCERS' audited Schedule of Allocated Pension Amounts by Employer as of and for the Year Ended December 31, 2021; and
2. Approve the Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation as of December 31, 2021 for distribution to Employers.

**MOTION** by Freidenrich, **seconded** by Packard to adopt staff's recommendation.

The motion passed **unanimously**.

Audit Committee Meeting  
June 2, 2022

*The committee recessed for break at 10:18 a.m.*

*The Committee reconvened from break at 10:36 a.m.*

*Recording Secretary administered the Roll Call.*

*Mr. Packard arrived at 10:40 a.m.*

#### **A-4 ACTUARIAL AUDITOR INTERVIEWS**

*Introduction by David Kim, Director of Internal Audit*

*Presentations by Buck Global, LLC; and Cheiron, Inc.*

**Recommendation:** Staff recommends (1) selecting one of the two finalists chosen to make an oral presentation at the June 2, 2022 Audit Committee meeting to serve as OCERS actuarial auditor based on the firm's presentation, responsiveness to the Audit Committee's questions, and the written proposal submitted; and (2) after conducting such interviews, that the Audit Committee recommend to the Board of Retirement to award a contract for actuarial auditor services to the selected finalist, subject to satisfactory negotiation of terms.

An interview was conducted with Buck Global.

*The committee recessed for break at 11:15 a.m.*

*The Committee reconvened from break at 11:25 a.m.*

*Recording Secretary administered the Roll Call.*

An interview was conducted with Cheiron, Inc.

After discussion by the Committee, a **MOTION** by Freidenrich, **seconded** by Oates to recommend to the Board of Retirement to award a contract for actuarial auditor to Cheiron, Inc.

The motion passed **unanimously**.

*The committee recessed for break at 12:28 p.m.*

*Mr. Packard was excused at 12:28 p.m.*

*The Committee reconvened from break at 1:17 p.m.*

*Recording Secretary administered the Roll Call.*

**CLOSED SESSION**

Audit Committee Meeting  
June 2, 2022

**E-1. THREAT TO PUBLIC SERVICES OR FACILITIES (GOVERNMENT CODE SECTION 54957)**

Adjourn into Closed Session pursuant to Government Code section 54957 to consult with *Steve Delaney, CEO; Suzanne Jenike, Asst. CEO; Brenda Shott, Asst. CEO; Matthew Eakin, Director of Information Security; Jenny Sadoski, Director of Information Technology; Jon Gossard, Information Security Manager; and Gina M. Ratto, General Counsel*

**Recommendation:** Take appropriate action.

Chair Eley noted no reportable action was taken in Closed Session.

**INFORMATION ITEM**

**I-1 ALAMEDA DECISION IMPLEMENTATION PROJECT UPDATE**

*Presentation by Suzanne Jenike, Assistant CEO of External Operations*

Ms. Jenike gave an update to the Committee on the status of the Alameda Project. Ms. Jenike presented a summary of the project goals, a timeline of the project milestones, risks, and mitigation strategies as well as an update on the corrective actions expected to take place for active/deferred members and retirees/payees in the upcoming months. Ms. Jenike also thanked the staff for all their efforts to make this project a success.

Mr. Eley noted the recalculations were pushed back to September because of staffing vacancies. Ms. Freidenrich inquired about the staffing vacancies.

**WRITTEN REPORTS**

**R-1 MANAGEMENT ACTION PLAN VERIFICATION**

*Written Report*

**R-2 STATUS UPDATE OF 2022 AUDIT PLAN**

*Written Report*

**COMMITTEE MEMBER COMMENTS**

Mr. Eley thanked staff for all their hard work with the new technology and hiring of a new auditor.

**CHIEF EXECUTIVE OFFICER**

Mr. Delaney commented in response to Ms. Freidenrich's inquiry regarding the vacancy rate, noting a quarterly report is provided during the Board meetings. Quarterly reports are also included in the monthly Activities and Update report. Staff has focused on the vacancy rate and there will be positive results reflected in the next report.

**STAFF COMMENTS**

Mr. Kim commented that the Internal Audit Department has had an increase in workload with the Alameda project, as they received direction from the Audit Committee Chair to test beyond a sample of Alameda related benefit recalculations. The increased testing would impact the other audits in the 2022 Audit Program scheduled for the second half of the year.

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Ms. Freidenrich noted she would be comfortable with auditing only a sample of the benefit recalculations.

Mr. Eley recommended the audit should be performed on all recalculations eventually tapering off to a sampling. Mr. Eley suggested to bring on a 3<sup>rd</sup> party auditor to help with the other auditing projects.

Mr. Oates agreed with Mr. Eley, as to performing the audit on all recalculations, pending how the Alameda benefits recalculations are processed.

The Audit Committee provided further direction in which the initial set of benefit recalculations with the highest risk will be audited 100% and the results will be discussed with the Audit Committee for further instruction. Additionally, the Audit Committee provided direction to expand the resources of Internal Audit to address the increased workload.

**COUNSEL COMMENTS**

None


**ADJOURNMENT**

The Chair adjourned the meeting at 2:27 p.m.

Submitted by:

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Steve Delaney  
Secretary to the Board

Approved by:

DocuSigned by:  
  
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Frank Eley  
Chair