

**AUDIT COMMITTEE MEETING OF THE BOARD OF ADMINISTRATION  
RETIREMENT BOARD  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**MINUTES – September 19, 2007**

**Present:**

Mike Moore	Audit Committee Member
Ron Vazquez	Audit Committee Member

**Others Present:**

Sangeeta Bhatia	Retirement Plan Manager
Monette Carranceja	Assistant Retirement Plan Manager
Alan Manning	Assistant City Attorney
Irene Colón Gonzalez	Recording Secretary

The meeting was called to order at 8:30 a.m.

Ms. Bhatia stated the item for discussion concerned the request by the Retirement Plan's auditor, Macias, Gini & O'Connell (Macias), to increase their fees in connection with the audit of the Retiree Health Benefits Fund (Health Fund). She indicated that this matter came to the Retirement Office subsequent to the August 15, 2007, Audit Committee meeting. Ms. Bhatia reminded Board Members that it had been decided that the financial statements of the Health Fund would be a part of the Retirement Plan's financial statements.

Ms. Bhatia added that she spoke to James Godsey, Partner at Macias, Gini & O'Connell, regarding their proposed fee increase and noted that at this point there did not seem to be enough time to consider other options. She also informed the Committee that Retirement staff's research revealed that the audit expenses of other similar-sized plans were approximately \$100,000 per year. Ms. Bhatia pointed out that she conveyed to Mr. Godsey the fees are on the high side, and there may be duplication of work and efforts on the part of Macias and the Department's auditors, KPMG.

Ms. Bhatia informed the Committee she would have preferred Macias were present, however they submitted a detail of the proposed expenses. She added that a revised detail of the cost distributed at the start of the meeting included information on the annual cost of living increase on the proposed fee. This was removed by Macias at the request since it was already included in their current fees.

Mr. Moore inquired if the 65 hours for reporting including the actuary consult, included the time Macias would spend with the Department's actuary to review the numbers or were they referring to a separate actuarial expert on their own staff. Ms. Bhatia responded the hours indicated were for the Department's actuary.

Ms. Carranceja reported that LACERS, which has a bigger retiree health fund at \$1.2 billion, was paying close to \$100,000 for their audit fees. She added this information was conveyed to Macias. Ms. Carranceja also mentioned Macias was informed earlier in the year KPMG indicated they would not be auditing the transactions related to the Department's premium payments to the health care providers. She added Macias explained it would be incumbent upon Macias to perform the transaction in place of KPMG.

Mr. Vazquez said he wanted a detailed breakdown of the current audit fees for the Retirement System for each of the three funds; the Retirement, Death, and Disability Fund.

Ms. Bhatia advised the Board that the proposed fees were about one-fourth of the fees of the Retirement Fund. She added Staff would provide the details requested by Mr. Vazquez.

Mr. Moore recommended that this item move ahead due to the timing concerns of the overall audit program. He noted this item was also agendaized in today's regular Board meeting. Mr. Vazquez inquired if the proposed fees were estimates or firm figures. Ms. Bhatia responded the fees were firm and added that Mr. Godsey indicated they were reduced since a stand-alone audit would cost double the amount.

Mr. Vazquez requested additional clarification on the current audit fees of the three funds. Ms. Bhatia stated the fees were \$93,880 for 2006 and \$95,176 plus \$31,500 for 2007. Mr. Vazquez also asked if the contract with Macias is firm at three years or if it could be terminated to which Ms. Bhatia responded there was a 30-day termination clause.

Mr. Vazquez stated he also wanted this item to be moved forward and repeated his request for a detailed cost breakdown and explanation from Macias regarding the hours for the different audit areas for the health fund versus the other three funds.

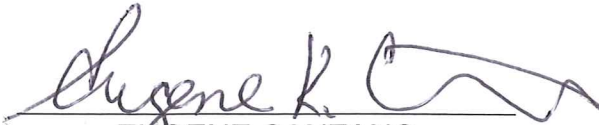
Ms. Bhatia reminded the Committee that the health fund audit fees would be billed to the Department.

Mr. Moore moved approval of the increase in fees for the audit of the Retiree Health Benefit Fund pending receipt of the requested information on the fees

breakdown. The motion was seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes – Moore and Vazquez  
Nays – None

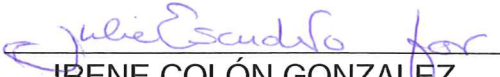
The Audit Committee meeting adjourned at 9:00 a.m.



EUGENE CANZANO  
Chairperson



SANGEETA BHATIA  
Secretary



IRENE COLÓN GONZALEZ  
Recording Secretary