

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

MINUTES

AUGUST 8, 2012

Committee Members Present:

Mario Ignacio, Committee Member
Robert Rozanski, Committee Member

Committee Members Absent:

Barry Poole, Committee Chair

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Monette Carranceja, Assistant Retirement Plan Manager
Mary Higgins, Assistant Retirement Plan Manager
Julie Escudero, Utility Executive Secretary

Others Present:

Marie McTeague, Deputy City Attorney
Brainard Simpson, Simpson and Simpson
Grace Yuen, Simpson and Simpson

Mr. Rozanski called the meeting to order at 9:05 a.m.

Ms. Bhatia indicated quorum of the Audit Committee was present.

Public Comments

There was no public comment.

1. Discussion of Audit Program for Fiscal Year-End June 30, 2012

Ms. Bhatia invited representatives from Simpson and Simpson to provide a brief background on the audit plan for 2012.

Brainard Simpson, Managing Partner, described the general audit process, scope, and timeline, as well as the responsibilities of Management and the Retirement Board. He indicated the audit work was scheduled to commence on August 20 and conclude by October 5, with a draft report issued by October 8, which would be presented to the Audit Committee on October 24.

Mr. Simpson reviewed the auditors' responsibilities and described the audit process. He noted any significant control deficiencies or material weaknesses found during the audit will be included in a written communication and discussed during the October 24 presentation to the Committee. He added the audit work does not relieve the Board of its responsibility for oversight of Management in the preparation of the financial statements.

Mr. Simpson discussed recent Government Accounting Standards Board (GASB) pronouncements pertaining to financial statements. He explained GASB 62 is a codification of accounting guidance effective for Fiscal Year (FY) 2012/2013. He stated GASB 64 involves derivative instruments, and GASB 65 involves items previously reported as assets and liabilities. He noted these will have little impact on the financial statements. He indicated GASB 67 pertains to new financial reporting requirements for pension plans, and it will have some impact on the financial statements; however, it will not be effective until FY 2013/2014. He added that Simpson and Simpson will review GASB 67 and present its impact at the October 24 Committee meeting.

Mr. Simpson also identified their auditing staff.

Mr. Rozanski asked if any area will receive more focus than in the past year. Ms. Yuen answered that exceptions were noted in participant data in the previous year, and that area will receive additional focus. She also said Investment remains a key area.

Mr. Rozanski asked if the auditors were concerned about system implementation. Ms. Yuen responded that their IT principal will complete an evaluation and determine if any particular risk exists.

Mr. Rozanski also asked if the new GASB statements will be adopted early. Ms. Bhatia responded that GASB 64 must be incorporated into this year's financial statement, and the other standards will not be adopted early. She added that GASB 67 was just issued, and the accompanying implementation guidance has not been released.

Mr. Rozanski asked if GASB 68, which affects pension reporting on the employer's financial statement, will impact the Plan. Mr. Simpson stated that GASB 67 includes specific guidance on the criteria used in the actuarial determination of the liability and additional supplemental information that must be included.

Mr. Rozanski asked if a specific discount rate would be required on calculating the liability. Ms. Yuen responded it would likely be a range of discount rates, and a synopsis of GASB 67 will be provided that includes a summary of key items.

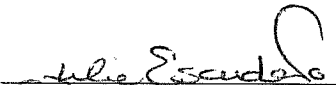
There being no further questions or comments, the meeting adjourned at 9:19 a.m.


BARRY POOLE
Chairperson

5/15/2013
Date


SANGEETA BHATIA
Retirement Plan Manager

5/15/13
Date


JULIE ESCUDERO
Utility Executive Secretary

5-15-13
Date