AUDIT COMMITTEE MEETING

BOARD OF ADMINISTRATION OF THE WATER AND POWER EMPLOYEES' RETIREMENT PLAN

MINUTES

DECEMBER 11, 2013

Committee Members Present:

Barry Poole, Chair Mario Ignacio, Member Robert Rozanski, Member

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager Monette Carranceja, Assistant Retirement Plan Manager Mary Higgins, Assistant Retirement Plan Manager William Feng, Senior Utility Accountant Maria Kay, Senior Clerk Typist

Committee Members Absent:

None

Others Present:

Marie McTeague, Deputy City Attorney Grace Yuen, Simpson & Simpson, Certified Public Accountants Melba Simpson, Simpson & Simpson, Certified Public Accounts

Mr. Poole called the meeting to order at 9:15 a.m.

Ms. Bhatia stated that a quorum of the Audit Committee was present.

Public Comments

Ms. Kay stated there were no requests for public comment.

1. Presentation by Simpson & Simpson, CPAs, of the Annual Audit Report and Related Financial Statements as of June 30, 2013

Ms. Bhatia introduced Mr. Feng, the Retirement Plan's Chief Accountant, to provide a brief introduction of the item.

Mr. Feng stated the financial statements have been finalized for fiscal year ended June 30, 2013. Representatives from the external auditors, Simpson & Simpson, Certified Public Accountants (Simpson & Simpson) were present to discuss their findings and answer any questions. He turned the presentation over to the Simpson & Simpson representatives.

Grace Yuen from Simpson & Simpson introduced herself as the field partner on the audit, and introduced the quality control partner, Melba Simpson.

Ms. Simpson reported that the results of the audit were an unmodified opinion. She stated the term changed from "unqualified" to "unmodified" was due to clarity standards under the auditing standards. She also reported that there were no unusual transactions or challenges, and auditors received cooperation from management. She stated management had not consulted with any other external professionals in matters related to accounting.

Ms. Simpson stated there was one new footnote to report – the application of a new Government Accounting Standards Board (GASB) standard. She stated the Board of Administration of the Water and Power Employees' Retirement Plan (Board) implemented GASB 63, which pertains to the reporting of deferred inflow and outflow of resources. It has caused a change in the reporting format. Specifically GASB has changed the term "net assets" to "net position," which is reflected in the financial statements.

Ms. Simpson then provided some of the highlights for the four Funds such as the ending net position, net increase and decrease, and the funding status. She also stated that there were no material weaknesses or significant deficiencies to report.

Ms. Yuen provided the following observations and recommendations:

- That the Retirement Office continue to refine the service credit data, which is a carry-over item from
 previous years as a result of conversion to the new pension system;
- Census data extracted for the annual actuarial valuation was done the pay period before March 31, 2013. Simpson & Simpson consulted with the Plan actuary and agreed it did not cause a material impact;
- There was inadequate record retention in the Health Plans Office. The Health Plans Office was unable to provide the requested document to the auditors, but again did not cause a material impact to the audit.

Mr. Poole thanked Ms. Yuen and Ms. Simpson for their report.

There being no further questions or comments, the meeting adjourned at 9:25 a.m.

Chairnerson

RY POOLE Date

Chairperson

MARTA KAY/

Senior Clerk Typist

SANGETA BHATIA

Retirement Plan Manager