

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

MINUTES

NOVEMBER 28, 2012

Committee Members Present:

Barry Poole, Chairperson
Robert Rozanski, Committee member
Mario Ignacio, Committee member

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Monette Carranceja, Assistant Retirement Plan Manager
William Feng, Chief Accountant
Julie Escudero, Utility Executive Secretary

Others Present:

Grace Yuen, Simpson and Simpson
Melba Simpson, Simpson and Simpson
Frank Liu, Simpson and Simpson

Mr. Poole called the meeting to order at 8:34 a.m.

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

Public Comments

None

1. Presentation by Simpson & Simpson, CPAs, of the Draft Annual Audit Report and Related financial Statements as of June 30, 2012; Discussion and Possible Action

Ms. Bhatia stated this item presented the annual report and financial statements. She then introduced Will Feng, the Retirement Office Chief Accountant, who provided the item's background

Mr. Feng referred to the financial statements for the fiscal year ended June 30, 2012, and indicated representatives from the external auditors, Simpson & Simpson, were present to review the highlights of the financial statements and answer questions. Mr. Feng noted that although information from the Other Post Employment Benefits (OPEB) actuarial valuation was incorporated into the financial statements, Simpson and Simpson still needed to review the OPEB valuation. He turned the presentation over to the Simpson and Simpson representatives.

Grace Yuen from Simpson and Simpson introduced herself as the field partner on the audit and then introduced quality control partner Melba Simpson and audit manager Frank Liu.

Ms. Simpson provided the following required communications:

- No new accounting policy was adopted during Fiscal Year 2012,
- Simpson and Simpson found all existing policies consistently applied,
- Simpson and Simpson concurred with the accounting estimated in the financials,
- No unusual transactions were noted,
- No adjustments were required, and
- No disagreements with management existed.

Ms. Simpson reviewed the results in the financial statements including the Plan net assets, unfunded liability, and funding ratio, and she reported no significant deficiencies were found in the internal controls. She noted Simpson and Simpson will issue a management letter addressing service credits variances in the PenFax system, and she added that after consulting with the Plan's actuary, Simpson and Simpson concluded the impact on the financial statement was immaterial.

In response to Mr. Ignacio's question about the difference between the Plan's actuarial valuation date of July 1, 2012, and the OPEB valuation date of June 30, 2012, Ms. Yuen indicated those were the dates the actuary used, and they were basically the same. Ms. Bhatia added those have historically been the report dates.

Mr. Ignacio asked why the Plan's member contributions decreased during Fiscal Year 2012 and if Department hiring was the reason. Mr. Feng responded the primary reason for the decrease was fewer transfers from the City into the Department. Ms. Bhatia stated the draft could be amended to reflect the overall Department hiring.

Mr. Rozanski asked about lending agent default losses, and Ms. Bhatia responded they were recognized in the prior fiscal year, and no additional loss incurred during this fiscal year.


Mr. Rozanski asked why the Department contribution rate for the insured lives portion of the Death Benefit decreased while the unfunded liability remained high. Ms. Bhatia explained how the contribution rate is determined and stated this topic will be addressed during the upcoming Death Benefit actuarial valuation presentation in December.

Ms. Yuen and Ms. Simpson reviewed some of the changes as required under the new Governmental Accounting Standards Board statements 67 and 68.

Mr. Rozanski asked about the potential excise tax under the Patient Protection and Affordable Care Act and the possible disclosure of the allocation percentage between the retirees and the Department. Ms. Yuen responded the option to add to the disclosure would be a management decision.

Mr. Rozanski asked why the actuarial amortization methods for the Retirees Health Benefit Plan and the Retirement Plan differed. Ms. Bhatia stated she would look into that.

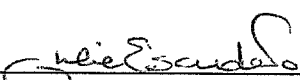
There being no further discussion, the meeting adjourned at 8:59 a.m.


BARRY POOLE
Chair

5/15/2013
Date


SANGEETA BHATIA
Retirement Plan Manager

5/15/13
Date


JULIE ESCUDERO
Utility Executive Secretary

5.15.13
Date