

FIRE and POLICE PENSION ASSOCIATION

Audit Committee Meeting
April 10, 2015

- 7:30 a.m. **Call to order**
 Jack Blumenthal, Chair
- 7:35 a.m. **Approval of Minutes of November 3, 2014**
- 7:40 a.m. **SSAE 16 SOC 1 Type II 2014 Audit**
 SSAE 16 SOC 1 Type II 2015 Audit Plan
 Robert Halpin, CliftonLarsonAllen
- 8:00 a.m. **Internal Audit Report**
 Tim O'Brien, Internal Auditor
 1. Internal Audit of Payroll and Operating Expenditures, audit 2014-01
 2. Update on Code Red audit
- 8:30 a.m. **Colorado PERA GASB 68 Liability Estimate**
 Ahni Smith, FPPA Accounting Manager
- 8:45 a.m. **FPPA Staff Trading Policy**
 Scott Simon, FPPA Chief Investment Officer
- 9:00 a.m. **Break**
- 9:15 a.m. **IT Assessment**
 Jeff Ahlerich, Security Pursuit
 Mark Gremmert, FPPA IT Manager
- 10:15 a.m. **Statewide Death & Disability Plan Verification of Eligibility**
 Gina McGrail, FPPA Chief Benefits Officer
- 10:30 a.m. **Adjourn**

Next Meeting scheduled for June 5, 2015 at 7:30 a.m.

FIRE AND POLICE PENSION ASSOCIATION

Minutes – Audit Committee Meeting

April 10, 2015

FPPA Office
5290 DTC Parkway, Suite 100
Greenwood Village, CO

Committee Members Present: Chair Jack Blumenthal, Pam Feely, and Nick Nuanes

Staff Members Present: Dan Slack, Kim Collins, Kevin Lindahl, Gina McGrail, Scott Simon, Ahni Smith, Mark Gremmert, Jacqueline Tara, and Melanie Winters

Others Present: Tim O'Brien, FPPA Internal Auditor; Robert Halpin (via teleconference) and Steve Shanks, CliftonLarsonAllen; Jeff Ahlerich, Security Pursuit

Notice of this meeting and a copy of the agenda were posted in the building lobby of the FPPA office and on the FPPA website at least twenty-four hours prior to the meeting.

At 7:44 a.m., Chair Blumenthal called the meeting to order.

Chair Blumenthal called for approval of the minutes from the November 3, 2014, meeting. Mr. Nuanes moved for approval of the minutes. Ms. Feely seconded the motion. The motion passed.

At 7:45 a.m., Mr. Halpin joined the meeting via teleconference.

Audit Report

SSAE 16 SOC 1 Type II

Mr. Halpin, CliftonLarsonAllen (CLA), debriefed the committee on the SSAE 16 SOC 1 Type 2 Audit for 7/1/14–12/31/14 and reviewed the scope, timing and anticipated changes for the 2015 audit. The audit resulted in a clean opinion and no relevant exceptions were noted by CLA.

Chair Blumenthal questioned the terminology of auditing standards in CLA's report as it refers to "examination" and "restricted use" with limitations. Mr. Shanks explained that the standards and procedures used in the audit are strictly followed as outlined by Statements on Standards for Attestation Engagements (SSAE). Mr. Halpin added that the American Institute of Certified Public Accountants (AICPA) has restricted the use of the SOC 1 report as it is not intended for distribution to the public, due to a certain level of content understanding and possible misunderstanding the results of the conclusions.

Mr. Halpin and Mr. Shanks will provide documentation to Chair Blumenthal and Ms. Feely supporting the guidelines of restricted use of SOC 1 reporting as developed by the AICPA, limiting distribution to parties that have the ability to understand content.

Ms. Collins answered Mr. Nuanes' question regarding the procedural distribution of Old Hire funds. As all members of the Rocky Ford Old Hire Fire Pension Plan are now gone, the statute requires an idle funds distribution process in which the remaining funds go back to the city for use with fire-related purposes.

Ms. Feely moved that the Committee accept the report of the Auditor regarding the SSAE 16 SOC 1 Type 2 report. Mr. Nuanes seconded the motion. The motion passed.

At 8:10 a.m., Mr. Halpin left the meeting.

Internal Audit Report

Mr. O'Brien reviewed his findings on the Internal Audit of Payroll and Operating Expenditures. He concluded that FPPA accurately processes its staff payroll and operating expenditures. Mr. O'Brien recommended that FPPA retain all documentation to support changes to payroll. Staff agreed with this procedure and open enrollment materials will include an acknowledgment form summarizing elected benefits and the employee's choice of pre- or post-tax premiums.

Mr. O'Brien also recommended that staff document policies and procedures with regard to the creation and retention of personnel files. Staff responded that the OnBase records system has been finalized for the import of personnel files and a procedures manual will be written to document the uploading of all digital files currently in Paylocity as well as the paper files that still need to be converted to the digital format for upload into OnBase.

Mr. O'Brien requested that the review and discussion on Code Red (Investment Staff's file retention software) be deferred to the next meeting.

Ms. Feely moved that the Committee accept the report of the Internal Auditor regarding Payroll and Operating Expenditures. Mr. Nuanes seconded the motion. The motion passed.

Colorado PERA GASB 68 Liability Estimate

Ms. Smith detailed the methodology used to estimate FPPA's proportionate share of the Colorado Public Employee Retirement Association (PERA) Net Pension Liability (NPL). Final numbers will be provided to FPPA by Colorado PERA in the second half of 2015.

FPPA will need to implement and report on GASB 68 related to the FPPA Staff

participation in Colorado PERA for the December 31, 2015, Comprehensive Annual Financial Report (CAFR). FPPA Staff participates in the State Division Trust Fund (SDTF) of Colorado PERA. In the December 31, 2015, FPPA CAFR, the FPPA proportionate share of the SDTF NPL will need to be presented comparatively in the financial statements. The pension expense recognized by FPPA will be calculated as the change in the NPL. Previously, it was reported solely as the contributions to Colorado PERA. Based on the calculations, FPPA is estimating its share of the Colorado PERA NPL to be approximately \$15.7 million for both 2014 and 2015.

FPPA Staff Trading Policy

Mr. Simon reviewed proposed revisions to FPPA's Investment Staff Personal Trading Policy. Discussion was held around the SEC definition of "family member". Mr. Slack remarked that the addition of the proposed language would require staff members to obtain individual stock transactions for all family members and report back to FPPA. At Mr. Slack's request, staff will again review the policy and report back to the Audit Committee at the June 5, 2015, meeting.

At 8:58 a.m., Chair Blumenthal called for a break. Mr. Simon, Ms. Smith, and Ms. Winters left the meeting.

At 9:11 a.m., the meeting reconvened. Mr. Ahlerich and Mr. Gremmert joined the meeting.

Information Technology Assessment

At 9:12 a.m., Mr. Nuanes moved that the Committee adjourn into executive session to discuss information technology security, as allowed pursuant to C.R.S. Section 24-6-402(4)(d). Ms. Feely seconded the motion. The motion passed.

At 10:18 a.m., Ms. Feely moved that the Committee return to its regular meeting. Mr. Nuanes seconded the motion. The motion passed. Chair Blumenthal declared that no action was taken during the executive session and no motions were made.

At 10:20 a.m., Mr. Ahlerich and Mr. Gremmert left the meeting.

Statewide Death & Disability Plan Verification of Eligibility (VOE)

Ms. McGrail reviewed the VOE process used following an initial award of disability or survivor benefits from the Statewide Death and Disability Plan and the same plan that is offered as a supplement to Social Security. The VOE process is designed to gather information on an annual basis to help ensure that benefits are being properly administered; and if not, the necessary adjustments are made.

Mr. Slack added that while the VOE process has been improved over the years, it is FPPA's goal to administer benefits fairly and FPPA wants to pay benefits to members who are entitled to them, we have an equal obligation to terminate benefits where appropriate.

At 10:32 a.m., Mr. Nuanes moved to adjourn the meeting. Ms. Feely seconded the motion. The meeting adjourned.