

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
AUDIT & BUDGET
COMMITTEE MEETING

May 12, 2015

This meeting of the Public Employees Retirement Board Audit & Budget Committee was called to order by Chair Stewart Logan at approximately 9:00 a.m. on the above-cited date in the PERA Building, Fabian Chavez Jr. Board Room, 33 Plaza La Prensa, Santa Fe, New Mexico.

Following the Pledge of Allegiance, roll was called by Executive Director Wayne Propst and a quorum was established as follows:

Members Present:

Stewart Logan, Chair
Jackie Kohlasch, Vice Chair
John Reynolds

Member(s) Excused:

Dianna Duran
Tim Eichenberg

Other Member(s) Present:

Patty French
Louis Martinez
Dan Esquibel
Roman Jimenez
Paula Fisher
Dan Mayfield

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Jonathan Gabel, Chief Investment Officer
Sylvia Barela, ASD Director
Greg Trujillo, Deputy Director
Natalie Cordova, Controller/CFO
Julian Baca, Deputy CIO
Judy Olson, Executive Assistant
Karen Risku, Deputy General Counsel
Roderick Ventura, Assistant General Counsel
Claudia Armijo, Assistant General Counsel
Sam Ojinaga, Bureau Chief, Contributions Accounting

Others Present:

Jeff Bridgens, Moss Adams
Jim Thomson, Moss Adams
Avelino Gutierrez, Election Committee Chair
Vince Lithgow, Election Committee Vice Chair
James Maxon, Sandoval County

2. APPROVAL OF AGENDA

Ms. Kohlasch moved to approve the agenda as presented. Her motion was seconded by Mr. Reynolds and passed by unanimous [3-0] voice vote.

3. APPROVAL OF CONSENT AGENDA

Chair Logan said he reviewed the March minutes and found them accurate and complete.

Ms. Kohlasch moved to approve the consent agenda. Her motion was seconded by Mr. Reynolds. The motion passed by unanimous [3-0] voice vote.

4. CURRENT BUSINESS

A. Informational Item: Update on FY14 Audit and GASB 68 Employer Allocation/Outreach

Natalie Cordova, Controller/CFO, provided an update on the status of PERA's outreach efforts regarding GASB 67/68 which includes traveling around the state meeting with planning districts and councils of government. She said she would be presenting during the annual Association of Counties conference and a Society of CPAs conference.

PERA has been working to produce a schedule of employer allocations (Schedule) that meets PERA's employer participant needs for implementing GASB 68, stated Ms. Cordova. PERA's senior staff has been holding conference calls with the auditors and actuaries to track progress and identify best practices.

Additionally, during the implementation of GASB 68 and the Schedule, Ms. Cordova said PERA staff identified an overstatement in the FY14 Audited Financial Statements. The employee and employer contributions were overstated by approximately \$22 million. The overstatement was caused by the year-end contribution receivable that was recorded to comply with GAAP. Upon detection of the error, PERA immediately discussed the impact with the external auditor and actuary. The overstatement does not require PERA to reissue the financial statements as the amount is immaterial to the financial statements – it represents .001 percent of the PERA Fund. However, in order to furnish the most accurate information possible during the GASB 67/68 implementation and promote confidence in the employer allocations, PERA has decided it was best to reissue the financial statements with the correct contribution amount and corrected GASB 67 notes along with the required supplementary information.

Ms. Cordova introduced Jeff Bridgens and Jim Thomson from Moss Adams. Mr. Bridgens said the contributions error was revealed in working through the Schedule. Restating the 2014 financial statements provided consistency and greater clarity. He commended management for providing the most complete and accurate information to employer members.

Mr. Martinez recommended that staff contact the Municipal League.

Ms. Cordova said the overstatement was an accounting error and the true amount that was contributed was overstated by \$22 million.

Ms. Naranjo Lopez asked what procedures staff was implementing to ensure this error does not occur in the future. Ms. Cordova said staff has reassessed its process in booking receivables and will review those entries.

Chair Logan agreed that it was better the error occurred before the issuance of GASB 68 statements. Ms. Cordova said taking into account the overstatement created a three percent increase to each municipal employer's net pension liability.

Mr. Bridgens said he was confident that financial statements can be restated and that pension information can be available to employers. He was confident the financial statements could be issued before the end of the fiscal year.

Ms. Cordova indicated that staff was communicating daily with Cavanaugh Macdonald Consulting and they will begin work on the GASB 67 supplement immediately.

Ms. Kohlasch commended staff for addressing the reporting errors in an efficient manner.

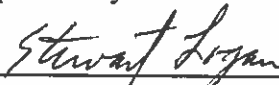
5. **OTHER BUSINESS**

None was presented.

6. **ADJOURNMENT**

Having completed the agenda, Chair Logan adjourned this meeting at approximately 9:30 a.m.

Approved by:



Stewart Logan, Chair
Audit & Budget Committee

ATTEST:



Wayne Propst, Executive Director