

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
AUDIT & BUDGET
COMMITTEE MEETING
June 11, 2019

This meeting of the Public Employees Retirement Board Audit & Budget Committee was called to order by Chair Dan Mayfield at approximately 10:00 a.m. on the above-cited date at the PERA Building, 33 Plaza la Prensa, Senator Fabian Chavez, Jr. Board Room, Santa Fe, New Mexico.

A quorum was established with the following members present:

Members Present:

Dan Mayfield, Chair
David Roybal
Loretta Naranjo Lopez
Lawrence Davis [appointed]
John Melia [appointed]

Member(s) Absent:

Tim Eichenberg
Jackie Kohlasch, Vice Chair

Other Member(s) Present:

Maggie Toulouse Oliver

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Greg Trujillo, Deputy Director
Renada Peery-Galon, Administrator Services Director
Trish Winter, Executive Assistant
Karyn Lujan, Smart Save Plan Manager
Anna Williams, Chief Financial Officer
LeAnne Larrañaga-Ruffy, Director of Equity
Emily Lopez, Financial Specialist

Others Present:

Jessica Bundy, REDW
Cait Gutierrez, REDW
Paul Cowie, Meketa
Charles A. Burciaga, Voya

2. APPROVAL OF AGENDA

Mr. Davis moved to approve the agenda. Mr. Roybal seconded and the motion passed.

3. APPROVAL OF CONSENT AGENDA

Mr. Davis moved to approve. Mr. Roybal seconded and the motion passed. Ms. Naranjo Lopez abstained.

4. CURRENT BUSINESS

A. Internal Audit – Customer Service Audit Report

Cait Gutierrez, REDW Internal Audit Manager, said this internal audit focused on evaluating the processes and procedures related to customer service, including monitoring of call center calls and the timely processing of retirement, refunds, and other member requests to ensure PERA member requests are completed in a timely manner. Weekly and monthly statistical reports were tested to assess information reported to management. She said they analyzed key processing dates to access the efficiency of processing time after the implementation of a new tracking system.

Ms. Gutierrez said since PERA's implementation of case managers, REDW had no observations to record and saw a decrease in processing time.

Ms. Gutierrez said while there were no observation, REDW did offer improvement opportunities. She noted that during test work of retirements, a few steps appeared to take longer than 10 business days and there were no notes to explain such delay. She did highlight that retirements are taking less than the 60 day estimate.

Ms. Naranjo Lopez asked what the internal audit did not cover. Jessica Bundy, REDW Principal, explained that the audit covered customer requests as outlined within the report.

Ms. Naranjo Lopez asked to whom does REDW report administratively. Ms. Bundy said as outside auditors they do not report to anyone on staff. She said they do work with upper management to ensure observations are resolved.

Ms. Naranjo Lopez said it concerned her that REDW talked to relatively new Board members rather than senior members.

B. Internal Audit Plan for FY20 – FY22

[Exhibit 1: Internal Audit Plan]

Ms. Bundy said in the past they presented a two-year plan and this year they are presenting a three-year plan. The procedures include meeting with various people throughout the organization, identifying areas of perceived risk, looking at changes in processes, and what has happened during the past year that should be incorporated. She identified the information used in preparing the audit plan and used a graph to show what audits they have performed since 2015 and the rotation of those items throughout the years.

REDW allocated approximately 900 hours for the internal audit and divided those hours by the specific items for testing. They are conducting an audit each quarter and follow up on any observations that reappear. FY2020 includes census data and employer payroll; 457 plan and custody transfer process; investments, manager selection and monitoring; RIO updates and enhancements; and, follow-up on outstanding observations and internal audit trainings. She identified the internal audit areas for FY 2021 and FY 2022.

Mr. Davis requested that the FY 2021 Governance and Investment Policy Statement (IPS)

compliance is moved up to 2020. This audit would assist the Board in their review of policies and procedures. Ms. Bundy said she could do that and would move something slated for 2020 to 2021.

In response to Ms. Naranjo Lopez' question, Anna Williams, Chief Financial Officer, said REDW is on their first year of their second four-year contract. Ms. Naranjo Lopez requested that PERA rotate auditors every four to six years. Renada Peery-Galon, Administrator Services Director, said the state audit rule requires rotation every six years; however, with the internal auditors, PERA follows the procurement code/RFP. Based on scored criteria a contract is awarded.

Ms. Bundy offered that an internal audit can be viewed similar to internal employees bringing institutional knowledge to the audit. She invited Ms. Naranjo Lopez to attend the internal audit training. While REDW does not use a color-based chart, they do measure risk and the magnitude and likelihood of risk.

Ms. Naranjo Lopez said she wanted the auditor to highlight policies that impede the Board's oversight and responsibilities.

Ms. Bundy said REDW reports to the Board.

Mr. Davis noted that neither the Board nor staff has authority over internal audits. It is important that the auditor maintains independence. A key component to an independent audit is independence.

Ms. Naranjo Lopez pointed out that when she served on the Board in 2005, the internal auditor was a PERA employee and he supplied the Board with detailed information. She said that information is no longer forthcoming and the Board should be concerned.

Mr. Roybal moved to approve the Internal Audit Plan for FY20- FY22 with the change of IPS compliance occurring in FY2020. Mr. Davis seconded and the motion passed by unanimous voice vote.

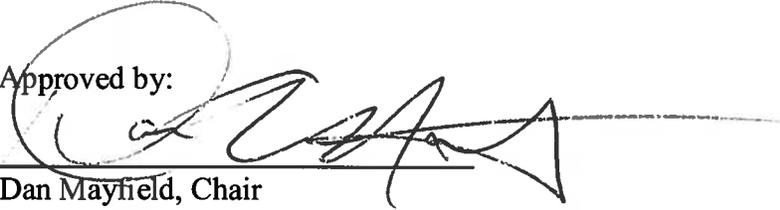
5. OTHER BUSINESS

None was presented.

6. ADJOURNMENT

Having completed the agenda, and upon motion and second, Chair Mayfield adjourned this meeting at approximately 10:30 a.m.

Approved by:


Dan Mayfield, Chair
Audit & Budget Committee

ATTEST:


Wayne Propst, Executive Director

Attached Exhibit(s):

Exhibit 1: Internal Audit Plan