

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
AUDIT & BUDGET
COMMITTEE MEETING
September 10, 2019

This meeting of the Public Employees Retirement Board Audit & Budget Committee was called to order by Chair Dan Mayfield at approximately 9:30 a.m. on the above-cited date at the PERA Building, Senator Fabian Chavez, Jr. Board Room, 33 Plaza la Prensa, Santa Fe, New Mexico.

A quorum was established with the following members present:

Members Present:

Dan Mayfield, Chair
Jackie Kohlasch, Vice Chair
David Roybal
Loretta Naranjo Lopez

Member(s) Absent:

Tim Eichenberg

Other Member(s) Present:

Maggie Toulouse Oliver
Lawrence Davis
Shirley Ragin

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Dominic Garcia, Chief Investment Officer
Greg Trujillo, Deputy Director
Renada Peery-Galon, Administrative Services Director
Trish Winter, Executive Assistant
Karyn Lujan, SmartSave Plan Manager
Anna Williams, Chief Financial Officer
LeAnne Larrañaga-Ruffy, Director of Equity
Joaquin Lujan, Investment Division
Ron Gallegos, Chief Information Officer

Others Present:

Jessica Bundy, REDW
Lenora Chavez, Retiree

2. APPROVAL OF AGENDA

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

3. APPROVAL OF CONSENT AGENDA

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

4. CURRENT BUSINESS

A. Outstanding Internal Audit Observation Report

Jessica Bundy, REDW, said that these observations close out the internal audit cycle. At the previous meeting, the audit plan was approved. The internal audit was performed according to the approved plan. A current status from management on the observations is obtained and when management believes the observation is resolved, REDW performs limited procedures/testing over the observation to ensure the process has changed.

Ms. Bundy said 10 out of the 19 outstanding observations were resolved. Five of the observations were from 2018 audit and five from 2015. She said the focus is to clear out the oldest ones as much as possible to make sure those are moving on. It was good follow-up and management worked to resolve the issues.

Referring to the nine unresolved observations, Ms. Bundy noted five were from 2018, two from 2016 and two from 2015. Ms. Bundy reviewed the unresolved observations and noted that service credit report which found a lack of controls over active members' service credit balances is an issue that will require additional time. Management has responded that the RIO build out should be completed and monitoring should address the issue. Regarding the observations of 2015 about member training, Board policies and committee charters, Ms. Bundy said these issues are being addressed but are not yet resolved.

Mr. Roybal asked about the IT draft policies, and Ron Gallegos, Chief Information Officer, said that prior to the audit there were no official policies in place. There are now draft policies that apply to the current infrastructure and will need to be updated as the new production system comes on line. The intent of the policy will not change; however, the language and how it applies to the new system will be addressed.

Referring to the imaging records documentation that is listed as an unresolved observation, Ms. Naranjo Lopez asked whether PERA would be using NextRequest, which Albuquerque uses. Ms. Bundy said the observation has to do with an internal process and the manner in which records and imaging communicates with internal departments. The audit reveals some responsibility confusion.

Ms. Naranjo Lopez requested that documents be available on line. Deputy Director Trujillo said the observation has to do with member records which are

confidential and cannot be placed online. However, if there are records that should be more accessible, he offered to review that.

Ms. Naranjo Lopez said she was really concerned about miscalculations regarding benefits. She mentioned a member who was required to pay the system back \$9,000 because of a RIO error. Mr. Trujillo said RIO recently underwent a \$4.2 million revamp. The upgrade should extend the life of RIO an additional 10 years. Part of the RIO upgrade included the introduction of an Ebill process which requires a reconciliation before payment is forwarded to PERA. While late reporting continues to be an issue, accuracy is greatly improved. The assessment of late reporting penalties is anticipated soon.

Ms. Bundy pointed out that the records/imaging observation to which Ms. Naranjo Lopez is referring occurred in October 2016, and since then there has been improvement. Mr. Trujillo said the revised service credit calculator has not yet been fully implemented, and once it is, the manual adjustments will no longer be necessary.

Ms. Naranjo Lopez stated that PERA should look at the benefits given in each plan, and opined that if they were fair and equitable across the board, the benefits would be easier to calculate.

5. **OTHER BUSINESS**

Mr. Trujillo introduced Ron Gallegos as PERA's Chief Information Officer.

6. **ADJOURNMENT**

Having completed the agenda, and upon motion and second, Chair Mayfield adjourned this meeting at approximately 9:50 a.m.

Approved by:



Dan Mayfield, Chair
Audit & Budget Committee

ATTEST:



Wayne Propst, Executive Director