



INVESTED IN TOMORROW.

Audit & Budget Committee Meeting

Senator Fabian Chavez Jr. Board Room
PERA Building • 33 Plaza La Prensa • Santa Fe, NM 87507

Tuesday, March 10, 2020

After SmartSave Committee

Committee Members

David Roybal, Chair

Lawrence Davis, Vice Chair

Dan Mayfield

Claudia Armijo

Loretta Naranjo Lopez

AGENDA

1. Call to Order

2. Roll Call

3. Approval of Agenda

4. Approval of Consent Agenda

5. Current Business

- | | | | |
|-----------|--|---------------|--|
| A. | PERA SmartSave - Custody Transfer Process -
Internal Audit Report | Informational | Jessica Bundy, CPA, Principal;
Cait Gutierrez, CPA, Internal
Audit Manager, REDW |
| B. | 2020 Work Plan | Action | Renada Peery-Galon,
Administrative Service Division
Director |

6. Adjournment

Consent Agenda

Approval of Minutes of December 10, 2019 Audit & Budget Committee Meeting

Any person with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact Trish Winter at 476-9305 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact Ms. Winter if a summary or other type of accessible format is needed.



Public Employees Retirement Association of New Mexico

*457 Plan – Custody Transfer Process
Internal Audit
January 2020*

REDW^{LLC}
CPAs | Advisors

**Public Employees Retirement Association of New Mexico
Internal Audit
457 Plan – Custody Transfer Process**

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Public Employees Retirement Association of New Mexico 457 Plan – Custody Transfer Process Report

INTRODUCTION

We performed the internal audit services described below solely to assist the Public Employees Retirement Association of New Mexico (PERA) in the evaluation process of the transfer of assets and participant information from Nationwide to Voya. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants and the terms of our Professional Services Contract agreement for internal audit services. Since our procedures were applied to samples of reports and processes, it is possible that significant issues related to the areas tested may not have been identified.

PURPOSE AND OBJECTIVES

Our internal audit focused on obtaining an understanding of the 457 Plan custody transfer process from Nationwide to Voya. We evaluated whether reconciliations were adequately performed, ensuring a complete transfer of assets. We tested individual accounts to ensure the participant's data was accurately transferred. We evaluated the accuracy of the valuation of assets to ensure these were properly recorded at fair market value or in accordance with alternate valuation techniques.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations, we interviewed the following personnel:

- Anna Williams, Chief Financial Officer
- Karyn Lujan, Deferred Compensation Plan Manager
- Chip Burciaga, Vice President Strategic Relationship Management at Voya Financial
- Christopher Psychos, Senior Implementation Project Manager at Voya Financial
- Allison Faulk, Clients Relationship Manager at Voya Financial

In order to gain an understanding of the processes, we read relevant portions of:

- Voya Conversion Guide (September 30, 2019)
- Voya Live Conversion Package (November 6, 2019)

We performed the following testwork:

Reconciliation: We obtained the reconciliation summary performed by Voya from the Live Conversion Package. Additionally, we obtained the detailed reconciliation support for balances from Nationwide and Voya and tested that the reconciliation was accurately performed and that the Nationwide ending balances agreed to the beginning balances at Voya as of September 30, 2019.

Participant Accounts: We gained an understanding of how participant account data was transferred to Voya and the controls in place over the accuracy of the data transfer. We obtained a listing of all Plan members as of September 30, 2019. From the listing of 23,132 participants with balances, we selected 60 participants and tested to determine:

- The total amount transferred for the participant from Nationwide to Voya agreed;
- Investments were transferred in accordance with fund mapping;
- Investments were transferred in the correct amount;
- Participants were transferred to the correct Plan in accordance with Plan number mapping;
- If the participant had an outstanding loan, the loan was accurately transferred, including payment information;
- Demographic information (Name, DOB, SSN, DOH, etc.) was transferred correctly;
- Deferral elections remained the same between Nationwide and Voya.

Fund Values: We obtained the values for all funds from both Nationwide and Voya as of September 30, 2019. We verified the units and total valuation was consistent from Nationwide to Voya. Additionally, utilizing MarketWatch, we determined whether funds were recorded at fair market value.

Participant Notification: We gained an understanding of how and when participants were notified of the 457 custody transfer and if required action steps were communicated timely ahead of the plan live date with Voya.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

As a result of our testing, REDW did not identify any observations.

PROCESS IMPROVEMENT RECOMMENDATIONS

1) *PERA RECONCILIATION*

Although no variances were noted as part of the reconciliation and support provided by Voya, an independent reconciliation was not performed by PERA. PERA should consider performing an independent reconciliation or reviewing the reconciliations performed by the service provider to ensure all assets are adequately transferred for any future custody transfers.

2) *DEMOGRAPHIC INFORMATION*

Nationwide included limited participant information in participant's account; however, PERA has this information in RIO including date of birth, date of hire and date of plan entry. Although such information is verified prior to a participant retiring, PERA should consider having all demographic information automatically update from PERA's system to Voya through query. PERA is currently adding in termination dates for participants through a similar process.

* * * * *

This report is intended for the information and use of the PERA management, the audit committee, members of PERA's Board and others within the organization.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from PERA during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
January 23, 2020

INVESTED IN TOMORROW.

MEMORANDUM

TO: Audit and Budget Committee
FROM: Renada Peery-Galon, ASD Director
DATE: March 10, 2020
SUBJECT: 2020 Audit and Budget Committee Work Plan

The purpose of the Audit and Budget Committee is to assist the PERA Board in fulfilling its fiduciary oversight responsibilities by participating in the selection and evaluation of the System's independent external auditor and the internal auditor, keeping informed of legal and accounting developments that impact the presentation and reporting of financial information, obtaining information or briefings from the internal and external auditors, and working with PERA executive staff to develop recommendations and advice to the Board.

The following is the 2020 Audit and Budget Work Plan:

March 10, 2020:

- 2020 Audit and Budget Committee Work Plan
- Internal Auditors: 457 Plan – Custody Transfer Process

June 9, 2020:

- Internal Auditors: Investments – Governance and Investment Policy Statement (IPS)

September 8, 2020:

- Internal Auditors: Compliance Manager Selection and Monitoring

December 8, 2020

- Internal Auditors: Benefit Payments and Member Refunds

Also, the following items must come before the PERA Board in 2020 as informational or action items:

April 30, 2020:

- Fiscal Year 2021 Operating Budget



May 28, 2020:

- Fiscal Year 2019 Schedule of Employer Allocations Report (Executive Session)

August 27, 2020:

- Fiscal Year 2022 Appropriation Request

The work plan will be subject to change based on the needs and the workings of the Audit and Budget Committee.

NEW MEXICO

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

AUDIT & BUDGET

COMMITTEE MEETING

December 10, 2019

1. 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 Senator Fabian Chavez, Jr. Board Room, PERA Building, 33 Plaza la Prensa, Santa Fe, New Mexico.

2. A quorum was established with the following members present:

Members Present:

Dan Mayfield, Chair
David Roybal
Loretta Naranjo Lopez

Member(s) Absent:

Tim Eichenberg
Jackie Kohlasch, Vice Chair

Other Member(s) Present:

Shirley Ragin
Lawrence David
John Melia
Steve Neel

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Dominic Garcia, Chief Investment Officer
Greg Trujillo, Deputy Director/Chief Information Officer
Renada Peery-Galon, Administrator Services Director
Trish Winter, Executive Assistant
Karyn Lujan, SmartSave Plan Manager
Anna Williams, Chief Financial Officer
Misty Schoeppner, Deputy General Counsel
Geraldine Garduño, Assistant General Counsel

Others Present:

Harvey Leiderman, Reed Smith
Jessica Bundy, REDW
Cait Gutierrez, REDW
Lenora Chavez, Retiree
Paul Cowie, Meketa Investment Group
Tom Toth, Wilshire
Joseph E. Montoya, Retired
Jake Salazar, Retired
Ernest Marquez, AES

2. APPROVAL OF AGENDA

Ms. Naranjo Lopez moved to approve the agenda. Mr. Roybal seconded and the motion passed without opposition.

3. APPROVAL OF CONSENT AGENDA

Ms. Naranjo Lopez moved to approve. Mr. Roybal seconded and the motion passed without opposition.

4. CURRENT BUSINESS

A. PERA Census Data Internal Audit Report

Jessica Bundy, REDW, said the audit was originally conducted in 2015 and PERA management has been cleaning up the data issues since; this was a re-audit. REDW testing was focused on analyzing any unusual items in the database. A sample of members was conducted to ensure supporting documentation matched the data. PERA staff worked on priority data that had an impact on the system and needed correction. New employee data was reviewed by looking at demographic information and making sure that all of the data agreed with the member application form, and was correctly input into the system. Changes to member account data was carefully reviewed to validate that it was done correctly. Employer payroll was sampled and tested. The final area of testing was the data cleansing by reviewing the generated reports, identifying any discrepancies and ensuring resolution of discrepancies. Ms. Bundy noted that data is consistently being uploaded each payroll, and controls need to be in place to ensure accuracy.

Ms. Bundy said there were no reportable observations, and it appears that management made significant progress in identifying missing and unusual information with member accounts and making necessary corrections.

Cait Gutierrez, REDW, reviewed the areas of the audit that went well, and she noted that payroll upload and hours reported under plan code were done well. Regarding the codes, Ms. Gutierrez said a that formal process for changes to a code should be developed and implemented.

Chair Mayfield congratulated PERA staff who worked on this audit.

In response to a question posed by Ms. Naranjo Lopez regarding an audit of job classification, Deputy Director Trujillo explained that for PERA purposes it is only the pension plan classification that is a concern.

5. OTHER BUSINESS

None was presented.

6. ADJOURNMENT

Having completed the agenda, and upon motion and second, Chair Mayfield adjourned this meeting at approximately 10:15 a.m.

Approved by:

Dan Mayfield, Chair
Audit & Budget Committee

ATTEST:

Wayne Propst, Executive Director