

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA**

**AUDIT COMMITTEE MEETING
THURSDAY, JUNE 6, 2024
9:30 A.M.**

MINUTES

OPEN SESSION

Chair Packard called the meeting to order at 9:29 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present: Charles Packard, Chair; Adele Lopez Tagaloa, Vice Chair; Shari Freidenrich, Ex-Officio Member; Chris Prevatt; Board Member

Also Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO of External Operations, Brenda Shott, Assistant CEO of Internal Operations; Manuel Serpa, General Counsel; David Kim, Director of Internal Audit; Kwame Addo, Chief Compliance Officer; Silviu Ardeleanu, Director of Member Services; Jeff Lamberson, Director of Member Services; Jenny Davey, Internal Auditor; Jennifer Reyes, Finance Manager; Laura Barker, Finance Manager; David Beeson, Director of Investments; Anthony Beltran, Audio Visual Technician; Marielle Horst, Recording Secretary.

Guests: Kory Hogan and Aaron Hamilton, Moss Adams

PUBLIC COMMENT

None.

CONSENT AGENDA

C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

March 28, 2024

MOTION by Ms. Freidenrich, **seconded** by Ms. Lopez Tagaloa, to approve the minutes.

The motion passed **unanimously**.

ACTION ITEMS

Orange County Employees Retirement System
June 6, 2024
Audit Committee Meeting

A-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA

None.

A-2 2023 FINANCIAL STATEMENT AUDIT

Introduction by Brenda Shott, Assistant CEO of Finance and Internal Operations, and Jennifer Reyes, Finance Manager, OCERS

Presentation by Kory Hoggan and Aaron Hamilton, Moss Adams

Recommendations:

1. Approve OCERS' audited financial statements for the year ended December 31, 2023;
2. Direct staff to finalize OCERS' 2023 Annual Comprehensive Financial Report (Annual Report);
3. Approve the Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2023; and
4. Receive and file Moss Adams LLP's (Moss Adams) "OCERS' Report to the Audit Committee for the Year Ended December 31, 2023" and their "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards."

Ms. Reyes presented the 2023 Annual Comprehensive Financial Report and noted the report has been nominated for several awards, including the GFOA Certificate of Achievement for Excellence in Financial Reporting; Public Pension Standards Award for Funding and Administration 2023; and American Advertising Award. Ms. Shott thanked staff for their work on the Annual Report. Mr. Hogan noted the GFOA award has been obtained 16 years in a row and speaks to the experience and technical expertise of staff.

Mr. Hamilton informed the Committee that there were no findings in the Audit.

Ms. Lopez Tagaloa congratulated the Finance Department on their work and would like to know if we receive the gold award for the AAA graphic design nomination.

MOTION by Ms. Freidenrich, **seconded** by Mr. Prevatt, to accept the Audit Report.

An **AMENDED MOTION** by Ms. Freidenrich, **seconded** by Mr. Prevatt to approve all staff's recommendations.

The motion passed **unanimously**.

A-3 GASB 68 VALUATION AND AUDIT REPORT

Presentation by Jennifer Reyes, Finance Manager

Recommendations:

Orange County Employees Retirement System
June 6, 2024
Audit Committee Meeting

1. Approve OCERS' audited Schedule of Allocated Pension Amounts by Employer as of and for the Year Ended December 31, 2023; and
2. Approve the Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation as of December 31, 2023 for distribution to Employers.

Ms. Reyes presented the GASB 68 Valuation and Audit Report, noting Moss Adams issued a clean unmodified opinion on the 2023 schedule and related notes.

MOTION by Ms. Lopez Tagaloa, **seconded** by Ms. Freidenrich, to approve staff's recommendations.

The motion passed **unanimously**.

A-4 ORANGE COUNTY TRANSPORTATION AUTHORITY EMPLOYER AUDIT

Presentation by David Kim, Director of Internal Audit

Recommendation: Receive and file.

Mr. Kim presented the OCTA Employer Audit, noting there were two observations.

Ms. Freidnrich provided directions to staff to add more dollars to the report. Additionally, Ms. Freidenrich inquired why this was an "important" observation and not a "priority". Mr. Kim noted the reason it was labeled as an "important" observation is that it was not a systemic issue. Mr. Kim also noted relevant dollar amounts from the report.

Mr. Prevatt questions whether the counting of Extra Help hours aligns with OCERS Membership Eligibility Requirements policy and emphasizes the need to address this policy at the Governance Committee. He suggests that the calculation for Extra Help should focus on the start date rather than the fiscal or calendar year. Mr. Kim indicated that Extra Help hours are audited according to OCERS policy. Mr. Prevatt directed Mr. Delaney to present this policy to the Governance Committee for better tracking of Extra Help employees working over a year.

Ms. Freidenrich noted pay item issues, such as van pay, should be a "priority" issue. Mr. Prevatt directed Internal Audit, that if it is related to pensionable pay items, it should be a "critical" issue, regardless of the dollar amount.

Mr. Packard asked if there was enough guidance provided to the employers following audits. Mr. Kim commented that Member Services' upcoming new employer data policy plus Member Services' existing annual review of pay items would provide this guidance to the employers.

MOTION by Mr. Prevatt, **seconded** by Ms. Lopez Tagaloa, to receive and file.

The motion passed **unanimously**.

CLOSED SESSION ITEMS

Orange County Employees Retirement System
June 6, 2024
Audit Committee Meeting

The Committee adjourned to closed session at 11:05 a.m.

E-1 THREAT TO PUBLIC SERVICES OR FACILITIES
(Government Code Section § 54957)
Consultation with OCERS Director of Cyber Security

Recommendation: Take appropriate action.

OPEN SESSION

The Committee reconvened to open session at 12:12 p.m.

REPORT OF ACTIONS TAKEN IN CLOSED SESSION

Mr. Serpa reported no reportable action was taken during closed session.

INFORMATION ITEM

I-1 BIENNIAL REPORT ON THE OPERATION AND EFFECTIVENESS OF THE OCERS COMPLIANCE PROGRAM

Presentation by Kwame Addo, Chief Compliance Officer

Mr. Addo presented the Compliance activities, including a survey that had a 65% participation rate. To help advertise the Ethics & Fraud Hotline, a flyer was developed that will be placed in common areas throughout the office. Ms. Freidenrich provided design feedback on the flyer.

Additionally, Mr. Addo touched on the Management Action Plan, which will officially transition certain aspects of the process from Internal Audit to Compliance within three months. Mr. Prevatt would like a Gantt chart to help the Committee visualize how the Compliance Program would be developed. This would help ask for additional staffing resources.

Mr. Addo discussed the Operational Risk Management Report which has transitioned to Compliance from Operations and Support Services.

Lastly, Mr. Addo provided detailed information on the planned Compliance Awareness Activities. Mr. Prevatt suggested our training should be developed in short specified training sessions, rather than general long sessions. Mr. Prevatt asked if the Compliance Department would be able to build this out for each department, which Mr. Addo confirmed was part of the plan.

Mr. Addo acknowledged and recognized Ms. Rebeca Gonzalez-Verdugo and Mr. William Singleton for their work with the Compliance Department.

I-2 MEMBER SERVICES BENEFIT CALCULATIONS QUALITY ASSURANCE REPORT

Presentation by Jeff Lamberson, Director of Retirement Operations, Member Services, and Suzanne Jenike, Assistant CEO, External Operations

Orange County Employees Retirement System
June 6, 2024
Audit Committee Meeting

Ms. Jenike presented the processes of calculating the Final Average Salary using automation, noting how errors are caught and reported. Ms. Jenike sought direction from the Committee on how often they would like reports, to which she suggested the first year semi-annually, and then annually the following years. The Audit Committee agreed with Ms. Jenike's suggestion of semi-annual reporting. Ms. Freidenrich requested important findings be reported to the Committee.

WRITTEN REPORTS

The following are written reports that will not be discussed unless a member of the Committee requests discussion.

R-1 MANAGEMENT ACTION PLAN VERIFICATION REPORT
Written Report

R-2 STATUS UPDATE OF 2024 AUDIT PLAN
Written Report

STAFF/COUNSEL/CHIEF EXECUTIVE OFFICER/COMMITTEE MEMBER COMMENTS

None.

ADJOURNMENT

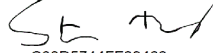
Chair Packard adjourned the meeting at 12:45 p.m.

Submitted by:

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Mark Adviento
Committee Liaison

Submitted by:

DocuSigned by:

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Steve Delaney
Secretary to the Board

Approved by:

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Charles Packard
Chair