

PUBLIC EMPLOYEES' RETIREMENT BOARD

Audit Committee

100 North Park Avenue, Room 201
Helena MT 59601

Thursday, May 10, 2012
2:30 P.M.

Committee Members:

Bob Bugni, Chair
Dianna Porter, Member
Terrence Smith, Member

Staff:

Roxanne Minnehan
Barbara Quinn
Hollie Koehler
Flora Sebens

2:30 pm OPEN MEETING

I. Roll Call

II. Public/Member Comment

There was no public/member comment.

Introduction

Ms. Hollie Koehler was introduced to the Audit Committee members as the new MPERA Auditor. She replaced Ms. Renae Justice.

Committee Chair

Motion: Chairman Terrence Smith moved to appoint Member Bob Bugni as Chairman of the Audit Committee, effective Thursday, May 10, 2012.

Second: Member Dianna Porter

No public comment.

Vote: 3/0

Discussion items

III. Internal Audit Update (Hollie Koehler)

A. Internal Control Audit Summary

Ms. Koehler handed out a copy of the Audit Manual that was originally drafted by Renae Justice that shows what audits have been done so far for FY2012. There are six internal audits that still have to be done before fiscal year end. Fifty-three audits have been completed so far.

It was agreed that Hollie would expand on the information provided in the Audit

Committee's Quarterly Report spreadsheet and she would add more information on the outcomes of the audits and what recommendations were being made.

Informational items (3:30 – 4:00)

IV. Fiscal Services Update (*Barb Quinn*)

Review of the 457/DB report.

Ms. Diann Levandowski explained the adjustment spreadsheet that shows the corrections to FY2009 through FY2011 fees received from Great West. At MPERA's request, Great-West has refined the information sent with the fee revenues. The changes include a breakout of participant charges and asset based recovery charges as well as the plan break out for 12(b)1 fee charges back to 2009. Prior year adjustments that are represented on the sheet were the result of reallocating the fee revenues from DC to 457 based on the new information obtained.

The column header "**Original**" refers to the original entries that were made into SABHRS (State Accounting System).

The column header "**Adjustment**" refers to the amount of the correction that was made to the individual revenue accounts in the Fund.

The column header "**Corrected**" refers to the correct balance that should be in the individual revenue accounts in the Fund after the adjustments have been made.

Asset Based Fee Revenue for 457 Deferred Comp – Zero amounts in **Original** column due to being instructed to not record as an asset based recovery fee; therefore, recorded in the participant fees.

Adjustment performed was to take the participant fees and part of the asset based fees that were originally credited to the DCRP account and move them to the Asset Based fees under the 457 Plan. The Participant fees for the 457 were also adjusted to the asset based recovery fees.

FY2009 ($\$87,995.02 + \$24,383.50 + \$42,817.79 = \$155,196.31$)

FY2010 ($\$127,426.25 + \$37,569.58 + \$37,380.26 = \$202,376.09$)

FY2011 ($\$177,457.96 + \$26,473.20 + \$60,744.16 = \$264,945.32$).

The 12(b)1 fees were slightly adjusted in these adjustments because the old calculations were close to the current calculations that are performed.

The numbers represented in the spreadsheet have been tied to the 457 and DCRP fee presentation spreadsheets that were presented to the PERB and EIAC. There was a \$4,000 error on DCRP fee presentation spreadsheet but this has been rectified.

For ease of accounting analysis additional fee accounts have been set up in the General Ledger for better transparency of fee accounting entries. Plus we have requested that the 12(b)1 fees not be sent separately from the other fees from Great-West. We have also requested Great-West break out the fees on the statement for the 457 and DCRP,

allowing for true accounting of those fees.

V. Set meeting schedule. (*August 9, November 8*)

The next Audit Committee Meeting is August 9, 2012.

3:30 pm PROJECTED ADJOURNMENT