

MINUTES

**AUDIT COMMITTEE
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**

**One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA**

July 10, 2024 – 10:00 a.m.

This meeting was held at the address listed above and was accessible via videoconference and conducted in accordance with Government Code section 54953 and 54954.2 through December 31, 2025.

CALL TO ORDER

Chair Martinovich called the meeting to order at 10:00 a.m.

ROLL CALL

PRESENT: Martinovich, Murphy, Silberstein

ABSENT: None

**CONSIDER ANY BOARD MEMBER REQUESTS TO TELECONFERENCE FOR
“JUST CAUSE” OR “EMERGENCY,” AS SET FORTH ON THIS AGENDA BELOW**

No Board members requested to teleconference.

MINUTES

It was M/S Silberstein/Murphy to approve the November 29, 2023 Audit Committee Meeting Minutes as submitted. The motion passed by a vote of 8-0 as follows:

AYES: Martinovich, Murphy, Silberstein

NOES: None

ABSTAIN: None

ABSENT: None

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may also address the Board regarding any agenda item when the Board considers the item.

Open time for public expression, from three to five minutes per speaker, on items not on the Board Agenda. While members of the public are welcome to address the Board during this time on matters within the Board's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be

taken by the Board concerning a non-agenda item. Members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

No members of the public provided comment.

B. NEW BUSINESS

1. Annual Financial Audit Scope of Services and Processes – Neeraj Datta and Andy Paulden, Partners, Brown Armstrong

Consider and discuss annual audit processes

Andy Paulden, Partner with Brown Armstrong Accountancy Corporation, presented services and processes for the annual audit of Financial Statements for the Fiscal Year ending June 30, 2024. Mr. Paulden said during the audit there will be continuous, two-way communication and reporting with the Audit Committee and MCERA's management. Any significant modifications needed will be brought to the Audit Committee's and management's attention. Mr. Paulden introduced Partner Neeraj Datta to review the scope of the annual financial audit and critical dates.

Mr. Datta stated at the top level the audit team is the same as last year, with Lindsey Gentry as Manager. The audit planning stage involving requesting and gathering initial information is close to completion. Interim Fieldwork begins on September 2, 2024 and closes with an Interim Status update meeting with the Audit Committee. Final Fieldwork Planning begins on September 30 when confirmation replies are due to the auditor and MCERA provides initial financial reports. On October 14 auditors begin Final Fieldwork and release final values to the actuary on October 18.

For the final Audit Wrap-up and Presentation, MCERA provides the auditor with draft financial statements on October 23 for review. By November 1 the draft GASB 67/68 Report is due to MCERA which is then incorporated into the financial statements. Auditors provide any further suggested changes and draft deliverables by November 13. MCERA then provides comments or responses to findings, if any, by November 15.

On December 2, 2024 auditors present the final annual financial audit results to the Audit Committee that is subsequently presented to the Retirement Board for consideration at its December 11, 2024 meeting.

Mr. Datta stated audit objectives for the public and MCERA are to provide assurance on the financial information released by MCERA. For the Audit Committee and Retirement Board, the audit provides assistance in discharging their fiduciary responsibilities. For management, auditors provide observations and advice on financial reporting, accounting, and internal controls. The primary objective is the expression of an opinion on MCERA's financial statements in accordance with auditing standards generally accepted in the United States of America.

Among audit strategies are interviewing selected staff from all levels of MCERA and one member of the Board. Auditors test controls over financial reporting, and focus on areas of

significant risk such as revenue recognition, management override of controls, investments and related earnings, participant data, employer and employee contributions, and benefit payments. Mr. Paulden added the confirmation process for MCERA's data includes corroboration with third parties.

Mr. Paulden reviewed deliverables to be issued, the first being the Independent Auditor's Report on Financial Statements that includes an opinion that they are fairly presented in accordance with Generally Accepted Accounting Principles (GAAP). The next report is the Required Communication to the Audit Committee/Board of Retirement. Then, there is a Report on MCERA's Internal Control over Financial Reporting and on Compliance with Laws and Regulations. The final report issued is the Agreed Upon Conditions report on any findings and the auditor's recommended corrective actions, where applicable. He noted any follow-up from the prior year would be reported in this report.

Trustee Silberstein requested a special focus on private equity and private real estate (alternative investments) valuations. In response, Mr. Paulden said these valuations are treated as a subset of the investment portfolio, explaining the auditors look to the investment advisor, custodian, and managers for audited financial statements and System and Organization Control (SOC) reports to review and make a judgement call on areas to examine.

Chair Martinovich asked how auditors address any significant timing differences between reporting dates for alternative investments. Mr. Paulden replied if there is a timing difference from the issuance of financial statements, auditors do a roll forward and ask managers if there is additional information to be aware of. Custodian data is also reviewed to identify any issues that have come about.

Chair Martinovich asked if the auditors have specialists, including actuarial, for alternative investment valuations. Mr. Paulden replied valuation specialists are not engaged since the auditors rely on manager audited financial statements and SOC reports. Auditors rely on financial reporting that is verified through the confirmation process. He does not anticipate any issues regarding reporting in the financial statements. Mr. Wickman noted that auditors will receive the actuarial audit report to be issued in the fall that would identify any issues that require the Board's attention. The Chair invited further questions from the Committee.

2. Audit Committee 2024 Audit Schedule – Neeraj Datta and Andy Paulden, Partners, Brown Armstrong
Review and discuss schedule of audit activities for 2024

See discussion above.

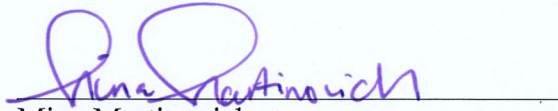
Chair Martinovich thanked Mr. Paulden and Mr. Datta for today's presentation.

3. Future Meetings

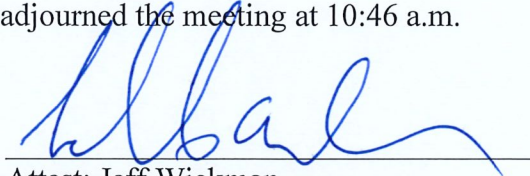
Consider and discuss agenda items for future meetings

The Committee's next meeting is on September 17, 2024.

There being no further business, Chair Martinovich adjourned the meeting at 10:46 a.m.



Mina Martinovich
Audit Committee Chair



Attest: Jeff Wickman
Retirement Administrator