

**Minutes of the Audit Committee Meeting  
Wednesday, December 5, 2018**

**Attendees:**

**Audit Committee:**

David Fillman - Chairman  
Stephen Aichele  
Toni Marchowsky – Designee for Senator Vincent J. Hughes  
Dan Ocko - Designee for Representative Dan B. Frankel

**SERS Staff:**

Tom Derr  
Linda Engle  
Christopher Houston  
Dan Krautheim  
Karen Lynn  
Ryan McCoy  
N. Joseph Marcucci  
Terrill J. Sanchez  
Joseph Torta

**Presenters/Guests:**

John Fellin, Empower  
Jeffrey Knight, Empower  
Eric Forkner, KPMG LLP  
Craig Swallow, KPMG LLP

**1. Call to Order**

At 8:39 a.m., Chairman Fillman called the meeting to order.

## **2. Approval of Minutes**

### **Action 1: Minutes of Committee Meeting – September 12, 2018**

Chairman Fillman presented the minutes provided to the committee. (12/05/2018 Committee Package)

#### **Motion:**

By motion that was moved by Chairman Fillman and approved unanimously by committee members, it was;

RESOLVED: That this committee approves the meeting minutes from the September 12, 2018, meeting.

## **3. Internal Audit Update (12/05/2018 Committee Package)**

### **Action 1: 2018: Internal Audit Staffing**

Karen Lynn introduced Ryan McCoy, who has joined the Internal Audit Division as the Assistant Internal Audit Director/Investment Audit Specialist, effective November 12, 2018.

### **Action 2: 2019 Internal Audit Agency Risk Assessment and Project Plan**

This discussion will be delayed until the February 2019 committee meeting to allow additional time for scheduled presentations to take place at today's meeting.

## **4. Chief Compliance Officer Update**

### **Action 1: Quarterly Report Ending September 30, 2018**

Christopher Houston led a discussion on the Acting Chief Compliance Officer, Quarterly Report, Period Ending September 30, 2018. (12/05/2018 Committee Package)

## **5. 2018 Independent Audit Plan and Strategy**

### **Action 1: Independent Audit Plan and Strategy for the Year Ending December 31, 2018**

Eric Forkner, Managing Director, and Craig Swallow, Senior Manager, with KPMG LLP led a discussion on the upcoming 2018 independent audit of the financial statements of SERS and the Deferred Compensation Program, as of and for the year ended December 31, 2018, including the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer (GASB 68 schedules). In addition, a separate audit of SERS modernization of SERIS, including the implementation of 2017-Act 5 will also occur. (12/05/2018 Committee Package)

**Action 1 Follow-up:**

- (1) Mr. Faiola requested that Messrs. Forkner and Swallow provide SERS with a summary on how other state pension funds audited by KPMG are reporting investment carried interest on their respective financial statements.

**6. Empower's Security Over SERS 457 and 401(a) Plans' Assets and Technological Data****Action 1: Empower's Securing Retirement Presentation**

Jeffrey Knight, SVP and Chief Technology Officer, and John Fellin, Vice President of Client Services, presented Empower's approach to data security to the Audit Committee members. (12/05/2018 Committee Package)

**7. Motion to Adjourn****Action 1: Adjournment****Motion:**

By motion that was moved by Chairman Fillman and approved unanimously by committee members, it was;

RESOLVED: That this meeting be adjourned at 9:30 a.m.

Respectfully submitted,



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Karen A. Lynn  
Director of Internal Audit