

**Minutes of the Audit, Risk and Compliance Committee Meeting  
Thursday, February 28, 2019**

**Attendees:**

**Audit Committee:**

Stephen S. Aichele – Committee Chairman  
Joseph M. Torsella – Committee Vice Chairman  
Thomas Clancy – Designee for Treasurer Joseph M. Torsella  
Dan B. Frankel  
Toni Marchowsky – Designee for Senator Vincent J. Hughes  
Dan Ocko - Designee for Representative Dan B. Frankel  
Mary A. Soderberg

**SERS Staff:**

Rose Agnew  
Randy Albright  
Don Bell  
Dhanashree Chitnis  
Thomas Derr  
Linda Engle  
Anthony Faiola  
Pamela Hile  
Christopher Houston  
Barbara Kiral  
Bryan Lewis  
Karen Lynn  
N. Joseph Marcucci  
Ryan McCoy  
Sara McSurdy  
Jeffrey Meyer  
Catherine Nolan  
Terrill J. Sanchez  
Sharon Smith  
Joseph Torta

**State Officials and Visitors:**

James Bloom – Public Pension Management & Asset Investment Review Commission  
Susan Boyle – Designee for Representative Michael G. Tobash  
Lloyd Erbright – Treasury  
Alan Flannigan – Dept. of Banking & Securities  
Brian LaForme – Designee for Secretary Robin L. Wiessmann

**1. Call to Order**

At 8:33 a.m., Executive Director and Board Secretary Terrill Sanchez called the meeting to order.

**2. Election of Audit, Risk and Compliance Committee Chair and Assistant Chair****Action 1: Call for Committee Chair**

The committee elected Stephen Aichele to the position of Chair of the Audit, Risk and Compliance Committee.

**Action 2: Consent of Assistant Chair**

Following Chairman Aichele's appointment of Treasurer Joseph Torsella as Assistant Chair, the committee unanimously consented to the selection.

**2. Approval of Minutes****Action 1: Minutes of Committee Meeting – December 5, 2018**

Chairman Aichele presented the minutes provided to the committee. (2/28/2019 Committee Package)

**Motion:**

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

RESOLVED: That this committee approves the meeting minutes from the December 6, 2018, meeting.

**3. Internal Audit Update (2/28/2019 Committee Package)****Action 1: 2018 Independent Audit by KPMG**

Karen Lynn led a brief discussion regarding the 2018 independent audit currently in progress. SERS independent auditors, KPMG LLP, will present the results of the audit to the committee at the June 2019 meeting. (02/28/2019 Committee Package)

**Action 2: Theft, Fraud and Corruption Activities Policy**

Karen Lynn notified the committee that the Theft, Fraud and Corruption Activities policy was finalized in January 2019. This policy was first drafted and reviewed with the committee in June 2017. The policy will require staff to acknowledge their understanding of its contents annually. In addition, SERS Human Resources will develop staff training materials on the policy.

**Action 3: 2018 End of Year Processes**

Ryan McCoy informed the committee that SERS staff finalized the 2018 end of year processes which entailed over 380,000 documents being issued to SERS members and annuitants as well as census reporting for Hay's actuarial analysis.

**Action 4: 2019 Internal Audit Project Plan (02/28/2019 Committee Package)**

Karen Lynn reviewed the tentative projects that will be undertaken by Internal Audit throughout 2019. It was noted that the project list will be revised as necessary due to the needs of the agency as well as the anticipated addition of a third auditor.

**4. 2019 Internal Agency Risk Assessment**

At 8:55 a.m., the committee went into Executive Session to review and discuss committee business which, if conducted in public, would violate a lawful privilege or lead to the disclosure of information that is confidential or protected by law.

**Committee Meeting Resumes**

At 9:22 a.m., the committee meeting resumed in public session.

**5. Old Business – Status of Previous Independent Audits and Reviews (02/28/2019 Committee Package)****Action 1: Department of Auditor General Audit; Dilworth Paxson Review of Ireland Trial; and, Funston Advisory Services Governance Review**

Karen Lynn briefly noted that of the 64 recommendations made in the three independent reports, a total of eight remain open and in progress of being addressed. Ms. Lynn stated that the eight items also exist as recommendations in the Public Pension Management & Asset Investment Review Commission's December 20, 2018 report. As such, the Department of Auditor General, Dilworth Paxson and Funston reports are now considered as closed for the Audit, Risk and Compliance Committee.

**6. Chief Compliance Officer Update (02/28/2019 Committee Package)**

Due to the 9:30 a.m. start of the board meeting to follow, this discussion was not held and will take place at a future meeting.

**7. Motion to Adjourn**

**Action 1: Adjournment**

**Motion:**

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

RESOLVED: That this meeting be adjourned at 9:29 a.m.

Respectfully submitted,

*Karen A. Lynn*

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Karen A. Lynn  
Director of Internal Audit