

**MINUTES**  
**Minnesota State Retirement System**  
**Audit Committee of the Board of Directors**  
**May 13, 2020**

*Agenda Item #1*  
*March 5, 2021*  
*Audit Committee Meeting*

The Audit Committee of the Board of Directors of the Minnesota State Retirement System (MSRS) met on Thursday, May 13, 2020, at 9:00 a.m., in the Retirement Systems of Minnesota Building, 60 Empire Drive, Suite 117, Saint Paul, Minnesota.

**Committee Members Present**

*All members attended via video or phone conference, unless noted otherwise.*

Joseph Sullivan, Committee Chair; Mary Benner; Chet Jorgenson, and Wesley Skoglund.

**MSRS Staff Present**

Tim Rekow, Chief Financial Officer; and Andrea Cox, Executive Assistant  
[Attended in-person].

**Excused Staff**

Erin Leonard, Executive Director

**Others Present**

Courtney Reikofski, BKD LLP, CPA's & Advisors

**Approval of Minutes of Regular Audit Committee Meeting Held January 16, 2020**

Reference was made to the minutes of the last Audit Committee meeting held January 16, 2020.

*Mary Benner moved approval of the minutes of the January 16, 2020, Audit Committee meeting, as presented. Motion was seconded by Wes Skoglund and passed unanimously by roll call vote.*

**BKD Assessment of Benefit Process**

Reference was made to a document titled *Assessment of Benefit Calculation and Distribution Processes*. Courtney Reikofski presented from BKD. BKD performed assessments of the benefit calculation and benefit distribution processes at MSRS. The first objectives were for the *Assessment of Benefit Calculations*. The assessment focused on:

- Assessing the processes, policy, procedures and standard reports surrounding benefit calculations.
- Performing interviews of key personnel to gain an understanding of how monthly benefit amounts are calculated.
- Sampling and recalculation 30 monthly plan specific benefit amount calculations utilizing MSRS's established process to evaluate whether applicable calculations are in-line with policy.

The second objectives were for the *Assessment of Benefit Distribution Process*. The assessment focused on:

- Performing interviews of key personnel and assessing processes, policy and procedures surrounding distribution reporting and assess potential distribution risks.
- Identifying key factors relating to over and under payments to employees and assessing impact while focusing on overpayment, underpayment, interest balance, zeroing out account balances and timeliness.

- Sampling and recalculating 60 member payments and assessing whether corresponding calculation are accurate and in-line with policy.

### ***Best Practices***

BKD selected best practices, published by the Government Finance Officers Associations (GFAO) around defined benefit administration, and assessed MSRS practices.

BKD concluded that based on the samples selected and the procedures performed, member benefits are processed accurately and timely. In addition, proper procedures exist over the member benefits process administered by Minnesota State Retirement System to maintain compliance with written policies and requirements under state statutes. Based upon the assessment design and tests, BKD did not identify any unusual activity and no exceptions were noted.

### **BKD Assessment of Contribution Process**

Reference was made to a document titled *Assessment of Contributions*. Courtney Reikofski presented from BKD. BKD performed an assessment of the contribution processes to evaluate the accuracy of transactions in the pension administration system, Aurora, verify that appropriate controls are in place to mitigate risk to MSRS, and to identify improvements.

The assessment consisted of interviews, inquiry, observation, and sampling as applicable to each area of the assessment. The assessment focused on:

- Performing interviews of key personnel and assessing processes, policy, and procedures surrounding contribution reporting and assessing potential contribution risks.
- Evaluating whether client contribution information reported to MSRS is in compliance with rules and regulations of the state, based on requirements provided to us by MSRS.
- Sampling and recalculating 30 employee accounts and assessing whether service credit, validation of salary data, and other relevant eligibility requirements are accurately reported.

### ***Best Practices***

BKD took into existing best practices and selected the following that closely aligned with MSRS contribution procedures for review:

- Governance and Administration
- Control Management
- Monitoring

### ***Conclusion***

BKD concluded that based on the samples selected and the procedures performed, contributions are processed accurately and timely. In addition, proper procedures exist over the contribution process administered by Minnesota State Retirement System to maintain compliance with written policies and requirements under state statutes. Based upon sample testing, BKD did not identify any unusual activity and no exceptions were noted. However, BKD did note one observation through the assessment of the process related to contributions tracking.

BKD Observation: Payroll Reports Not Reviewed Timely. BKD noted during their walkthrough with the *Employer & Participant Services Supervisor*, the monthly batch balancing report and personnel edit reports are not being reviewed timely or consistently.

Management Response: Management agreed with the observation and has provided context in what is being done to allow for process improvements. Management will continue to work with *Employer and Participant Services Department* to ensure the report reviews are timely.

### **Review and Approval of FY2021 Audit Plan**

Reference was made to a document titled *Minnesota State Retirement System Internal Auditing Services*. Courtney Reikosfski presented from BKD. Proposed Audits for Selection:

1. Business Continuity
2. Disaster Recovery Alignment & DR Testing Validation
3. Information Technology General Controls
4. Enterprise Risk Assessment Process Consulting
5. Survey File Data Evaluation
6. Survey File Testing Assessment
7. Fraud Risk Assessment
8. General Administration

Mary Benner suggested starting with #4, 7, and 8. Tim Rekow also suggested #3.

*Mary Benner motioned to move 3, 4, 7, & 8 and reassess # 1, 2, 5, and 6.  
Motion was seconded by Skoglund and passed unanimously by roll call vote.*

### **Next Meeting**

It was the consensus that the next meeting would be tentatively held on November 19, 2020.

### **Adjournment**

There being no further business to come before the committee.

*Sullivan moved the meeting be adjourned at 10:30am. Motion was seconded by Benner and passed unanimously by roll call vote.*

### **Audit Committee Informational Items:**

- Feeling Conflicted? Internal Controls Bulletin, a publication from the MMB Internal Control Division, January 2020
- Your Ten Greatest Allies. Internal Controls Bulletin, a publication from the MMB Internal Control Division, February 2020
- Teleworking Best Practices. Internal Controls Bulletin, a publication from the MMB Internal Control Division, March 2020
- Maintain Internal Controls During Change. Internal Controls Bulletin, a publication from the MMB Internal Control Division, April 2020