

**AUDIT COMMITTEE MEETING
OF THE
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
BOARD OF ADMINISTRATION**

MINUTES

OCTOBER 27, 2010

Committee Members Present:

Barry Poole, Chair
Mario Ignacio
Mike Moore

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Monette Carranceja, Assistant Retirement Plan Manager
Manoj Desai, Chief Accountant
Julie Escudero, Utility Executive Secretary
Marie McTeague, Deputy City Attorney

Mr. Poole called the meeting to order at 9:42 a.m.

Ms. Bhatia indicated quorum of the Audit Committee was present.

1. Presentation by Simpson & Simpson CPAs of the Annual Audit Report and Related Financial Statements, as of June 30, 2010

Ms. Carranceja indicated the draft audit report and financial statements for the fiscal year ending June 30, 2010, had been furnished. She introduced Grace Yuen, Field Partner, and Frank Liu, Audit Manager, from Simpson and Simpson, who reviewed the results of their audit.

Ms. Yuen highlighted two changes on the draft financial statements: 1) Page 13, first paragraph, had minor wording changes to the Net Assets of the Death Benefit Fund; 2) Page 41, updated the Notional Amount as more information from the investment custodian was received and added disclosure on the Change in Fair Value.

She stated the draft report is currently based on 2009 information because they are waiting for the Retirement Actuarial Report for 2010, which they expect to receive by October 29. It will then take approximately one to two weeks to review and incorporate the results into the final financial statements.

Ms. Yuen discussed the required communications under the Generally Accepted Auditing Standards, and she reiterated the responsibilities of management and the auditor. She detailed the evaluations performed and reported the following:

- No financial statement adjustments are being proposed;
- No major issues were discussed regarding retaining Simpson and Simpson as auditors;
- No disagreements with management occurred and no significant difficulties were encountered during the audit;
- No knowledge was received regarding any management consultations with other accountants about the audit and accounting matters; and
- Simpson and Simpson issued an unqualified opinion.

Subsequently, Ms. Yuen explained the composition of the financial statements and highlighted some of the Plan's key financial figures as reported in the financial statements.

Mr. Poole asked for clarification on the Plan's funded status as reported. Ms. Yuen confirmed the Retirement Fund's funded ratio of 81.46% is based on the 2010 actuarial valuation, and the funded ratio of 61.11% for the Retiree Health Benefits Fund is based on the 2009 valuation, as the 2010 actuarial report is still unavailable. Mr. Moore asked that the Board receive the final financial statements with the updated 2010 numbers. Ms. Bhatia also expressed concern about meeting the City Controller's financial statement submission deadline of November 8, 2010. Ms. Yuen stated they will meet the deadline.

Mr. Moore asked if the auditors planned to issue a management letter. Ms. Yuen responded no material weaknesses were found; however, they might issue a management letter to address some recommendations.


There being no further questions, concerns or comments, the meeting adjourned at 9:58 a.m.



BARRY POOLE
Audit Committee Chair



SANGEETA BHATIA
Retirement Plan Manager



JULIE ESCUDERO
Utility Executive Secretary