



PERA

**Overview of NMPERA
Financial Audits and Controls
Investments and Pensions Oversight Committee**

*Senator George K. Muñoz, Chair
Representative Patricia Roybal Caballero, Vice-Chair*

*October 6, 2020
John Melia, Chairman
Wayne Propst, Executive Director
Anna Williams, CFO*

PERA's Financial Accounting

- **Contribution Accounting**

- Ensure contribution data from 300+ employers is accurate and timely
- This ensures the contributions are properly recorded in PERA's financials and assist the actuaries in determining PERA's pension liability amounts. These amounts are then recorded in to PERA's financials

- **Investments Accounting**

- Timely record each month's investment changes into PERA's financials
- Track and review for accuracy individual investment balances, purchases sales, realized gains/losses, fees, etc.
- Review financial data from over 124 investment managers to ensure investment amounts reported by managers are reasonable

- **Benefit and Refunds Accounting**

- Complete benefit payments and refunds over \$1.3 billion and ensure that they are paid timely and recorded in PERA's financials correctly
- Send out 1099s for 41,000 plus retirees and refunds at end out each calendar year

FY15 through FY19 Financial Audit Results

- PERA's Independent Public Auditor (IPA) Opinions for the following Financial Audits:
 - ✓ FY 15 – Unmodified Opinion with no findings
 - ✓ FY 16 – Unmodified Opinion with no findings
 - ✓ FY 17 – Unmodified Opinion with no findings
 - ✓ FY 18 – Unmodified Opinion with no findings
 - ✓ FY 19 – Unmodified Opinion with one finding
 - FY19 finding related to PERA Board not approving PERA's Annual Operating Budget for FY20 by the statutory deadline of May 1st

PERA's Financial Reporting

- **Comprehensive Annual Financial Reporting (CAFR)**
 - CAFR – Awarded Government Finance Officer Association's Excellence in Financial Reporting for FY15 through FY18
 - Results for FY19 delayed due to COVID-19
- **Popular Annual Financial Report (PAFR)**
 - PAFR created in FY17 to provide a readily accessible, summary of NMPERA's CAFR for PERA members
 - Awarded Outstanding Achievement in Popular Annual Financial Reporting for FY17 and FY18
 - Results for FY19 delayed due to COVID-19
- **Schedule of Employer Allocation Reports (GASB 67/68)**
 - Unmodified Opinions for FY15 through FY19
- PERA is engaged in a multi year Accounting Process Improvement Project to improve PERA's financial data and reporting

Summary Comparative Combined Statement of Fiduciary Net Position for FY19 and FY18

Includes all PERA defined benefit funds -PERA, Judicial, Magistrate, and Volunteer Firefighters' Fund.

The Comparative Combined Statement of Fiduciary Net Position is a summary of the net assets available to pay future benefit payments and gives a snapshot at a particular point in time.

| | As of June 30, 2019 | As of June 30, 2018 |
|-------------------------------|--------------------------------|--------------------------------|
| Total Assets | \$ 17,702,603,585 | \$ 16,874,499,550 |
| Total Liabilities | \$ (1,999,664,670) | \$ (1,471,306,362) |
| Fiduciary Net Position | \$ 15,702,938,915 | \$ 15,403,193,188 |

The information provided in this slide and the next is a read friendly summary of detailed provided in CAFR for FY19.

Summary Comparative Combined Statement of Changes in Fiduciary Net Position FY19 and FY18

Includes all PERA defined benefit funds -PERA, Judicial, Magistrate, and Volunteer Firefighters' Fund.

| | As of June 30, 2019 | As of June 30, 2018 |
|---|---------------------------------|---------------------------------|
| Additions | | |
| Employer Contributions | \$ 346,393,868 | \$ 326,204,624 |
| Member Contributions | 276,315,074 | 275,840,003 |
| Service Credit Purchased | 7,658,409 | 9,219,622 |
| Net Investment Income | 947,345,003 | 1,016,914,049 |
| Other Income | 2,057,968 | 2,124,098 |
| <i>Total Additions</i> | <u>\$ 1,579,770,322</u> | <u>\$ 1,630,302,396</u> |
| Deductions | | |
| Benefit Payments | \$ 1,211,778,561 | \$ 1,150,272,487 |
| Refunds to Terminated Employees | 54,492,634 | 50,351,647 |
| Administrative Expenses | 13,753,400 | 12,826,548 |
| <i>Total Deductions</i> | <u>\$ 1,280,024,595</u> | <u>\$ 1,213,450,682</u> |
| Change in Fiduciary Net Position | \$ 299,745,727 | \$ 416,851,714 |
| Fiduciary Net Position - Beginning of Year | 15,403,193,188 | 14,987,159,997 |
| Prior Period Adjustment | — | (818,523) |
| Fiduciary Net Position - End of Year | <u><u>\$ 15,702,938,915</u></u> | <u><u>\$ 15,403,193,188</u></u> |

Internal Audits Completed PERA Board Independent Auditor

Internal audits assist the PERA Board in evaluating PERA's internal controls, identifying and addressing areas of potential risk, and helping to improve overall administration of the agency

- **Fiscal Year 2020 – Internal Audits**
 - Census Data and Employer Payroll Accuracy - *No observations*
 - 457b Deferred Compensation Plan – Custody Transfer Process – *No observations*
 - Investments – Manger Selection and Monitoring Process – *3 observations*
 - Governance and Investment Policy Statement Compliance
- **Fiscal Year 2019 – Internal Audits**
 - Investment Reconciliation and Monitoring - *No observations*
 - Employer Payment Transmittal and Related Reconciliations – *1 observation*
 - Member Services Processes – *No observations*
- **Fiscal Year 2018 – Internal Audits**
 - Investment Performance Reporting - *1 observation*
 - Information Technology Policies and Controls – *6 observations*
 - Organizational Communication - *No observations*

Efforts to Improve Financial Controls and Reporting

- **Employer Contribution Accounting**

- New employer validations implemented which has improved the accuracy of employer contribution reporting from PERA's 300+ participating employers
- New E -Bill: All PERA employers now report and remit contributions electronically resulting in significantly improved accuracy and timeliness of payments to PERA. In January 2020, PERA implemented late fees which has also improved the timeliness of employers reporting

- **Member Services**

- Implementation of workflow and Case Manager for retirements, requests, and refunds. Streamlined the process of assigning, reviewing and tracking of these items
- Enhanced death reporting process to improve timeliness and accuracy of death reporting and payments

- **RIO users**

- Created new user roles in the RIO system to strengthen internal controls

Financial Improvements (Continued)

- **Investments**

- The Board approved an updated investment governance and oversight model in 2019 delegating the day to day management of PERA's investments to staff and consultants while the Board maintains its oversight role
- Based on the new investment governance and oversight, PERA designed/implemented an internal 5-stage Manager Selection Process. Other public pension plans have begun to adopt similar governance structures

- **Overall PERA**

- Agency wide strategic plan to focus on improvements throughout the agency
- Increase employee training and cross training
- 457b Deferred Compensation SmartSave Plan third-party administrator transferred to Voya