



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, JANUARY 26, 2022
REMOTELY VIA ZOOM MEETING**

ATTENDANCE

Chair	Michael Spitzer
Private Members	Larian Angelo Mark Kaplan Bud Larson
Public Members	New York City Comptroller – Brad Lander (guest appearance only) Representing the Mayor – Paul Tymus Representing the Comptroller – Jacqueline Thompson
Secretary	Katrina Stauffer
Independent Auditors	Grant Thornton LLP – Phil Bonanno, Sharon Campbell, Marla Hummel, Nicholas Lazzaruolo, Will Richardson, Mike Ryan, Matthew Thompson
Others	New York City Teachers' Retirement System – Kate Chen, Mitchell Fruchter, Barbara Owczarczyk, Nevena Platchkova, Azmy Salib New York City Board of Education Retirement System – Kazi Ahammad, Iyekeze Ezeferi, Yina Ke, Sanford Rich, Steven Sebili, Chithra Subramanian New York City Employees Retirement System – Herman Bernal, Mario Disanto, Chun Gong, Tom Kambouras, Daniel Nunez, Deborah Sargeant New York City Police Pension Funds – John Flynn, Nikolaos Leonardos, Tiffany Mastrota, Anish Patel, Bavakutty Sunny, Stanley Thomas New York City Fire Pension Funds – Albert Connolly, Andrew Lai, Yingyu Lin, Simone Saywack, Michael Sohn New York City Mayor's Office of Operations – Florim Ardolli New York City Office of Management & Budget – Enid Ellis, Raymond Lee, Christopher Santangelo, Mujeeb Shinwa New York City Office of the Actuary – Craig Chu, Anderson Huynh, Tom O'Hara New York City Comptroller's Office – Camille Arezzo, Francesco Brindisi, Rosa Charles, Man Hon Cheung, Leonel Ferreira, Lynne Fleischman, David Jeter, Brad Lander, Veronika Musheyeva, Jessica Sanchez, George Siavichay, Susanna Tregor

Audit Committee Meeting – January 26, 2022

I. **Call to Order and Roll Call**

Mr. Michael Spitzer, the Audit Committee Chairman, called the Audit Committee Meeting to order at 9:30 a. m. Ms. Katrina Stauffer, the Audit Committee Secretary, took roll call; a quorum was present.

II. **Motion to Accept Draft Minutes of the Audit Committee Meeting held December 15, 2021**

The first agenda item was the approval of the draft minutes of the Audit Committee Meeting held December 15, 2021. The Committee approved the minutes of the December 15, 2021 Audit Committee Meeting subject to the non-substantive editorial comments submitted to the Secretary.

III. **Introductions from Executive Deputy Comptroller for Budget and Finance Francesco Brindisi and Comptroller Brad Lander**

Newly-appointed Executive Deputy Comptroller for Budget and Finance, Francesco Brindisi, and newly-elected New York City Comptroller Brad Lander each provided brief introductions to the Audit Committee.

Executive Deputy Comptroller Brindisi noted that he looks forward to working with the entire Committee going forward.

Comptroller Lander thanked all Audit Committee members and participants for their past and continued service. Comptroller Lander also noted that a recent detailed “tutorial” provided by Deputy Comptroller Thompson has helped him to understand the depth of knowledge and efforts required to produce the Annual Comprehensive

Financial Report and the Popular Annual Financial Report, and the critical nature of those reports.

IV. Presentation of the Financial Statements and Management Letters

The next agenda item was the review of the financial statements and management letters (where applicable) of the following entities for the fiscal year ended June 30, 2021.

- Teachers' Retirement System of The City of New York
- New York City Board of Education Retirement System
- New York City Employees' Retirement System
- New York City Police Pension Funds
- New York City Fire Pension Funds
- New York City Other Postemployment Benefits Plan

Teachers' Retirement System of the City of New York

Mr. Mitchell Fruchter, Assistant Chief Accountant at the Teachers' Retirement System of The City of New York (TRS), introduced the other representatives of TRS present, and the representatives of Grant Thornton LLP, TRS' independent auditors.

The TRS' qualified pension plan (QPP), as of June 30, 2021, was \$78.3 million, a 24.3 percent increase from the previous year. The tax-deferred annuity (TDA) net position increased 16 percent, to \$43 billion. The target asset allocation as of June 30, 2021 was roughly 37.5 percent in fixed income, 28.4 percent in domestic equity, 20.1 percent in international equity, and 14 percent in alternative investments. The Morgan Stanley Capital Index returned 37.2 percent; the Dow Jones US Select Real

Estate Securities Index returned 40 percent, while the fixed income New York City Core + 5 returned -0.2 percent. The required supplemental information schedule shows the annual money-weighted rate of return¹ on the Pension Fund was 24.8 percent.

The QPP received an additional \$4.3 billion in earnings. The TDA fixed expense increased to nearly \$2 billion of interest, while the systems benefit payments decreased by 0.5 percent. In December the largest required minimum distribution (RMD) of half-a-billion dollars was paid.

A question and answer session took place after the presentation. Several matters were discussed including:

- The Certificate of Achievement was received for 2020, and annual reports to the Government Finance Officers Association (GFOA) for 2021 were submitted at the end of December 2021.
- Elevated member contributions were due to increases in salaries and total active members.
- The City is well-positioned to weather changes in the equity markets, which delivered overall positive returns in Fiscal Year 2021. Asset allocations will continue to be performed every two-to-three years.
- Corpus expenses are administrative expenses.
- Passport funds is a collective term used to describe variable funds.

¹ The money-weighted rate of return measures an account's performance, taking the timing and size of the cash flow into consideration.

- The pension fund lending program is administered by Citibank, which adheres to guidelines for monitoring the collateral and reporting to TRS. An internal group oversees the lending program to ensure Citibank complies with the guidelines.
- The RMD suspension due to COVID could explain the Fiscal Year 2021 TDA fixed growth.

There being no further questions Chairman Spitzer thanked the representatives of TRS for their participation at today's meeting.

New York City Board of Education Retirement System

Ms. Chithra Subramaniam, Director of Fiscal Operations at the New York City Board of Education Retirement System (BERS), introduced the other representatives of BERS present, and representatives of Grant Thornton, BERS' independent auditors.

The net position for Fiscal Year 2021 was \$9.5 billion, an increase of 27 percent from Fiscal Year 2020. The QPP's net position was at \$7 billion, and the TDA's net position was \$2.5 billion for Fiscal Year 2021. The increase in net position was mainly due to the 33 percent increase in total investments, which include variable investments and the collateral from security lending.

The BERS fixed investment portfolio's rate of return was at 28 percent, comprised of 47 percent equity, 27 percent fixed income, 14 percent in alternative private investments, and 12 percent in real assets. The QPP's net pension as a percentage of total pension liability moved to 122 percent in Fiscal year 2021, compared to 94.92% in Fiscal year 2020. Based on the most recent actuarial valuation, the ratio of actuarial value of assets to the entry age actuarial accrued liability stood at 94.1 percent.

A question and answer session took place after the presentation. Several matters were discussed including:

- The Certificate of Achievement was received for 2020, and annual reports to the GFOA for 2021 were submitted at the end of December 2021.
- Refund payments refers to TDA refund payments made by BERS.
- RMD payments decreased due to the Coronavirus Aid, Relief, and Economic Security (CARES) Act increasing the age requirement from 70.5 to 72 years for RMD payments.
- The Committee encouraged a more inclusive revision of the COVID impacts in the disclosure.

There being no further questions Chairman Spitzer thanked the representatives of BERS for their participation at today's meeting.

New York City Employees' Retirement System

Mr. Mario DiSanto, Acting Director of Finance at the New York City Employees' Retirement System (NYCERS), introduced the other representatives of NYCERS present, and representatives of Grant Thornton, NYCERS' independent auditors.

The QPP net position as of June 30, 2021 reached \$85.9 billion, up from \$69.9 billion in Fiscal Year 2020. The Supplements Fund (SF) net position was \$1.2 billion. The QPP and SF combined was \$87.1 billion, an increase of \$17 billion from Fiscal Year 2020. The total fund returns of 26.7 percent for Fiscal Year 2021 was higher than NYCERS' policy benchmark of 26.3 percent. Domestic equities account for more than a quarter of the total portfolio and returned 45.1 percent, which was higher than benchmark.

Emerging markets consisted of about 6 percent of the total portfolio and returned 51.2 percent. The total fixed income segment makes up more than a third of the portfolio and returned 5.3 percent. The fund ratio increased from 74.1 percent as of June 30 2018, to 76.8 percent as of June 30, 2019, the date of the most recent actuarial evaluation. As of June 30, 2021, the planned fiduciary net position represents 93.1 percent of total pension liability for NYCERS. In December 2020 the QPP transferred to four of the five SFs approximately \$9.8 million in benefit payments, and NYCERS transferred \$82 million from the QPP to the Correction Officers' Variable Supplements Fund (COVSF).

A question and answer session took place after the presentation. Several matters were discussed including:

- The Certificate of Achievement was received for 2020, and annual reports to the GFOA for 2021 were submitted at the end of December 2021.
- The Committee requested hard copies of full financial statements from each NYCERS system at future pension meetings, though it is NYCERS' policy not to print documents.
- The Committee suggested that clarification be added about the phrase "CUNY and the State" to reflect that State Court employees contribute to the NYCERS' pension fund.

There being no further questions Chairman Spitzer thanked the representatives of NYCERS for their participation at today's meeting.

New York City Police Pension Funds

Mr. Stanley Thomas, Chief Fiscal Officer at the New York City Police Pension Funds (POLICE), introduced the other representatives of POLICE present, and representatives of Grant Thornton, POLICE's independent auditors.

The New York City Police Pension Fund's net position increased by \$10.8 billion, or 23.3 percent, to \$57.1 billion in Fiscal Year 2021, compared to the Fiscal Year 2020 increase of \$1.3 billion, or 2.8 percent. The Fund's net position increased in Fiscal Years 2021 and 2020 due to contributions and investment income exceeding benefit payments and withdrawals. During Fiscal Year 2021, member contributions decreased 8.7 percent to \$255.8 million as compared to Fiscal Year 2020 contributions of \$280.1 million. Increases and decreases in member contributions are primarily due to the fluctuations of active members and their voluntary and required contributions. Benefit payments and withdrawals were \$3.84 billion, due to an increase in the number of retirees eligible for benefits. The administrative expenses in Fiscal Year 2021 were \$24.9 million.

Fiscal Year 2020 brought the first rollout of a multi-year project to upgrade POLICE's operational software system. The new software provides better customer service to members and allows them to access and manage their pensions online. Secondary rollout milestones will be met in 2021, with a goal of going live in mid-Fiscal Year 2023.

A question and answer session took place after the presentation. Several matters were discussed including:

- The Certificate of Achievement was received for 2020, and annual reports to the GFOA for 2021 were submitted at the end of December 2021.
- POLICE believes increased retirements in Fiscal Year 2021 could be attributed to the pandemic and other environmental factors. POLICE will consult with its legal team about including this information in the COVID footnotes.
- There were no material findings from the Grant Thornton audit for Fiscal Year 2021.
- The new internal audit team will address IT and cybersecurity concerns, and POLICE has hired a virtual consultant to oversee the process.
- The Audit Committee encouraged POLICE to work with other systems to determine the best IT solutions.

There being no further questions Chairman Spitzer thanked the representatives of POLICE for their participation at today's meeting.

New York City Fire Pension Funds

Ms. Yingyu Lin, Deputy Chief Accountant at the New York City Fire Pension Funds (FIRE), introduced the other representatives of FIRE present, and representatives of Grant Thornton, FIRE's independent auditors.

Fiscal Year 2021 was a year of excellent growth and improvement for FIRE. Growth increased by 24.9 percent over Fiscal Year 2020. Combined net pension funds were

approximately \$15.9 billion, and the year closed at \$19.9 billion. The combined net position for benefits increased \$4 billion over Fiscal Year 2020, due in large part to the significant overall net appreciation in several of the investment assets. The report by the Office of the Actuary disclosed an improvement in FIRE's combined fiduciary net position as a percentage of a total pension liability; the ratio was 79.9 percent in Fiscal Year 2021, a significant increase from 66.1 percent in Fiscal Year 2020.

The changes in net position totaled \$5.5 billion. Employer contributions were \$1.4 billion, an increase of 1.2 percent from the last fiscal year, and member contributions increased 5.4 percent, for a total of \$112.6 billion. The net investment gain of \$4 billion was significant.

The combined benefit payments, withdrawals, and administrative expenses were approximately \$1.6 billion, an increase of 1.6 percent from Fiscal Year 2020.

Payments include a Variable Supplements Fund (VSF) disbursement of \$43.6 billion for the Fire Fighter Variable Fund and \$20.6 million for the Fire Officer Variable Fund. Administrative expenses of \$10.3 million increased from \$9.1 million in Fiscal Year 2020. Around 530 retirement applications were processed. Retirees not on payroll received 90 percent of their benefits.

A question and answer session took place after the presentation. Several matters were discussed including:

- The Certificate of Achievement was received for 2020, and annual reports to the GFOA for 2021 were submitted at the end of December 2021.
- The Committee encouraged FIRE to create a more inclusive COVID disclosure.

- Currently, FIRE does not have staff solely responsible for cybersecurity, but works with New York City Cyber Command to monitor the cyber environment.
- The Committee noted that FIRE financial ratios do not match those achieved by other funds in the system. FIRE responded that FIRE is different than other systems. The ratio discrepancy is being analyzed by the Office of the Actuary.

There being no further questions Chairman Spitzer thanked the representatives of FIRE for their participation at today's meeting.

New York City Other Postemployment Benefits Plan

Mr. Raymond Lee, Assistant Director for Accounting Services at the New York City Office of Management and Budget (OMB), introduced the other representatives of the New York City Other Postemployment Benefits Plan (OPEB) present, and representatives of Grant Thornton, OPEB's independent auditors.

The biggest change for OPEB from Fiscal Year 2020 to Fiscal Year 2021 was that the City was able to contribute the entire Pay-Go into the Retirement Benefits Health Trust (the Trust) in Fiscal Year 2021, compared to FY 2020 when it contributed \$1 billion less into the Trust than the actual Pay-Go² in Fiscal Year 2021. The City also prepaid \$425 million for Fiscal Year 2022 Pay-Go.

The second-biggest change from the previous fiscal year was that the investment income dropped from \$76 million to \$3.6 million. The net OPB liability increased

²The City is not required by law or contractual agreement to provide funding for the Plan, other than the "pay-as-you-go" amount necessary to provide the current benefits to current eligible retirees, spouses, and dependents ("Pay-Go").

from \$109 billion to \$117 billion and was primarily due to a drop in the discounted rate used to calculate total liability, from 2.7 percent to 2.1 percent.

A major event of Fiscal 2021 was the announcement of the Medicare Advantage Plan. AETNA and United Healthcare sued the City claiming the procurement process that led to a joint contract between EmblemHealth and Anthem was faulty, but both lawsuits were dismissed. There is an ongoing lawsuit by the New York City Organization of Public Service Retirees to stop the City from implementing Medicare Advantage, which is set to roll out April 1, 2022. Further questions regarding the Medicare Advantage plan will be addressed in the Executive Session.

A question and answer session took place after the presentation. Several matters were discussed including:

- The Committee noted that there was inadequate verbiage about the impact of COVID-19 in the financial report. OPEB noted that COVID had no administrative impact.
- Fiscal Year 2022 evaluations should provide a better sense of the impacts of COVID, which are still to be determined.

There being no further questions Chairman Spitzer thanked the representatives of OPEB for their participation at today's meeting.

V. Executive Session

Chairman Spitzer asked for a motion to enter into Executive Session. A motion was made to go into Executive Session for the purpose of discussing non-public financial information about The City of New York. The motion was unanimously approved.

VI. Adjournment

After returning from Executive Session, there being no further business before the Committee, a motion was made to adjourn the January 26, 2022 Audit Committee Meeting; the motion was unanimously approved.