



**AUDIT COMMITTEE OF THE CITY OF NEW YORK  
MINUTES OF THE AUDIT COMMITTEE MEETING  
WEDNESDAY, JANUARY 25, 2023  
REMOTELY VIA ZOOM MEETING**

**ATTENDANCE**

**Chair**

Michael Spitzer

**Private Members**

Larian Angelo  
Mark Kaplan  
Bud Larson

**Public Members**

**Representing the Mayor** – Paul Tymus  
**Representing the Comptroller** – Jacqueline Thompson  
**Representing the Public Advocate** – Wesley Paisley

**Secretary**

Katrina Stauffer

**Independent  
Auditors**

**Grant Thornton LLP** – Eugene Brizo, Sharon Campbell, Kyle Chuber, Marla Hummel, Patrizia Iacono, Cecile Publico, Will Richardson, Mike Ryan, Andrew Zmich

**Others**

**New York City Employees Retirement System** – Herman Bernal, Chun Gong, Tom Kambouras, Daniel Nunez, Deborah Sargeant

**New York City Teachers' Retirement System** – Kate Chen, Mitchell Fruchter, Adel Nairooz, Barbara Owczarczyk, Nevena Platchkova, Paul Raucci, George Siavichay

**New York City Board of Education Retirement System** – Kazi Ahammad, Iyekeze Ezeferi, Yina Ke, Sanford Rich, Chithra Subramanian

**New York City Police Pension Funds** – Modupe Fagbulu, John Flynn, Ziqing Liu, Rachel Loo, Nikolaos Leonardos, Bavakutty Sunny, Stanley Thomas

**New York City Fire Pension Funds** – Amar Dyal, Yingyu (Winnie) Lin, Simone Saywack, Kenneth Wong

**New York City Other Postemployment Benefits Plan** – Man Hon Cheung, Christopher Santangelo

**New York City Office of Management and Budget** – Enid Ellis, Raymond Lee

**New York City Mayor's Office of Operations** – Doug Giuliano

**New York City Office of the Actuary** – Frankie Chen, Anderson Huynh, Tom O’Hara, Michael Samet

**New York City Comptroller’s Office** – Camille Arezzo, Rosa Charles, Salamon Faylayev, Lynne Fleischman, Peter Flynn, Michael Hecht, Patricia Kearns, Veronika Musheyeva, Jessica Sanchez, Joan Stapleton, Susanna Tregor, Mehdi Ben Zafar

## Audit Committee Meeting – January 25, 2023

### 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 Adopt Remote Meeting Authorization Resolution**

The first agenda item was the approval the [Remote Meeting Authorization Resolution](#), dated January 25, 2023, to hold Audit Committee Meetings fully remotely because of the COVID-19 state of emergency declared by the mayor. The motion was made to adopt the Resolution and unanimously approved.

### III. **Approval of the Draft Minutes of the Audit Committee Meeting held December 7, 2022**

The next agenda item was the approval of the draft minutes of the Audit Committee Meeting held December 7, 2022. The Committee approved the minutes of the December 7, 2022 Audit Committee Meeting, subject to any non-substantive editorial comments submitted to the Secretary.

### IV. **Presentation of the Financial Statements and Management Letters**

Next the Audit Committee reviewed the financial statements and management letters (where applicable) of the following entities for the fiscal year ending June 30, 2022:

- New York City Employees' Retirement System (NYCERS)
- New York City Teachers' Retirement System of the City of New York (TRS)

- New York City Board of Education Retirement System (BERS)
- New York City Police Pension Funds (POLICE)
- New York City Fire Pension Funds (FIRE)
- New York City Other Postemployment Benefits Plan (OPEB)

### **New York City Employees' Retirement System**

Ms. Chun Gong, Acting Director of Finance at the New York City Employees' Retirement System (NYCERS), introduced other representatives of NYCERS present, and the representatives of Grant Thornton LLP, NYCERS' independent auditors.

NYCERS received an unmodified opinion by its auditors.

NYCERS was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting, and their 13<sup>th</sup> Recognition Award for Administration and Funding from the Public Pension Coordinating Council.

NYCERS' qualified pension plan (QPP) net position at the end of Fiscal Year 2022 reached \$77.4 billion, down from \$85.9 billion in Fiscal Year 2021; the Variable Supplement Fund (VSF) net position was \$1.1 billion, down from \$1.2 billion. The QPP and VSF combined was \$78.5 billion, an \$8.6 billion decrease from Fiscal Year 2021. The total pension fund returns for Fiscal Year 2022 was negative 8.39 percent, higher than NYCERS' policy benchmark of negative 8.70 percent. Domestic equities made up more than one-quarter of the total portfolio, returned negative 13.64 percent, exceeding the Russell 3000 benchmark of negative, 13.87 percent. Total world, excluding the United States and EAFE (Europe, Australasia and the Far East) makes up about 11 percent of the total portfolio, returned negative 25.5. Emerging markets constituted 5 percent of the portfolio and returned negative 27.4 percent. The total fixed income segment, more than one-third of the portfolio, returned negative 8.3 percent.

Based on the entry age and normal cost method, the funded ratio was at 78.1 percent at the end of June 30, 2020 (the year of the most recent actuarial valuation), an increase from the June 30, 2019 rate of 76.8 percent. The plan's fiduciary net position represented 81.3 percent of the total pension liability for NYCERS and the five VSFs at the end of Fiscal Year 2022. In December 2021, the QPP transferred to four of the five VSFs approximately \$9.2 million in benefit payments, with none going to the Correction Officers' VSF. The \$12,000 per year payments were guaranteed by law since calendar year 2019.

Verbiage changes were made to NYCERS' financial report as a result of feedback from the Fiscal Year 2021 Audit Committee meeting (page 17) and a change from "the state" to "the state judiciary," (page 18), a clarification about the vote of each of the City officials for the Board of Trustees for the VSFs (e.g. the HPO VSF, and TPO VSF).

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

- The Committee was concerned about the 10 percent net depreciation of the fair value of NYCERS' assets from Fiscal Year 2021. While final numbers were not available for December 2022 to assess current value, preliminary numbers were steady from June 30, 2022, and a rebound was expected.
- The aggregate reduction of pension funds was staggering but unsurprising, given the major market turbulence in 2022. Over the next two years NYCERS' financial reports may reflect a change in assumptions or methods based on results of Milliman's current audit and the goal of 7 percent growth over the long run.

- Investment returns greater or less than the expected 7 percent were recognized over a period of five years and the gains or losses were amortized into the pension contribution calculations over a closed 15-year amortization period with 14 payments in an effort to reduce fluctuations from year to year. Contributions, interest, and dividends still exceeded benefits paid.

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

### **Teachers' Retirement System of the City of New York**

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

TRS received an unmodified opinion by its auditors.

TRS was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting.

At the end of Fiscal Year 2022, the TRS QPP net position was \$64 billion, an 18 percent decrease from Fiscal Year 2021. The tax-deferred annuity (TDA) net position decreased 1.9 percent, to \$42.2 billion in Fiscal Year 2021, and the QPP and TDA combined for Fiscal Year 2022 was \$106.2 billion. The Russell 3000 domestic equities returned negative 13.9 percent, and the international equity MSCI index returned negative 17.7 percent. The Dow Jones US Select Real Estate Securities Index returned negative 6.4 percent, while the fixed income New York City Custom Structured Index returned negative 9.8 percent. The total pension fund returns for Fiscal Year 2022 were negative 9.7 percent.

The QPP statutory interest expense increased to \$2.1 billion. The QPP lost an additional \$3.1 billion on investment, attributable to the TDA funds. The QPP and TDA combined benefit payments increased 18.6 percent, largely attributed to the end of the Coronavirus Aid, Relief, and Economic Security Act on December 31, 2020. The law previously suspended the required minimum distribution typically paid in December. TRS was 81.3 percent funded as of June 2022; TRS holdings decreased 0.4 percent from June to December 2022.

Fiscal Year 2022 administrative expenses included an additional \$5.3 billion due to interest and amortization expense. The combined TDA and QPP administrative expenses, excluding the GASB 87 leases capitalization, totaled \$86 million.

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

- CUNY participation in the pension fund was more recent than the DOE participation in the pension fund. Participation is also optional for CUNY employees while required for DOE employees. Both factors account for the lower CUNY pension enrollment and retiree rates.

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

### **New York City Board of Education Retirement System**

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

BERS received an unmodified opinion by its auditors.

BERS was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting.

BERS' combined net position for Fiscal Year 2022 was \$8.6 billion, a decrease of 10 percent from Fiscal Year 2021. The QPP's net position was \$5.9 billion, and the TDA's net position was \$2.7 billion. Investments were at \$9.1 billion, a 13 percent decrease from Fiscal Year 2021.

Investments returned a negative 10 percent on total investments and the fixed asset mix consisted of 47 percent equity, 27 percent fixed income, and 26 percent total alternative private investments. Total contributions, which includes the employer and the employee contributions, at the end of Fiscal Year 2022 were \$423 million, and benefit payments ended at \$421 million. The QPP net pension as a percentage of total pension liability was 97.93 percent in Fiscal Year 2022.

The Member Services Center was moved to the first floor of 65 Court Street, but the Administrative Office remains at 55 Water Street.

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

- The fund value dropped dramatically due to depreciation of the fair value of assets, but considering the growth in Fiscal Year 2021, the numbers came out relatively flat.
- November 2022 returns indicated BERS had 3 percent positive return for Fiscal Year 2023.

There being no further questions, Chairman Spitzer thanked the representatives of BERS 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 other representatives of POLICE present, and representatives of Grant Thornton LLP, POLICE's independent auditors.

POLICE received an unmodified opinion by its auditors.

POLICE was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting.

The funds reserved for benefits total \$51.6 billion, a 9.6 percent decrease from Fiscal Year 2021. From June 2022 to November 2022, the total market value for all POLICE funds increased \$1.5 billion. Member contributions for Fiscal Year 2022 were \$281.2 million, a 9.9 percent increase from Fiscal Year 2021. Changes in member contributions were attributed to fluctuations of active members and their voluntary and required contributions. Benefit payments and withdrawals were \$3.82 billion, and administrative expenses were \$24.3 million. The QPP was down 7.1 percent, and the Police Officers' VSF was down 13.5 percent. The Police Superior Officers' VSF was down 13.3 percent.

POLICE was rolling out an upgrade to the operational pension software system called COPS 2.0.

In Fiscal Year 2022, the POLICE board approved the creation of an audit committee, and a director of internal audit and supportive staff were hired. Internal audits should begin within a few months.

Fiscal Year 2022 was important for POLICE, as it continued to build cooperative relationships with other City entities and auditors.

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

- Members of the new POLICE audit committee are members of the POLICE board and are independent from management.
- Cyber security falls under the administration function of the fund. A virtual Chief Security Officer was hired to analyze the infrastructure, and they are finalizing a presentation of findings.
- Referring best practices of other pension systems will help inform POLICE as they implement changes to their infrastructure.
- The management letter note was about segregation of duties as it relates to COPS 1.0; the implementation of COPS 2.0 should make that segregation unnecessary.

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. Simone Saywack, Director of Budget for the New York City Fire Pension Funds (FIRE), introduced other representatives of FIRE present, and representatives of Grant Thornton LLP, FIRE's independent auditors.

FIRE received an unmodified opinion by its auditors.

FIRE was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting.

The combined net position restricted for benefits started Fiscal Year 2022 at \$19.9 billion and closed the year at \$18.2 billion. Employee contributions were \$1.45 billion in Fiscal Year 2022, up 1 percent from Fiscal Year 2021, and member contributions were \$134.5 million, up 19.5 percent.

Combined benefits, payments, withdrawals, and administrative expenses totaled \$1.6 billion, the same as Fiscal Year 2021. VSF disbursements totaled \$43.6 million for the Firefighters' VSF, and \$25.7 for Fire Officers' VSF. Administrative expenses of \$12.7 million were slightly higher than the previous year.

From the operations side, FIRE processed 530 retirement applications. The retirees are now receiving 90 percent of their benefits. The fund processed over 160 new member applications from probationary firefighters. Fiscal Year 2022 closed with approximately 17,351 retirees and beneficiaries, and 10,574 active firefighters and fire officers.

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

- There were no management letter comments.

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. Man Hon Cheung, Assistant Director for Accounting Services for the New York City Mayor's Office of Management and Budget (OMB) and presenting for the New York City Other Postemployment Benefits Plan (OPEB), introduced the other representatives of OMB present, and representatives of Grant Thornton LLP, OPEB's independent auditors.

OPEB received an unmodified opinion by its auditors.

For Fiscal Year 2022, the City was able to contribute the full Pay-Go<sup>1</sup> amount. The City also contributed \$792 million of prepayments towards the Fiscal Year 2023 Pay-Go, and \$750 million in discretionary contributions. Net investment income was \$2.9 million, a decrease of \$688,000 from Fiscal Year 2021. Benefits payments increased by \$247 million as a result of an increase in insurance rates and retiree members.

The total net position for OPEB at the end of Fiscal Year 2022 was \$5.4 billion. The total OPEB liability decreased by \$27.3 billion from Fiscal Year 2021 to Fiscal Year 2022 due to a change in the discount rate from 2.2 percent to 4.1 percent. There were no subsequent events to disclose as of October 26, 2022, when the financial report was issued.

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

- The changes in OPEB's liability assumptions were due to changes in the discount rate from Fiscal Year 2021 to Fiscal Year 2022.

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<sup>1</sup> The 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").

- GASB required a municipal bond index for the unfunded portion of the liability, and municipal bond rates have been increasing significantly over the past year. The City had little control over the discount rate, and participation changes accounted for around 1 percent of the total decrease.

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

## **V. Adjournment**

There being no further business before the Committee, a motion was made to adjourn the January 25, 2023 Audit Committee Meeting; the motion was unanimously approved.