

Prior Year Macias Gini & O’Connell  
Summary of Financial Statement Audit Management Letter Comments  
As of September 30, 2015

Audit (Report Issue Date): Report to Management for the Year Ended 06/30/13 (3/17/14)	
<b>Observation 2012/2013 #2:</b>	Member Census Data
<b>Division responsible:</b>	Actuarial Office
<p><b>Observation:</b> The Actuarial Office (ACTO) currently does not have a formal process to communicate to other CalPERS offices and units changes made to members’ census data in the Actuarial Valuation System (AVS) or to verify that the related changes are made in my CalPERS by the other appropriate CalPERS offices and units. Effective for the fiscal year ended June 30, 2013, ACTO transfers member census data generated from my CalPERS into AVS to prepare the annual actuarial valuation reports for participating employers. Prior to the preparation of the actuarial valuation reports, a reconciliation is performed, which includes a comparison of member census data to the prior year. In some instances, discrepancies in members’ census data exist, which can result in ACTO making certain changes to the members’ census data in AVS. Certain changes were not communicated to other CalPERS offices and units, which resulted in immaterial discrepancies in members’ census data between my CalPERS and AVS.</p> <p><b>Current Status:</b> RESOLVED. Pending final verification by Macias Gini &amp; O’Connell.</p>	

Audit (Report Issue Date): Report to Management for the Year Ended 06/30/12 (2/12/13)	
<b>Observation #2:</b>	Investment Commitment Disclosures
<b>Division responsible:</b>	Investment Office
<p><b>Observation:</b> Fiscal Services had errors in the investment commitment disclosures: an original corporate governance commitment amount was reduced during the year but was not reflected in the worksheet; certain foreign investment commitments were not converted from Euros to dollar amounts; and one year real estate contracts that end on June 30 had the unfunded commitment added to the investment disclosure worksheet.</p> <p>During the fiscal year 2013/2014 audit, we noted the following errors related to investment commitment disclosures in Note 14 to the basic financial statements:</p> <ul style="list-style-type: none"><li>• The original financial statement disclosures of total and unfunded commitments for corporate governance strategy investments within the global equity investment portfolio included commitments that CalPERS has no intention of funding. CalPERS’ financial statements were subsequently revised to properly exclude the total and unfunded commitment balances from the disclosures.</li></ul>	

**Audit (Report Issue Date): Report to Management for the Year Ended 06/30/12 (2/12/13)**

- The original financial statements included disclosures of total commitments for real asset investments that CalPERS is no longer obligated to fund due to a change in the investment partnership and the commitment structure. CalPERS' financial statements were subsequently revised to properly exclude these commitments from the disclosures.
- There were two instances of private equity partnerships that had gone public and for which commitment disclosures were included in Note 14, but were no longer applicable. CalPERS' audited financial statements were revised to exclude the total original commitment amount for one of the partnerships. For the other partnership, no revision was made as the original commitment amount was deemed immaterial to the overall financial statements.

**Current Status:** OPEN. The Investment Office will work to implement new control functions for the next year-end close activities beginning July 1, 2015. The Investment Office will enhance these processes by implementing the following steps:

- Implement new steps within the review process that requires the Private Equity, Real Asset, Corporate Governance and Global Fixed Income management to disclose any changes in investment structure (e.g. private investments going public) that impact their reported total commitment and unfunded amounts.
- In addition, the review process will also require the program area management to represent that any commitment or unfunded amounts that they have no legal obligation to fund are not included the summary reporting.

We anticipate the new control processes to be implemented and in place for the upcoming fiscal year-end close activities, which will conclude in October 2015.