



California Public
Employees' Retirement
System

Fiscal Year 2015 – 2016 Audit Service Plan

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FISCAL YEAR 2015 – 2016 AUDIT SERVICE PLAN

Engagement Team

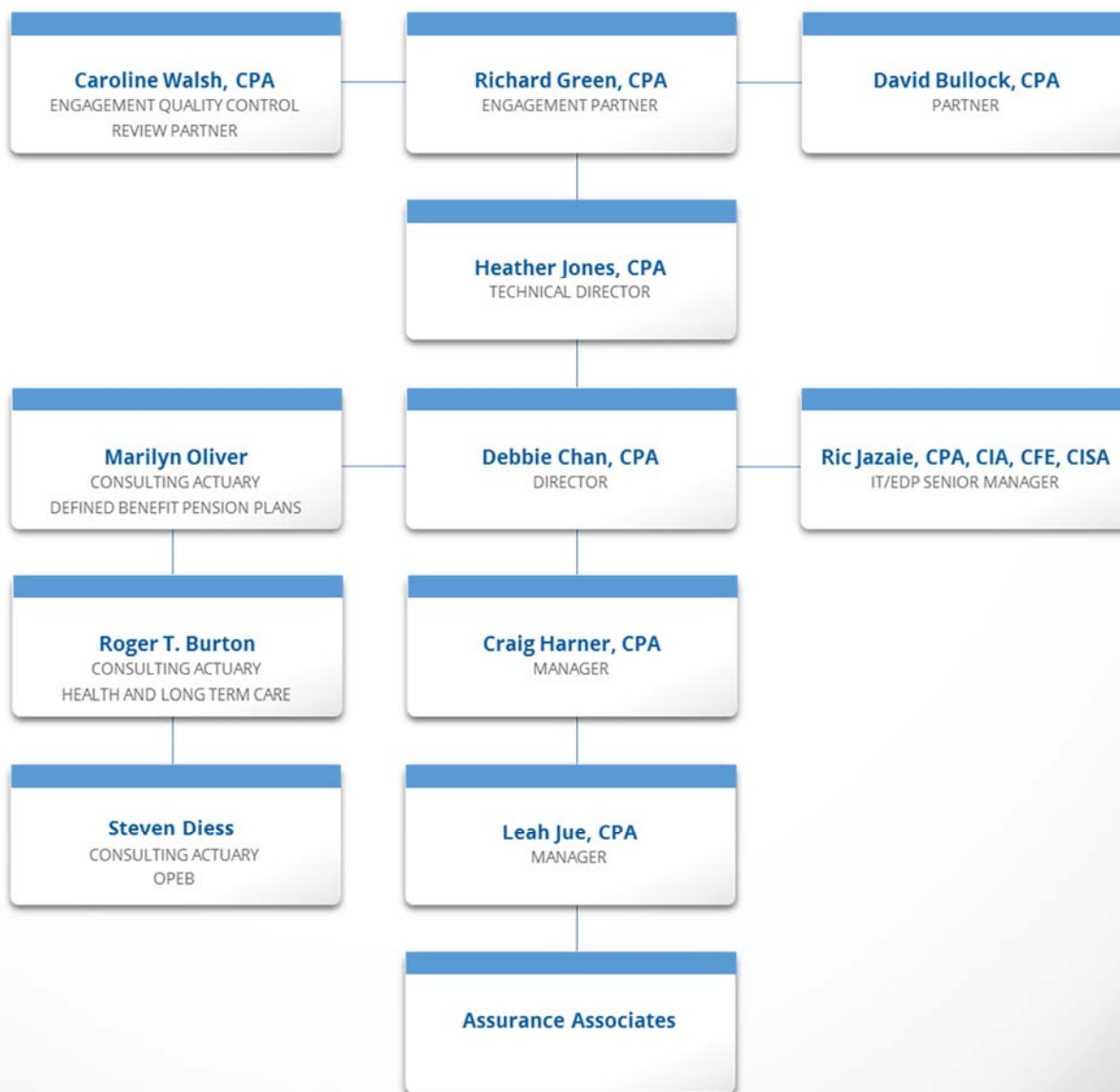


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Scope of Services and Deliverables



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Scope of Services and Deliverables



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Scope of Services

- Basic Financial Statements

Deliverables

- Independent Auditor's Report
- Report to the Risk and Audit Committee (Required Communications)
- Management Comments and Recommendations Letter

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Independent Auditor Responsibilities



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Independent Auditor Responsibilities



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- To express opinions as to the fair presentation of the System's financial statements, in all material respects, in conformity with generally accepted accounting principles
- To apply certain limited procedures to required supplementary information
- To report on the fairness of supplementary information when considered in relation to the financial statements as a whole

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Audit Timeline



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Audit Timeline



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Planning	Dates
Interim Prepared-By-Client Schedule	April 2016
Year-End Prepared-By-Client Schedule	June 2016
Audit Service Plan Presentation	June 2016
Execution	
Interim Fieldwork	May 2016 - July 2016
Year-End Fieldwork	August 2016 - October 2016
Report Issuance	
Independent Auditor's Report	October 2016
Communications with Those Charged with Governance	October 2016
Management Comments and Recommendations Letter	October 2016
Risk and Audit Committee Presentation	
Independent Auditor's Report	November 2016
Communications with Those Charged with Governance	November 2016
Management Comments and Recommendations Letter	November 2016

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Audit Approach



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CalPERS Audit Approach



Planning

- Document understanding of internal and external factors affecting the System
- Update understanding of the System's internal control environment, accounting systems and control procedures
- Perform risk assessment
- Complete audit plan, including audit procedures to address identified risks

Execution

- Performance of audit procedures and evaluation of results
- Development of organizational insights
- Review of financial statements and subsequent events
- Obtain management representations

Reporting

- Opine on the System's Basic Financial Statements Under Auditing Standards Generally Accepted in the United States of America
- Required Communications
- Management Comments and Recommendations

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Audit Approach



Significant Audit Areas

- Investments and Related Income
- Estimated Insurance Claims Liability
- Contributions
- Benefit Payments
- Premiums Revenue
- Claims Expense
- Actuarial Valuations for Cost-Sharing Pension Plans
- Active Member Census Data for Cost-Sharing Pension Plans
- Accounting/financial reporting of GASB Statement No. 72
- Accounting/financial reporting of GASB Statement No. 74

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Audit Approach



Response to Significant Audit Areas

- Review of general partner financial statements and use of investment valuation specialists as appropriate
- Review of service organization SSAE 16 reports
- Use of data extraction software
- Use of actuarial consultant
- Use of healthcare specialist

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Recent Developments in Accounting and Financial Reporting



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Recent Developments in Accounting and Financial Reporting



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GASB Statement No. 72, Fair Value Measurement and Application. This statement is effective for the periods beginning after June 15, 2015.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. A portion of this statement is effective for the periods beginning after June 15, 2015.

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Recent Developments in Accounting and Financial Reporting



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GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for fiscal years beginning after June 15, 2015.

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Recent Developments in Accounting and Financial Reporting



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GASB Statement No. 79, Certain External Investment Pools and Pool Participants. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 82, Pension Issues – An amendment of GASB Statements No. 67, 68, and 73. This statement is effective for fiscal years beginning after June 15, 2016.

**Questions?
Let's Talk.**