



The Commonwealth of Massachusetts

Office of the State Treasurer

Defined Contribution Plans

Boston, Massachusetts 02108-1608

Deborah B. Goldberg
Treasurer and Receiver General

David Lynch
Executive Director

NOTICE OF MEETING DEFERRED COMPENSATION AUDIT ADVISORY BOARD

In accordance with §§18-25 of Chapter 30A of the Massachusetts General Laws, 940 CMR 29.03, and Chapter 107 of the Acts of 2022 notice is hereby given of a meeting of the Deferred Compensation Audit Advisory Board to be held at the following time and location:

**Thursday, October 6, 2022
2:00 p.m.**

Join Zoom Meeting

<https://us06web.zoom.us/j/89285716296?pwd=SW5jZ0oxa2cvd1ppRIA2WDEyUEIrZz09>

Meeting ID: 892 8571 6296

Passcode: 077746

One tap mobile

+16465588656,, 89285716296#,,,,*077746# US (New York)

+13017158592,, 89285716296#,,,,*077746# US (Washington DC)

(Agenda Items expected to be discussed are attached)

Note: Remote meeting participants should contact Joel Massa, Operations Associate, Defined Contribution Plans, at (857) 310-0861 or at joel.m.massa@tre.state.ma.us if there are any difficulties accessing the meeting conference call line.



Agenda

Deferred Compensation Plan Audit Advisory Board

October 06, 2022, 2:00 PM

Join Zoom Meeting

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- I. Approval of the February 18, 2022 Meeting Minutes
- II. Review of 2021 Audit Report, CliftonLarsonAllen, LLP
 - Review of Financials
 - Recommendations
 - Q&A
- III. Public Comment
- IV. Miscellaneous
- V. Other Business – Reserved for Matters the Chair did not Reasonably Anticipate at the Time of Posting
- VI. Close Meeting

Office of the State Treasurer and Receiver General
Commonwealth of Massachusetts Employees Deferred Compensation Plan
Audit Advisory Board Meeting Minutes
October 6, 2022

The Audit Advisory Board (the “Advisory Board”) for the Commonwealth of Massachusetts Employees Deferred Compensation Plan (“Plan”) met, pursuant to notice, on October 6, 2022 via video conference. Present for all or part of the meeting were Sue Perez, Advisory Board Chair; Henry Clay, Board Member and Chet Riley, Board Member.

Also present: Tonia Shultz, Senior Associate, CLA; Jim Piotrowski, CPA Principal, CLA; Nicola Favorito, Deputy Treasurer / Executive Director, Retirement Board; Kathleen McNamara, Treasury Internal Auditor; Edrige Achille, Treasury Internal Auditor; Sarah Kim, Deputy Treasurer / General Counsel; Sandra Lynch, Associate General Counsel; David Lynch, Executive Director, Defined Contribution Plans; Laura Rooney, Director of Operations, Defined Contribution Plans; Joel Massa, Operations Associate, Defined Contribution Plans; Caitlin Marksteiner, Operations Associate, Defined Contribution Plans; Robert Sheridan, Deferred Compensation Committee Chair; Deferred Compensation Committee members John Curran and Thomas Magno; and Karen Guida also attended the meeting as members of the public.

The following materials, used throughout the meeting, were distributed in advance:

1. Agenda for the October 6, 2022 Audit Advisory Board Meeting;
2. Minutes of the February 18, 2022 Audit Advisory Board Meeting;
3. CLA’s Audit Presentation for Plan Year 2021 (“Audit Presentation”);
4. Financial Statements for Plan Year 2021 for the 457 Deferred Compensation Plan; and
5. Management Letter for Plan Year 2021 for the 457 Deferred Compensation Plan.

Call to Order:

With all Board Members present to establish quorum, Ms. Perez called the meeting to order at 2:01 p.m. Ms. Perez welcomed everyone in attendance to the meeting and briefly introduced Board Members Mr. Clay and Mr. Riley.

Ms. Perez noted that the meeting was being conducted via video conference in accordance with Chapter 107 of the Acts of 2022, which permits remote participation by all Board members via the use of adequate alternative means, such as a conference call line or in this case Zoom, to ensure public access to the deliberations of the Board. All votes taken will be by roll call. Ms. Perez advised attendees of the recording parameters under the Open Meeting Law M.G.L. c. 30A, §§ 18-25 and applicable regulations. Ms. Perez conducted a roll call of the meeting attendees with each individual providing a brief introduction and confirmation of attendance. Ms. Perez inquired if anyone present was recording the session. Attendees confirmed that no one was recording the meeting.

Ms. Perez asked for a motion to approve the minutes of the prior meeting held on February 18, 2022. Mr. Clay made a motion to approve, seconded by Ms. Perez. On roll call Mr. Clay and Ms. Perez confirmed approval of the February 18, 2022 meeting minutes. Mr. Riley abstained.

Ms. Perez then invited CLA to give a presentation of the Audit of the Plan for Calendar Year 2021.

Mr. Piotrowski introduced himself to the Board and would take the lead introduction in the Audit of the Plan for Calendar Year 2021. Mr. Piotrowski directed the Advisory Board's attention to the Audit Presentation (visible on everyone's computer screen). Referring to the Audit Presentation agenda, Mr. Piotrowski noted that his discussion would primarily serve as an overview of the Audit for the Advisory Board. Starting with the terms of engagement, the results of findings stated that no significant deficiencies and no material findings were identified during the 2021 audit. Mr. Piotrowski described each of the Terms of Engagement, which are to provide an independent auditors' report, report on internal controls, and also report on governance communication for significant findings. The audit was issued on September 8th, 2022, the earliest that CLA has concluded the internal audit for the Commonwealth Defined Contribution Plan.

Mr. Piotrowski noted to the Advisory Board that the scope of the Audit was to express an opinion on the unmodified representation of the financial statements for Plan Year 2021, and that CLA plans and performs the Audit to obtain reasonable assurance about whether the financial statements are free of material misstatements in accordance with U.S. Generally Accepted Auditing Standards (U.S. GAAP). The Independent Auditors' Report on Internal Control and Compliance showed no significant findings reported and the Governance Communication Letter was distributed as part of the meeting materials to the board. Mr. Piotrowski made note of a slight decrease to the net appreciation in investments from that of 2020 and that all other changes were not significant. Mr. Sheridan and Mr. Piotrowski then discussed the current structure of CLA's firm as it relates to assurance and consulting. Ms. Kim requested clarification on the language included in the report regarding management override of controls, which Mr. Piotrowski clarified is consistent with recent guidelines.

Ms. Shultz gave an overview of CLA's Audit Methodology, which consists of four phases: Planning and Strategy, Internal Control Systems Evaluation, Testing & Analysis, and Reporting and Follow-Up.

Ms. Shultz stated that the objective of the Systems Evaluation is to obtain an in-depth understanding of key processes of the entity through discussion with management and review of the SOC 1 Reports for both the recordkeeper, Empower, and the custodian, Northern Trust to ensure compliance. Ms. Shultz also noted that, based on this understanding, CLA developed a risk assessment of the key risk areas and processes.

Ms. Shultz then gave an overview of the Audit Methodology for Testing and Analysis on key risk areas, including investments, contributions, distributions, and administrative expenses.

Ms. Shultz noted that the financial statement disclosures were neutral, consistent, and clear. There were no past adjustments made and no disagreements with management or significant matters discussed.

CLA then opened the floor for questions and discussion. Mr. Piotrowski confirmed for Mr. Riley that there were no outstanding issues to be dealt with in regard to the Audit. Mr. Clay asked if all contract values were reasonable from all the investment managers. Ms. Shultz and Mr. Piotrowski confirmed they were satisfied with all the information provided by the managers. They also confirmed for Mr. Clay that, due to the Plan's ability to negotiate fee reductions this year, they consider the Plan fees to be reasonable and comparable to that of other plans.

Ms. Perez asked if there were any challenges in this audit as compared to prior audits. Ms. Shultz stated there were none identified. Mr. Piotrowski stated that recent staffing changes in the Treasury Audit team with the departure of Ms. Guida may prove to be a challenge for the next year's audit, but otherwise, there were no significant issues.

Ms. Perez thanked CLA for the presentation and made a last request for additional questions. There being none, all members voiced their appreciation on the meeting and work being performed on the audit.

On a motion by Mr. Clay and seconded by Mr. Riley, the Committee approved the auditors' report.

With no further questions or comments, Ms. Perez asked for a motion to adjourn. Mr. Clay and Mr. Riley moved to adjourn the meeting and Ms. Perez seconded the motion. The Advisory Board Meeting was adjourned at 2:29 p.m. via roll call: Mr. Clay, Mr. Riley, and Ms. Perez.