

Overview of Audit Procedures for the MN Public Employee Retirement Association
GASB 68 Pension Schedules for the Year Ended June 30, 2016

Abdo, Eick, & Meyers, LLP was engaged to audit and provide opinions on the schedule of employer allocations of the Public Employees Retirement Association of Minnesota (PERA) General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, and Public Employees Correctional Fund Pension Plan as of and for the year ended June 30, 2016, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the schedule of pension amounts by employer, current reporting period only, of the PERA General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, and Public Employees Correctional Fund Pension Plan as of and for the year ended June 30, 2016, and the related notes. The financial statements of PERA were audited separately by other auditors.

Appropriate audit evidence was obtained focusing on the accuracy and completeness of information provided to and used by the actuary and supporting data underlying the specified elements being opined upon.

The AICPA issued the following audit and accounting guide for state and local governments: Chapter 13 *Defined Benefit Pension Plans (Plan & Employer Considerations)*. This guidance was used as the basis in our audit approach for the PERA GASB 68 pension schedules.

Various procedures were performed related to active participant census data. Auditors gained an understanding of internal controls, performed risk assessments, and evaluated and tested controls. A sample of employers were selected for testing. For each of the selected employers, auditors obtained detailed salary reports directly from the sample employers, performed procedures to ensure completeness of the list of employees, and selected a sample of employees for census data testing. Auditors then tested the PERA census data submitted to the actuary to calculate the pension liability for each plan against source documents maintained by the employers. For employees selected that do not participate in a pension plan, the employee exclusions were evaluated for accuracy with exceptions permitted by PERA.

Audit procedures were performed related to inactive and retired participant census data. Auditors gained an understanding of internal controls, performed risk assessments, and evaluated and tested controls. Auditors directly tested records maintained by PERA to obtain sufficient appropriate audit evidence that the census data was accurate.

Various procedures were performed related to contributions. Auditors gained an understanding of internal controls, assessed risk of misstatement, and tested controls. These contributions are on an accrual basis, based on employer identified payroll dates from July 1, 2015 through June 30, 2016. A sample of employers were selected for testing employer contributions reported by PERA on the schedule of employer allocations for each plan compared to contributions reported in the employer's payroll system. Additionally, employer contributions were analyzed for reasonableness compared to employer contributions reported on the June 30, 2015 schedule of employer allocations for each plan. Employer contributions reported on the schedule of employer allocations were tested for accuracy compared to PERA's accounting system. There are reconciling items for contributions reported on the GASB 68 schedules compared to the amounts reported on PERA's financial statements. These were evaluated to be properly excluded from the GASB 68 schedules. The percentage allocated to each employer was recalculated. The allocation of the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense were recalculated for each employer.

Additional audit procedures included, but were not limited to, testing balances reported on PERA's financial statements within the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position impacting the net pension liability; review of information within the GASB 68 actuarial valuation related to discount rates, actuarial assumptions, and investment earnings; and testing of amounts calculated by the actuary for deferred outflows of resources, deferred inflows of resources, and pension expense.