



# OFFICE OF THE STATE AUDITOR



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## Legislative Audit Committee

August 18, 2021

## Minutes

The Legislative Audit Committee (LAC) convened a hearing on August 18, 2021, at 10:00 a.m. in the Colorado State Capitol, Old Supreme Court Chambers. Representative Dafna Michaelson Jenet called the meeting to order. Roll was called with the following members present:

### Committee Members

Representative Rod Bockenfeld, Senator Julie Gonzales, Representative Colin Larson, Senator Robert Rodriguez, Representative Dylan Roberts, Senator Rob Woodward, Senator Jim Smallwood (Vice Chair), Representative Dafna Michaelson Jenet (Chair)

The following Office of the State Auditor (OSA) staff and others attended:

### OSA

Kerri L. Hunter, State Auditor; Marisa Edwards, Deputy State Auditor; Crystal Dorsey, Greg Fugate, Dr. Chris Harless, Kate Shiroff

### Other Attendees

#### Colorado Public Employees' Retirement Association

Suzanne E. Kubec, Board of Trustees Vice Chairperson

Ron Baker, Executive Director

Amy C. McGarrity, Chief Investment Officer

KERRI L. HUNTER, CPA

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Other General Assembly Member

Representative Shannon Bird

Pinnacol Assurance

Howard Carver, Chair of Risk & Audit Committee

Phil Kalin, President and CEO

Kathy Kranz, Vice President and CFO

Segal

Brad Ramirez, FSA, MAAA, EA, Vice President and Actuary

Melissa Krumholz, FSA, MAAA, Senior Consultant and Actuary

CliftonLarsonAllen

Jason Ostroski, Partner

KPMG

Ashley Busse, Partner

Lexi Oberoi, Senior Manager

10:01 a.m.

**Pinnacol Assurance, Statutory-Basis Financial Statements and Supplemental Schedules of Investment and Reinsurance Information, December 31, 2020 and 2019 (With Independent Auditors' Report Thereon)**

Senator Smallwood made a motion to release the *Pinnacol Assurance, Statutory-Basis Financial Statements and Supplemental Schedules of Investment and Reinsurance Information*. Representative Larson seconded the motion, and the motion passed unanimously.

Ms. Edwards introduced self, staff, and contractor.

Mr. Kalin (*Pinnacol Assurance*) introduced the Chair, self and staff.

Ms. Busse and Ms. Oberoi (*KPMG*) presented an overview of the report.

Discussion ensued regarding accounting principles required by the Division of Insurance for insurance companies.

10:27 a.m.

### **General Business**

#### **Minutes**

Senator Smallwood made a motion to approve the June 21-22, 2021, LAC hearing minutes. Representative Bockenfeld seconded the motion, and the motion passed unanimously.

10:28 a.m.

### **Legislation**

Mr. Fugate introduced self and staff, and presented an overview regarding legislation related to prior audits, as well as possible future legislation recommended or related to prior audits.

10:41 a.m.

### **External Peer Review Results**

Mr. Fugate presented an overview of the OSA's recent external peer review report. The OSA received a "pass" rating, the highest possible rating.

10:44 a.m.

### **Audit Request**

Representative Roberts withdrew his audit request.

10:46 a.m.

### **Recess**

1:31 p.m.

**Colorado Public Employees' Retirement Association (PERA) Reports:**

- Colorado Public Employees' Retirement Association, Comprehensive Annual Financial Report, For the Year Ended December 31, 2020
- Colorado Public Employees' Retirement Association, Financial Audit, Year Ended December 31, 2020

Representative Bockenfeld made a motion to release the *Colorado Public Employees' Retirement Association, Financial Audit* (PERA). Senator Smallwood seconded the motion, and the motion passed unanimously.

Ms. Edwards introduced self and contractor.

Ms. Kubec (*Colorado Public Employees' Retirement Association*) introduced self and staff.

Mr. Ostroski (*CliftonLarsonAllen*) presented an overview of the PERA Comprehensive Annual Financial Report and PERA Financial Audit.

Mr. Ramirez (*Segal*) introduced himself and Ms. Krumholz, and they presented an overview of the actuarial report on the retirement and health plans.

Discussion ensued regarding the assumptions used in determining which factors applied to future growth, deferred investment gains, and inflation as a piece of the pension plan's model.

Mr. Baker and Ms. McGarrity (*Colorado Public Employees' Retirement Association*) presented additional information on PERA.

Discussion ensued regarding inflation-adjusted net benefits to beneficiaries, and PERA payments to ex-spouses.

**Hearing adjourned at 2:56 p.m.**

Minutes submitted by:

Jayne Watson

Executive Assistant, Office of the State Auditor