

**ASSOCIATION OF PUBLIC PENSION FUND
AUDITORS
PROFESSIONAL DEVELOPMENT CONFERENCE**

**San Diego, California
April 30 – May 3, 2006**



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**Embassy Suites Hotel
San Diego Bay - Downtown
601 Pacific Highway
San Diego, California 92101
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About Your Sponsor



The APPFA Professional Development Conference is a group live conference designed to further enhance participants' auditing skills and provide a forum for the exchange of ideas and concepts. At the conference, the participants will attain an overview of the topic areas. Attendees should have a basic knowledge of accounting and auditing procedures, practices and theory. There is no experience requirement and no advance preparation is needed.

Participants attending this seminar will receive an attendance certificate following the completion of this program. Auditing and accounting professionals may qualify for 17 hours of Continuing Professional Education (CPE) by attending this conference, which is designed to comply with the AICPA's Statement on CPE Standards.



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Agenda

SUNDAY - APRIL 30

Reception 6:00 - 8:30 pm

MONDAY - MAY 1

Introduction & Logistics 8:30 - 8:45 am

Welcome and Opening Comments Brian P. White 8:45 - 9:45 am

Roll Call of the States Kenneth Kasper 9:45 - 10:30 am

Break 10:30 - 10:45 am

Roll Call of the States (continued) 10:45 - 12:00 pm

Lunch 12:00 - 1:15 pm

What's It All About, Alpha? David J. Deutsch 1:15 - 2:45 pm

Break 2:45 - 3:00 pm

GASB 43: Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans Karl Greve 3:00 - 4:30 pm

APPFA Board Meeting Marci Sundbeck 4:45 pm

TUESDAY - MAY 2

How to Mitigate Your Organization's Risk Through the Partnership Between Internal Audit and Compliance	Sherry Johnstone Larry Jensen	8:30 - 10:15 am
Break		10:15 - 10:30 am
Personal Trading Policies Panel	Sherry Johnstone Tammy Lloyd Peter Maher	10:30 - 12:00 pm
Lunch		12:00 - 1:15 pm
Continuous Monitoring After the Audit	Joan Pastor	1:15 - 2:45 pm
Break		2:45 - 3:00 pm
The Psychology Behind Fraud, White-Collar Crime and Unethical Behavior	Joan Pastor	3:00 - 4:45 pm
Dinner at Harbor House Restaurant in Sea Port Village		7:00 pm

WEDNESDAY - MAY 3

Real Estate Compliance Auditing	Kevin P. MacLatchie	8:30 - 10:00 am
Break		10:00 - 10:15 am
Lessons Learned from Hurricane Katrina	Patrick Bateman Anne Rombach	10:15 - 11:30 am
Conference ends		11:30 am



Session Descriptions and Presenters

Welcome and Opening Comments

Presenter: Mr. Brian P. White, Chief Executive Officer, San Diego County Employees Retirement Association

Brian White has nearly 20-years of leadership positions at both public and corporate retirement systems. Mr. White currently serves as the Chief Executive Officer for the \$6.9 billion San Diego County Employees Retirement Association since December 1996.

Previously, Mr. White was the Director of the State of Michigan retirement plans. Mr. White also held executive positions in the Eastern AirLines, Chrysler Corporation and American Motors Corporation retirement plans.

Mr. White earned a Bachelor's Degree in Business Administration from the University of Michigan and a Master's Degree in Business Administration from the University of Detroit.

Roll Call of the States

In this session, a representative from each participating organization will speak to the group about current audit areas, ongoing projects and recent legislation affecting their pension fund. They will discuss how they accomplished the results, how they overcame hurdles, how to prepare for similar issues at their system, and allow dialogue to present possible solutions to problems. This session facilitates networking and is extremely beneficial in locating peers that are working on similar projects and facing similar challenges.

Moderator: Mr. Ken Kasper, New York State Teachers' Retirement System

What's it all About, Alpha?

The advent of liquid derivative markets for the S&P 500, Russell Indices, Fixed Income benchmarks, etc., allows institutional investors to focus scarce capital on a multiplicity of active investment strategies aimed at earning return in excess of LIBOR ("Alpha"), while picking up broad market returns (e.g. the returns to the S&P 500) through near costless exposure to S&P 500 derivatives.

At SDCERA, the "Alpha Engine" substitutes for what would otherwise be traditional active management in large cap domestic equities; that is, the Engine represents the fund's allocation to large cap domestic stocks in the portfolio. As the allocation to large cap domestic equities is roughly 20% of the total allocation, approximately \$1.3 billion of the \$6.9 billion fund is run in this alternative structure. The Alpha Engine is appropriate for this particular segment of the market because large cap domestic equities are generally thought to be very efficiently priced in any event and that there is therefore little opportunity to earn excess returns.

Presenter: Mr. David J. Deutsch, CFA, Chief Investment Officer, San Diego County Employees Retirement Association

David J. Deutsch is the Chief Investment Officer for the San Diego County Employees' Retirement Association (SDCERA), where he manages a \$7.0 billion investment portfolio consisting of both external and internal mandates, including several in-house fund of funds structures dedicated to index enhancements ("Alpha Engine"), private equity partnerships and real estate investments and vehicles.

Mr. Deutsch began his career on the investment side of the public pension business, as Vice-President and Portfolio Manager for an investment advisory firm in El Paso, Texas. Switching to the plan sponsor side, Mr. Deutsch became the first Pension Administrator for the City of El Paso in which capacity he managed two public funds, a general employees fund and a fund for safety members. In 1994, David moved to California to take over as Executive Director of the Kern County Employees' Retirement Association (KCERA), a public pension fund located in Bakersfield, California where he served for the next ten years. In the new position with SDCERA, Mr. Deutsch focuses all his attention on investments

rather than the overall administration of a system.

Mr. Deutsch is an honors graduate of the University of Southern California, a member of Phi Beta Kappa, and holds an M.B.A. from the University of Texas at El Paso. Mr. Deutsch holds a Chartered Financial Analyst (CFA) designation.

GASB 43: Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans

In this session, we will compare and contrast the requirements of GASB 25 (Financial Reporting for Defined Benefit Pension Plans) with GASB 43 (Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans). Also, we will discuss various reference materials and tools that are available to help you with implementing this new Statement. Finally, hear tips from a plan that has shown its OPEB liability in their annual CAFR since December 31, 1995.

Presenter: Mr. Karl Greve, CGFM, CPA, Chief Financial Officer, Public Employees' Retirement Association of Colorado

Karl Greve, CGFM, CPA is the Director of Accounting/Controller for Colorado PERA and has 20 years experience with the Association. Karl has served on the AICPA Employee Benefits Expert Panel, GFOA Committee on Retirement and Benefits Administration, is currently a board member of the Public Pension Financial Forum, and on several GASB task forces, including the OPEB standards task force. Karl, along with Bob Benson, was one of the preparers of the AICPA publication *Checklists and Illustrative Financial Statements for Governmental Employee Plans*. He received an undergraduate degree in finance from the University of Illinois and has an MBA with an emphasis in finance from the University of Colorado at Denver.



How to Mitigate Your Organization's Risk Through the Partnership Between Internal Audit and Compliance

Many pension systems are considering or have implemented a compliance monitoring activity. This session will discuss the differences between the Internal Audit Role and the Compliance Role. Who really has responsibility for compliance within your organization? During this past year, CalPERS began implementing an enterprise-wide approach to compliance monitoring. We will discuss how we are implementing the compliance monitoring program, including obstacles and successes experienced along the way. Discussion will also include steps you can take to minimize or mitigate risk through risk assessment, planned audit activities and daily compliance operations.

Presenters: Ms. Sherry Johnstone and Mr. Larry Jensen, CIA, CISA, CGFM, California Public Employees' Retirement System

Sherry Johnstone is currently the Chief Compliance Officer for CalPERS. She was appointed to lead an independent and objective enterprise-wide compliance effort to ensure that CalPERS operations comply with the System's internal policies and external regulations. CalPERS, the nation's largest public pension fund with more than \$200 billion in assets, provides retirement and health benefits to more than 1.4 million State and local public employees and their families.

Ms. Johnstone has over 20 years experience in program administration and leadership in California state government which includes serving as the Chief of Equal Opportunity at the Department of Transportation, Acting Deputy Director of

Administration at the Department of Transportation, San Bernardino, Chief of Policy and Administration at the Department of Transportation.

Additionally, Ms. Johnstone has over 10 years in fiscal services, including Accounting, Budgeting and System Development. She also has been a certified "Baldrige Criteria Examiner", and a departmental Risk Manager. She holds a Bachelor of Arts degree from California State University, Sacramento, Communication Studies and Business Administration.

Larry Jensen is the Chief Auditor of the California Public Employees' Retirement System (CalPERS). Larry has 15 years of internal audit experience with special emphasis in risk assessments, audit plans, operational and financial analysis, benchmarking, project management, relationship management, and information technology. During his 10-year tenure at CalPERS, Larry managed the internal audit team and was responsible for audits of investments, fiscal services, benefit and member services, and health organizations. Prior to CalPERS, Larry was an internal auditor for California State University, Sacramento for 5 years. He is a Certified Internal Auditor, a Certified Information Systems Auditor, and a Certified Government Financial Manager. Currently, Larry is the Secretary for the Association of Public Pension Fund Auditors.

Personal Trading Policies Panel

Personal trading is a potential area of risk whether considered from an ethical, legal or compliance perspective. Many organizations are challenged to establish appropriate policies which recognize the personal investment goals of employees as well as the ethical standards and regulatory requirements of the organization. Sherry Johnstone from CalPERS will provide a public sector perspective on developing a personal trading policy, including consideration of electronic tools and best practices. Tammy Lloyd of Ohio PERS will discuss quarterly/annual reporting requirements used for monitoring compliance of personal trading activity, as well as, identify individuals subject to the trading policy. Peter Maher of Ontario Teachers' will describe changes to their policy arising from an incident which demonstrated that the requirements in the existing policy had not kept up to date with changes in the business and technology.

Presenters: Ms. Sherry Johnstone, CalPERS, Ms. Tammy Lloyd, Ohio Public Employees' Retirement System, and Mr. Peter Maher, Ontario Teachers' Pension Plan Board

Sherry Johnstone is currently the Chief Compliance Officer for CalPERS. She was appointed to lead an independent and objective enterprise-wide compliance effort to ensure that CalPERS operations comply with the System's internal policies and external regulations. CalPERS, the nation's largest public pension fund with more than \$200 billion in assets, provides retirement and health benefits to more than 1.4 million State and local public employees and their families.

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Tammy Lloyd has been an Internal Auditor with the Ohio Public Employees' Retirement System for 4 years. Tammy's past responsibilities have included benefits, financial areas and personal trading.

Tammy has recently obtained her Masters in Business Administration with a concentration in Finance from Keller Graduate School of Management in April 2006.

Peter Maher is the Vice-President, Audit Services at the Ontario Teachers' Pension Plan in Toronto, Canada. Peter has more than 30 years experience in the financial services industry, initially working with Bank of Montreal in both financial and general management positions. Before joining Ontario Teachers' in 1997, Peter was Director of Examinations for the Office of the Superintendent of Financial Institutions, Canada where he was responsible for the regulatory oversight of the large Canadian banks.

Peter received his Chartered Accountant's designation while working with Price Waterhouse. He obtained a Bachelor of Commerce degree from Loyola College in Montreal. He is a member of the Ontario Institute of Chartered Accountants, the Association of Public Pension Fund Auditors, the Institute of Internal Auditors and the Information Systems Audit and Control Association.

Continuous Monitoring After the Audit

Once upon a time auditors completed the audit, issued the report, clients responded in various ways as determined by your organization, and that was that. In the past 10 years however, a very slow change has been developing at the end of the audit. Auditors realized that if they were going to truly add value to an organization and to their various customers within their organization, that some sort of follow up monitoring would be needed to at least keep a finger on the most critical risk areas. In some cases clients were not addressing findings fully because they had ways to get around it, and 2-3 years later it was frustrating for auditors to come back in and find the same problems again.

This session looks at how various audit functions in several organizations are attempting to address these issues. Discussion of the various approaches to monitoring after the audit will be encouraged.

Presenter: Dr. Joan Pastor

Dr. Joan Pastor is president of JPA International, Inc., an international consulting company (<http://www.jpaforauditors.com/>). She acts as a consultant on the "people" side of business to corporations, and has been a professional speaker, trainer, seminar leader, and organizational development specialist for more than 20 years. She and her associates have worked in more than 20 countries on all five continents. They are known for their expertise in global issues, future trends, strategic planning, and cross-cultural communications.

Joan has a Ph.D. in Industrial-Organizational Psychology and Clinical Psychology and has practiced extensively as a psychotherapist. She has been a guest of a number of radio and television shows and has hosted her own radio show. Joan is the author of more than 35 articles as well as the book *Women's Work*. She is a *Certified Speaking Professional* through the National Speakers Association, and a member of the American Psychological Association and the Society for Industrial and Organizational Psychology.

Joan has taught and continues to teach seminars and classes at numerous companies and associations, and a number of universities across the country through their business schools. Courses include Leadership Skills for Technical Professionals, Developing and Implementing High-Performing Teams for Increased Competitive Edge, Cross-Cultural Issues in a Global Economy, and Negotiation Skills for Internal and External Customers. Joan also provides consulting services to and through these schools.

The Psychology Behind Fraud, White-Collar Crime and Unethical Behavior

Understanding the psychology behind fraudulent behavior is critical to detecting, preventing and dealing with fraud. Learn about this fascinating area that is only recently being researched, and that will help you understand why a small percentage of the population ends up causing the most damage in the workplace. You will also learn why it is so hard for this same group to make ethical decisions, and things that managers, HR and auditors can look for and do to determine if some of these people may be causing damage in where you work. In this session, Joan puts on her "clinical psychologist" hat and educates you on one of the least understood areas of psychopathology, why it is so controversial (and therefore has been the recipient of much less research until recently), and it's relationship to workplace problems.

Presenter: Dr. Joan Pastor



Real Estate Compliance Auditing

The session will include:

- Defining the differences between a financial audit and a contract compliance audit
- Most frequent problems disclosed in compliance audits
- Advantages of performing contract compliance audits on a regular basis

Presenter: Mr. Kevin P. MacLatchie, CPA

Mr. MacLatchie, a certified public accountant, has over 30 years experience in real estate development, accounting and auditing.

For nine years, Mr. MacLatchie was chief financial officer of a medium size real estate development company. This company developed mixed-use communities and performed all construction, sales and property management.

Subsequently, Mr. MacLatchie started his own CPA practice devoted to real estate contract compliance audits. He has now performed over 500 such audits. The types of contracts Mr. MacLatchie has audited include:

- Real estate advisor agreements
- Property management agreements
- Construction contracts
- Profit participation agreements with single family home builders

For eight years Mr. MacLatchie performed all of the real estate compliance audits for CalPERS. Other clients serviced by Mr. MacLatchie include The Irvine Company, Pacific Life Insurance and GMAC Commercial Mortgage.

Lessons Learned from Hurricane Katrina

This presentation will be a discussion of the issues faced by the retirement systems in Florida, Alabama, Mississippi, and Louisiana as a result of widespread destruction caused by Hurricane Katrina on August 29, 2005. Benefit payments were due on September 1, 2005. However there were many challenges to delivering payments to annuitants because many retirees no longer had homes, many were displaced to other locations, many of their post offices were not open, and/or many of their banks were not open. Learn how the affected pension systems went the extra mile to transmit payments to the annuitants. Learn about the additional services that the pension systems provided to their affected customers. Learn how the systems' disaster recovery plans worked and how your disaster recovery plans may be enhanced to cover this type of situation.

Presenters: Mr. Patrick Bateman, CPA, Teachers' Retirement System of Louisiana, and Ms. Anne Rombach, CPA, CIA, CISA, Louisiana State Employees' Retirement System

Patrick is the investments auditor for Teachers' Retirement System of Louisiana (TRSL). He began his tenure at TRSL six years ago at which time he was primarily responsible for conducting compliance audits of reporting agencies. Since that time, he has also performed as lead auditor in audits of all areas across the organization, including investment operations, accounting, retirement, and member services.

Patrick earned his BS in accounting at Louisiana State University, and also holds a state teaching certificate. Prior to his employment with TRSL, he taught Algebra in a local private school, where he also worked as a high school football and basketball coach. Patrick also has formed his own accounting practice, specializing in payroll, tax, and consulting services.

Patrick is married and has two daughters, ages 4 and 6. In addition to spending time with his family, he enjoys coaching basketball and volunteering at his church and in the local community.

Anne is the Auditor Supervisor at Louisiana State Employees' Retirement System (LASERS), where she works with a staff of six professional auditors. She has been with LASERS since 1999, and was promoted to her present position in 2004. Anne is a Certified Public Accountant, a Certified Internal Auditor and a Certified Information Systems Auditor.

Anne is a member of the Association of Public Pension Fund Auditors, the Institute of Internal Auditors and the Information Systems Audit and Control Association.

Registration Information

Conference registration must be received by April 14, 2006 to reserve your place at the conference. See the registration form, which is located on the APPFA website, for details.

The registration fee includes all materials, lunches, breaks and a fabulous dinner at Harbor House Restaurant on Tuesday night. Refunds are available if written cancellation notice is received 10 days before the conference. Refunds will not be issued after that date. For more information regarding administrative policies such as complaint and refund, please view our website at www.appfa.org. Business casual attire is appropriate. Please be aware that the temperature in the meeting room may be cool so a jacket is recommended.



Hotel Information

Embassy Suites Hotel
San Diego Bay – Downtown
601 Pacific Highway
San Diego, California 92101
(619) 239-2400

Single occupancy \$129.00 (Government Rate)
Double occupancy \$149.00
Room tax is 10.55% and is subject to change

The cut off date for hotel reservations is **Friday, March 31, 2006.**

Complimentary shuttle transportation from San Diego International Airport is provided by the hotel.