

Assurance Report

1704 NEPC

December 29, 2016

Cindy Rougeou, Executive Director
The LASERS Audit Committee

EXECUTIVE SUMMARY

The policies, procedures, and controls that NEPC has in place are adequate and effective in fulfilling their contractual and fiduciary duties to LASERS.

This review included a site visit to NEPC's main office in Boston, Massachusetts. LASERS audit staff interacted with various members of the NEPC team and all personnel were professional and courteous. NEPC fulfilled all requests for information related to LASERS investments, including coordinating various meetings with NEPC's staff. There were no issues identified during this review.

BACKGROUND

This was a planned engagement on the fiscal year end 2017 Audit Plan. The fieldwork for this engagement was completed on December 20, 2016.

LASERS has utilized the pension consulting services of NEPC since July 1993 and most recently re-contracted their services in July 2013, ending June 2018. The last review of NEPC was completed on June 30, 2011, and no reportable issues were found. Due to the nature of services provided to LASERS by NEPC, the pension consultant is on a five-year review cycle. NEPC's Scope of Services include: Performance Evaluation, Asset Allocation, Investment Manager Structure, Investment Policies and Guidelines, Investment Research, Education and Training, and Transition Management. As of October 31, 2016, the total invested assets in LASERS portfolio were approximately \$10.7 Billion.

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Cindy Rougeou, Executive Director

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this engagement is to review the activities of NEPC as related to LASERS.

The primary objectives of this engagement were to:

- Obtain a clear understanding of NEPC's business processes related to LASERS.
- Evaluate if NEPC is fulfilling their contractually obligated duties.
- Review NEPC's due diligence process for LASERS.
- Review NEPC's physical and technological security processes in place to safeguard LASERS information.

Procedures used to complete this engagement included:

- Review of documentation provided by NEPC.
- Meeting with key personnel and staff to understand processes and identify controls for key areas.
- Observations of processes and specific documents for verification purposes.
- Conducting other inquiries considered necessary to achieve engagement objectives.

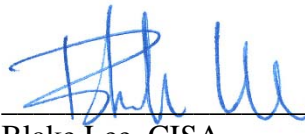
This engagement was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

FOLLOW-UP

A follow-up to this engagement is not necessary.



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Auditor



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