

NHRS Board of Trustees, Audit Committee
March 8, 2016

NOTE: These minutes from the March 8, 2016 Audit Committee meeting were approved and executed at the April 12, 2016 regular Meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

March 8, 2016

**New Hampshire Retirement System
54 Regional Drive
Concord, NH 03301**

Committee Members: John Beardmore, Chair; Bill Dwyer; Maureen Kelliher; Germano Martins; and David McCrillis.

Staff: George Lagos, Executive Director; Denise Call, Director of Employer Services; Frank Clough, Director of Information Technology; Timothy Crutchfield, Esq., Chief Legal Counsel; Jack Dianis, Director of Finance; Larry Johansen, Director of Investments; Nancy Miller, Director of Member Services; Nina Calkins, Process Improvement Manager; Heather Fritzky, Controller; Carolyn Johnson, Hearings Examiner; Nancy Cone, Internal Auditor.

Chair Beardmore called the meeting to order at 8:15 AM. Upon a request from the Chair, a motion was made by Mr. McCrillis to accept the minutes of the Audit Committee meeting of February 9, 2016. Mr. Dwyer seconded the motion and it carried unanimously.

Ms. Cone presented the final audit reports for NHRS Website Change Management and User Access Rights and PensionGold User Access Rights. She then provided an update as of March 1, 2016 of the outstanding items on the Open Audit Issues Tracking System report and reviewed the FY2016 Audit Plan Status. Ms. Cone and Nina Calkins, the Process Improvement Manager, are working on enhancing the organizational risk assessment to include a Risk Assessment Policy.

Mr. Crutchfield discussed the Final Proposal for the draft Employer Withdrawal Rule including the revisions submitted by Mr. Dwyer as to notification responsibilities. This proposal is designed to provide clarification, as opposed to an expansion, of the rule, Ret 311, in instances where an employer withdraws and notice is provided to employees of the right to a refund. If approved by the full Board, it is expected that the matter will be scheduled for consideration at the April 15, 2016 meeting of the Joint Legislative Committee on Administrative Rules (JLCAR).

Ms. Kelliher then made a motion to recommend to the full Board of Trustees that it accept the Final Proposal for the Employer Withdrawal Rule, as presented. The motion was seconded by Trustee Martins and was unanimously approved.

The Committee then welcomed from KPMG David Gagnon, Lead Engagement Partner, and Lana Friedman, Audit Manager, to discuss the Fiscal Year-end 2016 Audit Plan. Mr. Gagnon indicated that the approach proposed is similar to prior years including census data, GASB 67, GASB 68 and the CAFR. Ms. Friedman then walked through the timeline for the audit of Fiscal 2016. Mr. Gagnon and Ms. Friedman then discussed areas of audit emphasis including cash controls, contributions, disbursements and the valuation of the pension liability and investments. Mr. McCrillis inquired about the approach to valuing alternative investments. Mr. Gagnon discussed the various methods that are utilized to value different aspects of the portfolio and specifically pointed out that private equity and private debt investments typically produce audited financial statements following the end of the prior calendar year. Mr. Johansen added that most private equity investments are valued on the conservative side. Mr. Gagnon then discussed the new GASB 72 implementation which should have the most impact around Financial Note disclosures.

Frank Clough then provided the Committee with an update of IT projects. IT staff has made significant progress in implementing the Cyber Security Plan including staff training, firewall security, wireless network security, email encryption and vulnerability scanning. Mr. Lagos noted that Mr. Clough has made a lot of positive progress by putting an effective plan in place and executing it.

As there being no further business, the Committee tentatively scheduled the next meeting immediately prior to the Board meeting on Tuesday, April 12, 2016 at a time to be determined.

A motion to adjourn was made by Mr. Dwyer, seconded by Mr. McCrillis, and it carried unanimously.

*Respectfully submitted,
Nancy B. Cone*