

NHRS Board of Trustees, Audit Committee
October 11, 2016

NOTE: These minutes from the October 11, 2016 Audit Committee meeting were approved and executed at the November 8, 2016 regular Meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
October 11, 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; Mark Cavanaugh, Esq., Associate Counsel and Compliance Officer; 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; Nancy Cone, Internal Auditor.

Chair Beardmore called the meeting to order at 9:30 AM. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the minutes of the Audit Committee meeting of September 13, 2016. Trustee Martins seconded the motion and it carried 4-0 with Trustee Dwyer abstaining.

Ms. Cone then reviewed the results of the Member Services Monthly Pension Benefit Roll Forward Audit. A discussion ensued as to the parameters and purpose of the roll forward and the system alerts that are provided. Trustee Dwyer inquired as to the process for resolving uncashed pension benefit checks and inquired as to whether or not unpaid items were escheated to the state. Attorney Crutchfield indicated that uncashed pension benefit checks are not escheated to the state, and indicated that the matter had been reviewed by counsel and he would provide a copy of the legal opinion to the Committee. Trustee Martins inquired as to publishing the names for the uncashed checks on the state's website. Trustee Dwyer indicated that the state would not be able to do so as the funds do not belong to the state. Mr. Dianis indicated that there is a list on the NHRS website of unclaimed contributions for terminated members which is periodically updated.

Ms. Cone then updated the Committee as to the status of the FY2017 Audit Plan indicating that the GASB employer audits prepared by NHRS on behalf of KPMG have been completed and provided to KPMG for review. While not on the Audit Plan, an audit will be performed relating to Member, Retiree and Beneficiary record changes as a result of the Monthly Pension Benefit Roll Forward Audit.

Ms. Cone then provided an update of the outstanding items on the Open Audit Issues Tracking System and Attorney Cavanaugh commented on the recently concluded employer audit of the State of NH Department of Education and the status of future audits of state agencies.

Mr. Lagos then discussed the Sole Source Contract Proposal to replace the existing data domains which are at the end of their useful lives. Mr. Clough indicated that these servers are utilized to perform daily backups of NHRS data locally and also to the COLO site as part of the business continuity and disaster recovery processes. By purchasing similar devices from the same vendor, NHRS will save on costs and training resources. Trustee Martins inquired as to the frequency of the backups and Mr. Clough indicated that they are performed daily and the two servers have a self-checking mechanism to ensure that they are in sync. The Committee agreed with the proposal which will be presented to the full Board for approval later that day.

Mr. Lagos then provided an update on the Pension Administration System Evaluation ("PASE") Proposal and draft Action Plan. A survey has been forwarded to twenty public pension systems that have either recently concluded or are in the midst of a transition or upgrade to a new system. Based on the results, two or three vendors will be selected for a high level presentation to NHRS and then compared to the previous presentation by LRS on PensionGold V3. Mr. Lagos indicated that further discussion with Mr. Dianis and this Committee will be scheduled regarding funding issues related to this potential proposal. Chair Beardmore questioned utilizing the existing vendor, LRS, to perform the initial evaluation as it may give the appearance that it may have an advantage in the bidding process. Mr. Lagos noted that he appreciated the concern and indicated that there are pros and cons that will require further consideration.

Chair Beardmore requested a motion that the Pension Administration System Evaluation Proposal and Action Plan be presented to the full Board for approval at its next meeting. The motion was made by Trustee McCrillis, seconded by Trustee Dwyer and carried unanimously.

No further business came before the meeting.

A motion to adjourn made by Trustee Kelliher and seconded by Trustee Martins was carried unanimously.

Respectfully submitted,

Nancy B. Cone