

NHRS Board of Trustees, Audit Committee  
April 10, 2018

**NOTE:** These minutes from the April 10, 2018 Audit Committee meeting were approved and executed at the May 8, 2018 regular meeting of the NHRS Audit Committee.

**Audit Committee  
Board of Trustees**

**Public Minutes  
April 10, 2018**

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

Committee Members: Bill Dwyer, Chair; Maureen Kelliher; Timothy Lesko; Germano Martins; David McCrillis.

Staff: George Lagos, *Executive Director*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Nancy Cone, *Internal Auditor*; Timothy Crutchfield, Esq., *Chief Legal Counsel*; Heather Fritzky, *Director of Finance*; Larry Johansen, *Director of Investments*; Carolyn Madden, *Controller*; Nancy Miller, *Director of Member Services*.

Chair Dwyer called the meeting to order at 9:30 a.m. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the public minutes of the March 20, 2018 Audit Committee meeting as presented. Trustee Martins seconded the motion and it carried 4-0 with Trustee McCrillis abstaining

Ms. Cone indicated that the FY2019 Risk Assessment and Audit Plan are in process and she will present both to the Committee at next month's meeting. She is also administering the Data Risk Assessment Project Plan (DRAPP) which includes enhancement opportunities identified by our outside counsel and consultant. Priority levels have been assigned to each item and those identified as high priority have been assigned to functional area managers along with target completion dates. Trustee Dwyer noted that some items may require enhancements to PensionGold V2 and Ms. Cone indicated that those enhancements may already be in V3. She then reviewed the status of the FY2018 Internal Audit Plan along with the Audit Issues Tracking Report. Since last month, four issues have been completed and no items have been added to the Report, resulting in four outstanding items which are scheduled to be completed by July.

Ms. Fritzky discussed the transition of the external audit firm from KPMG to Plante Moran. Plante Moran has had discussions with KPMG and will be visiting KPMG's Boston office in April to review the prior year's work papers. At that time, Plante Moran will also take the opportunity to visit NHRS for an FY2018 audit kick-off meeting. Additionally, a call is scheduled with Plante Moran on April 12<sup>th</sup> to discuss GASB 75. Ms. Fritzky noted that she has sent them our procedures and audit worksheets for the GASB 67 and 74 employer audits that are performed by the NHRS

Employer Auditors under the direction of the Internal Auditor. The transition to Plante Moran requires an increased level of due diligence that will provide their team with an orientation to the work of the Employer Auditors. Ms. Fritzky indicated that the transition is moving along at a good pace.

Mr. Lagos then discussed the PASE project. Both the Audit and Governance Committees have unanimously recommended for full Board approval the upgrade to PensionGold V3 (PGV3), with the vote expected at its meeting later today. Mr. Lagos then discussed potential timing issues tied to the State's budgetary process for the 2020-21 biennium. Trustee McCrillis inquired regarding the decision process to upgrade to PGV3 as opposed to seeking a new vendor. Mr. Lagos indicated that since this is an upgrade of the current system with LRS, there should be material savings and efficiencies with respect to costs, time, and resources as compared to a conversion to a new system with a new vendor. Additionally, LRS is already very familiar with our system, data, legal requirements, and operations, which should result in a much smoother transition. As part of the upgrade, an external consultant will be engaged to perform oversight on contract negotiations, pricing, and development and monitoring of the project plan. Trustee Dwyer also noted that an external consultant was engaged at the beginning of the evaluation process to provide an independent view of upgrading options. Substantial assessments and independent reviews were conducted to evaluate the options of upgrading to a new version of the same system or to convert to a new system.

Mr. Lagos then discussed the proposal to upgrade the VMWare technology which supports mission critical systems for NHRS. The current environment has come to the end of its useful life and has been experiencing outages over the past six months. A competitive bidding process was performed and responses from four vendors were analyzed. A local vendor was selected based on its commitment to provide solutions tailored to our needs and at the lowest-cost bid by a significant margin. The full Board is expected to vote on this proposal in accordance with the Board's Procurement Policy at today's meeting. While the existing servers are not a good option for supporting day-to-day operations, they will be sufficient to serve as the backup system at our COLO site.

Chair Dwyer noted that there were no matters requiring non-public session and the Committee members agreed.

No further business came before the meeting.

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

*Respectfully submitted,*

*Nancy B. Cone*