

NHRS Board of Trustees, Audit Committee
April 9, 2019

NOTE: These minutes from the April 9, 2019 Audit Committee meeting were approved and executed at the May 14, 2019 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
April 9, 2019**

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

Committee Members in attendance: Bill Dwyer, Chair; Melvin Friese; Maureen Kelliher; Timothy Lesko. Absent: Christopher Coates.

Staff: George Lagos, *Executive Director*; Nancy Cone, *Internal Auditor*; Frank Clough, *Director of IT*; David Crepeault, *ISSO*; Heather Fritzky, *Controller/Assistant Director of Finance*; and Gerard Murphy, *Director of Finance*.

Chair Dwyer called the meeting to order at 9:30 a.m. Upon a request from the Chair, a motion was made by Trustee Lesko to accept the public minutes of the March 12, 2019 Audit Committee meeting as presented. Trustee Kelliher seconded the motion and it passed 3-0 with Trustee Kelliher abstaining.

Ms. Cone then provide an update on Internal Audit Activities. She has been attending the PGV3 Requirements meetings and has resumed work on the PensionGold User Access Rights Audit. The FY2020 Risk Assessment is in process and she is waiting for Management Responses.

Ms. Cone reviewed the Audit Issues Tracker Report. Since last month, two items relating to the Employer Contribution Reconciliation Audit were completed with the remaining one expected to be completed within sixty days. The other outstanding item relates to the QDRO process and will be reviewed to determine if it is more beneficial to implement the resolution via the PGV3 upgrade. She then reviewed the status of the FY2019 Audit Plan. Three planned audits are completed, the PensionGold System User Access Rights audit is in process and three internal audit “consulting” items are completed with three in process.

Ms. Cone provided an update on the Data Security Remediation project. In addition to the usual monthly statistics, she provided the Committee with an updated and itemized memo summarizing the progress that has been made in addressing the various recommendations. Seventy percent of the items have been completed, which is an increase from sixty-seven percent reported in March. All thirteen of the medium priority items and ten of the twenty high priority items have been completed. Of the remaining ten items, seven are targeted to be completed within the next ninety days, one is expected to be completed by December 2019 and two are long term, as they will

be addressed as a part of the PGV3 upgrade. Mr. Lagos discussed two outstanding items that relate to data security measures required of NHRS vendors who may have access to NHRS data. It is expected that these vendors will take similar precautions as NHRS does in protecting NHRS data. We are reviewing current vendor contracts and are developing amendments to document their data security responsibilities.

Ms. Cone then discussed the status of Plante Moran's recommendations to strengthen internal controls or increase operating efficiencies. Of the original sixteen suggestions, fifteen have been completed and one requires further discussion that relates to the medical subsidy program that NHRS administers on behalf of certain employers and the potential OPEB implications. A conference call was held with representatives from Plante Moran, Mr. Murphy, Ms. Fritzky, and Ms. Cone to discuss this observation. Mr. Lagos noted that retiree medical insurance programs are offered through employers, not NHRS, and the employers, or their third party insurance administrators, input their insurance premium rates and authorizations into PensionGold via the data reporting system to allow NHRS to make appropriate deductions and apply any subsidies. While input errors could occur, the amounts would likely be immaterial; however, it is possible that the insurance premium could drop below the NHRS subsidy amount, resulting in an incorrect subsidy overpayment. Ms. Cone added that in the normal course of employer audits, supporting documentation on medical subsidy payments is requested and provided to Member Services who confirm that the information in PensionGold is correct. A meeting will be scheduled with Management to determine how best to address the recommendation. Trustee Dwyer appreciated the proactive communication between NHRS and Plante Moran and the importance of keeping in perspective the limited exposure associated with this issue while still addressing Plante Moran's concern.

Mr. Murphy then provided an update of the Actuarial Audit. Segal Consulting is on track to provide a draft report within the next month or two as they are completing their calculations. Preliminary work indicates that at this stage they are within one percent of the GRS' aggregate liability calculations which is very good news.

Mr. Crepeault, the recently hired NHRS Information System Security Officer (ISSO), then introduced himself to the Committee and provided an overview of how he is familiarizing himself with NHRS systems. Mr. Lagos commented that under Mr. Clough's management, the IT operation has made significant strides in IT security at NHRS, and it will be invaluable to have someone on staff whose primary focus will be system and data security.

No further business came before the Committee.

The Chair noted that there did not appear to be any matters requiring a non-public session and the Committee members agreed.

The next meeting is scheduled for Tuesday, May 14, 2019, before the regular Board meeting.

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

Respectfully submitted,

Nancy B. Cone