

NHRS Board of Trustees, Audit Committee
August 14, 2018

NOTE: These minutes from the August 14, 2018 Audit Committee meeting were approved and executed at the September 11, 2018 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
August 14, 2018**

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

Committee Members: Bill Dwyer, Chair; Maureen Kelliher; Timothy Lesko

Staff: George Lagos, *Executive Director*; Nina Calkins, *Process Improvement Manager*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Frank Clough, *Director of IT*; Nancy Cone, *Internal Auditor*; Timothy Crutchfield, Esq., *Chief Legal Counsel*; Heather Fritzky, *Director of Finance*; Larry Johansen, *Director of Investments*; and Nancy Miller, *Director of Member Services*.

Chair Dwyer called the meeting to order at 9:45 a.m. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the public minutes of the July 10, 2018 Audit Committee meeting as presented. Trustee Lesko seconded the motion and it carried unanimously.

Ms. Cone presented the Key Performance Measures (“KPM”) Reporting Audit report, noting that all but one issue has been addressed and KPMs will be updated to reflect current practices. Mr. Lagos confirmed that the updated KPMs will be in effect with the August update which will be presented at the September Board of Trustees meeting. Trustee Dwyer indicated that a couple of the issues were related to the shortcomings in PensionGold V2. Ms. Fritzky and Ms. Miller agreed and Mr. Lagos added that management does not want to introduce manual administrative processes in order to capture the data.

Ms. Cone then provided a status of the data security remediation project. Thirty-six percent of the items have been addressed with enhanced controls implemented, and remediation efforts continue on the outstanding items. Mr. Lagos indicated that Ms. Cone sends out bi-weekly update requests to the assigned owners.

Ms. Cone provided the final update of the FY2018 Audit Plan. She then reviewed the FY2019 Audit Plan, indicating that she is focusing on completion of the GASB census data audits on behalf of the external auditor, Plante Moran. Of the 31 audits, 30 have been completed and provided to Plante Moran. She then provided an update of the Audit Issues Tracking Report. One item was added to the report relating to the KPM Reporting Audit and two issues were completed relating to the Gainful Occupation

process and administrative rule amendments, leaving three outstanding items in the tracking report. Trustee Dwyer inquired regarding the item relating to the QDRO process and Ms. Miller indicated that the estimates have been developed and reviewed by Legal and should be implemented in PensionGold prior to the target completion date of December 2018.

Trustee Dwyer then discussed the periodic review of the Audit Policy and Audit Committee Charter. The Audit Policy draft includes suggested changes that were submitted by Ms. Cone and Trustee Dwyer in order to bring the Policy up-to-date; no changes were recommended for the Charter.

Mr. Johansen discussed the suggested revisions to the Actuarial Funding Policy. The changes incorporate the new statutory requirement regarding 20-year layered amortization of future actuarial unfunded liabilities, additional risk measures consistent with Actuarial Standards of Practice, and clarification to the description of the Medical Subsidy section to identify it as one 401(h) sub-trust. Trustee Dwyer suggested an additional change citing the new chapter law related to layered amortization, which Mr. Johansen will incorporate.

The Committee requested time to review the Audit Policy, the Audit Committee Charter, and the Actuarial Funding Policy, and it was agreed that these will be taken up at the September 11, 2018 meeting for approval. Upon approval by the Audit Committee they will be presented to the Board of Trustees for approval.

Ms. Fritzky provided an update regarding progress thus far with the FY2018 audit by Plante Moran. She indicated that representatives from Plante Moran (PM) were onsite for two weeks starting the last week of July for preliminary field work. The visit went very well and they provided thoughtful feedback, recommendations, and reporting tools. Documents continue to be uploaded to the secure Plante Moran portal as requested from their Prepared-by-Client list. Mr. Johansen met with Plante Moran representatives regarding investments and noted that the conversations went well. As they indicated in their preliminary discussions with NHRS and in their engagement letter, PM's focus on the alternative investments is to acquire an understanding of internal controls related to financial reporting in order to obtain a comfort level to reduce their sample testing. Ms. Fritzky is pleased with the progress and noted that Plante Moran is working in a very collaborative manner. The FY2017 GASB75 Audit performed by KPMG is in process and the expected issue date is the end of August.

Mr. Lagos provided an update of the PGV3 project and indicated that a more detailed presentation would be provided at the Board meeting later that morning. Operationally, weekly meetings are scheduled with the PGV3 Team, Action Plans have been developed, the project management consultant (LRWL) has been selected, and a review of the LRS (vendor for PensionGold) contract is in process. LRLW has recommended several law firms that are familiar with these types of contracts, especially with LRS, and preliminary contacts are in process. Data cleansing of known data issues is in process and additional staffing needs are being identified. The preliminary plan is for six additional staff members related to PGV3 implementation to be hired over the course of the project. Mr. Lagos noted it is important to fill the positions of the individuals who will be dedicated to the project in order to continue to

provide exceptional service to our members and retirees. Mr. Lagos indicated that the project is on track to meet the January 1, 2019 kick-off date.

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

No further business came before the meeting.

The next meeting is scheduled for Tuesday, September 11th, before the regular Board meeting.

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

Respectfully submitted,

Nancy B. Cone