

NHRS Board of Trustees, Audit Committee
December 8, 2020

NOTE: These minutes from the December 8, 2020 Audit Committee meeting were approved and executed at the January 12, 2021 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
December 8, 2020**

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

The NHRS office was closed to the public as a result of COVID-19 and the meeting was held via video conferencing. Pursuant to RSA 91-A, all votes were by roll call.

Participating: Committee Members, Monica Mezzapelle, Chair; Christopher Coates; Maureen Kelliher; and Tim Lesko. *Absent:* Melvin Friese.

Staff participating: George Lagos, *Executive Director*; Timothy Crutchfield, Esq., *Deputy Director and Chief Legal Counsel*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Frank Clough, *Director of IT*; Nancy Cone, *Internal Auditor*; Heather Fritzky, *Assistant Director of Finance/ Controller*; Larry Johansen, *Director of Investments*; Nancy Miller, *Director of Member Services*; and Gerard Murphy, *Director of Finance*.

The Chair called the meeting to order at 9:00 a.m. Upon a request from the Chair, a motion was made by Trustee Lesko to accept the public minutes of the November 10, 2020 Audit Committee meeting. Trustee Kelliher seconded the motion and it passed unanimously.

The Committee welcomed Plante Moran engagement partners Bob Dobrowsky and Michelle Watterworth, and Spencer Tawa, engagement manager, to discuss the FY 2020 Audit.

Mr. Dobrowsky began the Audit Presentation, noting that they were very pleased with the expertise and level of cooperation afforded by NHRS staff.

Mr. Tawa continued indicating that the pandemic changed how they conducted the audit, but did not change their requirement to perform the audit in accordance with audit standards and firm methodology as in normal circumstances. All audit procedures were performed as required. With most staff now working remotely due to the pandemic, they also considered internal controls such as segregation of duties, management supervision, and timeliness of controls. No internal control deficiencies or significant issues were noted.

Plante Moran issued an “unmodified opinion”, which is the highest level of assurance that can be received on audited financial statements with no significant deficiencies or material weaknesses identified. Mr. Tawa also discussed the required End of Audit Letter indicating there were no difficulties or disagreements with management. Mr. Tawa also referenced the previously identified uncorrected misstatement relating to census, which both parties agreed is immaterial and does not require an adjusting entry. He then discussed the harder-to-value investments and actuarial assumptions, which had been revised following the recent experience study. Mr. Tawa commented favorably on the Board’s responsible action to reduce the assumed rate of return and adopt new mortality tables.

The Report on Internal Control over Financial Reporting identified no instances of noncompliance that required reporting under Governmental Auditing Standards. He indicated that management continues to enhance internal controls and, as in prior years, Plante Moran has provided a list of suggestions or best practices to enhance controls as a result of their work performed during this audit.

Ms. Watterworth added that given the pandemic issues this year, the audit went well and they appreciate management’s effort and assistance to complete the audit. Mr. Dobrowsky added that they will be completing the required GASB 68 and 75 audits early next year.

Chair Mezzapelle indicated that she would like to provide the Committee with an opportunity to meet privately with the auditors. On a motion by Trustee Kelliher, seconded by Trustee Lesko, the Committee entered into a non-public session under RSA 91-A:3, II(c) on a unanimous vote to discuss a matter which could adversely impact the reputation of someone other than a member of the public body.

At the request of the Chair, representatives from Plante Moran and Ms. Cone, the Internal Auditor, remained for the Committee’s non-public session.

On a motion by Trustee Kelliher, seconded by Trustee Coates the Committee unanimously voted to conclude the non-public session. No votes were taken in the non-public session.

Upon a request from the Chair, a motion was made by Trustee Kelliher to approve and accept the Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2020 along with the unmodified opinion and to recommend to the full Board its acceptance and release of the audited report per RSA 100-A:15, VI(a). Trustee Lesko seconded the motion and it carried unanimously.

Mr. Dobrowsky, Ms. Watterworth and Mr. Tawa left the meeting at 9:40 a.m.

Ms. Cone then discussed the Employer Auditing Consulting Report. Requested by Management, this was a review of the employer audit process to make recommendations to increase efficiencies, improve training, and enhance audit processes in accordance with standard auditing practices. Mr. Cavanaugh and Ms. Cone are currently working on streamlining audit work papers and updating processes.

Ms. Cone then reviewed the Employer Audit Record Adjustment Follow-up Report to the original report issued January 8, 2020, noting that limited progress has been made by Member Services in reducing the backlog since 2017. While resolution plans were put in place with the original audit, the target dates continue to be extended. Currently, discussions are underway to transfer responsibility to the Employer Auditors for obtaining and validating the correction files received from employers before referral to Member Services for the processing of adjustments.

The Audit Issues Tracker report has eight outstanding items including the three issues added from the Employer Audit Consulting Report and one completed relating to the Bank and Investment Accounts User Access Rights Report. Of the outstanding items, one will be long term as it will be addressed by the PGV3 upgrade, three are targeted to be completed by December 31, 2020 and the 1st phase of the issues relating to the original Employer Audit Record Adjustment Audit are now expected to be completed by January 15, 2021.

Ms. Cone then reviewed the FY2021 Internal Audit Plan status. Five audits are completed along with one consulting activity.

Regarding the Data Security Remediation project, Mr. Lagos indicated that a meeting is scheduled for tomorrow with the consultants who prepared the original risk assessment. The intention is to provide them with an update of the remediation work performed since then and obtain their recommendations as to their sufficiency along with any additional recommendations to strengthen data security measures.

Mr. Murphy indicated that all but one of the Plante Moran FY2019 opportunities have been completed, with the remaining one to be completed once the draft GASB reports are received from GRS, the NHRS consulting actuarial firm. NHRS will prepare the FY2020 GASB reports to be audited by Plante Moran and expects them to be presented to the Audit Committee at the February 2020 meeting. As a result of the recent RFP, GRS was selected to continue working with NHRS and negotiation on a new contract is in process and expected to be completed shortly. Additionally, the new option factors are on schedule for implementation in PensionGold.

Mr. Lagos offered that beginning in January, the Audit Committee will receive a monthly update from the PGV3 Project Manager Cecile Merrill regarding the status of the PGV3 upgrade. The Committee agreed.

No further business came before the Committee.

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

Respectfully submitted,

Nancy B. Cone