

NHRS Board of Trustees, Audit Committee
February 11, 2014

NOTE: These minutes from the February 11, 2014 Audit Committee meeting were approved and executed at the April 8, 2014 regular Meeting of the NHRS Audit Committee

**Audit Committee
Board of Trustees**

The Public Minutes

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

Committee Members: Catherine Provencher, Chair; John Beardmore; Germano Martins. Jack Wozmak and Karen McDonough, absent.

Staff: George Lagos, Executive Director; Denise Call, Director of Employer Services; Timothy Crutchfield, Esq., Chief Legal Counsel; Jack Dianis, Director of Finance; Larry Johansen, Director of Investments; Nancy Miller, Director of Member Services; Heather Fritzky, Controller; John Browne, Internal Auditor.

Chair Provencher called the meeting to order at approximately 8:30 AM. Upon a request from the Chair, a motion was made by Mr. Beardmore to accept the minutes of the January 14, 2014 meeting. Mr. Martins seconded the motion, and it carried unanimously.

Next, the Chair requested that Mr. Dianis provide an update on the changes made to the draft Actuarial Funding Policy developed by staff and GRS. Mr. Dianis briefly reviewed the Risk Management portion of the memo, specifically noting the changes made to the Process for Reviewing and Updating Actuarial Assumptions.

Based on a question from the Chair, Mr. Dianis explained that while funding policy is largely governed by statute, the adoption of a Board policy is a best practice recommended by GFOA especially given the separation of funding from financial reporting that is now required by GASB 67-68.

Based on this discussion, the Chair entertained a motion to recommend to the full Board that it approve the Actuarial Funding Policy as presented. The motion was moved by Mr. Beardmore, seconded by Mr. Martins, and it carried unanimously.

Mr. Browne then reviewed the February Audit Tracker noting first that as completed issues had been removed from the report the document was now seven pages as opposed to twenty pages the prior month. He explained that the one item with a scheduled completion date of January, a plan for auditing State Member records, had been delayed till April as there have been staff members out on leave. Mr. Lagos expanded on this, noting this item has also been impacted by a number of ongoing issues the System is having in obtaining acceptable contribution reports from the State, largely attributable to a change in their payroll system and staffing issues. He

said the System is working with the Department of Administrative Services to resolve these reporting issues before going forward with an audit. Mr. Lagos also made the Committee aware of a reorganization of the Employer Auditing team so that they will now report to the Associate Counsel and Compliance Officer within the System. It was felt this was appropriate as their audit work is closely intertwined with the work of Compliance, specifically with HB 342 reporting being adopted and the many questions that have come up with provisions governing working after retirement.

Next Mr. Browne reviewed the status of Internal Audits. He noted he had completed the review of Inactive/Deferred Vested Members, which was part of the 2014 Internal Audit Plan. He outlined the work he had done; assessing procedures, meeting with staff, and reviewing control reports generated. He reported that the results of the audit were that discrepancies were identified in processing procedures, and that not all processing was current. He outlined that management has taken action to address these issues by forming a project team to study alternatives to present processing and how these manual procedures may be automated to streamline work. Once these options are identified, management will establish a plan with target dates to address these issues.

Mr. Browne also noted that he had started a review of the Administrative Hearing Process, primarily focusing his work on how the appeals process is administered. No major issues had been identified, and he planned on completing work in February.

Mr. Dianis then gave an update on the status of the new GASB Governmental Pension Reporting Standards. He noted first that GASB had just issued an implementation guide for GASB 68. This is the standard that impacts all NHRS employers and includes a section to address frequently asked questions from employers. Next he noted GRS continues to make progress on the GASB 67-68 pro forma disclosure project discussed at the last Audit Committee meeting, which should be ready in draft form in the next two months. He also noted staff is working on a NHRS specific GASB implementation guide to document decisions and procedures during the implementation process. Mr. Dianis stated he will be meeting on February 28th with a pilot group of employers to review and discuss GASB 67 – 68 implementation project questions/issues. In response to a question from the Chair, Mr. Dianis explained the pilot group participants represent all employer groups, i.e. school districts, cities, towns, the State of New Hampshire, etc.

There being no further business, the Committee scheduled the next meeting for 8:30 AM immediately prior to the Board meeting on March 11, 2014.

A motion to adjourn was made by Mr. Martins, seconded by Mr. Beardmore, and it carried unanimously.

Respectfully submitted,
John F. Browne