

NHRS Board of Trustees, Audit Committee
February 13, 2018

NOTE: These minutes from the February 13, 2018 Audit Committee meeting were approved and executed at the March 20, 2018 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
February 13, 2018**

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

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

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

Chair Dwyer called the meeting to order at 8:30 a.m. Upon a request from the Chair, a motion was made by Trustee McCrillis to accept the minutes of the Public Audit Committee meeting of January 9, 2018 as presented. Trustee Kelliher seconded the motion and it carried unanimously.

Ms. Cone first presented the PensionGold Direct Deposit and Demographic Changes Audit Report. The audit was performed subsequent to the data security incident. After preliminary discussion, it was agreed that this audit be tabled until the March Audit Committee meeting in order to allow for sufficient discussion time and for the Trustees to review the report.

Ms. Cone then reviewed the status of the FY2018 Internal Audit Plan noting that five have been completed including the GASB 68 and 74 employer census data audits performed on behalf of KPMG. Ten items have been added to Audit Issues Tracking Report including those related to the PensionGold Direct Deposit and Demographic Changes Audit mentioned above along with those related to the audits of Insurance Premium Rate Processing and Telephone system Reporting and Analytics. A total of fourteen issues remain outstanding.

Ms. Fritzky then provided an overview of the RFP process for the competitive procurement of an external audit firm. The ad hoc audit RFP review committee, including Trustee Dwyer, reviewed the six respondents and selected three for in-person presentations. On the basis of the presentations and subsequent due diligence performed, the ad hoc Committee recommends that Plante Moran be selected for external audit services, subject to additional due diligence and successful contract

negotiations. Mr. Johansen discussed the approach for auditing investments as outlined by Plante Moran. Following her inquiry, Trustee Kelliher reviewed a copy of the client list for Plante Moran and had no further questions.

Upon request from the Chair, a motion was made by Trustee Kelliher for the Audit Committee to select Plante Moran for external audit services for a three year term for fiscal years FY2018 through FY2020 with two one-year options for fiscal years FY2021 through FY2022, subject to completion of due diligence and successful contract negotiations. Trustee McCrillis seconded the motion and it carried unanimously.

Mr. Lagos discussed the proposal to pursue an actuarial peer audit performed of the current actuary, GRS. The contract expires December 31, 2018 with an option to extend the agreement for two additional years. The GFOA (Government Finance Officers Association) recommended in 2014 that an actuarial peer audit be performed at least every five years, unless there has been a change in actuarial firms. Staff is recommending extending the GRS contract for two years, issuing an RFP for an actuarial peer audit of GRS' work in late 2018 or early 2019 subsequent to rate setting, and issuing an RFP for actuarial services in 2020.

Upon a request from the Chair, a motion was made by Trustee McCrillis to issue an RFP for an actuarial peer audit to be performed in late 2018 or early 2019 and to issue an RFP for actuarial services in 2020. Trustee Martins seconded the motion and it carried unanimously.

Mr. Lagos then addressed the documents provided to the Committee regarding the Pension Administration System Evaluation (PASE). He provided an overview of the due diligence which had been performed, including surveying other public pension systems that have either recently converted or are in the midst of converting to a new pension administration system; issuing an RFI to pension administration system vendors; engaging a consultant to evaluate all options; and undertaking an extensive analysis of the benefits and capabilities of PensionGold V3, the next version of the current pension administration system. A cost analysis was developed comparing the current version, PensionGold V2, to V3. Over 10 years, the licensing, maintenance, and support costs for V3 are equal to or less than the total costs for continuing to operate V2, depending on the options selected. Additional costs to upgrade to V3 may include consultants, hardware, software, staffing, and implementation. Further analysis is required to build a project budget and determine the most suitable approach for funding. Due to the increased capabilities and functionality of V3 as compared to V2, staff is recommending moving forward with upgrading from V2 to V3. The next steps to move forward with the upgrade would be to finalize the proposal, project plan, and budget. The finalized plan would be submitted to the Audit and Governance Committees for review and recommendation to the Board for approval. If approved, contract negotiations would be initiated and the implementation would proceed. Trustee Dwyer indicated that this will give the Committee time to review and take action at the next Audit Committee meeting, or the April meeting at the latest.

No further business came before the meeting.

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

Respectfully submitted,

Nancy B. Cone