

NHRS Board of Trustees, Audit Committee
February 11, 2020

NOTE: These minutes from the February 11, 2020 Audit Committee meeting were approved and executed at the March 10, 2020 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
February 11, 2020**

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

Committee Members in attendance: Bill Dwyer, Chair; Christopher Coates *via phone as it was not practicable for him to attend*; Melvin Friese; Timothy Lesko. Absent: Maureen Kelliher.

Staff: George Lagos, *Executive Director*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Nancy Cone, *Internal Auditor*; Timothy Crutchfield, Esq., *Chief Legal Counsel*; Heather Fritzky, *Controller/Assistant Director of Finance*; 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 9:30 a.m. Upon a request from the Chair, a motion was made by Trustee Friese to accept the public minutes of the January 14, 2020 Audit Committee meeting. Trustee Lesko seconded the motion and it passed unanimously among those present.

The Audit Issues Tracker report has six outstanding items in the Member Services and Legal/Compliance areas. Of the six outstanding items, five are expected to be completed by June 2020 and one will be addressed in conjunction with the upgrade to PGV3. Two are due to be completed by the end of February but may still be on the tracker for March due to timing.

Trustee Coates accessed the meeting by phone at 9:35 a.m.

Ms. Cone then reviewed the FY2020 Internal Audit Plan. Since the time this update was prepared, she has begun an audit of Employer Penalties and PensionGold user access rights, which was not on the original FY2020 Audit Plan. It has been added due to a control opportunity identified by Plante Moran during the FY2019 audit. The Plante Moran Control Opportunities for FY2019 has been added to the consulting activities tracker.

Ms. Cone provided an update on the Data Security Remediation project. In the aggregate, eighty-four percent of the high, medium, and low priority items have been completed, which is an increase from eighty-two percent last month. All thirteen of

the medium priority items, sixteen of the twenty high priority items, and twenty-eight of the thirty-five low priority items have been completed. Of the remaining eleven items, four are targeted to be completed within the next ninety days and seven are long term, as they will be addressed as a part of the PGM3 upgrade.

Along with Mr. Murphy, Ms. Cone developed a grid to track remediation of Plante Moran's FY2019 Significant Finding as well as the Control Opportunities recommendations. There is one significant finding and eight opportunities to strengthen internal controls, including one related to the GASB audit and seven related to the CAFR audit. NHRS has passed on two of the Control Opportunities, as Management has determined that sufficient and reasonable controls are in place or the process should continue as is, to ensure compliance with state statute. Of the remaining seven items, five should be completed within six months and two should be completed by December 2020. Mr. Murphy described the two Action Plans for the Significant Finding relating to the actuarial extract data. One Plan addresses the immediate issue to correct the accrued benefit data on the actuarial extract and should be completed by March 31, 2020. The other Plan addresses the long term issue in collaboration with GRS (NHRS's actuarial consultant) and LRS (NHRS' pension administration system consultant for PensionGold) in order to obtain a comprehensive understanding of the information included in the actuarial data extracts generated through PensionGold and how that data is integrated and utilized by GRS in performing its actuarial calculations.

The Chair then reviewed the proposed revision to the Actuarial Funding Policy, which was presented to the Committee at its January meeting and will also go before the Governance Committee for approval after today's Board meeting. The Policy will then be presented to the full Board at a subsequent meeting for its approval. The proposed revision, which was originally recommended by GRS, accelerates the frequency of the actuarial experience study from at least every five years to every four years in order to avoid a potential six-year lag between updating the assumptions and rate setting. This revision facilitates continued compliance with RSA 100-A:14, IX, which requires an actuarial experience study at least every five years.

Upon request from the Chair, a motion was made by Trustee Coates to recommend to the full Board that it accept the revision to the Actuarial Funding Policy. Trustee Lesko seconded the motion and it passed unanimously by a roll call vote.

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

No further business came before the Committee.

A motion to adjourn made by Trustee Lesko and seconded by Trustee Friese carried unanimously by a roll call vote.

Respectfully submitted,

Nancy B. Cone