

NHRS Board of Trustees, Audit Committee
January 10, 2017

NOTE: These minutes from the January 10, 2017 Audit Committee meeting were approved and executed at the February 14, 2017 regular Meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
January 10, 2017**

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

Committee Members: Bill Dwyer, Acting Chair; Maureen Kelliher; Germano Martins; David McCrillis. Absent: John Beardmore.

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

Acting Chair Dwyer called the meeting to order at 10:00 AM. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the minutes of the Audit Committee meeting of December 13, 2016 as presented. Trustee McCrillis seconded the motion and it carried unanimously.

Ms. Cone then updated the Committee as to the status of Internal Audit activity. She presented the final report of the Member Services Member, Retiree and Beneficiary Record Change Control Audit. A few issues were noted along with recommendations to enhance controls and these will be addressed by Management. Mr. Dwyer noted that as data change management is fraught with risk he is supportive of the recommendation to research the availability of automatic notifications to members, retirees and beneficiaries upon a change to their personal records in PensionGold. Mr. Lagos indicated because record changes are implemented by staff and we do not have email addresses for many of our members, an automated notification methodology may not be feasible and that alternate methods will be researched. As a result of the audit, a subsequent audit of PensionGold user access rights will be performed following the completion of the annual PensionGold access rights review by IT.

Ms. Cone then presented recommendations to update the FY2017 Audit Plan. Due to the recent reorganization of the employer services and insurance functions, four of the scheduled audits will be postponed until Management has an opportunity to review and fully integrate the functions involved. Ms. Cone suggests replacing these audits with three others, including PensionGold Access Rights as noted above.

Upon a request from the Chair, a motion was made by Trustee Martins to approve the amended 2017 Fiscal Year Internal Audit Plan as presented. Trustee McCrillis seconded the motion and it carried unanimously.

Ms. Cone then provided an update on the nine outstanding items listed on the Open Audit Issues Tracking report. During the month, three items were closed, the target date was revised for three other items and four items were added as a result of the Member Services Member, Retiree and Beneficiary Record Change Control Audit.

Mr. Dianis then provided the Committee with an update regarding the conclusion of this year's audit by KPMG, noting that a number of issues had to be resolved subsequent to the last Audit Committee meeting in order to conclude the financial audit. He reported that the June 30, 2016 CAFR report is currently available on the NHRS website and will soon be available in print. As with prior years, no issues were noted. As required, the CAFR and Summary CAFR were submitted to the GFOA for review by December 31, 2016.

Mr. Dianis then discussed the GASB 68 audit which allocates the NHRS unfunded liability to the system's participating employers. This audit is currently in progress. Mr. McCrillis inquired about feedback from employers and Mr. Lagos advised that NHRS Finance and PIO had performed extensive outreach and training for the employers and municipalities when GASB 68 was initially implemented two years ago, resulting in relatively few questions now.

Mr. Dianis then discussed GASB 74, similarly allocating among NHRS employers the plan's Other Post-Employment Benefits (OPEB), effective for FY 2017 for NHRS and the related GASB 75 which will be effective for participating employers the following year.

Mr. Clough then reviewed the updated Pension Administration System Evaluation Proposal. The timeline has been extended in order for staff to prepare and submit an RFI (Request for Information) to other pension administration system vendors in order to obtain information so that they can develop a more focused presentation to NHRS. Mr. Lagos added that there is no hard deadline for this project as PensionGold remains fully functional and supported by LRS.

Lastly, Mr. Dianis noted that it is a recently established best practice by the GFOA for retirement plans to procure an actuarial audit of their current actuary in order to ensure that the current actuary is using reasonable assumptions and generating reasonable analysis and outcomes. The last time this occurred at NHRS was in 2007, when NHRS contracted with GRS as its new actuary (with GRS having the opportunity to reproduce the work of the previous actuary). Mr. Dianis explained that NHRS will likely pursue an actuarial audit of GRS' work in fiscal year 2018, at an estimated cost of \$30,000-\$40,000. Mr. Dwyer inquired whether such a contract would be presented to the full Board for approval and Mr. Lagos confirmed that it would.

No further business came before the meeting.

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

Respectfully submitted,

Nancy B. Cone