

NHRS Board of Trustees, Audit Committee
January 9, 2018

NOTE: These minutes from the January 9, 2018 Audit Committee meeting were approved and executed at the February 13, 2018 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
January 9, 2018**

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

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

Staff: George Lagos, Executive Director; Mark Cavanaugh, Esq., Associate Counsel and Compliance Officer; Timothy Crutchfield, Esq., Chief Legal Counsel; Larry Johansen, Director of Investments; Nancy Miller, Director of Member Services; Nina Calkins, Process Improvement Manager; Carolyn Madden, Controller; Nancy Cone, Internal Auditor.

Chair Dwyer called the meeting to order at 9:00 a.m. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the minutes of the Public and Non-Public Audit Committee meetings of December 12, 2017 as presented. Trustee McCrillis seconded the motion and it carried unanimously.

Upon a request from the Chair, a motion was made by Trustee McCrillis to accept the minutes of the Non-Public Audit Committee meeting of April 11, 2017 as presented. Trustee Kelliher seconded the motion and it carried unanimously.

Ms. Cone first presented the Telephone Reporting System and Analytics Audit Report. A reporting system was recently implemented that provides reporting on various telephone call metrics along with troubleshooting reporting for telephone capacity utilization. Trustee Dwyer inquired as to addressing phone system redundancy. Mr. Lagos indicated that due to the recent phone system issue staff is exploring other remediation alternatives.

Ms. Cone then presented the Insurance Premium Rate Processing Audit Report. As a result of the recent automation, significant efficiencies and control enhancements have been realized. Upon a Trustee inquiry, Ms. Miller responded that employers can update changes manually via the secure DRS portal and TPAs can securely upload files for multiple updates. Ms. Cone then reviewed the status of the FY2018 Internal Audit Plan noting that four have been completed including the GASB 68 and 74 employer census data audits performed on behalf of KPMG. Additionally, as a result of the data security incident, reviews of direct deposit and demographic changes

processed by Finance and Member Services have been completed for the period of June through September 2017 and the report is in process. Four items have been added to Audit Issues Tracking Report relating to the above audits and a total of eight remain outstanding.

Mr. Lagos then provided an overview of the GASB 68 Report which was audited by KPMG, who is prepared to issue an unmodified opinion once the report is approved and accepted by the Audit Committee and the Board of Trustees. The report sets forth schedules of employer allocations of the unfunded accrued actuarial liability proportionately based on each employer's contributions to NHRS. Mr. Johansen indicated that the process has not changed from the previous year and it is fairly straight-forward. Ms. Cone also added that she managed the census data audits for 30 NHRS employers on behalf of KPMG and no exceptions were noted. It was noted that although these are the figures that the schools and municipalities need to include on their financial statements, they do not affect the municipality or school tax rate computations. Trustee Dwyer commented that the State's share of the liability is similar to previous years. Mr. Johansen then explained the discount rate utilized for both the GASB 68 and 74 calculations.

Upon a request from the Chair, a motion was made by Trustee McCrillis to approve and accept the June 30, 2017 GASB 68 report and to recommend to the full Board its acceptance and release of the report subject to receipt of the auditor's unmodified opinion letter. Trustee Kelliher seconded the motion and it carried unanimously.

Mr. Lagos then discussed the RFP status for an external auditor. NHRS received six submissions by the deadline from a variety of local and national firms, one of which was KPMG. An ad hoc working group will review and analyze the responses to identify the finalists who will be invited to make presentations. The group will then make a recommendation to the Audit Committee regarding the selection of an external auditor. Trustee Dwyer volunteered to participate on behalf of the Audit Committee.

Mr. Lagos then provided an update on the Data Risk Assessment. The draft report has been received and is under review. Mr. Lagos suggested having the legal and technology consultants present their findings at the next Audit Committee meeting and that all Trustees be invited to attend. Trustee Dwyer concurred, noting that the presentation of findings will need to be held in non-public session due to the sensitive nature of the subject matter.

Mr. Lagos then provided a PASE (Pension Administration System Evaluation) update. He indicated that LRS, the system's current pension administration system vendor, presented a multi-day review in November of the version upgrade compared to the version that is currently utilized by NHRS. The enhancements with the new version include substantial improvements over the current system. LRS has provided a proposal outlining the project plan, timing and cost. Staff's IT Working Group has reviewed the proposal and will submit additional questions to LRS. If approved by the Audit Committee and the Board, the project is anticipated to last approximately four years and require dedicated staffing at NHRS. Mr. Lagos has prepared a draft memo for the Audit Committee that is under review and is planning on presenting the recommendation at a future Audit Committee meeting.

No further business came before the meeting.

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

Respectfully submitted,

Nancy B. Cone