

NHRS Board of Trustees, Audit Committee
July 11, 2017

NOTE: These minutes from the July 11, 2017 Audit Committee meeting were approved and executed at the August 8, 2017 regular Meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
July 11, 2017**

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

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

Staff: George Lagos, Executive Director; Mark Cavanaugh, Esq., Associate Counsel and Compliance Officer; Frank Clough, Director of IT; Timothy Crutchfield, Esq., Chief Legal Counsel; 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 Beardmore called the meeting to order at 9:05 a.m. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the minutes of the Audit Committee meeting of May 9, 2017 as presented. Trustee McCrillis seconded the motion and it carried unanimously.

Trustees Dwyer and Martins entered the meeting at 9:08 a.m.

Ms. Cone then updated the Committee as to the status of Internal Audit activity and presented the final report of the Board of Trustees Governance Manual and Delegation of Authority Audit noting that the documents adequately address the requirements of RSA 100-A:14, Administration. While the Governance Manual is provided to the Trustees upon becoming a Trustee, Trustee Beardmore inquired as to the availability of the Governance Manual and Delegations of Authority to the Trustees. Mr. Cavanaugh indicated that some of the included Policies are on the NHRS Website. Mr. Lagos indicated that the matter will be reviewed and Staff will determine the best way to make the Manual readily available to the Trustees.

Ms. Cone then presented the updated FY2017 Audit Plan indicating that all nine audits on the approved Plan have been completed. She then provided an update on the five outstanding items listed on the Open Audit Issues Tracking report. Since the last meeting, two issues have been completed.

Ms. Cone then presented for approval the draft FY2018 Internal Audit Plan which was presented for review at the May 9, 2017 Audit Committee meeting. Upon a request from Chair Beardmore, a motion was made by Trustee McCrillis to approve the

FY2018 Internal Audit Plan as presented. Trustee Dwyer seconded the motion and it carried unanimously.

Ms. Fritzky then provided the Committee with an update of the FY2017 audit by KPMG. She indicated that the Prepared by Client (PBC) list has been received and some documents have already been uploaded to KPMG's portal. Bi-weekly status calls with KPMG continue to be held and documented in order to keep the audit on track. Mr. Lagos added that the calls have been a useful tool to manage the process. KPMG is due to be onsite for fieldwork at the end of July. Chair Beardmore also congratulated Heather on her promotion to Director of Finance and welcomed her to the Audit Committee.

Mr. Lagos then provided an update on the PASE (Pension Administration System Evaluation) process. A Request for Information (RFI) was performed, at no cost to NHRS, to which five vendors responded. Mr. Lagos also spoke with nine of his peers at other retirement systems who have recently gone through conversions with the vendors who responded to the RFI. All were satisfied with the process and indicated that time is well spent on the Request for Proposal (RFP), contract review and staffing resources for the conversion. The conversion time was between 3 to 7 years with costs between \$20 and \$100 million. Mr. Wechsler, a pension administration consultant, has been retained for a limited scope assignment to provide his perspectives and recommendations in an Executive Summary. Additionally, we have spoken with LRS, NHRS's PensionGold vendor, to provide assistance developing a cost benefit analysis for an "upgrade" to PensionGold V3 from our current version of V2 along with a functionality analysis of V2 as compared to V3 and a demonstration at no cost to NHRS. Based on Mr. Wechsler's recommendations and information provided by LRS, the cost benefit of maintaining V2, or upgrading to V3, or converting to a new system will be evaluated. Trustee Dwyer inquired as to how many pension systems remain on PensionGold V2. Mr. Lagos responded that there are approximately 12-18 Systems using LRS and NHRS is one of the largest. It is not known at this time how many clients remain on Version 2. Trustee Beardmore appreciates the due-diligence that goes into a project such as this one.

Mr. Lagos then reviewed a proposal to implement a redundancy plan for the NHRS phone system which will be presented to the Board of Trustees for approval as a Sole Source Contract Proposal with SE, the current vendor who manages our COLO site. The proposal would provide a redundant phone system upon the occurrence of a disaster recovery event with NHRS's current system or location. Trustee McCrillis asked if this will duplicate the phone system in the COLO. Mr. Clough indicated that it will duplicate the configuration and it will not be necessary to purchase additional telephones as the redundancy will enable the capability of making and receiving calls to be transferred to another location or phone. Mr. Lagos also provided a review of the Procurement Policy activity for FY2017.

Chair Beardmore noted that there were no matters requiring non-public session and the remaining Committee members agreed.

No further business came before the meeting.

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

Respectfully submitted,

Nancy B. Cone