

NHRS Board of Trustees, Audit Committee
July 10, 2018

NOTE: These minutes from the July 10, 2018 Audit Committee meeting were approved and executed at the August 14, 2018 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
July 10, 2018**

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

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

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

Chair Dwyer called the meeting to order at 9:30 a.m. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the public minutes of the June 12, 2018 Audit Committee meeting as presented. Trustee Lesko seconded the motion and it carried unanimously.

Ms. Cone updated the Committee as to her activities. She is focusing on completion of the GASB census data audits on behalf of the external auditor, Plante Moran. Of the thirty-one audits, six have been completed and provided to Plante Moran and three completed audits are under internal review. Ms. Cone and Mr. Cavanaugh met with a representative from the State of New Hampshire to determine the best way to perform the State's census data audit and to identify the appropriate contact due to the recent departure of the primary contact at the State Division of Personnel.

Ms. Cone then provided a status of the data security remediation project. Thirty-six percent of the items have been completed with enhanced controls implemented, and remediation efforts continue on the outstanding items. Trustee Dwyer inquired as to the items with PensionGold dependency. Ms. Cone indicated that those items may be addressed with the pending conversion to PGV3.

Ms. Cone provided an update of the FY2018 Audit Plan and an update of the FY2019 Audit Plan along with the Audit Issues Tracking Report. There have been no additions or completions to the Tracking Report since last month, with four outstanding items. Mr. Cavanaugh provided an update for the two items relating to revisions to the administrative rules for the gainful occupation process.

Trustee Dwyer then discussed the periodic review of the Fraud Policy that was approved by the Board of Trustees on September 13, 2016. No Committee members offered any suggested revisions at this time and Trustee Dwyer indicated if they have any proposed revisions to contact him. The Policy will also be reviewed by the Governance Committee and then presented to the full Board of Trustees for review.

Mr. Lagos then discussed the PGV3 Project Manager Oversight Recommendation that will be presented to the Board of Trustees for approval following this meeting. He outlined the RFP process and indicated that there are three consulting firms who perform this type of service and two of them submitted proposals. Initial submissions from both firms were significantly over-priced due to their misperception of the roles and responsibilities we were seeking from them. Follow-up conversations and in-person presentations with the PGV3 Steering Committee resulted in a redefinition of their scope of services and significantly reduced bids. Pending due diligence and contract negotiations, the Steering Committee is recommending LRWL as that firm has significantly more experience in PGV3 conversions, will assign a more experienced Project Manager, and has familiarity with NHRS because it provided project management services for NHRS's conversion to PGV2 18 years ago. Trustee McCrillis inquired as to the indicated contingency hours and Mr. Lagos responded that a "not to exceed" clause would be negotiated with the contract. Trustee Dwyer discussed internal staffing changes required to support those fully engaged in the conversion, and Mr. Lagos indicated that Action Plans are currently being developed to address additional staffing needs throughout the multi-year project.

Ms. Fritzky then provided an update regarding progress thus far with the FY2018 audit by Plante Moran. She indicated that bi-weekly meetings are continuing and information is being provided as requested. The auditors are expected to be on-site at the end of July to perform preliminary work.

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

No further business came before the meeting.

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

Respectfully submitted,

Nancy B. Cone