

NHRS Board of Trustees, Audit Committee
July 2023

NOTE: These minutes from the July 11, 2023 Audit Committee meeting were approved and executed at the August 8, 2023 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
July 11, 2023**

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

Participating Committee Members: Monica Mezzapelle, *Chair*; Jason Henry, Maureen Kelliher, Tim Lesko, and Germano Martins.

Staff participating: Jan Goodwin, *Executive Director*; Timothy Crutchfield, *Deputy Director and Chief Legal Counsel*; Mark Cavanaugh, *Associate Counsel and Compliance Officer*; Jennifer Gordon, *Controller*; Heather Hoffacker, *Internal Auditor*; John Laferriere, *Director of Information Technology*; Raynald Leveque, *Chief Investment Officer*; and Marie Mullen, *Director of Finance*.

The Chair called the meeting to order at 9:30 a.m. after ascertaining a quorum.

Upon a request from the Chair, a motion was made by Trustee Lesko to accept the public minutes of the June 13, 2023 Audit Committee Meeting. Trustee Kelliher seconded the motion, and the minutes were approved unanimously.

Ms. Hoffacker discussed the outstanding items on the Internal Audit Tracker. Currently there are 3 files waiting to be processed by Member Services staff and 111 files that require submissions from employers to be processed.

Ms. Hoffacker discussed the Audit Plan indicating that the Proxy Voting Compliance Monitoring audit has been completed and, that after mock testing has been completed in August, Internal Audit will be obtaining a list of the tests done and using this to test the General Auditing Information procedure.

Ms. Hoffacker discussed the Census Data audits, of which 45% have been submitted to Internal Audit by the Employer Auditors and 35% have be uploaded to Plante Moran.

Ms. Hoffacker presented the results of the Proxy Voting Compliance Monitoring audit. The Proxy Voting Compliance Monitoring process is considered a low-risk control. NHRS contracts with Institutional Shareholder Services, Inc. (ISS) to provide shareholder proxy voting services regarding investment holdings. Ms. Hoffacker discussed the proxy voting compliance monitoring process and the audit program steps that were taken in research, sampling, and meeting with ISS staff.

Ms. Hoffacker discussed the following conclusions and recommendations resulting from this audit. ISS has proxy voting guidelines formalized as benchmark documents and available online through its website. ISS uses these benchmark documents as default for casting votes. These ISS benchmark documents are more extensive than the NHRS Proxy Voting Policy (Policy) and although in some cases they clearly either agree or not, other areas are not as distinguishable. Annually, ISS makes recommendations to NHRS regarding possible changes to the NHRS Policy, which are ultimately reviewed and voted on by the Board of Trustee. ISS has a system through which it tracks scenarios where the NHRS Policy specifically differs from the ISS benchmark to ensure that those scenarios are being voted on appropriately. Internal Audit is recommending that NHRS staff periodically review applicable ISS benchmark documents to make sure that areas of discrepancy between the NHRS Policy and ISS benchmarks are being noted and votes are being cast appropriately. Management response indicated that staff would continue to work with ISS to review proxy voting annually and has responded that they would likely finish the first review of the benchmark documents in early 2024.

Marie Mullen, the Director of Finance, discussed that Finance is pulling together selections and items that Plante Moran has requested for the interim audit that will begin July 17th and extend through July 28th. Plante Moran will be on site July 24th through July 28th.

No further business came before the Committee. The next meeting has been scheduled for August 8, 2023.

A motion was made by Trustee Martins to adjourn the meeting, seconded by Trustee Kelliher, and approved unanimously.

Respectfully submitted,

Heather Hoffacker