

NHRS Board of Trustees, Audit Committee  
June 9, 2020

**NOTE:** These minutes from the June 9, 2020 Audit Committee meeting were approved and executed at the July 14, 2020 regular meeting of the NHRS Audit Committee.

**Audit Committee  
Board of Trustees**

**Public Minutes  
June 9, 2020**

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

*The NHRS office was closed to the public as a result of COVID-19 and the meeting was held via video conferencing. Pursuant to RSA 91-A, all votes were by roll call.*

*Participating:* Committee Members Tim Lesko, Chair; Melvin Friese; Maureen Kelliher; and Monica Mezzapelle. *Absent:* Christopher Coates.

*Staff participating:* George Lagos, *Executive Director*; 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, *Controller/Assistant Director of Finance*; Larry Johansen, *Director of Investments*; Nancy Miller, *Director of Member Services*; and Gerard Murphy, *Director of Finance*.

The Chair called the meeting to order at 8:30 a.m. Upon a request from the Chair, a motion was made by Trustee Friese to accept the public minutes of the May 12, 2020 Audit Committee meeting. Trustee Kelliher seconded the motion and it passed unanimously.

Ms. Cone then discussed the Audit Issues Tracker report that has nine outstanding items with two having revised target completion dates. Eight of the items are anticipated to be completed within the next few months and one will be long term addressed with the implementation of PGV3.

She then reviewed the FY2020 Internal Audit Plan. Audits in process include PensionGold user access rights and the GASB census data audits on behalf of Plante Moran along with six Consulting Activities. Plante Moran has selected twenty-two employers to audit and all have received initial email notifications.

Ms. Cone provided an update on the Data Security Remediation project. In the aggregate, eighty-seven percent of the high, medium, and low priority items have been completed which is an increase from eighty-four percent last month. Of the remaining nine items, one is targeted to be completed within the next ninety days, one is targeted to be completed within twelve months and seven are long term and will be addressed by the implementation of PGV3.

Mr. Murphy provided an update of the remediation of issues arising from Plante Moran's FY2019 GASB and CAFR audits. In response to the GASB Significant Deficiency, a mutual understanding of the data contained in the PensionGold actuarial extract report has been obtained by GRS (NHRS's consulting actuary firm) and NHRS staff. Modifications to the report were made, tested successfully and procedures are being drafted. Additionally, a narrative will be provided to Plante Moran to discuss the initiatives that were undertaken to remediate the issue. Of the remaining opportunities to strengthen internal controls, four are anticipated to be completed by June 30, 2020, one by September 30, 2020 and one by December 31, 2020.

Mr. Murphy then discussed the Actuarial Calendar. There have been no changes and the full Board of Trustees will be voting today on the actuarial assumptions and experience study. At the July Board of Trustees' meeting it is anticipated that GRS will present the June 30, 2019 draft Valuation Report.

The Committee then welcomed, via video conference, from the audit firm Plante Moran, Bob Dobrowsky, Engagement Partner, Michelle Watterworth, Colleague Partner, and Spencer Tawa, Senior Engagement Manager, to discuss the FY2020 financial audit. Mr. Dobrowsky indicated that in accordance with auditing standards they had a discussion last week with Chair Lesko to discuss the FY2020 Audit Plan. Their presentation included a summary of what was discussed on the call along with their thoughts on matters that they feel are important to discuss with the Committee and significant risks that they will cover during the audit. In light of the current circumstances, the standards and auditors' responsibilities are the same, but their processes may be slightly different.

Ms. Watterworth then discussed the auditor's responsibility to express an opinion on whether the financial statements prepared by management, with the Committee's oversight, are fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles. Three components of the audit that will be performed include: 1) the NHRS Comprehensive Annual Financial Report (CAFR); 2) the Schedule of Employer Allocations of the NHRS Cost Sharing Multiple-Employers Defined Benefit Pension Plan; and 3) the Schedule of Employer Allocations of the NHRS Cost-Sharing Multiple-Employer Postemployment Medical Subsidy Healthcare Plan (OPEB). Ms. Watterworth then discussed the auditors' responsibilities to express an opinion and to communicate to the Committee any noncompliance with laws, regulations, contracts and internal control deficiencies that might have a material effect on the financial statements.

Mr. Tawa discussed significant risks for NHRS including 1) investment valuations, especially alternative investments (non-marketable); 2) accuracy of benefit calculations and payments; 3) accuracy of active participant data and employer submitted payroll information; 4) inputs, benefit terms and assumptions used to determine the total pension liability and the total OPEB liability; and 5) the methodology used to allocate the pension and OPEB liabilities among participating employers. Mr. Tawa then discussed their approach to internal controls and their materiality concept, and asked the Committee members if they have any risks or concerns that they would like the auditors to review. The Committee did not have any questions, risks or concerns at

this time. Trustee Lesko appreciated the fact that the auditing standards and auditors' responsibilities remain the same in light of the current pandemic.

Chair Lesko indicated that he would like to provide the Committee with an opportunity to meet privately with the auditors.

On a motion by Trustee Kelliher, seconded by Trustee Friese, the Committee entered into a non-public session under RSA 91-A:3, II(c) on a unanimous vote to discuss a matter which could adversely impact the reputation of someone other than a member of the public body.

At the request of the Chair, representatives from Plante Moran, Bob Dobrowsky, Michelle Watterworth and Spencer Tawa, along with Ms. Cone, the Internal Auditor, remained for the Committee's non-public session.

On a motion by Trustee Kelliher, seconded by Trustee Mezzapelle the Committee unanimously voted to conclude the non-public session. No votes were taken in the non-public session.

No further business came before the Committee.

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

*Respectfully submitted,*

*Nancy B. Cone*