

NHRS Board of Trustees, Audit Committee  
March 10, 2015

**NOTE:** These minutes from the March 10, 2015 Audit Committee meeting were approved and executed at the May 12, 2015 regular Meeting of the NHRS Audit Committee.

**Audit Committee  
Board of Trustees  
March 10, 2015**

**The Public Minutes**

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

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

Staff: George Lagos, Executive Director; Denise Call, Director of Employer Services; Frank Clough, Director of information Technology; Timothy Crutchfield, Esq., Chief Legal Counsel; Jack Dianis, Director of Finance; Larry Johansen, Director of Investments; Heather Fritzky, Controller; Mark Cavanaugh, Esq., Associate Counsel and Compliance Officer; and John Browne, Internal Auditor. Also in attendance were: David T. Kausch and Heidi Barry, of Gabriel Roeder Smith and Company (GRS).

Chair Beardmore called the meeting to order at 8:15 AM. Upon a request from the Chair, a motion was made by Mr. Dwyer to accept the minutes of the Audit Committee meeting of February 10, 2015. Mr. Martins seconded the motion and it carried with Ms. Kelliher and Mr. McCrillis abstaining as they were not present at the meeting.

The Chair then asked Mr. Lagos for an update on the Surry Village Charter School's (SVCS) request to withdraw from NHRS. Mr. Lagos provided background to the Committee on the work performed to address the various questions which had been raised at a prior Committee meeting, including having staff's recommendation vetted by outside counsel. He explained NHRS's Staff recommendation was to conditionally approve Surry Village's request to withdraw from NHRS upon satisfaction of the statutory requirements. Mr. Crutchfield described that since the last meeting NHRS had received an updated opinion from GRS, the System's Actuary, as well as a written opinion from the McLane Law Firm, the System's outside counsel. He said McLane was in support of Staff's recommendation based on the linkage between the wording within the statute requiring the payment of the unfunded liability determined by an actuary, and Surry leaving based on that payment. They also agreed with staff that there was no requirement for ongoing monitoring once this payment was made. Mr. Johansen then added that based on GRS's analysis, the alternative benefits provided by the proposed plan are at least as valuable for the affected Surry Village members as those provided by NHRS as required under the statute.

Following questions raised by Mr. McCrillis, there was a brief discussion as to whether Surry Village's new plan would cover all their employees or just the ones leaving NHRS. Mr. Cavanaugh noted it would have to be for all employees otherwise it would be discriminatory and not qualify under ERISA. Mr. Cavanaugh also clarified that it was unlikely that the IRS would approve SVCS's plan as a qualified plan if they were to suspend the plan after three to five years

Based on the discussion, the Chair entertained a motion to recommend to the full Board that it approve the request of Surry Village Charter School to withdraw from the System pursuant to RSA 100-A:43 upon satisfaction of the following conditions: SVCS shall provide NHRS with, (1) documentation evidencing a vote of its governing body to establish an alternative retirement plan which provides benefits which are at least equal to the current NHRS benefits, (2) a copy of a duly executed declaration of trust, plan document and summary plan description governing such plan, (3) documentation, if any, providing notice to employees detailing the establishment of the alternative plan; and (4) payment of its unfunded accrued liability as determined by GRS. The motion was moved by Ms. Kelliher, seconded by Mr. Dwyer, and it carried unanimously.

Next, Mr. Browne reviewed the current Audit Tracker, noting there were no updates to the existing three outstanding issues and therefore the only change was the addition of the issue from the payroll audit completed in February. Based on a question from Mr. McCrillis as to the status of the audit item relating to missing interest accrual dates, Mr. Browne briefly summarized the issue, but advised he would provide a further update at the next Committee meeting.

Mr. Browne then reviewed the member refund audit he is presently performing. He noted audit work included reviewing transactions for compliance with the rules of RSA 100 A:11, testing a sample of payments made to both vested and unvested members, verifying interest was properly paid, and documenting that the member's status on the PensionGold system was appropriately updated. He stated so far his work had uncovered only a couple of minor procedural exceptions.

Lastly, Mr. Browne updated the Committee on the GASB audit work being performed for KPMG. He explained NHRS had received the sample of thirty two employers KPMG would like tested for the next fiscal year audit. He felt the sample selection was a good representation of the whole population of employers. He noted there was a conference call scheduled with KPMG for the next day to resolve any outstanding questions. Mr. Cavanaugh added the plan was for Internal Audit and the Compliance auditors to be out visiting employers by April, and where possible the Compliance unit was working to combine their regular audits with the required GASB work so as to avoid visiting an employer twice. Mr. Dianis also updated the Committee that the contract with KPMG for the Fiscal Year 2015 audit had been signed, and that a Request For Proposal (RFP) for audit services would be prepared over the next few months.

Lastly, as part of other business, Executive Director Lagos updated the Committee on the telephone RFP that it had gone out noting there had been a number of inquiries already. He also made the Committee aware of a number of projects underway relating to system security. He explained the System is currently evaluating an email encryption solution from Zix Corporation that they would be testing shortly. Also that

the System was assessing security information and event management (SIEM) solutions, which would help monitor and protect against system intrusions. And finally with the help of Mr. McCrillis, the System has been reviewing quotes on Cybersecurity insurance policies, noting that the pricing can be impacted by whether or not data encryption is utilized. Mr. Lagos said he would be providing additional updates on all three of these items over the next couple of months.

As there being no further business, the Committee tentatively scheduled the next meeting for prior to the Board meeting on Tuesday, April 14, 2015.

A motion to adjourn was made by Ms. Kelliher, seconded by Mr. Martins, and it carried unanimously.

*Respectfully submitted,*  
*John F. Browne*