

NHRS Board of Trustees, Audit Committee
March 21, 2017

NOTE: These minutes from the March 21, 2017 Audit Committee meeting were approved and executed at the April 11, 2017 regular Meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
March 21, 2017**

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

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

Staff: George Lagos, Executive Director; Mark Cavanaugh, Esq., Associate Counsel and Compliance Officer; Timothy Crutchfield, Esq., Chief Legal Counsel; Jack Dianis, Director of Finance; Larry Johansen, Director of Investments; Nancy Miller, Director of Member Services; Heather Fritzky, Controller; Nancy Cone, Internal Auditor.

Due to weather conditions, this meeting was postponed from March 14, 2017.

Chair Beardmore called the meeting to order at 10:01 AM. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the minutes of the Audit Committee meeting of February 14, 2017 as presented. Trustee Martins seconded the motion and it carried unanimously.

Ms. Cone then updated the Committee as to the status of Internal Audit activity and presented the final report of the PensionGold User Access Rights Audit. Improvement was noted since the last review and Management has taken steps to adjust access rights that were not in alignment with user responsibilities. Trustee Beardmore inquired as to a periodic review of user access rights. Ms. Cone responded that an annual management review is performed. As the PensionGold User Access Rights reports are challenging to decipher, it is important that the managers meet with IT during the process.

Ms. Cone then presented the updated FY2017 Audit Plan. Of the eight audits on the Plan, seven are completed and one is in process. Additionally, the FY2018 Risk Assessment is in process that will be utilized to develop the FY2018 Audit Plan. She then provided an update on the eight outstanding items listed on the Open Audit Issues Tracking report. Since last month there were five new issues and six issues have been completed.

Mr. Dianis then provided the Committee with an update of GASB 68 which proportionally allocates the Pension unfunded liability to each employer based on their employer pension contributions. On Friday March 10, 2017, the FY2016 report was finalized with an unmodified opinion by KPMG, the external auditors, and made available to the NHRS employers. To date, there have been no questions from the employers. Trustee Beardmore inquired as to what period is covered in the report. Mr. Dianis indicated that the data is as of June 30, 2015 rolled forward to June 30, 2016. The expectation is to have the report finalized and available in January for fiscal year ending June 30, 2017.

Mr. Dianis then provided an update of GASB 74, effective with fiscal year end June 30, 2017, which develops liabilities for OPEB (Other Post-Employment Benefits) for the Plan. GASB 75, effective June 30, 2018, will allocate the OPEB liability to the employers. Discussion followed as to the basis of the allocation and clarification has been requested from GASB.

Mr. Lagos then updated the Committee as to the status of the PASE RFI (Pension Administration System Evaluation Request for Information) which has been posted to the NHRS website and on several Public Pension Plan related websites. Questions from prospective vendors are due by March 31st and all RFI responses are due by April 28th. This is only an information gathering process and no decision has been made to upgrade the current system which is supported by the current vendor and meets our needs.

Trustee Beardmore then led a discussion regarding having non-public discussions between the Committee and the Internal Auditor. He also discussed it with Dave Gagnon, KMPG Audit Partner, who suggested having a non-public session as a standing item on the agenda whether or not a discussion is warranted. Mr. Crutchfield confirmed that under the Right to Know Law, there is a provision to enter into a non-public session if the matter being discussed might affect the reputation of an individual other than a member of the Committee. Ms. Cone indicated that this is a best practice for an Audit Committee. Trustees McCrillis and Kelliher discussed having it on the Agenda with each meeting, whether or not it was needed, and scheduling a standing quarterly meeting beginning with the April 11, 2017 Audit Committee meeting. All were in agreement.

Trustee Beardmore noted that representatives from KPMG indicated they were planning on meeting with the Committee and Mr. Dianis will contact them to determine their availability.

No further business came before the meeting.

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

Respectfully submitted,

Nancy B. Cone