

NHRS Board of Trustees, Audit Committee
March 12, 2019

NOTE: These minutes from the March 12, 2019 Audit Committee meeting were approved and executed at the April 9, 2019 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
March 12, 2019**

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

Committee Members in attendance: Bill Dwyer, Chair; Melvin Friese; Timothy Lesko.
Absent: Christopher Coates; Maureen Kelliher.

Staff: 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*; Cecile Merrill, *Project Manager*; Nancy Miller, *Director of Member Services*; and Gerard Murphy, *Director of Finance*.

Chair Dwyer called the meeting to order at 9:30 a.m. Upon a request from the Chair, a motion was made by Trustee Lesko to accept the public minutes of the February 12, 2019 Audit Committee meeting as presented. Trustee Friese seconded the motion and it carried 2-0 with Trustee Friese abstaining.

Ms. Cone then discussed the Audit Issues Tracker report that contains the same four items as last month, all of which are targeted to be completed within thirty days.

She then reviewed the status of the FY2019 Audit Plan. Two planned audits are completed and the System User Access Rights audit is on hold pending completion of the unanticipated ancillary items audit. Trustee Dwyer reminded the Trustees that they have an opportunity to offer suggestions for the FY2020 Risk Assessment that was provided by Ms. Cone. She indicated that if they have anything to add, they should contact her by Friday, as the Risk Assessment needs to be provided to Management for completion. Trustee Dwyer inquired as to the ancillary items and Ms. Cone discussed those items she is working on that were not part of the original FY2019 Audit Plan.

She then provided an update of the Data Security Remediation project. Sixty-seven percent of the items have been completed which is an increase from sixty-four percent reported in February. All of the thirteen medium priority items have been addressed and completed and nine of the twenty high priority items have been addressed and completed. Of the remaining eleven items, ten are targeted to be completed within the

next ninety days and one is long term as it will be considered with the upgrade of the pension administration system.

Ms. Cone then discussed the status of Plante Moran's recommendations to strengthen internal controls or increase operating efficiencies. Of the original sixteen suggestions, fourteen have been completed, one is scheduled to be completed within thirty days and one requires further discussion. Trustee Dwyer inquired on the item related to benefit amount changes. Mr. Lagos and Ms. Cone clarified the reporting lines for the two Member Services Managers listed in order to enhance segregation of duties related to benefit adjustments.

Mr. Murphy then provided an update of the Actuarial Audit. Segal Consulting has all the information they need in order to perform the audit of GRS. They have indicated on a preliminary basis that the overall total actuarial liability they calculated is in the same range as that calculated by GRS and are now going through the details of the analysis. Segal is on schedule to provide a draft report to the Audit Committee at the end of April or beginning of May and a final report to the Board of Trustees is anticipated at its May or June meeting.

Mr. Murphy then discussed an issue concerning the posting of interest to member accounts associated with specific employers. Research was conducted, identifying a discrepancy resulting from the assignment of incorrect interest accrual dates, caused by the timing of supplemental employer payments (outside of the normal payroll cycle). The additional interest amounts posted to these member accounts were all de minimis (averaging less than \$1.00) and all were in favor of the members. He pointed out that the vast majority of these interest postings involved active members and therefore did not result in funds paid out by NHRS. There were actual overpayments associated with 125 member refunds with an aggregate value of less than \$200. He then stated that in accordance with RSA 100-A: 27, NHRS has the authority to make adjustments as far as is practicable to correct errors. Due to the de minimis overpayment amounts individually and in total, NHRS will not seek recoupment of the additional interest paid on the 125 refunds issued. All other member record corrections will be made in PensionGold and steps have been put in place to avoid a reoccurrence of this issue. Mr. Lagos noted that the interest posting process would be discussed in conjunction with the transition to PGV3 to determine any additional controls that may be available with the upgrade. The Committee again noted the de minimis impact of actual payouts, agreed with the way the situation is being handled by staff, and appreciated the information.

No further business came before the Committee.

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

The next meeting is scheduled for Tuesday, April 9, 2019, before the regular Board meeting.

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

Respectfully submitted,

Nancy B. Cone