

NHRS Board of Trustees, Audit Committee
March 9, 2021

NOTE: These minutes from the March 9, 2021 Audit Committee meeting were approved and executed at the April 13, 2021 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
March 9, 2021**

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

Staff participating: Timothy Crutchfield, *Interim Executive Director*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Frank Clough, *Director of IT*; Nancy Cone, *Internal Auditor*; Jay LaClair, *Internal Auditor*; Larry Johansen, *Director of Investments*; Cecile Merrill, *Project Manager*; Nancy Miller, *Director of Member Services*; and Gerard Murphy, *Director of Finance*.

Guest: Jan Goodwin.

The Chair recognized Mr. LaClair as the new Internal Auditor and he and the Committee exchanged introductions.

The Chair called the meeting to order at 10:00 a.m. Upon a request from the Chair, a motion was made by Trustee Friese to accept the public minutes of the February 9, 2021 Audit Committee meeting. Trustee Lesko seconded the motion and it passed unanimously.

Ms. Cone discussed the FY2021 Internal Audit Plan noting that there are currently no new audits in process due to the transition to the new Internal Auditor. She continues to work with Management to resolve the issues identified with the Employer Audit Adjustment Report and there are several consulting activities in process.

Ms. Cone then discussed the Audit Issues Tracker report which has five outstanding items with two completed since last month. The Legal/Compliance responsibilities relating to the Employer Audit Adjustments have been completed and the three Member Services responsibilities remain outstanding. The Member Services policies and procedures remain outstanding. Member Services processing of the outstanding employer audit adjustments have been slow to progress due in part to employer non-

responsiveness and staffing issues. Approximately half of the monthly processing expectations were completed as of January and overtime has been approved to address the substantial backlog.

Trustee Mezzapelle asked what can be done to address the delayed responsiveness of employers in submitting audit correction files. Mr. Cavanaugh noted that reminder letters have been sent quarterly to employers over the last year, with the last letters being sent in January and the next round scheduled for April. Other methods are currently being discussed to encourage employers to be more responsive. Ms. Miller added that for adjustments requiring files from the employer, the current backlog is approximately 196 where the files have been received and need to be processed by Member Services, and approximately 300 adjustments requiring files have not been received from the employers. These are in addition to the manual adjustments that do not require files from the employer. Ms. Cone noted that, beginning with audits commencing after January 1, 2021, the Employer Compliance Auditors will be responsible for following up with employers to confirm that the correction file is received timely and in the correct format, before referring to Member Services for posting to employer and member files in the PG application.

Ms. Cone then deferred to Mr. Crutchfield to discuss the Data Security Risk Reassessment Report received from the consultants as follow-up to the report dated January 2018. The Report has been reviewed internally by Mr. Crutchfield, Mr. Clough, Ms. Cone, and Mr. Crepeault, the NHRS Information Systems Security Officer. The report included forty-three recommendations of which, thirty-five have been completed, five are ongoing annual tasks, and three are under review.

Mr. Murphy discussed the FY2020 Plante Moran opportunities letter to strengthen internal controls or increase efficiencies. The suggestions do not rise to a level of a reportable finding and are merely recommendations. The letter contains six recommendations. Three are repeat observations from FY2019 which Management has analyzed and decided not to implement as they believe the existing controls are sufficient and three are new recommendations that pertain to census data of our members. Responses and action plans are being formulated and will be presented at the next Committee meeting.

Ms. Merrill then provided an overview of the PGM3 implementation project. The project is 37% complete and Deliverable 3 (D3) is 43% complete. Change requests for D3 have added an additional nineteen weeks to the implementation time and currently we are scheduled to begin processing with PGM3 in April 2023. Mr. Crutchfield added that the original processing date was expected to be extended as part of the determination to stay with LRS for this data platform conversion and NHRS continues to monitor the extensions. Project risks are being reviewed and adjusted quarterly along with LRS, Segal and NHRS. Staff will be testing two workflows from Deliverable 2 (D2). The Team has spent the last month reviewing and approving design documents for correspondences. Testing for D3 is scheduled to begin mid-August and we are hoping to have LRS onsite for guidance and assistance. Data conversion issues continue to be addressed and additional resources have been added. A consultant from Segal will be assisting Finance with communications and training for NHRS employers regarding the system changes to employer reporting that were part of D2.

No further business came before the Committee.

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

Respectfully submitted,

Jay R. LaClair