

NHRS Board of Trustees, Audit Committee
May 8, 2018

NOTE: These minutes from the May 8, 2018 Audit Committee meeting were approved and executed at the June 12, 2018 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
May 8, 2018**

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

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

Board Members: Stephen Marro.

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

Chair Dwyer called the meeting to order at 9:30 a.m. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the public minutes of the April 10, 2018 Audit Committee meeting as presented. Trustee Lesko seconded the motion and it carried unanimously.

Ms. Cone provided a status of the data security remediation project. Eighteen percent of the items have been completed and effort continues on the outstanding items, noting that some are anticipated to be completed in the short term, some in the long term, and others will require additional discussion. Trustee Dwyer requested that those items which may require enhancements to PensionGold be noted as such on the report. Mr. Lagos added that each item has been assigned an owner and Ms. Cone distributes the spreadsheet to the respective owners for bi-weekly updates.

Ms. Cone then provided an update on the FY2018 Audit Plan along with the Audit Issues Tracking Report. Since last month, one issue has been completed and no items have been added, resulting in three outstanding items which are scheduled to be completed in July.

Ms. Fritzky discussed the transition of the external audit firm from KPMG to Plante Moran. An audit planning meeting was held at NHRS in April and was very productive. The GASB 75 audits for FY2016 and FY2017 need to be completed and an opinion issued. KMPG, the prior auditor, has already performed the majority of the work so in order to avoid duplication of effort and additional costs, and at our request,

KPMG has indicated that they would complete the remaining audit work starting in June and issue an audit opinion in August, at an estimated cost of \$65,000 to \$70,000. An engagement letter was submitted for the Committee's review. Trustee Dwyer would like to include in the letter a requirement that KPMG is to provide weekly audit status updates to NHRS. Ms. Fritzky agreed and will add that to the engagement letter. Mr. Lagos added that as KPMG is also the auditor for the State of New Hampshire, they have a vested interest in completing the NHRS GASB 75 audit in a timely manner in order to incorporate it into the state's audit and financial reporting.

Upon request from the Chair, a motion was made by Trustee McCrillis that the Audit Committee accept and approve the KPMG engagement for the GASB 75 Audits of the Schedules of Employer Allocations and Schedules of OPEB Amounts by Employer and related notes to the schedules as of and for the years ended June 30, 2016 and 2017, as presented today, subject to successful contract negotiations. Trustee Martins seconded the motion and it carried unanimously.

Mr. Lagos then discussed the request to enhance PensionGold to allow for better segregation of user access rights with respect to changing member/retiree demographic information. This is in process and is scheduled to be included in the PensionGold update at the end of May. Additionally, NHRS has received a cost estimate to automatically generate confirmation letters when demographic information is changed in PensionGold, which should also be included in the May update.

In accordance with the Procurement Policy, which requires disclosure to the Board of contracts less than \$25,000, Mr. Lagos then discussed two such contracts. One is for the organization's copiers for which the current contract is expiring in June and the other is to upgrade Microsoft Office from version 2010 to version 2016, as support for version 2010 will end in 2020. Mr. Lagos also provided the Committee with a memo that summarizes the contract activity for FY2017 and FY2018.

Chair Dwyer stated he would like to give the Committee an opportunity to meet in non-public session with Ms. Cone, the Internal Auditor, to discuss the FY2019 Risk Assessment and draft Audit Plan. At 10:05AM, on a motion by Trustee Kelliher, seconded by Trustee McCrillis, the Committee voted to enter into a non-public session under RSA 91-A:3, II(c) to discuss a matter which could adversely impact the reputation of someone other than a member of the public body, on a roll call vote, as follows:

Ayes: Trustees Dwyer, Kelliher, Lesko, Martins and McCrillis.

Nays: None.

At the request of the Chair, Ms. Cone remained for the non-public session.

On a motion by Trustee Kelliher, seconded by Trustee Lesko, the Committee unanimously voted to conclude the non-public session at 10:25AM. No votes were taken during the non-public session. The Committee expects to finalize its review of, and take action to approve, the FY2019 Audit Plan at the June 12 meeting.

No further business came before the meeting.

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

Respectfully submitted,

Nancy B. Cone