

NHRS Board of Trustees, Audit Committee
May 14, 2019

NOTE: These minutes from the May 14, 2019 Audit Committee meeting were approved and executed at the June 11, 2019 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
May 14, 2019**

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

Committee Members in attendance: Bill Dwyer, Chair; Christopher Coates *via phone as it was not practicable for him to attend*; Melvin Friese; Maureen Kelliher; Timothy Lesko. Due to Trustee Coates' participation by telephone, all actions of the Committee were undertaken by roll call vote (pursuant to RSA 91-A). All roll call votes were unanimous unless otherwise indicated.

Staff: George Lagos, *Executive Director*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Nancy Cone, *Internal Auditor*; Heather Fritzky, *Controller/Assistant Director of Finance*; Larry Johansen, *Director of Investments*; Nancy Miller, *Director of Member Services*; and Gerard Murphy, *Director of Finance*.

The Chair called the meeting to order at 9:00 a.m. Upon a request from the Chair, a motion was made by Trustee Lesko to accept the public minutes of the April 9, 2019 Audit Committee meeting as presented. Trustee Friese seconded the motion and it carried unanimously on a roll call vote.

Ms. Cone provided an update on Internal Audit Activities. The PensionGold User Access Rights Audit was completed and there were no substantive findings requiring remediation actions by NHRS staff. There has been significant improvement in correlating user access rights to users' specific responsibilities as compared to the last two audits. The Chair inquired as to the controls governing access rights changes made after the annual management review. Ms. Cone indicated that there are checklists and management processes in place.

Ms. Cone reviewed the Audit Issues Tracker Report that contains the same two items as last month, one of which relates to the Employer Contribution Reconciliation Audit that is anticipated to be completed by the end of May. The other issue relates to the QDRO process and it has been determined that the "estimator" will move forward in PGV2 with a targeted completed date of July and the associated wizard will be implemented with the upgrade to PGV3. She then reviewed the status of the FY2019 Audit Plan. Four planned audits and three internal audit "consulting" items have been completed with three in process. The Insurance Vendor Payroll process is anticipated to be the next audit.

Ms. Cone provided an update on the Data Security Remediation project. Seventy percent of the items have been completed, including all thirteen of the medium priority items and ten of the twenty high priority items. Of the remaining ten items, seven are targeted to be completed within the next ninety days, one is expected to be completed by December 2019 and two are long term, as they will be addressed as a part of the PGV3 upgrade. Low priority items are currently being tabulated and an update will be provided next month. Mr. Lagos informed the Committee that SSNs are masked in internal systems, and a unique identifier is now used to identify members and beneficiary recipients. NHRS will no longer provide SSNs on external vendor reports. All vendors agreed except for the State of New Hampshire, which has been granted an extension until the end of the fiscal year to address related IT issues in making the transition to unique identifiers. In a call, the NHRS Data Security Consultant indicated that the financial services industry has largely moved away from using SSNs as an identifying number, but state and local governments have been slow to change.

Ms. Cone then discussed the status of Plante Moran's recommendations to strengthen internal controls or increase operating efficiencies. Of the original sixteen suggestions, fifteen have been completed and the remaining item requires further discussion relating to the administration of insurance premium deductions and medical subsidy benefits that NHRS administers on behalf of certain employers.

Mr. Murphy then provided an update of the pending Actuarial Audit of GRS. Segal has completed its test work and is in the process of writing the report. NHRS has received the report on the five-year experience study audit and anticipates having the report on the June 30, 2017 valuation within a few days. There have been no major variances or red flags, and preliminary calculations have been very close to the calculations done by GRS. Segal is planning to present the report to the full Board at its June 11, 2019 meeting.

Ms. Cone then presented the FY2020 Risk Assessment and Draft Internal Audit Plan. She provided a history of the process and discussed the methodology of the Risk Assessment, indicating that this is the fourth year this format has been utilized. Changes in the risk score from one year to the next are usually minor and may relate to process or management changes. Several of the high-risk processes, along with those that are rated as a lower risk but have the potential to be high impact, were discussed. She then reviewed the proposed FY2020 Internal Audit Plan including the reasoning behind each audit recommended for the upcoming fiscal year.

The Chair stated he would like to give the Committee an opportunity to meet in non-public session with Ms. Cone to discuss the FY2020 Risk Assessment and Draft Internal Audit Plan, and the Trustees agreed. On a motion by Trustee Kelliher, seconded by Trustee Lesko, the Committee entered 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 unanimous roll call vote.

At the request of the Chair, Ms. Cone, the Internal Auditor, remained for the Committee's non-public session.

On a motion by Trustee Lesko, seconded by Trustee Kelliher, the Committee unanimously voted to conclude the non-public session. No votes were taken in the non-public session. The motion carried unanimously on a roll call vote.

No further business came before the Committee.

The next meeting is scheduled for Tuesday, June 11, 2019, before the regular Board meeting.

A motion to adjourn made by Trustee Lesko and seconded by Trustee Kelliher was carried unanimously on a roll call vote.

Respectfully submitted,

Nancy B. Cone