

NHRS Board of Trustees, Audit Committee  
November 12, 2014

**NOTE:** These minutes from the November 12, 2014 Audit Committee meeting were approved and executed at the December 9, 2014 regular Meeting of the NHRS Audit Committee.

**Audit Committee  
Board of Trustees  
November 12, 2014**

**The Public Minutes**

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

Committee Members: John Beardmore, Chair; Bill Dwyer; Maureen Kelliher; Germano Martins. Jack Wozmak, absent.

Staff: George Lagos, Executive Director; Denise Call, Director of Employer Services; Frank Clough, Director of Information Technology; 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; Mark Cavanaugh, Esq., Associate Counsel and Compliance Officer; and John Browne, Internal Auditor. Also in attendance were Dave Gagnon, KPMG Engagement Partner, Brian Shaughnessy, KPMG Audit Senior Manager, Lana Friedman, KPMG Senior Associate, and David T. Kausch and Heidi Barry of Gabriel Roeder Smith & Company.

Chair Beardmore called the meeting to order at approximately 8:00 AM. Upon a request from the Chair, a motion was made by Mr. Dwyer to accept the minutes of the Audit Committee meeting of October 14, 2014. Mr. Martins seconded the motion, and it carried unanimously.

The Chair then asked Mr. Gagnon to update the Committee on the status of KPMG's fiscal year 2014 audit. Mr. Gagnon referred the Committee to the June 30, 2014 New Hampshire Retirement System Audit Results report they had prepared. He stated that while the report was preliminary, the audit was substantially complete and no management issues have been identified.

Mr. Shaughnessy then briefly reviewed the noteworthy changes to their audit work this year, which revolved around the review of the System's census data to comply with the implementation of the Governmental Accounting Standards Board (GASB) 67, Financial Reporting for Pension Plans. He also reviewed the significant pending matters outstanding for the completion of the audit. In particular, the Comprehensive Annual Financial Report (CAFR) review and tie-out, the completion of the management representation letters, and a one-time review by their Department of Professional Practice of their GASB 67 implementation documentation.

Next Ms. Friedman reviewed with the Committee the primary areas of audit testing performed. This included the review of the transition to the new custodian, confirming the existence and pricing of a sample of marketable securities, and assessing management's controls over directly held marketable investments and alternative investments. They also reviewed the financial statements for conformity of presentation with GASB standards, and included a consideration of fraud as required by the Statement of Auditing Standards No. 99.

Mr. Gagnon summarized the presentation by calling to the Committee Members' attention the two-opinion related paragraphs in KPMG's Independent Auditors' Report. He noted the opinion was unmodified, which means they are clean opinions with no material issues; and, that the second paragraph, "Emphasis of Matter", was added this year to document that the System had adopted the GASB Statement No. 67. The Chair on behalf of the Committee gave his congratulations to the Finance staff for this notable accomplishment.

Next Mr. Dianis briefly reviewed the status of the Unaudited CAFR. He noted the deadline to issue the Unaudited CAFR was October 31<sup>st</sup>, and that the deadline had been met, thanks to the yeoman work of Ms. Fritzky. He stated there were two particular challenges this year: complying with the new GASB 67 standards; and, providing the auditors with supporting reports and schedules from the new bank custodian, Bank of New York, rather than using the schedules that had been provided in different formats in prior years by the previous custodian, Northern Trust. Mr. Dianis then noted he would take any questions, but did not intend to review the Unaudited CAFR in detail at this time, stating that he would prefer to wait until the December Board meeting to present and review the Audited CAFR.

Mr. Crutchfield then briefly presented the draft Ethics Report Card that summarizes responses to the annual NHRS Standard of Conduct Questionnaire. He noted that this is done as a best practice, as there is no statutory or rule requirement to do this. He said that responses are still being received however he had received no responses that needed to be brought to the attention of the Audit Committee. He expected to have a final Ethics Report Card next month.

Next, Mr. Lagos updated the Committee on the status of the Surry Village Charter School's (SVCS) withdrawal proposal. He explained that this item was on this month's agenda as an 'action expected' item however there are still two outstanding issues that need to be addressed by SVCS. One relates to the actual service benefit provided under the new plan, and the second as to whether it is a non-contributory plan relative to the members' contributions. Until the System receives answers on these items, it would be premature to act upon the request.

Next on the agenda was the Service Purchase Policy. As this was approved at the last Committee meeting, and subsequently approved by the Governance Committee, the Chair said he would be presenting this to the full Board for approval.

Mr. Browne then briefly reviewed the November 2014 Audit Tracker explaining there were five issues with a scheduled completion date of November, and while none were completed, management had responded with updates and new target dates, and he was comfortable that management was addressing the items.

Next Mr. Browne reviewed the status of Internal Audit work, noting that as explained in KPMG's presentation, his primary focus has been performing the GASB Employer Census Data Audits. He commented that it was a joint effort with the System's employer compliance auditors and that all went very smoothly. The employers had all been very cooperative in performing the testing, and no major exceptions had been identified. He explained that once KPMG had reviewed the audit packages for all nineteen employers, it was planned to get back to the employers with the results, and thank them for their assistance.

Lastly, as part of other business; Mr. Browne informed the Committee that he would be sending out the current Audit Committee Charter shortly as part of NHRS's annual review of all Committee charters. He asked that Committee members review the charter, and provide any suggestions for modifications before the next meeting.

As there being no further business, the Committee scheduled the next meeting for 8:00 AM immediately prior to the Board meeting on Tuesday, December 9, 2014.

A motion to adjourn was made by Mr. Martins, seconded by Mr. Dwyer, and it carried unanimously.

*Respectfully submitted,*  
*John F. Browne*