

NHRS Board of Trustees, Audit Committee
October 10, 2017

NOTE: These minutes from the October 10, 2017 Audit Committee meeting were approved and executed at the November 14, 2017 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
October 10, 2017**

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

Committee Members: John Beardmore, Chair; Maureen Kelliher; Germano Martins, David McCrillis. Absent: Bill Dwyer

Staff: George Lagos, Executive Director; Timothy Crutchfield, Esq., Chief Legal Counsel; Heather Fritzky, Director of Finance; Larry Johansen, Director of Investments; Nancy Miller, Director of Member Services; Nina Calkins, Process Improvement Manager; Mark Cavanaugh, Associate Counsel and Compliance Officer; Nancy Cone, Internal Auditor.

Chair Beardmore called the meeting to order at 10:00 a.m. Upon a request from the Chair, a motion was made by Trustee McCrillis to accept the minutes of the Audit Committee meeting of September 12, 2017 as presented. Trustee Kelliher seconded the motion and it carried unanimously.

Ms. Cone presented the Capital Call Funding Final Audit Report, in which no observations were noted. She then reviewed the status of the FY2018 Internal Audit Plan noting that in addition to the completed Capital Call Funding Audit and GASB employer census data audits on behalf of KPMG, she has been performing reviews of direct deposit and demographic changes processed by Finance and Member Services. Additionally, preliminary work has begun on the Telephone System Reporting and Analytics audit. Trustee Beardmore inquired as to the risk level for this audit and Ms. Cone responded that telephone analytics have not been audited and a new reporting system has recently been implemented. There has been no change in the Audit Issues Tracking Report since last month on which four outstanding items remain that are all targeted to be completed by the end of December, 2017.

Ms. Fritzky then provided the Committee with an update of the FY2017 financial audit by KPMG. KPMG auditors are currently onsite, which is a few weeks later than their originally scheduled date. The financial records have been closed for FY2017 and schedules are being completed for the CAFR and audit work. GASB 68 contribution audit work is also being performed. The bi-weekly audit status calls have resumed since they were cancelled by KPMG and are scheduled to now occur on a weekly basis. Ms. Fritzky indicated the calls are helpful to keep everyone on track.

Mr. Lagos then presented for discussion the sole source contract proposal for the Data Security Risk Assessment to be performed by the consultants who assisted with the data security incident. This is a combined proposal for a macro-operational review along with a proposal for technical aspects of data security. It is being presented as a sole source contract due to the positive experience and high level of confidence in the services performed during remediation of the data security incident. Mr. Lagos has requested references which will be checked prior to executing the contract. Trustee McCrillis inquired as to the penetration testing included in the proposal. Mr. Lagos discussed that last year's penetration testing, of limited scope, was performed by an external third party and not by NHRS's current IT consultant, and this penetration test will be more comprehensive. This proposal will be presented to the full Board of Trustees for its approval at its meeting later this morning.

Mr. Lagos discussed that NHRS has been in contract with the other two systems that experienced similar data security incidents and were very helpful in providing information as to their remediation efforts. NHRS recently went live with the enhanced MyAccount enrollment process and has not incurred any costs related to the enhanced process as the vendor for the pension administration software incorporated the feature in to its base product offering and absorbed the cost. The new process requires the member or retiree to request a PIN online prior to setting up a MyAccount. The PIN is mailed to the individual's home address on file and once received the individual can use the PIN to establish an account. Trustee Martins inquired as to the process to validate telephone calls from members and retirees. Ms. Miller indicated that protocols to validate individuals on phone calls have been in place for some time.

Mr. Crutchfield then presented the FY2017 Annual Code of Ethics Report Card. He indicated that all respondents stated that they are in compliance with the NHRS Code of Conduct. Responses were received from all service providers except for one that was utilized in FY2017 and ceased operation in April 2017 with no current contact information. Upon a request for the Chair, a motion was made by Trustee Kelliher to recommend the FY2017 Ethics Report Card to the full Board of Trustees for approval. Trustee Martins seconded the motion and it carried unanimously.

Chair Beardmore noted that there were no matters requiring non-public session and the remaining Committee members agreed.

No further business came before the meeting.

Mr. Lagos thanked Trustee Beardmore for his contribution to the Audit Committee as he is resigning from the Board due to leaving State of NH employment.

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

Respectfully submitted,

Nancy B. Cone