

NHRS Board of Trustees, Audit Committee
October 8, 2019

NOTE: These minutes from the October 8, 2019 Audit Committee meeting were approved and executed at the November 12, 2019 regular meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
October 8, 2019**

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

Committee Members in attendance: Bill Dwyer, Chair; Melvin Friese; Maureen Kelliher; Timothy Lesko. Absent: Christopher Coates;

Staff: George Lagos, *Executive Director*; Frank Clough, *Director of IT*; Nancy Cone, *Internal Auditor*; Timothy Crutchfield, Esq., *Chief Legal Counsel*; Heather Fritzky, *Controller/Assistant Director of Finance*; Larry Johansen, *Director of Investments*; and Nancy Miller, *Director of Member Services*; Gerard Murphy, *Director of Finance*.

The Chair 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 September 10, 2019 Audit Committee meeting as presented. Trustee Friese seconded the motion and it passed unanimously among those present.

Ms. Cone provided an update on Internal Audit activities. She presented the Member Services Vendor Payroll Audit Report that had two findings related to updating policies and procedures, and ensuring that recoupments are properly approved in accordance with the Board Recoupment and Hardship Policy. These findings are similar to the ones identified in the Finance Vendor Payroll Audit that was presented last month. As with the Finance audit, recoupments have been processed in accordance with internal procedures that were amended several years ago; however, the Board Policy was not revised accordingly, resulting in non-compliance issues. Chair Dwyer indicated that the updated policy will be presented to the Benefits Committee for approval first and then to the full Board of Trustees for approval.

Trustee Lesko entered the meeting at 9:35 a.m.

She then reviewed the Audit Issues Tracker Report. The two issues from the Member Services Vendor Payroll Audit were added, with one already completed and the other one expected to be completed in November, bringing the total outstanding issues to five. Two issues relate to the Finance Vendor Payroll Audit and are expected to be completed by November. The other two issues relate to the QDRO process, one of which is scheduled to be completed by December 2019, while the other will be addressed in conjunction with the implementation of PGV3.

A review of the FY2020 Internal Audit Plan indicated that the FY2019 GASB 67 & 74 employer census data audits on behalf of Plante Moran are completed and the Member Services Vendor Payroll audit is completed. One consulting activity is completed and there are five in process. An audit of Employer Audit Record Adjustments is in process.

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 are completed and the remaining item, relating to the administration of insurance premium deductions and medical subsidy benefits that NHRS administers on behalf of certain employers, was discussed with Plante Moran. Mr. Lagos indicated that Legal is working on a draft memo for Plante Moran to outline current controls in place so that they have a complete understanding of the process.

Next, Ms. Cone provided an update on the Data Security Remediation project. Eighty-two percent of the high and medium priority items are completed, and seventy-four percent of the low priority items are completed. All thirteen of the medium priority items and fourteen of the twenty high priority items are completed. Of the remaining six high priority items, four are targeted to be completed by December 31, 2019, while two are long term, as they will be addressed in conjunction with the PGM3 conversion. Of the original thirty-five low priority items, twenty-six are completed, which is an increase of three since last month. Of the nine outstanding items, two are targeted to be completed within ninety days, six are long term, and one requires further discussion.

Chair Dwyer then discussed the Actuarial Funding Policy with the Committee, indicating that the Committee approved a revision at its September meeting, which will be presented for approval today to the full Board following this meeting.

Mr. Murphy then provided an update on the status of the FY2019 external audit. Plante Moran representatives are onsite for the next three weeks, and he is planning to close the books for FY2019 by next week. Mr. Murphy verified that Plante Moran will confirm financial balances with selected financial services providers and employers. Chair Dwyer indicated that the audit is on track to be reviewed and approved at the December Audit Committee meeting.

Mr. Crutchfield then presented the FY2019 Annual Code of Ethics Report Card that has been utilized for the last thirteen years as a best practice for self-reporting conflicts of interest. The survey is sent to all service providers (including investment managers), current and former Trustees, Independent Investment Committee members, and current and former NHRS employees. Of the one hundred seventy-seven respondent requests, one hundred seventy-five responses were received, resulting in a ninety-nine percent response rate. Most importantly, none of the responses raised any compliance issues. These outcomes are in line with recent years.

Upon a request from the Chair, a motion was made by Trustee Kelliher to recommend the Ethics Report Card to the full Board for approval following this meeting. Trustee Friese seconded the motion and it carried unanimously.

The Chair noted that there did not appear to be any matters requiring a non-public session and the Committee members agreed.

No further business came before the Committee.

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

Respectfully submitted,

Nancy B. Cone