

NHRS Board of Trustees, Audit Committee
September 12, 2017

NOTE: These minutes from the September 12, 2017 Audit Committee meeting were approved and executed at the October 10, 2017 regular Meeting of the NHRS Audit Committee.

**Audit Committee
Board of Trustees**

**Public Minutes
September 12, 2017**

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

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

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

Chair Beardmore called the meeting to order at 9:15 a.m. Upon a request from the Chair, a motion was made by Trustee Kelliher to accept the minutes of the Audit Committee meeting of August 8, 2017 as presented. Trustee Dwyer seconded the motion and it carried unanimously.

Ms. Cone then updated the Committee as to the status of Internal Audit indicating that the Capital Call Funding Audit has since been completed. To enhance controls, she has been reviewing direct deposit and demographic changes processed by Finance and Member Services. The GASB employer census data audits on behalf of KPMG were completed on schedule and have been provided to KPMG. She then presented the status of the FY2018 Audit Plan and provided an update on the four outstanding items listed on the Open Audit Issues Tracking report.

Chair Beardmore then discussed the Audit Committee Charter which is reviewed annually by the Committee and was last revised at the January 13, 2015 NHRS Board of Trustees meeting. He asked the Committee if anyone had any edits or comments. Trustee Dwyer had a question regarding communicating the Ethics Policy. Mr. Crutchfield indicated that it is communicated to Trustees and NHRS Management as part of the annual Standards of Conduct Questionnaire and in conjunction with the ethics survey for third party providers. He further noted that results are reported to the Audit Committee and this year's results should be available at the next meeting. No revisions to the charter were proposed by the Committee.

Ms. Fritzky then provided the Committee with an update of the RFP Request for external audit services as KPMG has been the system's auditor since FY1999. The last RFP was in 2015 with only one respondent and at a time when there were several GASB standards that needed to be implemented, which may have deterred other firms from responding. It was decided at that time to execute a 2 year contract with KPMG with the option to extend for an additional year. The 2 year contract expires upon completion of the FY2017 audit. Staff is seeking approval for issuing an RFP for FY2018 through FY2022 which is a 5 year term as recommended by the GFOA (Government Finance Officers Association). Ms. Fritzky then presented options for two different timelines. Option 1 is to perform the RFP concurrent with preparation of the FY2017 audit with the contract being awarded in January 2018 and Option 2 is to perform the RFP subsequent to completion of the FY2017 audit with the contract being awarded in February 2018. Due to time and resource constraints during the audit process, staff recommended Option 2. There was a discussion of the pros and cons of each of the alternative options. Upon a request from the Chair, a motion was made by Trustee Kelliher to proceed with Option 2 as presented. Trustee McCrillis seconded the motion and it carried unanimously.

Ms. Fritzky then provided the Committee with an update of FY2017 audit by KPMG. She indicated that there are a few items on the preliminary "Prepared By Client" (PBC) list that remain outstanding and that until the books are closed for FY2017 there will not be much activity.

Mr. Lagos then updated the Committee on the PASE (Pension Administration System Evaluation) project. NHRS has received a report from a vendor who provides RFP, workflow analysis and implementation services which provides an analysis of the potential benefits of either upgrading to Version 3 of the current system, Pension Gold, or converting to a new system. Based on the report, the cost of upgrading to Version 3 should be significantly less than converting to a new system. Other systems that have upgraded or converted utilized a 3rd party to manage the conversion process as a project manager and as a liaison between the system and the pension administration system provider. An in-depth demonstration of Pension Gold Version 3 is being scheduled. Another vendor who provides similar consulting services also met with staff and provided additional information.

Mr. Lagos then provided an update on the data security incident. The forensic cybersecurity audit firm concurred that only 45 individuals were affected and there is no indication that the personal data used to create new NHRS My Accounts came from NHRS. The report has been provided to KPMG and NHRS has complied with all appropriate legal reporting requirements. A joint proposal from the cybersecurity law firm and the cybersecurity forensic firm to perform a risk assessment of NHRS information technology systems, policies and procedures has been received and is being reviewed by staff. Upon inquiry from Trustee McCrillis, Mr. Lagos indicated that the cost of remediating the data security incident is below the retention limit of the cybersecurity policy.

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.

A motion to adjourn made by Trustee Martins and seconded by Trustee Dwyer was carried unanimously.

Respectfully submitted,

Nancy B. Cone