

NHRS Board of Trustees, Audit Committee  
September 11, 2018

**NOTE:** These minutes from the September 11, 2018 Audit Committee meeting were approved and executed at the October 9, 2018 regular meeting of the NHRS Audit Committee.

**Audit Committee  
Board of Trustees**

**Public Minutes  
September 11, 2018**

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

Committee Members: Bill Dwyer, Chair; Melvin Friese; Maureen Kelliher; Timothy Lesko.

Staff: George Lagos, *Executive Director*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Frank Clough, *Director of IT*; Nancy Cone, *Internal Auditor*; Timothy Crutchfield, Esq., *Chief Legal Counsel*; Heather Fritzky, *Director of Finance*; Larry Johansen, *Director of Investments*; Cecile Merrill, *Project Manager*; and Nancy Miller, *Director of Member Services*.

Chair Dwyer 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 public minutes of the August 14, 2018 Audit Committee meeting as presented. Trustee Lesko seconded the motion and it carried 3-0 with Trustee Friese abstaining.

Ms. Cone then provided a status of the data security remediation project. Thirty-six percent of the items have been addressed with enhanced controls implemented, and remediation efforts continue on the outstanding items.

Ms. Cone then reviewed the FY 2019 Audit Plan indicating that a column was added to the audit plan worksheet to identify those audits that have been added to the approved Audit Plan since its approval at the June 11, 2018 Audit Committee meeting. The Employer Reconciliation Audit has been added to the Plan and is in the initial stages. She explained that this audit is a review of the NHRS reconciliation of employers' contribution reporting compared to the actual cash contributions received. Ms. Cone also noted that all thirty-one GASB census data audits on behalf of the external auditor have been completed and provided to Plante Moran. She then provided an update of the Audit Issues Tracking Report. One item was completed this month, leaving two outstanding issues, one of which has since been completed since she produced the Report.

Trustee Dwyer discussed the recent review of the Audit Policy, which generated suggested revisions that were provided to the Committee at its August meeting. After confirming that no additional changes were recommended, a motion was made by

Trustee Lesko to recommend to the full Board that it accept the Audit Policy as amended. Trustee Kelliher seconded the motion and it carried unanimously. The Audit Policy will be presented to the full Board at its meeting today following the Audit Committee meeting and will be scheduled for action at the October meeting.

Trustee Dwyer discussed the annual review of the Audit Committee Charter. As no revisions were recommended by the Committee, the Charter does not need to be presented to the full Board for action.

Trustee Dwyer then discussed the suggested revisions to the Actuarial Funding Policy that were presented at the August Audit Committee Meeting. After confirming that no additional revisions were recommended, a motion was made by Trustee Kelliher to recommend to the full Board that it accept the Actuarial Funding Policy as amended. Trustee Lesko seconded the motion and it carried unanimously.

Ms. Fritzky presented the FY 2017 GASB 75 Audit Report, prepared by KPMG, for Other Post-Employment Benefits (OPEB), which is the NHRS medical subsidy. This standard allocates the net OPEB liability that includes the deferred outflows and inflows of resources, and OPEB expenses, to NHRS participating employers based on their proportionate share of OPEB contributions to the Plan. Similar to the reporting requirements regarding the pension plan's unfunded liability under GASB 68, the employers will need to include their respective net OPEB liabilities on their financial statements effective with fiscal years beginning June 30, 2018. KPMG audited the information provided by NHRS and its actuary, GRS, and issued an unmodified opinion. Mr. Lagos clarified that because the OPEB liability is just the medical subsidy; the amounts are relatively small as opposed to those associated with healthcare insurance liability. Ms. Fritzky added that along with this medical subsidy liability, employers are also required to include their own OPEB liability for any healthcare plans offered to their retirees. Plante Moran will be performing the GASB 68 and 75 audits for FY 2018. Upon request from the Chair, a motion was made by Trustee Lesko to recommend to the full Board that it accept the June 30, 2017 GASB 75 Report as presented. Trustee Kelliher seconded the motion and it carried unanimously.

Mr. Lagos asked Ms. Merrill, the NHRS Project Manager, to provide an update regarding the PGV3 project. She discussed staffing progress, LRS contract review, and indicated that the PGV3 budget is included in the statutory budget that will be presented for approval at the Board meeting later that morning. Current process workflows are being reviewed to ensure they are up-to-date and will need to be incorporated into PGV3. Planning is ongoing for a project kick-off staff meeting and communications. Data cleansing is in process and will continue throughout the project. A review of all PensionGold correspondence has been completed and a template has been developed for letters in PGV3 to ensure consistency. The third party oversight consultant has been selected and is assisting in reviewing the LRS contract. General Ledger specifications have been sent to LRS for incorporation into PGV3. Mr. Lagos added that the PGV3 Steering Committee has been meeting weekly during this pre-implementation phase and finalizing the LRS contract will take some time due to the magnitude of the project. The project plan and the requirements document need to be developed.

Trustee Dwyer inquired about the ability to recruit for open positions given the low unemployment rate in New Hampshire. Ms. Merrill indicated that Rosamond Cain, NHRS's HR Manager, expressed some concern regarding the ability to fill positions throughout the project, as the necessary skill sets may not be available given the current labor market.

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 meeting.

The next meeting is scheduled for Tuesday, October 9, 2018, before the regular Board meeting.

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

*Respectfully submitted,*

*Nancy B. Cone*