

NHRS Board of Trustees, Audit Committee
April 8, 2014

NOTE: These minutes from the April 8, 2014 Audit Committee meeting were approved and executed at the May 13, 2014 regular Meeting of the NHRS Audit Committee

**Audit Committee
Board of Trustees**

The Public Minutes

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

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

Staff: George Lagos, Executive Director; Denise Call, Director of Employer Services; Mark Cavanaugh, Associate Counsel/Compliance Officer; Frank Clough, Director of Information Technology; Timothy Crutchfield, Esq., Chief Legal Counsel; Jack Dianis, Director of Finance; Larry Johansen, Director of Investments; Heather Fritzky, Controller; and John Browne, Internal Auditor.

Chair Beardmore called the meeting to order at approximately 8:30 AM. Upon a request from the Chair, a motion was made by Mr. Wozmak to accept the minutes of the February 11, 2014 meeting. Mr. Martins seconded the motion, and it carried unanimously.

Next, the Chair requested that Mr. Dianis provide an update on the status of the new GASB Governmental Pension Reporting Standards. Mr. Dianis explained that the Government Finance Officers Association (GFOA) and other stakeholders had requested a one year extension to 2016 from the Governmental Accounting Standards Board (GASB) to implement GASB 68 - Accounting and Financial Reporting for Pensions. That request was denied.

Mr. Dianis then noted GRS continues to make progress on the GASB 67-68 pro forma disclosure project and NHRS has received a draft. He is reviewing it along with Mr. Johansen, and he will be providing the most recent draft to KPMG so that all parties might reach agreement on this. It is hoped to have this available for the Committee during May. Next, Mr. Dianis said he is working with Mr. Karlon, the NHRS Public Information Officer, on a communication plan to reach out to the many groups, i.e. Employer Finance Directors, the press, etc., that need to know about the reporting requirements of GASB 68. Lastly, Mr. Dianis noted he has been asked to go to the New Hampshire GFOA conference in May to update the group on the status of the GASB implementation.

Mr. Browne then reviewed the April Audit Tracker noting there was one issue closed – a PensionGold programming fix, and a second issue postponed – the automation of the receipt of JRP contributions. Based on a question from Mr. Wozmak, Mr. Lagos gave a brief update on the status of the reconciliation of N. H. State contributions. He noted progress is being made and that the State’s contributions have been reconciled up to the end of the last fiscal year.

Next, the Committee discussed a proposal from Mr. Lagos to address a long outstanding item on the Audit Tracker to develop a business continuity plan. He said that based upon the recommendation of Mr. Clough, the IT Director, and with the full support of the Executive Management Team, he had concluded that PG Secure from our current application vendor, LRS, was the best option for NHRS to address the off-site backup of our pension administration data files. Based on discussion, Mr. Wozmak made a motion to recommend to the full Board that it approve the Business Continuity Sole Source Contract proposal as presented. Mr. Martins seconded the motion, and it carried unanimously.

Lastly, Mr. Browne noted follow up that had been performed by staff relative to the issue of assuring confidentiality of member/retiree records. This was not an issue on the Tracker but rather had been raised as a control concern by the former Committee Chair, Ms. Provencher. He explained that while the confidentiality of information is noted in the Employee handbook and the annual ethics survey, Human Resources and Legal had developed a separate document, a Confidentiality Agreement, that all employees were going to be asked to read and acknowledge. Mr. Lagos noted it hadn’t been decided yet whether this would be done through the Policy and Procedure Management System or if employees would be asked to physically sign the form.

Mr. Browne then reviewed the status of Internal Audits. He stated he had completed the review of the Hearings Process, which was part of the 2014 Internal Audit Plan. He outlined the work he had done, and noted controls were satisfactory. He briefly reviewed with the Committee the four control issues identified. This included last month’s update of the Board’s delegation of duties of the hearings process to the Hearings Examiner, which had not been reviewed in a number of years. Also updated as part of the review was to ensure the hearing notices included all required information. He also stated that target dates had been established by Management for modifying procedures for informing members of their appeal rights, and for finalizing the process for organizing and documenting hearings that have been completed.

Mr. Browne also brought the Committee up-to-date on the status of the audit plan, noting that he had started the review of Investment Operations, and would soon start work on developing the Audit Universe and Plan for fiscal year 2015.

That concluded the formal agenda of the meeting however Mr. Wozmak asked if the Committee might quickly discuss the status of information technology controls in the context of a report prepared by KPMG back in December 2010. He acknowledged an update had been provided by the System in December 2012, but felt as the report was three years old, and information technology changes so rapidly, that it may be time to have an outside group review these controls again to close the loop on this report. Based on a brief discussion, it was agreed that Mr. Clough, as the IT Director, would review the control issues identified by KPMG, and provide an update to the Committee.

As there being no further business, the Committee scheduled the next meeting for 8:15 AM immediately prior to the Board meeting on May 13, 2014.

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

Respectfully submitted,
John F. Browne