

LBA Financial Audit Report Summary:

New Hampshire Retirement System Management Letter For the Year Ended June 30, 1997

The New Hampshire Retirement System (NHRS) was established in 1967 to consolidate and replace four existing public employee retirement systems: the New Hampshire Teachers' Retirement System, the New Hampshire State Employees' Retirement System, the New Hampshire Policemen's Retirement System and the New Hampshire Permanent Firemen's Retirement System. The NHRS is the administrator of a cost-sharing multiple-employer contributory pension plan and trust that covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities and school districts are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The NHRS also administers a postretirement medical plan for certain police officer and firefighter members of the pension plan. At June 30, 1997, there were 432 employers participating in the NHRS and 43,861 active members. There were also approximately 13,091 retirees and beneficiaries receiving benefits at June 30, 1997.

We audited the combined statements of plan net assets - pension and postretirement medical plans of the New Hampshire Retirement System as of June 30, 1997, and the related combined statements of changes in plan net assets - pension and postretirement plans for the year then ended, and issued our report thereon dated November 14, 1997.

This management letter, a product of the audit of the NHRS for the year ended June 30, 1997, contained an auditor's report on the internal control structure with five reportable internal control conditions, and an auditor's report on state compliance with three compliance findings. An appendix, included as an attachment to the management letter, provided a summary of the June 30, 1997 status of reportable conditions and comments on NHRS' compliance with state statutes reported in prior management letters.

The reportable internal control conditions included recommendations that the NHRS:

- Establish and maintain effective controls over its sensitive electronic data processing systems and data.
- Establish a procedure to monitor its compliance with its investment policies and guidelines.
- Revise its accounting policies related to recording cost-basis financial information used by its actuary.
- More closely monitor its compensating balance arrangement to minimize any excess cost of the arrangement.
- Implement a more effective system to monitor changes in retiree health insurance status for non-State Group II members.

The state compliance comments included recommendations that the NHRS:

- Adopt administrative rules relative to its investment guidelines, as required by RSA 100-A:15 , V.
- Clarify its administrative rule relative to the acceptance of gifts and also establish procedures for effectively bringing to the Board of Trustees attention issues related to the code of ethics.
- Adhere to the requirements of RSA 100-A:15,IV on when the NHRS is allowed to hire outside legal counsel.