



MINUTES
Audit Committee
August 12, 2015

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on August 12, 2015 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Bob Lyons, Chair, called the meeting to order at 1:05 p.m. A quorum was present.

Roll call attendance was taken with the following committee members present: Bob Lyons (Chair), Mark Bailey (Vice Chair), and Andy Hirshman.

Trustees present: Rainy Kaplan, Cinda Klickna, Sonia Walwyn, Dan Winter, and Tony Smith.

Others present: Dick Ingram, Executive Director; Deron Bertolo, Director of Investment Operations; Cynthia Fain, Sr. Assistant General Counsel; Gina Larkin, Director of Human Resources; Jana Bergschneider, Director of Administration; Dave Urbanek, Director of Communications; Sally Sherman, Director of Member Services; Kathleen Farney, Director of Research; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Bob Jiroutek, Risk Manager; Tom Smith, Chief Technology Officer; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; Becky Gratsinger and Marcia Beard, RV Kuhns (Investment Consultant).

Visitors present: Dennis Murfin, IRTA; Don Davis, IRTA; Gayla Dial, IEA-IRTA; and Tony Casalino, IFT.

Minutes

A draft of the May 22, 2015 regular Audit Committee meeting was sent to the committee members for review. On a motion by Bob Lyons, seconded by Mark Bailey, the minutes were approved as printed.

Internal Audit Reports

Staff provided summaries of the STAR Security Coding audit and the Investment Performance Monitoring and Reporting audit. Documentation is on file.

Employer Services Field Audits

Stacy Smith, Director of Internal Audit, provided an overview of the Employer Services field audits that were conducted from December 2014 through May 2015. The American Institute for Certified Public Accountants issued a whitepaper in February 2014 in response to the Governmental Accounting Standards Board (GASB) Statements 67 and 68. The whitepaper states that management is responsible for the completeness and accuracy of census data and verifying underlying payroll records to ensure information provided by the district is accurate. The TRS Employer Services department implemented 100 field audits during FY 15 in response to the whitepaper and the FY 14 external auditing finding over census data. TRS Internal Audit reviewed the Employer Services audit program and provided recommendations for consideration to strengthen the field audit process. The recommendations focus on consistency, timeliness, and payroll reconciliation. Documentation is on file. Employer Services will conduct an additional 100 field audits this year. McGladrey, TRS's external auditor, audited 80 employers during FY 14 and plans an additional 80 during FY 15. Director Ingram reported that these new pension standards have doubled auditing fees.

FY 2015 Audit Completion Report

The committee received the FY 15 Audit Completion Report which is required by the Fiscal Control and Internal Auditing Act. The report compares the FY 14 audit plan to actual audits completed during the year. All mandatory audits scheduled this fiscal year were completed. Documentation is on file.

Independence of Internal Audit Activity

Attribute Standard 1110 from the International Standards for the Professional Practice of Internal Auditing states that the chief audit executive must confirm to the Board, at least annually, the organizational independence of the internal audit activity. A copy of an annual TRS Auditor Independence Statement is on file for

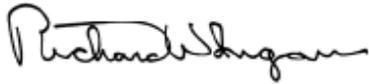
each internal audit staff member. There are no potential conflicts of interest that could preclude them from carrying out the fiscal year audit activities.

Quality Assurance and Improvement Program

Attribute Standard 1320 from the International Standards for the Professional Practice of Internal Auditing states that the chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the Board at least annually. The committee received a copy of the FY 15 quality assurance and improvement program checklist. Documentation is on file. TRS's next peer review will be performed in 2016. A timeline will be presented at the October meeting.

ADJOURNMENT

On a motion by Mark Bailey, seconded by Andy Hirshman, and by unanimous vote, the meeting adjourned at 1:20 p.m.



Richard W. Ingram, Executive Director

Approved: 10/28/15