



**MINUTES**  
**Audit Committee**  
**October 28, 2015**

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on October 28, 2015 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Bob Lyons, Chair, called the meeting to order at 1:00 p.m. A quorum was present.

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

Trustees present: Mike Busby, Rainy Kaplan, Cinda Klickna, Alexander Stuart, Dan Winter, and Tony Smith.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Jana Bergschneider, Chief Financial Officer; Sally Sherman, Chief Benefits Officer; Kathleen Farney, Director of Research; Bob Jiroutek, Investment Risk Officer; Cynthia Fain, Sr. Assistant General Counsel; Dave Urbanek, Director of Communications; Rich Frankenfeld, Director of Outreach; Lori Dour, Claims Manager; Sue Billington, Executive Assistant; Tammy Green, Assistant to the Executive Director; Becky Gratsinger, RV Kuhns (Investment Consultant); and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Dennis Murfin, IRTA; Don Davis, IRTA; Ed Wollet, IRTA; Bob Kaplan; Janet Kilgus, IEA; Christine Williamson, Pensions & Investments; and Angela Myers, Loop Capital.

Minutes

A draft of the August 12, 2015 regular Audit Committee meeting was sent to the committee members for review. On a motion by Mark Bailey, seconded by Andy Hirshman, and by unanimous voice vote, the minutes were approved as printed.

### Internal Audit Reports

Staff provided summaries of the following audit reports. Documentation is on file.

- Annuity Payroll
- Administrative Support Services
- Budgeting, Accounting & Reporting
- Petty Cash

### Audit Findings & Observations Status Report

Stacy Smith, Director of Internal Audit, provided a summary of the Audit Findings & Observations Status Report as of September 30, 2015. The report shows the recommendation for each finding and observation along with the status of the item and length of time outstanding. The report contains only items that are still pending, issues that have been resolved, new reportable items since last report, and issues where the risk has been accepted by the responsible department. Documentation is on file.

### Internal Audit Charter Revisions

Ms. Smith reported that the Institute of Internal Auditors made some changes to the International Professional Practice Framework (IPPF) effective July 2015. Staff recommended revisions to the the Internal Audit Charter to comply with the new elements of the IPPF. Documentation is on file. A motion was made by Mark Bailey, seconded by Andrew Hirshman, that the committee recommend to the Board to approve revisions to the Internal Audit Charter, as presented. Motion passed by a unanimous voice vote.

### Quality Assurance Review

Attribute Standard 1312 in the International Standards for the Professional Practice of Internal Auditing states that an external assessment, performed through a quality assurance review (QAR), must be completed at least once every five years to demonstrate that the internal audit activity is in compliance with the *Standards*. Ms. Smith submitted a request to the State Internal Audit Advisory Board (SIAAB) in September and received approval for the Chief Internal Auditor from the State Employees Retirement System to be the QAR independent validator. The committee received a copy of the quality assurance confidentiality policy commitment

statement and the statement of independence for the QAR validator. The committee will receive a copy of the final

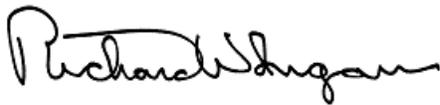
QAR once it is issued by SIAAB. In compliance with Attribute Standard 1312, Ms. Smith also discussed the need for more frequent external assessments. Currently, the five year review cycle is adequate.

#### Self-Assessment Quality Assurance Report

Professional auditing standards from the Institute of Internal Audit require internal assessments of the internal audit function. TRS Internal Audit performed an internal self-assessment quality assurance review of the internal audit activity. The committee received a copy of the TRS Internal Audit Department Self-Assessment Quality Assurance Report. Documentation is on file. TRS conforms with IIA standards.

#### **ADJOURNMENT**

On a motion by Mark Bailey, seconded by Andy Hirshman, and by unanimous vote, the meeting adjourned at 1:15 p.m.



Richard W. Ingram, Executive Director

Approved: 12/9/15