



MINUTES
Audit Committee
August 25, 2016

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on August 25, 2016 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 (Vice Chair), Ann Deters, and Andy Hirshman. Absent: Randy Winters.

Trustees present: Rainy Kaplan, Cinda Klickna, Sandy Stuart, and Dan Winter.

Others present: Dick Ingram, Executive Director; Sally Soderberg, Deputy Executive Director; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Sr. Internal Auditor; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Ken Musick, Director-Diversifying Strategies; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Gina Larkin, Chief Human Resources Officer; Carlton Lenoir, Chief Benefits Officer; Tom Smith, Chief Technology Officer; Deron Bertolo, Director of Investment Accounting; Jana Bergschneider, Chief Financial Officer; Dave Urbanek, Director of Communications; Rich Frankenfeld, Director of Outreach; Kathleen Farney, Director of Research; Bob Jiroutek, Risk Officer; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; Becky Gratsinger, RV Kuhns (Investment Consultant); and John Wolters, Cavanagh & O'Hara (Fiduciary Counsel)

Visitors present: Christine Williamson, Pensions & Investments; Janet Kilgus, IEA-R; Bob Kaplan; Ross Myers, IRTA-R; Don Davis, IRTA; Greg Bishop, IL Radio Network

EXECUTIVE SESSION

A motion was made by Mark Bailey, seconded by Andy Hirshman, that the audit committee enter into executive session for the purpose of discussing closed meeting minutes as permitted under the following exception of the Open Meetings Act which authorizes the closing of the meeting to the public: 5 ILCS 120/2(c)21. Roll call resulted in affirmative voice votes from Trustees Lyons, Hirshman, Bailey, and Deters. Motion Carried.

No action was taken during executive session. A motion was made by Andy Hirshman, seconded by Mark Bailey, that the audit committee come out of executive session. Roll call resulted in affirmative voice votes from Trustees Lyons, Hirshman, Bailey, and Deters. Motion Carried.

Minutes

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

A draft of the May 20, 2016 regular Audit Committee meeting was sent to the committee members for review. On a motion by Mark Bailey, seconded by Andy Hirshman, the minutes were approved as printed.

Internal Audit Reports

Staff provided summaries of the Privacy audit and Employer Services audit. Documentation is on file. Discussion was held regarding the findings within the Employer Services audit and the IT support that is needed for a few of the issues. The committee requested a follow-up in October on the progress of all the issues.

FY 2016 Audit Completion Report

The committee received the FY 16 Audit Completion Report which is required by the Fiscal Control and Internal Auditing Act. The report compares the FY 16 audit plan to actual audits completed during the year. All mandatory audits scheduled this fiscal year were completed. Documentation is on file.

Self-Assessment with Independent External Validation Report

Staff reported on the Self-Assessment with Independent External Validation for the period of October 1, 2013 through September 30, 2015. The results of the report show that TRS's internal audit activity generally conforms with the Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing, and complies with the Fiscal Control and Internal Auditing Act. Documentation is on file.

Independence of Internal Audit Activity

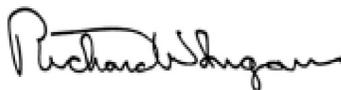
Attribute Standard 1110 from the International Standards for the Professional Practice of Internal Auditing states that the chief audit executive must confirm to the Board, at least annually, the organizational independence of the internal audit activity. A copy of an annual TRS Auditor Independence 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 16 quality assurance and improvement program checklist. Documentation is on file.

ADJOURNMENT

On a motion by Mark Bailey, seconded by Ann Deters, and by unanimous vote, the meeting adjourned at 1:35 p.m.



Richard W. Ingram, Executive Director

Approved: 10/27/16