



Teachers' Retirement System of the State of Illinois

2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253

Richard W. Ingram, Executive Director

<http://trs.illinois.gov>

(800) 877-7896 | for the hearing impaired: (866) 326-0087

MINUTES

Audit Committee

Executive Session – May 23, 2012

The Audit Committee of the Illinois Teachers' Retirement System met in executive session on May 23, 2012 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. A motion was made by Bob Lyons, seconded by Cinda Klickna, that the Audit Committee enter into executive session for the purpose of discussing internal control weaknesses as permitted under the following exception set forth in the Open Meetings Act which authorizes the closing of the meeting to the public:

5 ILCS 120/2(c)(28). Roll call resulted in affirmative voice votes from Trustees Busby, Klickna, Lyons, O'Neill, and Reedus. Motion CARRIED. Executive session was declared at 1:05 p.m. Trustees present: Marcia Campbell, Sharon Leggett, Molly Phalen, Jan Cleveland (arrived 2:05 p.m.), and Sonia Walwyn (arrived 2:30 p.m.).

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Tom Gray, General Counsel; Cynthia Fain, Senior Assistant General Counsel; Jana Bergschneider, Director of Administration; Deron Bertolo, Director of Investment Operations; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christine Baker, Internal Auditor; Tammy Green, Assistant to the Executive Director; Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel), Barbara Davison and Kelly Anderson, Investment Training and Consulting Institute; Becky Gratsinger, Marcia Beard, and John McLaughlin, RV Kuhns (Investment Consultant, arrived 1:38 p.m.)

ITCI Hedge Fund Review

Investment Training and Consulting Institute (ITCI) and TRS's Internal Audit Department co-sourced a review of the Investment Department's internal hedge fund processes through March 31, 2012, including performing on-site operational due diligence reviews of two direct hedge funds and their administrator. Barbara Davison, President and Audit Principal of the ITCI, provided an overview of the hedge fund report. Documentation is on file. Due to timing, management responses to the ITCI report will be discussed at a later date.

Stacy Smith, Director of Internal Audit, provided background information on this review and how ITCI was selected to co-source the review. She noted that these services were obtained in accordance with the TRS Expenditure Management Policy which states professional services are exempt from bidding. Staff will consider issuing an RFP for audits in the future. Trustee O’Neill commented that she thought it would be good policy.

Internal Audit Reports

Effective January 1, 2012, internal control weaknesses may be discussed in executive session. The Internal Audit staff provided summaries of the Employer Services and Retirement Claims audits and reported five findings within Employers Services and three findings within Retirement Claims. Documentation is on file. Chair Reedus had significant concerns relating to the findings reported in the Employer Services audit and suggested automating some of the processes to alleviate some of the manual processes performed by staff. After questions and discussion of the findings noted, Chair Reedus indicated that she still had concerns with the issues noted and the responses provided.

No action was taken during executive session. A motion was made by Cinda Klickna, seconded by Bob Lyons, that the Audit Committee come out of executive session. Roll call resulted in affirmative voice votes from Trustees Busby, Klickna, Lyons, O’Neill, and Reedus. Motion CARRIED. The executive session meeting adjourned at 3:15 p.m.

Richard W. Ingram, Executive Director

Approved _____