



Teachers' Retirement System of the State of Illinois

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Richard W. Ingram, Executive Director

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MINUTES Audit Committee December 10, 2012

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on December 10, 2012 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Janice Reedus, Chair, called the meeting to order at 8:35 a.m. A quorum was present.

Roll call attendance was taken with the following committee members present: Janice Reedus (Chair), Bob Lyons (Vice Chair), Mike Busby, and Marcia Campbell, and Cynthia O'Neill. Trustees present: Jan Cleveland, Cinda Klickna, Sharon Leggett, Molly Phalen, and Enrique Vasquez.

Others present: Dick Ingram, Executive Director; Tom Gray, General Counsel; Cynthia Fain, Senior Assistant General Counsel; Gina Larkin, Director of Human Resources; Stan Rupnik, Chief Investment Officer; Sally Sherman, Director of Member Services; Jana Bergschneider, Director of Administration; Lisa Locki, Employer Services Manager; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Christine Williamson, Pensions & Investments; Shirley Dodds, IRTA Rep.; Dennis Murfin, IRTA Rep.; and Janet Kilgus.

MINUTES

Drafts of the October 26, 2012 regular meeting minutes of the Audit Committee and the executive session meeting minutes were sent to the committee members for review. On a motion by Bob Lyons, seconded by Marcia Campbell, and by unanimous voice vote, the minutes were approved as printed.

Employer Services Audit Update

Director Ingram provided a progress report on the two deliverables that were requested by the Audit Committee at the October meeting. Currently, all adjustments or changes in Employer Services are being reviewed by an Auditor II level or above. Staff still has work to do relative to the guidelines or parameters for requesting documentation from employers for changes to creditable earnings, salary rate and days worked.

Internal Audit Reports

Christina Baker, Internal Auditor, provided summaries of the Privacy audit and the Agency, Organization & Management audit. Documentation is on file.

Revisions to IIA Standards

The committee received a copy of the *Standards* including revisions that will become effective January 1, 2013. Documentation is on file. Staff will recommend modifications to the Internal Audit Charter which are necessary to comply with the *Standards*. Staff will perform a self-assessment by January 1, 2014 and report on the results.

Investment Auditing RFP Update

Internal Audit issued an RFP for investment audit services on September 17, 2012 to assist the department in conducting a fixed income and real return audit, including a review of derivatives. Four firms responded to the RFP, and internal audit conducted phone interviews with two firms. Ms. Smith provided an overview of the semi-finalists including concerns, references, and fee negotiations. There was discussion regarding the fee amounts for the two firms. Staff will proceed with contract and fee negotiations.

ADJOURNMENT

On a motion by Marcia Campbell, seconded by Mike Busby, and by unanimous vote, the meeting adjourned at 9:02 a.m.

Richard W. Ingram, Executive Director

Approved _____