



## **MINUTES**

**Meeting of the Audit Committee  
of the Board of Trustees of the  
State Universities Retirement System  
9:00 a.m., Friday, December 13, 2013  
Northern Trust  
50 South LaSalle Street, London Room B9  
Chicago, Illinois 60603**

The following Trustees were present: Dr. John Engstrom, Chair; Ms. Lindsay Anderson, Ms. Jacqueline Berger, Mr. Richard Figueroa, Mr. Paul R. T. Johnson Jr., Mr. Andrew Matthews, Mr. Craig McCrohon, and Ms. Dorinda Miller.

Others present: Mr. William Mabe, Executive Director; Mr. Michael Weinstein, General Counsel; Mr. Daniel Allen, Chief Investment Officer; Mr. Douglas Wesley, Deputy Chief Investment Officer; Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Mr. Albert Lee, Associate General Counsel; Mr. Jeffrey Houch, Legislative Liaison; Ms. Pamela Butler, Director of Outreach; Ms. Angela Lieb, Director of Member Services; Ms. Lori Kern and Ms. Karen Hipskind, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Steve Zahn of Governmental Consulting, Inc.; Ms. Linda Brookhart of SUAA; and Ms. Patti Somerville-Koulouris of the Northern Trust Company.

Audit Committee roll call attendance was taken. Trustee Berger; present; Trustee Engstrom, present; Trustee Figueroa, present.

## **APPROVAL OF MINUTES**

Trustee John Engstrom presented the Minutes from the Audit Committee meeting of September 12, 2013. Trustee Richard Figueroa moved:

- That the Minutes from the September 12, 2013 Audit Committee meeting be approved as presented.

Trustee Jacqueline Berger seconded and the motion carried with all Trustees present voting in favor.

## **CHAIRPERSON'S REPORT**

Trustee Engstrom remarked that he did not have a Chairperson Report at this time.

## **EXTERNAL AUDIT**

Mr. Steve Hayward informed the Committee that the External Auditors completed their on-site fieldwork at SURS on October 25, 2013, and we are presently waiting on final draft findings. Mr. Hayward discussed a couple of immaterial findings that the Auditors brought to his attention before their departure from SURS in October. Mr. Hayward noted that the External Auditors are running a bit behind at this time; however, SURS should be receiving the final findings report any day and those findings will be reported at the next Audit Committee Meeting.

Trustee Engstrom noted that this is the last year of the contract for the current SURS External Auditor McGladrey & Pullen. Normally, they don't allow an auditor to remain with a system for more than six years; however, with all of the new Governmental Accounting Standards Board standard changes being implemented, they may reconsider this past practice.

## **INTERNAL AUDIT UPDATE**

Results from the Survivor Claims Audit were presented. Mr. Hayward advised that Internal Audit formed the opinion that the benefit calculation and payment procedures for the computer calculated survivor and reversionary benefits adequately conform to the Illinois Pension Code and the rules of the system. Internal Audit also formed the opinion that the benefit payment procedures for survivor and reversionary benefits are adequate. The findings and recommendations were reviewed.

Mr. Hayward reported the results from the GAAP Audit noting that this is the first audit of this process which is required annually until June 2016, which is in accordance with the new "Financial Reporting Standards Board Act" (PA 097-1055) which became effective 8/23/12. Mr. Hayward advised that Internal Audit formed the opinion that adequate GAAP package and financial reporting processes exist to ensure the timely and accurate completion of these annual reporting activities. The findings and recommendations were reviewed.

## **INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION**

Mr. Hayward presented the FY 2014 Internal Audit Recommendation Implementation Summary Report and the Recovery of Overpaid Benefits from the Berwyn Death Match Report as of November 19, 2013. Trustee Engstrom asked what the recovery rate percentage was from running this death match report. Mr. Hayward noted that the recovery rate is approximately 95%. It was noted that the recovery rate has increased significantly since April 2013, when the system started running the report monthly instead of quarterly. Discussion regarding the advantages to running the report more often ensued and it was the consensus of the group that it has proven advantageous to run the report on a monthly basis.

## **PUBLIC COMMENT**

There were no public comments presented to the Audit Committee.

Since there was no further business before the Committee, Trustee Berger moved that the meeting be adjourned. The motion was seconded by Trustee Figueroa and carried with all Trustees present voting in favor.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William E. Mabe". The signature is written in a cursive style with a large, stylized initial "W".

Mr. William E. Mabe  
Secretary, Board of Trustees

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