



MINUTES

**Meeting of the Audit & Risk Committee
of the Board of Trustees of the
State Universities Retirement System
8:30 a.m., Friday, December 11, 2015
Northern Trust
50 S. LaSalle, Global Conference Center
Chicago, Illinois 60603**

The following Trustees were present: Dr. John Engstrom, Chair; Mr. Aaron Ammons, Ms. Lindsay Anderson, Mr. Dennis Cullen, Dr. Fred Giertz, Mr. Francis Idehen Jr., Mr. Paul R.T. Johnson Jr., Mr. Craig McCrohon, Ms. Dorinda Miller, Dr. Steven Rock, Mr. Antonio Vasquez (via conference call).

Others present: Mr. W. Bryan Lewis, Executive Director; Mr. Andrew Matthews, Chief Operating Officer; Mr. Daniel Allen, Chief Investment Officer; Ms. Bianca Green, General Counsel; Mr. Steve Hayward, Director of Internal Audit; Ms. Allison Kushner, Compliance and Governance Officer; Ms. Kristen Houch, Legislative Liaison; Ms. Lori Kern and Ms. Monique Cullotta, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Ms. Patti Somerville-Koulouris of the Northern Trust Company; and Ms. Linda Brookhart of State Universities Annuitant's Association.

Audit & Risk Committee roll call attendance was taken. Trustee Ammons, present; Trustee Cullen, present; Trustee Engstrom, present; Trustee Giertz, present; Trustee Johnson, present.

Chairwoman Lindsay Anderson joined the meeting at 8:55 a.m., Trustee Francis Idehen and Trustee Craig McCrohon joined the meeting at 9:00 a.m.

APPROVAL OF MINUTES

Trustee John Engstrom presented the Minutes from the Audit & Risk Committee meeting of June 11, 2015. Trustee Aaron Ammons made the following motion:

- That the Minutes from the September 10, 2015 Audit & Risk Committee Meeting be approved as presented.

Trustee Dennis Cullen seconded and the motion carried with all Trustees present voting in favor.

CHAIRPERSON'S REPORT

Trustee Engstrom remarked that he did not have a chair report at this time.

Trustee Ammons made the following motion:

- That Trustee Antonio Vazquez is allowed to participate via conference call for all meetings on December 11, 2015, pursuant to Section 7(c) of the Open Meetings Act.

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

EXTERNAL AUDIT UPDATE

FY '14 External Audit Recommendation Tracking

Mr. Hayward gave a brief update on the status of implementing the recommendations noted by the auditors during the FY '14 audit. It was noted that both of the immaterial findings were fully implemented. The census data recommendation was reported to be 80% complete with full implementation to be completed in December with the expected issuance of Sikich's employer audit report.

FY '15 Draft Audit Findings

Mr. Hayward reported that SURS received a repeat finding in FY '15 on census data since the employer audit process was not yet completed. It was noted that in addition to the employer audits, the auditors indicated this year they wanted some additional verification of the census data. It was suggested that SURS confirm the demographic data with the member near the employment date and obtain confirmation of the changing contributions, earnings, interest and service credit on an annual basis. It was also noted that SURS had yet to receive any compliance related findings for this year's audit.

INTERNAL AUDIT UPDATE

Survivors Claims Audit

Mr. Hayward presented the results of the survivor and reversionary claims audit and noted this audit covered benefits paid for traditional and portable members for the period between August 2013 and June 2015. In addition to the accuracy of the claim amount, other objectives included the accuracy of all insurance and tax withholdings and other disbursements related functions. It was reported that no issues were identified and Internal Audit formed the opinion that the computer calculations of the survivors and reversionary benefits adequately conform to the Illinois Pension Code and the rules of the system.

Death Claims Audit

The results from the Lump Sum Death Benefit Audit were reviewed. It was explained that this audit only covered lump sum payments and not any associated survivor annuities which were reviewed in the previously reviewed audit. The audit period for this review covered claims paid between July 2013 and June 2015. Internal Audit formed the opinion that the computer calculations and payment procedures for the death claims conform to the Illinois Pension Code and the rules of the system. One minor finding noted during the audit was reviewed with the committee.

Internal Quality Assurance Review

Mr. Hayward then presented the results from the Internal Audit Department Quality Assurance Review (QAR). This type of review is required to be performed at least every five years in accordance with the professional auditing standards issued from the Institute of Internal Auditors (IIA). The objectives of the review were to evaluate the department's compliance with IIA Standards, Code of Ethics and Definition of Internal Auditing. Other primary objectives were to evaluate compliance with the Fiscal Control and Internal Auditing Act (FCIAA) and SURS' Internal Audit policies and procedures. Secondary objectives were to further strengthen compliance with the Standards, prepare for the upcoming external QAR and to prepare for any changes required as a result of the new IIA International Professional Practice Framework (IPPF) which became effective after the review period. The opinion statement noted that SURS internal audit activity generally conforms to the IIA Standards, Code of Ethics and Definition of Internal Auditing and also complies with the FCIAA.

Employer Audit Update

A brief update was given on the status of the employer audits currently being completed by Sikich. It was noted that six of the seven employer audits were fully completed with some follow-up work still to be completed at one employer. SURS had received a draft report a few days prior to the meeting and it was noted that the results were mostly positive.

Information Technology Security Update

Mr. Matthews gave the committee an update on IT Security work. It was stated that staff received RFP responses from vendors for a network backbone upgrade and recently selected a firm for this work which will improve IT functionality and improve security. Work continues on the implementation of the CliftonLarsonAllen security recommendations and most will be complete by year end. Of the items yet to be completed, most need policies to be developed, which will lengthen the timeline for implementation. It was reported that all staff recently completed the annual security awareness training. A disaster recovery test with SunGard is scheduled for January and cloud backups are being considered to improve the efficiency of the computer backup process. It was also noted that the SURS Crisis Team was recently trained in active shooter procedures.

INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION

Mr. Hayward presented the Internal Audit Recommendation Tracking Worksheet and the Internal Audit Recommendation Implementation Detail Report. It was noted much work had been completed in the operational area to combine and complete outstanding computer PCR's to fully complete prior recommendations. The new Implementation Detail Report was presented which gives a more complete description of work completed by auditees on recommendations over two years old. Finally, the IIA Standards were discussed as well as recent changes to the IPPF.

PUBLIC COMMENT

There were no public comments presented to the Audit Committee.

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Mr. W. Bryan Lewis".

Mr. W. Bryan Lewis
Secretary, Board of Trustees

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