



MINUTES

**Meeting of the Audit Committee
of the Board of Trustees of the
State Universities Retirement System
4:00 p.m., Thursday, March 20, 2014
State Universities Retirement System
190 Fox Drive, Main Conference Room
Champaign, Illinois 61820**

The following Trustees were present: Dr. John Engstrom, Chair; Ms. Lindsay Anderson, Mr. Richard Figueroa, Mr. Paul R. T. Johnson Jr., Mr. Andrew Matthews, Mr. Craig McCrohon, Ms. Dorinda Miller, Mr. Peter Newell, Mr. Antonio Vasquez and Mr. Mitch Vogel.

Others present: Mr. William Mabe, Executive Director; Mr. Michael Weinstein, General Counsel; Mr. Daniel Allen, Chief Investment Officer; Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Mr. Doug Taylor and Ms. May Techolarn, Internal Auditors; Mr. Albert Lee, Associate General Counsel; Mr. Jeff Houch and Mr. Steve Zahn, Legislative Liaisons; Ms. Beth Spencer, Communications Manager; Ms. Angela Lieb, Director of Member Services; Ms. Pamela Butler, Director of Outreach; Mr. Chris Hansen, Director of Operations; Mr. Doug Steele, Director of Application Development/Research; Ms. Brenda Dunn, Director of Human Resources; Ms. Lori Kern and Ms. Karen Hipskind, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli; and Ms. Patti Summerville of Northern Trust.

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

APPROVAL OF MINUTES

Trustee John Engstrom presented the Minutes from the Audit Committee meeting of December 13, 2013. Trustee Richard Figueroa moved:

- The Minutes from the December 2013 Audit Committee meeting be approved as presented.

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

CHAIRPERSON'S REPORT

Trustee Engstrom remarked that the SURS Comprehensive Financial report (CAFR) contains a lot of information about SURS and that SURS Staff will be giving the Trustees a brief overview of the CAFR. Trustee Engstrom noted that SURS financial reporting has been considered excellent for a very long time. For many years SURS has received unqualified opinions from our auditors. After

the audits have been completed, the financial statements are then reviewed by the Government Finance Officers Association (GFOA). The GFOA has established the Certificate of Achievement for Excellence in Financial Reporting to encourage and assist state and local governments to go beyond the minimum requirements and auditing opinions and provide transparency and full disclosure. The Certificate of Achievement recognizes individual governmental agencies that succeed in achieving these goals. SURS has received this award for many years.

FINANCIAL STATEMENT REVIEW **(Educational Topic)**

Ms. Phyllis Walker, Chief Financial Officer of SURS, began the educational session at 4:00 p.m.

Ms. Walker noted that the purpose of the CAFR is to provide a detailed report of the financial condition of SURS. SURS financial statements comply with the Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). She then reviewed the Introductory, Financial and Actuarial Sections of the CAFR. This year SURS was required to include Future Outlook statements due to the new Pension Reform Law.

Ms. Walker also mentioned the upcoming changes as a result of GASB 67 & 68. GASB 67 affects the financial reporting for SURS and will be effective for the fiscal year beginning July 1, 2013. GASB 68 affects financial reporting for SURS employers and will be effective for the fiscal year beginning July 1, 2014. Discussion continued regarding key changes from GASB 67 and 68 which are included in Ms. Walker's PowerPoint presentation entitled "State Universities Retirement System Comprehensive Annual Financial Report (CAFR) Fiscal Year Ended June 30, 2013" which is incorporated as part of these Minutes as [Exhibit 1](#).

Ms. Lou Ann Fillingham then presented the Investment Section of the Report which includes the Letter of Transmittal, Investment Summary, Investment Results Area, Asset Allocation and Supporting Schedules of Brokerage.

The educational session lasted for 25 minutes and concluded at 4:25 p.m.

INFORMATION TECHNOLOGY SECURITY

Mr. Chris Hansen, Director of Operations, provided an update on Information Technology Security. Mr. Hansen reported that SURS is in the process of doing a General Controls IT Security Audit with a focus on business continuity, privacy, penetration, infrastructure and risk assessment. An RFP process was conducted and a firm has been selected to begin the audit in April.

Mr. Hansen provided an overview of Information Technology Security at SURS. It was noted that SURS IT department mission is to provide a secure, convenient and efficient means of conducting SURS business. He then outlined the items that SURS is trying to protect, the specific threats that SURS faces, SURS protection efforts and continuing efforts.

A copy of Mr. Hansen's presentation entitled "Information Technology Security" is incorporated as part of these Minutes as [Exhibit 2](#).

EXTERNAL AUDIT

FY 2013 Financial Report Digest & Opinion

Mr. Hayward reviewed the FY 2013 Financial Audit Report Digest & Opinions wherein the State of Illinois Office of the Auditor General (OAG) provides a summary of the audit of SURS' financial statements. The financial statement audit was issued in January 2014. Mr. Hayward briefly reviewed the summary report noting that the Independent Auditor's report stated that the financial statements of SURS are presented fairly in all material respects. It was noted there were no findings associated with the financial statement report.

FY 2013 Compliance Report & Internal Control

Mr. Hayward presented the FY 2013 SURS Compliance Report. Mr. Hayward reviewed the summary report digest which was issued in February 2014. The report indicated that there were no material findings of noncompliance identified during their testing. Mr. Hayward briefly described the immaterial findings noting that SURS has corrected the one immaterial finding in which a recommendation was made. Mr. Hayward also reviewed the "Required Communciations" report which would have indicated any problems, issues or difficulties incurred with management during the audit process.

INTERNAL AUDIT

Results from the Travel and Administrative Expense Audit report were presented. Mr. Hayward noted that although few minor errors were found, Internal Audit formed the opinion that the approval, payment and purchasing functions associated with the travel and administrative expenses reasonably conform to the Higher Education travel statues, SURS Travel and purchasing administrative rules and policies and any other rules of the State of Illinois

PUBLIC COMMENT

There were no public comments presented to the Audit Committee.

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

Respectfully submitted,



Mr. William E. Mabe
Secretary, Board of Trustees

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