



MINUTES

**Meeting of the Audit Committee
of the Board of Trustees of the
State Universities Retirement System
3:45 p.m., Thursday, September 12, 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, Ms. Dorinda Miller, Mr. Antonio Vasquez and Mr. Mitchell Vogel.

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; Ms. Kimberly Pollitt and Mr. Joseph Duncan, Senior Investment Officers; Ms. Lou Ann Fillingham and Mr. Gabriel Ayoroa, Investment Officers; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Mr. Jeffrey Houch, Legislative Liaison; Ms. Lori Kern and Ms. Karen Hipskind, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli; and Ms. Patti Somerville-Koulouris of the Northern Trust Company.

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 June 14, 2013. Trustee Jacqueline Berger moved:

- That the Minutes from the June 14, 2013 Audit Committee meeting be approved as presented.

Trustee Richard Figueroa 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.

INTERNAL AUDIT

Mr. Hayward presented the Internal Audit Plan for FY 2014 and 2015 by reviewing the detailed plan and supporting documents from the risk assessment process. It was noted that the plan was comprised of mandatory audits and items from the audit population with higher risk factors. Mr. Hayward noted that much of 2014 will focus on large retirement and survivor claims audits. During this year, there will be several new processes that will be reviewed, including the retirement return to work, survivors Tier II, withholding of annuitant health insurance premiums, change in automatic annual increases, and the GAAP annual reporting process.

Trustee Engstrom moved:

- That the Internal Audit Plan for FY '14 & '15 be approved as presented.

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

Results from the MSL System/Optional Retirement Plan Audit were then presented. Mr. Hayward advised that Internal Audit formed the opinion that the processing of the plan elections, SMP account balance transfers and the payroll, service credit and interest processing and statements of account reasonably conform to the Illinois Pension Code and the rules of the system. The findings and recommendations were reviewed.

Mr. Hayward reported on the Traditional Refund Claims Audit. Although a few issues were identified, Internal Audit formed the opinion that the computer calculations of the refund payments reasonably conform to the Illinois Pension Code and the rules of the system. Internal Audit also formed the opinion that the benefit payment procedures for refunds are adequate. The findings and recommendations were reviewed.

The Lump Sum Death Benefit Audit was reviewed. Mr. Hayward reported that, Internal Audit formed the opinion that the benefit calculation and payment procedures for the computer calculated death benefits adequately conform to the Illinois Pension Code and the rules of the system.

EXTERNAL AUDIT UPDATE

Mr. Hayward presented the SAS 114 Interim Communication Letter for FY '13 that was received from McGladrey LLP. Mr. Hayward noted that the external auditors are promoting communication between their Firm, the Audit Committee, and management in order to get a

better understanding of matters related to the audit and in developing a constructive working relationship. The external auditors expect SURS to communicate with them in a timely manner regarding anything that is relevant to the audit, such as: major changes in programs, fraud or abuse, disagreements with management or any other concerns that may arise. Mr. Hayward also briefly discussed the Financial Audit objectives, Compliance Examination objectives, and Financial Audit Procedures/Internal Control procedures that are performed by the external auditors.

INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION

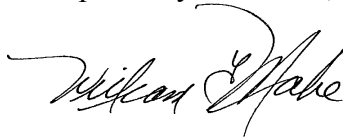
Mr. Hayward reviewed the FY 2013 Audit Completion Report. The Fiscal Control and Internal Auditing Act mandates that each year, the Director of Internal Audit shall submit to the Executive Director a written report that describes the audit plan for the past year and how it was carried out, the significant findings, and the extent to which the audit recommendations were implemented. Mr. Hayward reported that all mandatory audits scheduled this fiscal year were completed as planned.

IIA Standards require each Internal Audit staff member complete an annual SURS Auditor Independence Statement which requires the auditor to disclose any potential or actual conflicts of interest that could preclude him/her from carrying out the fiscal year audit activities. Mr. Hayward conveyed that there were no potential or actual conflicts of interest noted on the FY 2014 independence statements.

SURS performs a monthly death match of our annuitants against a national database of deaths to try to eliminate overpayments to deceased members. Mr. Hayward commented that running this report monthly has proven to be quite successful for the system.

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "William E. Mabe".

Mr. William E. Mabe
Secretary, Board of Trustees

WEM:lk