



MINUTES

**Meeting of the Audit Committee
of the Board of Trustees of the
State Universities Retirement System
4:45 p.m., Thursday, September 18, 2014
State Universities Retirement System
1901 Fox Drive, Main Conference Room
Champaign, Illinois 61820**

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. Peter Newell 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 Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Mr. Albert Lee, Associate General Counsel; Ms. Angela Lieb, Director of Member Services; Mr. Douglas Steele, Director of Application Development/Research; Mr. Chris Hansen, Director of Operations; Ms. Cindy Gones, Manager of Technical Support, Ms. Lou Ann Fillingham, Senior Investment Accounting Officer; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Mr. Doug Taylor and Ms. May Techolarn, Internal Auditors, Ms. Lori Kern, Executive Assistant; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Mr. Douglas Moseley and Ms. Kristin Finney-Cooke of NEPC, 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; Trustee Johnson, present; Trustee Miller, present.

APPROVAL OF MINUTES

Trustee John Engstrom presented the Minutes from the Audit Committee meeting of June 13, 2014, and after inviting discussion, Trustee Richard Figueroa made the following motion:

- That the Minutes from the June 13, 2014 Audit Committee Meeting be approved as presented.

Trustee Johnson 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.

INTERNAL AUDIT

Mr. Hayward introduced SURS internal auditors, Ms. May Techolarn and Mr. Doug Taylor. Mr. Hayward announced that Ms. Techolarn just passed her Certified Internal Auditor (CIA) exam in August and now has both CPA and CIA credentials.

Retirement Benefits Audit

Mr. Hayward presented the results from the Retirement Benefits Audit. He remarked that this is a mandatory audit and this audit tested computerized claim calculations completed between March 1, 2012 and February 28, 2014. Mr. Hayward advised that Internal Audit formed the opinion that the computer calculations of retirement benefits reasonably conformed to the Illinois Pension Code and the rules of the system. Mr. Hayward discussed one minor error that was found in the new area of return to work and Internal Audit recommends that notices regarding return to work of an annuitant be imported into the image system so there is a permanent record in each member's file.

GAAP & Financial Statement Process Audit

The GAAP & Financial Statement Process Audit was reviewed. Mr. Hayward noted that each year Internal Audit is required to audit the GAAP package and financial statement reporting processes in accordance with the Financial Reporting Standards Board Act (PA 097-1055) which became effective 8/23/12. Mr. Hayward reported that Internal Audit formed the opinion that there is adequate staffing for preparation of GAAP forms and adequate financial reporting processes exist to ensure the timely and accurate completion of these annual reporting activities. Mr. Hayward then discussed the findings and recommendations noting that Internal Audit recommends the Accounting Department consider developing minimum CPE requirements (policies) for all staff involved in the financial statement and GAAP report processes.

INTERNAL AUDIT – CLOSED SESSION IF NECESSARY

Trustee Engstrom noted that in light of the conversation and the fact that the Committee will be discussing internal control weaknesses, the discussion should take place in closed session. Trustee Engstrom moved that the Committee go into closed session under the Open Meetings Act to discuss employee matters, pursuant to §2(c)(29). Trustee Johnson seconded and the motion carried in a roll call vote:

Trustee Berger	-	Aye
Trustee Engstrom	-	Aye
Trustee Figueroa	-	Aye
Trustee Johnson	-	Aye
Trustee Miller	-	Aye

CLOSED SESSION

RETURN TO OPEN SESSION

Upon motion by Trustee Figueroa that was seconded by Trustee Engstrom and carried, the Audit Committee resumed its meeting in open session.

OPEN SESSION - INTERNAL AUDIT CONTINUED

Mr. Hayward presented the Internal Audit Plan for FY '15 and '16 by reviewing the detailed plan and supporting documents completed from the underlying risk assessment process which is used to determine the audit areas included in the plan. Mr. Hayward noted that much of 2015 will focus on accounting related items.

Trustee Johnson made the following motion:

- That the Internal Audit Plan for FY '15 and '16 be approved as presented.

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

EXTERNAL AUDIT

Mr. Hayward updated the Audit Committee and Trustees present on the external audit. Auditors were at SURS in May to conduct phase one of the fieldwork, and returned in September to continue phase two of the fieldwork. The Audit Committee received a preliminary assertion letter that summarizes the significant terms of the audit and emphasizes communication between the auditors, management and the Audit Committee. Some of the items covered in the assertion letter included internal controls, timing of the audit, financial audit objectives (to express an opinion as to whether or not that the financial statements are presented in all material respects with U.S. GAAP Principles). Mr. Hayward noted that the external auditors also look at state compliance areas such as collection of revenue and receipts and issue a separate compliance audit report. Mr. Hayward encouraged the Trustees to contact the external auditors if they have any questions. Trustee Engstrom commented that in the past, SURS has invited the external audit firm and a representative from the Auditor General's office to a committee meeting to explain the audit process and address questions.

INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION

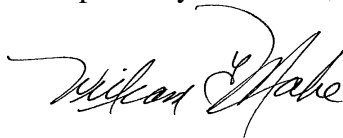
Mr. Hayward presented the following items for reference: the FCIAA Audit Plan Completion Summary for FY 2014, the Internal Audit Plan Work Summary for FY 2014, the Independence Confirmations for the department and results of the Death Match process.

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 Miller and carried with all Trustees present voting in favor.

Respectfully submitted,



Mr. William E. Mabe
Secretary, Board of Trustees