



## **MINUTES**

**Meeting of the Audit & Risk Committee  
of the Board of Trustees of the  
State Universities Retirement System  
Friday, December 8, 2017, 9:00 a.m.  
Northern Trust  
Global Conference Center – 1<sup>st</sup> Floor  
50 S. LaSalle St., Chicago, IL**

The following trustees were present: Mr. Tom Cross, Chair; Dr. John Engstrom, Dr. Fred Giertz, Mr. Craig McCrohon, Dr. Steven Rock, and Mr. Antonio Vasquez.

Others present: Mr. Martin Noven, Executive Director; Mr. Doug Wesley, Chief Investment Officer; Ms. Bianca Green, General Counsel; Mr. Steve Hayward, Director of Internal Audit; Ms. Kristen Houch, Legislative Liaison; Mr. Chris Hansen, Director of Operations; Ms. Kelly Carson and Ms. Annette Ackerman, Executive Assistants; and Ms. Mary Pat Burns of Burke, Burns & Pinelli.

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

Trustee Paul Johnson physically joined the meeting at 9:07 a.m. Trustee Dennis Cullen physically joined the meeting at 9:15 a.m.

## **APPROVAL OF MINUTES**

Trustee John Engstrom presented the minutes from the Audit & Risk Committee meeting of September 14, 2017.

Trustee Antonio Vasquez made the following motion:

- That the minutes from the September 14, 2017 Audit & Risk Committee Meeting be approved as presented.

Trustee Fred Giertz seconded and the motion carried with all trustees present voting in favor.

## **CHAIRPERSON'S REPORT**

Trustee Engstrom did not have a chairperson's report.

## **INTERNAL AUDIT**

## **Death Claim Audit**

Mr. Steve Hayward presented an overview of this audit including the review of lump-sum death benefits which may have associated survivor's annuity claims for traditional and portable members. He explained that this audit tested traditional and portable death claim calculations completed between July 1, 2015, and June 30, 2017. While this audit specifically examined the calculation of death benefits, other audit procedures were completed in order to verify the entire claim calculation and payment process.

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. Mr. Hayward noted there was one minor finding found during the audit that was reviewed with the committee.

## **Employer Audit Update**

Mr. Hayward reported that the CPA firm Sikich, LLP performed employer audits for SURS in fiscal years 2015, 2016 and 2017. Seven employers were audited in fiscal year 2015. Sikich audited six employers in fiscal year 2016 and seven employers were audited in 2017.

The original contract with Sikich was for three years with options to extend the contract for two additional one year periods if both parties agreed to continue the relationship. SURS negotiated a one year extension for the fiscal year 2018 audit to allow Sikich to conduct the employer audits again. SURS can extend the contract for one more year but after fiscal year 2019, SURS will need to issue an RFP to search for an employer audit firm.

The audit objectives for the fiscal year 2018 audits will be very similar to the prior audit objectives which include verification of census data and other SURS mandates. The six or seven employers to be audited this year were selected in December using a risk-based approach. Several employers in the Chicago area and in the western part of the state will be selected for the audit this year.

Mr. Hayward addressed questions and thoughts shared by the trustees.

## **EXTERNAL AUDIT UPDATE**

### **FY 16 External Audit Recommendation Tracking**

Mr. Hayward gave a brief update and presented the tracking worksheet and recommendation from fiscal year 2016. It was noted that all items are complete except for the recommendations associated with IM 16-004. He stated that the team is making progress and everything else is completed from last year.

### **FY 17 Audit Findings**

Mr. Hayward presented the draft material and immaterial findings and recommendations for the year ended June 30, 2017. All findings were discussed amongst the committee and updates were given on SURS responses.

### **FY 17 Findings Responses**

Mr. Hayward presented SURS' official responses to the audit findings. Investment staff is aware of the investments-related mandate and continues to improve the formal process it established last year which requires prospective service providers to disclose this information. It was noted that SURS agrees with the two immaterial findings. SURS will remind staff of signature requirements and timely submission of travel vouchers and has revised its procedures to ensure that equipment dispositions are properly recorded on the quarterly Agency Report of State Property.

**INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION**

Mr. Hayward presented the Internal Audit Recommendation tracking reports. He provided an update on the Institute of Internal Audit standards and changes in the International Professional Practices Framework. In addition, Mr. Hayward provided the board with results from the monthly death match process.

**PUBLIC COMMENT**

There were no public comments presented to the Audit Committee.

There was no further business before the committee and Trustee Cullen 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 black ink, appearing to read 'M. Noven', with a long horizontal flourish extending to the right.

Mr. Martin Noven  
Secretary, Board of Trustees

MMN:aa