



MINUTES

**Meeting of the Audit & Risk Committee
of the Board of Trustees of the
State Universities Retirement System
Thursday, September 14, 2017, 8:30 a.m.
State Universities Retirement System
1901 Fox Drive
Main Conference Room
Champaign, Illinois 61822**

The following trustees were present: Dr. John Engstrom, Chair; Mr. Mark Cozzi, Mr. Tom Cross, Mr. Dennis Cullen, Dr. Fred Giertz, Mr. Paul R.T. Johnson Jr., Mr. Craig McCrohon, Ms. Dorinda Miller, 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. Albert Lee, Associate General Counsel; Mr. Steve Hayward, Director of Internal Audit; Mr. Doug Taylor and Ms. May Springfield, Internal Auditors; Ms. Phyllis Walker, Chief Financial Officer; Ms. Angie Lieb, Director of Member Services; Ms. Brenda Dunn, Director of Human Resources; Ms. Kristen Houch, Legislative Liaison; Mr. Chris Hansen, Director of Operations; Ms. Cindy Gones, Manager of Technical Support; Ms. Kelly Carson and Ms. Annette Ackerman, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli and Ms. Patti Summerville-Koulouris of the Northern Trust Company.

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

Trustee Aaron Ammons physically joined the meeting at 9:05 a.m.

APPROVAL OF MINUTES

Trustee John Engstrom presented the minutes from the Audit & Risk Committee meeting of June 9, 2017.

Trustee Steven Rock made the following motion:

- That the minutes from the June 9, 2017 Audit & Risk Committee Meeting be approved as presented.

Trustee Paul Johnson 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

MSL System / Retirement Plans Audit

Mr. Doug Taylor presented the MSL system and retirement plan audit report noting that this audit examined the retirement plan elections received and processed between 3/1/15 and 2/28/17. Mr. Taylor stated the objectives of this audit noting the areas focused on by internal audit. Mr. Taylor stated the employer and employee contribution processing in the member subsidiary ledger (MSL) accounting system were reviewed for all of the plans (SMP, Portable & Traditional). The MSL service credit, interest accrual functions and demographic data were examined. Census data for active members submitted to the actuary in the valuation calculations was checked for completeness and accuracy, the installment purchase of service credit, the service agent processing by SURS and the benefit summary statements were also reviewed. 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. Two minor findings were also discussed with the committee.

Survivor Claims Audit

Ms. May Springfield 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 July 1, 2015 and July 31, 2017. 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.

Approval of Internal Audit Plan FY 2018 & 2019

Mr. Steve Hayward presented the Internal Audit Plan for Fiscal Year 2018/2019. It was noted that the two-year plan was derived from a formal risk assessment process which assigns a risk ranking to each auditable area. It was also noted that mandatory audits of each major function must be completed every two years.

Trustee Engstrom made the following motion:

- That the Internal Audit Plan for fiscal year 2018 and 2019 be approved as presented.

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

Approval of Internal Audit Department Charter, Policies & Procedures

Mr. Hayward reminded the board that the SURS Internal Audit department is required to follow the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (Standards). The Standards were revised effective January 1, 2017 with some minor changes. A tracked change version of the Standards were included the trustee reference. Mr. Hayward indicated the IIA last made changes to the International Professional Practices Framework (IPPF) in July 2015. Shortly after those IPPF changes were made, the Internal Audit department reviewed the changes and updated the Internal Audit department's charter, policies & procedures manual to incorporate those changes which were approved at the March 2016 Audit & Risk Committee meeting. The proposed changes to the Charter, Policies and Procedures were made to incorporate the January 2017 Standards changes.

Trustee Engstrom made the following motion:

- That the Audit Committee and Board approve the changes to the Internal Audit Charter and Policies & Procedures Manual so it is in full compliance with the new standards.

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

EXTERNAL AUDIT UPDATE

Mr. Hayward stated the FY 2017 compliance and financial statement audits are currently being conducted by BKD. During the summer, Phase I of the audit focused on compliance and information systems. Currently, BKD is working on Phase II and most of the work is on the financial statements. It was noted that field work should continue through early November with any findings to be presented at the December meeting. A recommendation tracking worksheet summarizing the implementation plans from the FY 16 audits was also reviewed with the Committee.

INFORMATION SYSTEMS SECURITY UPDATE

Ms. Cindy Gones and Mr. Chris Hansen presented the IT security update highlighting security changes recently completed and current plans. It was noted the Phase II backbone upgrade which includes endpoint security software and next generation firewalls is now complete. Ms. Gones stated that the IT department is currently in the process of switching disaster recovery services from a brick and mortar hot site to a cloud based backup and recovery site which should be completed by the end of the calendar year. Ms. Gones also updated the board on a recent project that utilized special tools to scour the network to identify the location and use of members' Personally Identifiable Information (PII). Ms. Gones provided the annual security report to the board.

INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION

Mr. Hayward provided the FCIAA Audit Plan Completion Summary, Internal Audit Confirmations, GAAP Audit Responses and Death Match report for reference.

PUBLIC COMMENT

There were no public comments presented to the Audit Committee.

There was no further business before the committee and Trustee Johnson moved that the meeting be adjourned. The motion was seconded by Trustee Giertz and carried with all trustees present voting in favor.

Respectfully submitted,



Mr. Martin Noven
Secretary, Board of Trustees