



MINUTES

**Meeting of the Audit Committee
of the Board of Trustees of the
State Universities Retirement System
3:00 p.m., Wednesday, March 10, 2010
President Abraham Lincoln Hotel & Conference Center
701 East Adams Street, Springfield, Illinois**

The following Trustees were present: Dr. John Engstrom, Chair; Dr. Jeffrey Beaulieu, Mr. Matthew Berns, Ms. Patricia Cassidy, Dr. J. Fred Giertz, Ms. Carrie Hightman, Ms. Dorinda Miller, Mr. Steven Rogers (via teleconference), Mr. Antonio Vasquez, and Mr. Mitchell Vogel.

Others present were: Ms. Judith Parker, Interim Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Ms. Kimberly Pollitt, Senior Investment Officer; Ms. Lou Ann Fillingham, Mr. Tony Lee, and Mr. Joe Duncan, Investment Officers; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Stacy Smith and Ms. Stefanie Rice, Executive Assistants; Mr. Terrin Krantz, Director of Human Resources; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Ms. Shelley Porter, Chief Financial Officer; Ms. Angie Lieb, Director of Member Services; Mr. Douglas Steele, Application Development Manager; Mr. Chris Hansen, Information Systems & Building Services Manager; Mr. Michael Sheppard, Assistant Deputy Director of Self-Managed Plan; Mr. Steve Hayward, Director of Internal Audit; Mr. Russell Ivinjack, Ms. Laurel Nicholson, Ennis Knupp & Associates; Ms. Leslie Thompson, Gabriel, Roeder, Smith & Company; Ms. Patti Somerville-Koulouris, The Northern Trust Company; Mr. Thomas Kizziah, Illinois Office of the Auditor General; and Mr. Joseph Evans, McGladrey & Pullen.

Trustee Engstrom called the meeting to order at approximately 3:00 p.m.

Roll call attendance was taken. Trustee Beaulieu, present; Trustee Berns, present; Trustee Cassidy, present; Trustee Engstrom, present; Trustee Giertz, present; Trustee Hightman, present; Trustee Miller, present; Trustee Rogers, present (via teleconference); Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, absent.

Trustee Stephen Rogers was unable to physically attend the meeting due to employment commitments. Trustee Berns moved:

- To allow Trustee Rogers to participate via teleconference.

Motion seconded and carried with all Trustee present voting in favor.

APPROVAL OF MINUTES

Trustee Engstrom presented the Minutes from the Audit Committee meeting of December 1, 2009. Trustee Beaulieu moved that:

- The Minutes of December 1, 2009, be approved as presented.

Motion seconded and carried with all Trustees present voting in favor.

EXTERNAL AUDIT UPDATE

Mr. Steven Hayward introduced Mr. Thomas Kizziah from the Office of the Auditor General (OAG) and Mr. Joseph Evans from McGladrey & Pullen, LLP.

Mr. Kizziah provided a brief overview of the OAG, the function of this office and the audits that are conducted. He noted that the OAG hires outside firms to conduct the audits and report back to the OAG.

Mr. Joe Evans provided an overview of McGladrey & Pullen's duties and provided some background information as to the audit process. Mr. Evans advised that the primary responsibility of management is to accumulate and organize data for the audit process. The audit found no significant or unusual transactions nor did it find any unusual accounting treatments. There were no material audit adjustments that needed to be reflected and few minor items that were passed and detailed in a report previously distributed to the Committee. There were no disagreements with management, no significant issues discussed, and no difficulties in performing the audit.

Mr. Evans explained that two reports are generated as a by-product of the audit process – the Financial Statement Report and the Compliance Report. Within the Compliance Report there were three findings noted which involved the number of earnings and contributions, the evaluation of certain collateral on investments, and the determination of eligibility for the college insurance plan. Trustee Engstrom indicated that he participated in the exit conference and was aware of these findings.

The Committee inquired as to the background of McGladrey & Pullen, the hiring process of outside firms by the OAG, certain areas where the Committee needs to be the most observant, and what it means for the organization to have more “visibility.” It was suggested that one area where the Committee should be alert is the investment process. The Committee recommended bringing in staff from SURS as well as individuals from

the custodian who are responsible for the internal control structure, as well as the investment advisor, to discuss the controls that are in place and the function of each at future Audit Committee meetings.

INTERNAL AUDIT REPORTS

Mr. Hayward provided an overview of the proposed revisions to the Internal Audit Charter and Policies & Procedures Manual. Staff periodically reviews the charter to determine the necessary changes, if any. It was noted that many of the revisions were due to recent changes in the IIA standards. Mr. Hayward then discussed some of the detailed changes for the Committee. Trustee Engstrom indicated that he reviewed all of the changes in detail and approved of the changes.

After some discussion by the Committee and staff, Trustee Vasquez moved that:

- The Internal Audit Charter, Policies and Procedures be approved as presented.

Motion seconded and carried with all Trustees present voting in favor.

The Committee suggested that staff conduct legal research to confirm that these policies and procedures comply with Federal and State laws and to present said information at the June meeting for review.

Mr. Hayward presented the Internal Audit Standards and encouraged the Committee to contact him should they have any questions or comments. Mr. Hayward briefly reviewed the survivor benefit audit and the travel and administrative expense audit noting that receipts are required for anything over \$10. He noted that the full external audit financial report and summary Report Digest document will be posted to the Board website.

Since no further business was to come before the Committee, Trustee Vasquez moved that the meeting be adjourned. The motion was seconded and it carried.

Respectfully submitted,



Ms. Judith A. Parker
Secretary, Board of Trustees

JAP:ssr