



MINUTES

**Meeting of the Audit Committee
of the Board of Trustees of the
State Universities Retirement System
1:20 p.m., Thursday, September 10, 2009
The Northern Trust – London Room B9
50 S. LaSalle Street
Chicago, Illinois**

The following Trustees were present: Dr. John Engstrom, Chair; Dr. Jeffrey Beaulieu, Ms. Patricia Cassidy, Dr. J. Fred Giertz, Mr. Antonio Vasquez, Mr. Mitchell Vogel and Dr. Marva Williams.

Others present were: Ms. Judith A. Parker, Interim Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Kelly A. Jenkins, General Counsel; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Mr. Steve Hayward, Director of Internal Audit; Ms. Shelley Porter, Chief Financial Officer; Mr. Doug Steele, Director of Application Development & Research; Mr. Chris Hansen, Director of Operations; Mr. Terrin Krantz, Director of Human Resources; Ms. Angela Lieb, Director of Member Services; Mr. Michael Sheppard, Assistant Deputy Director of SMP; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Lori Kern and Ms. Stacy Smith, Executive Assistants; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Ms. Amy Williams, Gabriel Roeder Smith & Company; Ms. Patricia Somerville-Koulouris, The Northern Trust; and Mr. Edgar Hernandez, SEIU.

Trustee John Engstrom called the meeting to order at approximately 2:20 p.m.

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

EXTERNAL AUDIT UPDATE

Mr. Hayward briefly described the external audit process. The Office of the Auditor General performs an audit of SURS' financial statements as well as a compliance examination on an annual basis through the use of a contracted public accounting firm. McGladrey & Pullen is the current auditor and they are in the second year of their contract. Mr. Hayward reviewed the audit timetable which started with an entrance

conference in mid-May. Mr. Hayward expects to have any draft findings by the beginning of December, and written responses to any potential findings will be due on January 4, 2010. McGladrey & Pullen will deliver final reports to the Office of the Auditor General by January 14, 2010. The final step in the process is the Legislative Audit Committee's acceptance, either through a formal hearing or by noting acceptance on their consent calendar.

Mr. Hayward provided the Committee with a copy of a letter from McGladrey & Pullen that sets forth their objectives and expectations for the audit.

INTERNAL AUDIT REPORTS

Mr. Hayward presented and reviewed the Internal Audit Plan for FY 2010 and 2011. Trustee Vasquez moved that the Internal Audit Plan for Fiscal Years 2010 and 2011 be approved as presented. The motion was seconded and it carried.

Mr. Hayward provided a brief report of recent audits, including the MSL System/Optional Retirement Plans Audit, the Refund Claims Audit, and the Portable Refund and Lump Sum Retirement Claims Audit.

Mr. Hayward provided an update on the recovery of overpaid benefits discovered from the quarterly Berwyn death matching process. During the last reporting period ended in July, 12 overpayments were discovered totaling \$10,941. Mr. Hayward reported that \$6,256 has been recovered to date.

Trustee Engstrom indicated that since being named the Chair of the Audit Committee, he has reviewed the duties of the Committee as stated in the Bylaws, and done other research on audit committee practices. Trustee Engstrom suggested that the Committee might want to consider meeting more often than quarterly. In addition, it might be helpful for the Committee to hold conversations directly with the audit firm and possibly with representatives from the Office of the Auditor General's office. Trustee Engstrom and Mr. Hayward may extend an invitation to McGladrey & Pullen and the Office of the Auditor General to the December Audit Committee meeting.

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

Respectfully submitted,



Ms. Judith A. Parker
Secretary, Board of Trustees

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