



## MINUTES

**Meeting of the Audit & Risk Committee  
of the Board of Trustees of the  
State Universities Retirement System  
Thursday, December 6, 2018, 3:30 p.m.  
State Universities Retirement System  
Main Conference Room  
1901 Fox Dr., Champaign, Illinois**

The following trustees were present: Mr. Aaron Ammons, Mr. Mark Cozzi, Mr. Tom Cross, Mr. Dennis Cullen, Dr. Fred Giertz, Ms. Lisa Schumacher and Mr. Collin Van Meter

Others present: Mr. Martin Noven, Executive Director; Ms. Bianca Green, General Counsel; Mr. Albert Lee, Associate General Counsel; Mr. Steve Hayward, Director of Internal Audit; Ms. May Springfield, Internal Auditor; Mr. Jefferey Saiger, Chief Technology Officer; Ms. Tara Myers, Chief Financial Officer; Ms. Suzanne Mayer, Chief Benefits Officer; Ms. Kristen Houch, Legislative Liaison; Ms. Kelly Carson and Ms. Annette Ackerman, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli.

Audit & Risk Committee roll call attendance was taken. Trustee Ammons, present; Trustee Engstrom, absent; Trustee Rock, absent; Trustee Van Meter, present; and Trustee Vasquez, absent.

Due to the lack of quorum, the Audit & Risk Committee presented an informational discussion.

## APPROVAL OF MINUTES

Approval of minutes was deferred to the next regularly scheduled Audit & Risk Committee Meeting.

## CHAIRPERSON'S REPORT

There was no formal chairperson's report.

## INTERNAL AUDIT

### **Fixed Asset Audit**

Ms. May Springfield reported the Fixed Asset Audit, which examined the property and equipment acquired, disposed and depreciated for the period July 1, 2017 to June 30, 2018. Ms. Springfield stated that this audit also examined the physical existence and proper recording in the Wisetrack program and the general ledger as of June 30, 2018. Although a few errors were found, Internal Audit formed the opinion that the process and procedures associated with property and equipment reasonably conform to SURS policies and procedures, generally accepted accounting principles and rules of the state of Illinois.

## **Disability Claim Audit**

Mr. Springfield reported that the Disability Claims Audit was recently completed covering the two-year period that ended on June 30, 2018. The main objective of this audit was to determine if disability benefits were calculated and paid in accordance to the Illinois Pension Code and the rules of the System. Internal Audit formed the opinion that the computer calculations of disability benefits reasonably conform to the Illinois Pension Code and the rules of the System. Details on the errors noted were discussed.

## **Update on Buyout Table Audit**

Mr. Hayward stated that at the September SURS Audit and Risk Committee, staff asked for and received approval to issue an RFP to have an audit performed of the actuarial tables for the two buyout options: pension benefits and AAI. The vendor is expected to independently recalculate approximately 30 tables and confirm the work of SURS' current actuary, reconcile any differences in tables, assumptions and report the results of the work to SURS management and the SURS Board of Trustees. Mr. Hayward noted that SURS issued an RFP for these actuarial services on November 15, 2018, and expect to evaluate and select a vendor by December 18, 2018.

## **Update on Employer Audits FY 2019**

Mr. Hayward reported that the CPA firm Sikich, LLP will perform employer census data audits for SURS in fiscal year 2019. The audit objectives were selected to provide a sufficient basis for concluding that the employer has enrolled all eligible employees in the System, enrolled only eligible employees, reported completely and accurately all required member census data, reported completely and accurately all required employee earnings and contributions and reported completely and accurately all employees who returned to work with the employer after retiring with SURS. Mr. Hayward stated that SURS expects to receive draft audit reports in early May with a final report in late May or early June. It is expected final reports will be completed in time for the June Audit Committee meeting. It was also noted that SURS was in the last year of its contract with Sikich.

## **EXTERNAL AUDIT**

### **Update on FY 2018 Compliance and Financial Statement Audits**

Mr. Hayward reviewed the progress on the Compliance and Financial Statement Audits being performed by BKD and the Auditor General's office. It was noted that SURS expects to receive the Financial Statement audit report in December and the Compliance report early next calendar year.

### **Draft Audit Findings**

Mr. Hayward presented the potential audit findings and recommendations for the year ended June 30, 2018. It was noted the final findings would be included the upcoming compliance audit report.

## **INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION**

Ms. Springfield discussed the Institute of Internal Auditors (IIA) Standards for the Professional Practice of Internal Auditing and noted that Attribute Standard 1010 requires discussion of these Standards with

senior management and the Board. A brief review of the Standards and other parts of the IIA's Professional Practices Framework were discussed with the Board. It was also noted that IA was currently conducting an internal quality assurance review to assess conformance with these Standards. Mr. Hayward provided Internal Audit Recommendation tracking reports and provided an update on the Internal Audit Implementation Update. In addition, Mr. Hayward provided the board with results from the monthly death match process and the annuity benefit process audit response.

**PUBLIC COMMENT**

There were no public comments presented to the Audit Committee.

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

MNM:kc