



MINUTES

**Quarterly Meeting of the Audit & Risk Committee
of the State Universities Retirement System
Thursday, June 6, 2019, 2:30 p.m.
Northern Trust
Global Conference Center – 1st Floor
50 S. LaSalle St., Chicago, IL**

The following trustees were present: Dr. John Engstrom, Mr. Richard Figueroa, Ms. Jamie-Clare Flaherty (via conference call), Dr. Fred Giertz, Mr. John Lyons, Dr. Steven Rock, Mr. Collin Van Meter and Mr. Antonio Vasquez.

Others present: Mr. Martin Noven, Executive Director; Mr. Douglas Wesley, Chief Investment Officer (CIO); Ms. Ellen Hung, Deputy CIO; Ms. Kim Pollitt, Mr. Joe Duncan and Mr. Shane Willoughby, Senior Investment Officers; Ms. Bianca Green, General Counsel; Ms. Kristen Houch, Head of Legislative Affairs; Ms. Suzanne Mayer, Chief Benefits Officer; Ms. Kelly Carson and Ms. Annette Ackerman, Executive Assistants; Ms. May Springfield, Internal Auditor and Mr. Frederick Lantz of Sikich.

Audit & Risk Committee roll call attendance was taken. Trustee Figueroa, present; Trustee Giertz, present; Trustee Rock, present; Trustee Van Meter, present; Trustee Vasquez, present.

APPROVAL OF MINUTES

Trustee Engstrom presented the minutes from the Audit & Risk Committee meeting of March 8, 2019.

Trustee Rock made the following motion:

- That the minutes from the March 8, 2019 Audit & Risk Committee meeting be approved as presented.

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

APPROVAL OF CLOSED SESSION MINUTES

Trustee Engstrom presented the closed session minutes from the Audit & Risk Committee meeting of March 8, 2019.

Trustee Rock made the following motion:

- That the closed session minutes from the March 8, 2019 Audit & Risk Committee be approved and remain closed.

Trustee Van Meter seconded and the motion carried with all trustees present voting in favor.

CHAIRPERSON'S REPORT

Trustee Engstrom announced that he will be resigning from the board at the end of this meeting and Trustee Fred Giertz will take over as chair of the Audit & Risk Committee.

EMPLOYER AUDITS FY2019

Ms. May Springfield introduced Mr. Frederick Lantz from Sikich. Mr. Lantz presented the results of the seven employer audits they completed for FY 19. Sikich tested census data for the following employers: Northern Illinois University, University of Illinois at Urbana-Champaign, Triton College, Sauk Valley College, Eastern Illinois University, Danville Area Community College and Lake Land College. The census data that was verified included member information, name, social security number, date of birth, gender, hire date, work status, return to work, termination, and leave and retirement date. The overall opinion is the census, earnings and contribution data submitted to SURS for the seven employers was presented fairly in all material respects. The committee also reviewed results of the Governmental Auditing Standards Yellow Book report. In conclusion, summary findings for each of the employers audited were presented.

EXTERNAL AUDIT UPDATE

FY2019 Scope, Purpose & Schedule Statement

Ms. Springfield provided an external audit update reporting that an entrance conference with the Office of the Auditor General and the auditors from BKD was conducted on April 11, 2019, for the FY 19 financial and compliance audits ending in June 2019. The scope of the audits includes a financial audit beginning in July 2019, completing in December 2019. A compliance and pension allocation audit starting in July 2019, completing in February 2020. In addition, a cyber-security audit will be conducted in conjunction with the compliance exemption program.

FY2018 External Audit Recommendation Implementation

Ms. Springfield presented the SURS FY 2018 Audit Recommendation tracking spreadsheet and noted that all recommendations have been completed.

INTERNAL AUDIT

Approval IA Charter, Policies & Procedure Changes

Ms. Springfield reported that the internal audit department completed an internal quality assessment review in February 2019. This review formally assessed compliance with the 2017 Standards and the Code of Ethics, which are still in effect. The review also assessed conformance

with the State of Illinois' Fiscal Control and Internal Auditing Act (FCIAA) and select rules of the State Internal Audit Advisory Board (SIAAB) Bylaws that affect IA operations. Results of this audit were reported at the March 2019 Audit Committee meeting. Ms. Springfield reported that the State Internal Audit Advisory Board (SIAAB) recently made changes to its continuing professional education requirements; the proposed Internal Audit Policies are updated to meet the SIAAB requirement. Lastly, Ms. Springfield noted that the title of the director of internal audit would now be changed to chief internal auditor. The charter, policies and procedures have been updated to reflect this change.

Trustee Vasquez made the following motion:

- That based upon the recommendation of the SURS staff, the Audit Committee approve the proposed amendments to the Internal Audit Charter and Policies & Procedures Manual in compliance with the new standards and SIAAB requirements.

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

Approval of Internal Audit Plan FY 2020 & 2021

Ms. Springfield presented the Internal Audit Plan for FY 2020 & FY 2021, making note of the following audits that were added this year: Buyout Option as part of the Retirement Audit for FY 2020 and a Supplemental 457 DC Plan Audit for fiscal year 2021.

Trustee Vasquez made the following motion:

- That the Internal Audit Plan for fiscal year 2020/2021 be approved as presented.

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

Employer Audit Search RFP

Ms. Springfield reported that a RFP will be issued for the hiring of a new employer auditor. SURS will begin the RFP process on August 1, 2019 to solicit proposals from independent public accounting firms to provide employer audit services for FY 2020 and beyond. SURS is expected to award a contract by September 30, 2019, and for audit fieldwork to begin by December 1, 2019. A preliminary findings report should be received by April 1, 2020, and a final report by May 1, 2020.

INFORMATIONAL ITEMS NOT REQUIRING COMMITTEE ACTION

Ms. Springfield informed the board that Chief Internal Auditor Ms. Jacqueline Hohn will begin employment on July 2, 2019.

PUBLIC COMMENT

There were no public comments presented to the Audit & Risk Committee.

There was no further business brought before the committee and Trustee Figueroa 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 'Martin Noven', with a long horizontal flourish extending to the right.

Mr. Martin Noven
Secretary, SURS Board of Trustees

MMN:aa