



MINUTES
Audit Committee
August 16, 2018

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on August 16, 2018 at the Springfield office of the Illinois Teachers' Retirement System, 2815 W. Washington Street. Matt Hower, Chair, called the meeting to order at 9:30 a.m. A quorum was present.

Roll Call attendance was taken with the following committee members present: Matt Hower, (Chair); Fred Peronto, (Vice Chair); Andy Hirshman, Larry Pfeiffer, and Tracy Kearney. Trustees present: Mark Bailey, Cinda Klickna, Laura Pearl, Mark Splitstone, Dan Winter, Mark Shaw, and Tony Smith. Mr. Mark Shaw was appointed by the governor on August 15, 2018 to serve as a member of the TRS Board of Trustees through July 2022.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Jana Bergschneider, Chief Financial Officer; Gina Larkin, Chief Human Resources Officer; Tom Smith, Chief Technology Officer; Carlton Lenoir, Chief Benefits Officer; Kathleen Farney, Director of Research; Deron Bertolo, Director of Investment Accounting; Stacy Smith, Director of Internal Audit; Christina Baker, Sr. Internal Auditor; Lauren Russell, Internal Auditor; Dave Urbanek, Director of Communications; Rich Frankenfeld, Director of Outreach; Tammy Green, Executive Assistant; Sue Billington, Executive Assistant; Tiffany Reeves, Reinhart (Fiduciary Counsel); and Barbara Davison, Investment Training and Consulting Institute, Inc. (ITCI).

Visitors present: Janet Kilgus, IEA-Retired.

Minutes

A draft of the May 24, 2018 minutes of Audit Committee meeting was sent to the committee members for review. On a motion by Fred Peronto, seconded by Tracy Kearney, and by unanimous voice vote, the minutes were approved as printed.

Internal Audit Reports

Barbara Davison, President of the Investment Training and Consulting Institute, provided an overview of the Investment Consultant and Custodian Services audit for the period of July 1, 2016 through March 31, 2018. This audit was completed in conjunction with TRS

internal audit. Documentation is on file. TRS currently retains the following consultants to provide services supporting the investment portfolio:

- RVK - General Investment Consultant
- Albourne - Diversifying Strategies Consultant
- StepStone Real Estate Group (formerly Courtland Partners) - Real Estate Consultant
- TorreyCove Capital Partners - Private Equity Consultant
- State Street Bank and Trust - Master Trustee and Custodian

Lauren Russell, Internal Auditor, provided a summary of the IT Security audit. Documentation is on file.

FY 2018 Audit Completion Report

The committee received the FY 18 Audit Completion Report which is required by the Fiscal Control and Internal Auditing Act. The report compares the FY 18 audit plan to actual audits completed during the year. All mandatory audits scheduled this fiscal year were completed. Documentation is on file.

Internal Audit Standards

Attribute Standard 1010 in the International Standards for the Professional Practice of Internal Auditing states that the chief audit executive should discuss the Mission of Internal Auditing and the mandatory elements of the International Professional Practice Framework with senior management and the Board. The committee received a copy of the following documents:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics
- The *Standards*

Independence of Internal Audit Activity

Attribute Standard 1110 from the International Standards for the Professional Practice of Internal Auditing states that the chief audit executive must confirm to the Board, at least annually, the organizational independence of the internal audit activity. A copy of an annual TRS Auditor Independence Statement is on file for each internal audit staff member. There are no potential conflicts of interest that could preclude them from carrying out the fiscal year audit activities.

Quality Assurance and Improvement Program

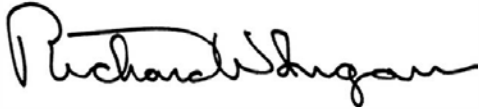
Attribute Standard 1320 from the International Standards for the Professional Practice of Internal Auditing states that the chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the Board at least annually. The committee received a copy of the FY 18 quality assurance and improvement

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program checklist. Documentation is on file. The quality assurance and improvement program is an ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity.

ADJOURNMENT

On a motion by Larry Pfeiffer, seconded by Andrew Hirshman, and by unanimous vote, the meeting adjourned at 10:05 a.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is fluid and cursive, with a large initial "R" and "I".

Richard W. Ingram, Executive Director

Approved: 10/29/18