



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

Richard W. Ingram, Executive Director
2815 West Washington Street, P.O. Box 19253
Springfield, Illinois 62794-9253

**MINUTES
Audit Committee
February 28, 2020**

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on February 28, 2020 at the Hilton Rosemont Chicago O'Hare, 5550 North River Road, Rosemont. Fred Peronto, Chair, called the meeting to order at 8:00 a.m. A quorum was present.

Roll Call attendance was taken with the following committee members present: Fred Peronto, (Chair); Maureen Mena (Vice Chair) Larry Pfeiffer, Doug Stand, and Devon Bruce.

Trustees present: Carmen Ayala, Marsha Byas, Andy Hirshman, Matt Hunt, Laura Pearl, David Miller, and Mark Bailey.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Marcy Dutton, Chief Legal Counsel; Carlton Lenoir, Chief Benefits Officer; Stacy Smith, Director of Internal Audit and Risk; Dave Urbanek, Director of Communications; Greg Turk, Director of Investments; Tim Hays, Senior Investment Officer; Dakin Sanert, Investment Officer; Tammy Green, Executive Assistant; and Tiffany Reeves, Reinhart (Fiduciary Counsel).

Minutes

A draft of the December 10, 2019 minutes of the Audit Committee meeting was sent to the committee members for review. On a motion by Trustee Pfeiffer, seconded by Trustee Strand, and by unanimous voice vote, the minutes were approved as printed.

KPMG Real Estate Separate Accounts Audit

Representatives from KPMG presented the results of the FY 19 real estate separate account portfolio audit that was conducted in accordance with the U.S. generally accepted auditing standards. On an annual basis, KPMG audits the

financial statements of the real estate portfolios that are owned by TRS and managed by its separate account managers; Capri Capital Partners, Barings Real Estate Advisors, Heitman Capital Management, Invesco Real Estate, Lincoln Property Company Realty Advisors, and Principal Real Estate Investors. Documentation is on file. There were no material weaknesses identified during the audit.

Trustee Bruce, president of the TRS Board of Trustees, expressed his concerns relating to KPMG's scope of responsibilities and mentioned a recent SAS letter accounting article. President Bruce's expectation is that KPMG shall help identify fraud. KPMG responded that a financial statement audit is not designed to provide complete certainty of fraud detection, however; the audit is designed to provide a high level of assurance that the financial statements are presented free of material misstatement, whether caused by error or fraud. Additionally, the audit is designed to detect fraud risk.

This is TRS's third year of a five-year contract with KPMG. President Bruce mentioned the concept of audit firm rotation. KPMG responded that rotation of the lead partner and account manager already occurs every five years to enhance governance. If KPMG remains a TRS auditor beyond the firm's current initial five-yr contract, then someone else within their firm would take the role to conduct the TRS audits; this provides independence.

Internal Audit Report

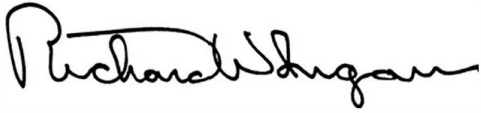
Stacy Smith, Director of Internal Audit and Risk provided a summary of the survivor benefits audit. Documentation is on file.

Financial Audit Report

Director Ingram reported that the Office of the Auditor General has completed the TRS financial audit for fiscal year ended June 30, 2019. Documentation is on file. There were no findings reported under *Government Auditing Standards*.

ADJOURNMENT

On a motion by Trustee Bruce, seconded by Trustee Strand, and by unanimous vote, the meeting adjourned at 8:52 a.m.

A handwritten signature in black ink that reads "Richard W. Ingram". The signature is written in a cursive style with a large initial "R".

Richard W. Ingram, Executive Director

Approved: 6/18/20