



Teachers' Retirement System of the State of Illinois

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MINUTES Audit Committee February 19, 2014

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on February 19, 2014 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Bob Lyons, Chair, called the meeting to order at 1:00 p.m. A quorum was present.

Roll Call attendance was taken with the following committee members present: Bob Lyons (Chair), Mark Bailey, and Cynthia O'Neill. Absent: Marcia Campbell and Enrique Vasquez (Vice Chair). Trustees present: Mike Busby, Rainy Kaplan, Cinda Klickna, and Sharon Leggett.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Deron Bertolo, Director of Investment Operations; Tom Gray, General Counsel; Jana Bergschneider, Director of Administration; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Dave Urbanek, Director of Communications; Gina Larkin, Director of Human Resources; Tim Hays, Sr. Investment Officer; Dakin Sanert, Sr. Investment Analyst; Tammy Green, Assistant to the Executive Director; and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Shirley Dodds, IRTA; Dennis Murfin, IRTA; Gayla Dial, IEA-R/IRTA; and Bob Kaplan, IEA-R/IRTA.

Minutes

A draft of the October 23, 2013 audit committee minutes was sent to the committee members for review. On a motion by Mark Bailey, seconded Cynthia O'Neill, the minutes were approved as printed.

KPMG Real Estate Audit

The FY13 real estate separate account financial statements were audited by KPMG. Jeff Gordon & Daniel Kozera of KPMG summarized the audit results of the real estate portfolios that are owned by TRS and managed by Capri Capital

Partners, Cornerstone Real Estate Advisors, Heitman Capital Management, Invesco Real Estate, and Lincoln Property Company Realty Advisors. There was no material findings reported. In addition, KPMG outlined the deliverables, timeline, and area of focus for the FY 14 audit plan. Documentation is on file.

Internal Self-Assessment

Staff provided a report summary of the self-assessment quality assurance review to evaluate compliance with the Institute of Internal Audit standards. Stacy Smith, Director of Internal Audit, reviewed internal audit work performed between January 1, 2013 and October 31, 2013. Documentation is on file. The internal audit activity “generally conforms” to the IIA standards, code of ethics, and the Fiscal Control and Internal Auditing Act.

Internal Audit Reports

Christina Baker, Internal Auditor, provided a summary of the Revenues & Receivables audit. Documentation is on file.

FY 14 Revisions to Internal Audit Plan

Staff recommended revisions to the schedule of the FY 14 internal audit plan. Documentation is on file. A motion by Cynthia O’Neill, seconded by Mark Bailey, that the committee recommend to the Board to accept the revisions to the FY 14 internal audit plan, as presented. The motion passed by a unanimous voice vote.

FY 15 Internal Audit Plan

Staff is in the process of developing the FY 15 audit plan. Internal Audit considers the input of senior management and the audit committee in developing the annual plan. Recommendations for the FY 15 audit plan can be emailed to Stacy Smith.

EXECUTIVE SESSION

A motion was made by Mark Bailey, seconded by Cynthia O’Neill, that the Audit Committee enter into executive session for the purpose of discussing internal control weaknesses as permitted under the following exception set forth in the Open Meetings Act which authorizes the closing of the meeting to the public:

5 ILCS 120/2(c)(28). Roll call resulted in affirmative voice votes from Trustees Lyons, O'Neill, and Bailey. Motion CARRIED.

No action was taken during executive session. A motion was made by Cynthia O'Neill, seconded by Mark Bailey, that the audit committee come out of executive session. Roll call resulted in affirmative voice votes from Trustees Lyons, O'Neill, and Bailey. Motion CARRIED.

Approval of Executive Session Minutes

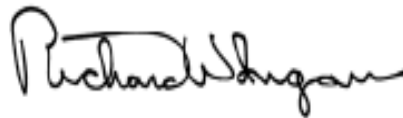
The October 23, 2013 executive session minutes of the audit committee was sent to the committee for prior review. On a motion by Mark Bailey, seconded by Cynthia O'Neill, and by unanimous vote, the minutes were approved as printed.

Compliance Report

Director Ingram stated that the compliance report prepared by the external auditors was issued by the Auditor General with no findings.

ADJOURNMENT

On a motion by Mark Bailey, seconded by Cynthia O'Neill, and by unanimous vote, the meeting adjourned at 1:54 p.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is fluid and cursive, with the first name "Richard" being more prominent.

Richard W. Ingram, Executive Director

Approved: 5/28/14