



MINUTES
Audit Committee
May 20, 2016

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on May 20, 2016 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Bob Lyons, Chair, called the meeting to order at 8:12 a.m. A quorum was present.

Roll Call attendance was taken with the following committee members present: Bob Lyons (Chair) and Mark Bailey (Vice Chair). Absent: Andy Hirshman

Trustees present: Ann Deters, Rainy Kaplan, Cinda Klickna, Tony Smith, Sandy Stuart, and Sonia Walwyn.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Marcy Dutton, Chief Legal Counsel; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Kathleen Farney, Director of Research; Deron Bertolo, Director of Investment Accounting; Dave Urbanek, Director of Communications; Jana Bergschneider, Chief Financial Officer; Sally Soderberg, Chief Benefits Officer; Sue Billington, Executive Assistant; Tammy Green, Assistant to the Executive Director; Becky Gratsinger, RV Kuhns (Investment Consultant); and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Don Davis, IRTA and Gayla Dial, IEA-R

Minutes

A draft of the February 17, 2016 audit committee minutes was sent to the committee members for review. On a motion by Mark Bailey, seconded Bob Lyons, the minutes were approved as printed.

Internal Audit Reports

Barbara Davison of Investment Training and Consulting Institute provided an overview of the Derivatives & Foreign Currency Conversions audit. Documentation is on file.

Staff provided summaries of the GAAP & Financial Statement Process audit and the IT Governance audit. Documentation is on file.

FY 16 Revised Internal Audit Plan

Staff presented a revised FY 16 internal audit plan that included the addition of a Privacy audit and the removal of time allocated for a review of employer services audits. Documentation is on file. A motion was made by Mark Bailey, seconded by Bob Lyons, that the committee recommend to the Board to approve the revised FY 16 audit plan as presented. The motion passed by a unanimous voice vote.

FY 17/FY 18 Internal Audit Plan

The committee received copies of the two-year internal audit plan for fiscal years 2017 and 2018 and the risk assessment worksheets. Documentation is on file. A motion was made by Mark Bailey, seconded by Bob Lyons, that the committee recommend to the Board to approve the FY 17/FY 18 Internal Audit Plan as presented. The motion passed by a unanimous voice vote.

FY 16 FCIAA Summary of Responses (Internal Control Evaluation)

The Fiscal Control and Internal Auditing Act requires that staff prepare and transmit to the Auditor General by May 1 of each year a certification that the system of internal controls of TRS fully complies with the requirements of the Act. A summary of the responses from fiscal year 2016 FCIAA internal control evaluation process 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 Definition of Internal Auditing, the Code of Ethics, and the *Standards* with senior management and the Board. Stacy Smith, Director of Internal Audit, provided an overview of the items provided to the committee. Documentation is on file.

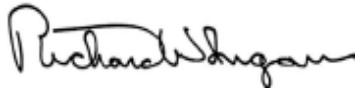
Audit Findings & Observations Status Report

Stacy Smith provided a summary of the Audit Findings & Observations Status Report as of March 31, 2016. The report contains only items that are still pending, issues that have been resolved, new reportable items since last report, and issues

where the risk has been accepted by the responsible department. Documentation is on file.

ADJOURNMENT

On a motion by Mark Bailey, seconded by Bob Lyons, and by unanimous vote, the meeting adjourned at 8:45 a.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is written in a cursive, flowing style.

Richard W. Ingram, Executive Director

Approved: 8/25/16