



MINUTES
Audit Committee
August 22, 2017

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on August 22, 2017 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Ann Deters, Chair, called the meeting to order at 2:00 p.m. A quorum was present.

Roll Call attendance was taken with the following committee members present: Ann Deters, (Chair), Mark Bailey (Vice Chair), Andy Hirshman, Matt Hower, Fred Peronto, and Randy Winters.

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, Sr. Internal Auditor; Deron Bertolo, Director of Investment Accounting; Dave Urbanek, Director of Communications; Jana Bergschneider, Chief Financial Officer; Carlton Lenoir, Chief Benefits Officer; Sue Billington, Executive Assistant; Tammy Green, Executive Assistant; and John Wolters, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Janet Kilgus, IEA-R and Christine Williamson, Pensions & Investments.

EXECUTIVE SESSION

A motion was made by Andy Hirshman, seconded by Mark Bailey, that the audit committee enter into executive session for the purpose of discussing internal control weaknesses as permitted under the following exception of 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 Hower, Hirshman, Bailey, Winters, Peronto, and Deters. Motion Carried.

No action was taken during executive session. A motion was made by Mark Bailey, seconded by Matt Hower, that the audit committee come out of executive session. Roll call resulted in affirmative voice votes from Trustees Hower, Hirshman, Bailey, Winters, Peronto, and Deters. Motion Carried.

Minutes

A draft of the June 21, 2017 minutes of the audit committee was sent to committee members for prior review. On a motion by Andy Hirshman, seconded Randy Winters, the minutes were approved as printed.

Internal Audit Reports

Staff provided summaries of the following internal audits. Documentation is on file.

- Securities Lending
- Member Refunds
- Continuous Auditing
- IT General Controls Review

FY 2017 Audit Completion Report

The committee received the FY 17 Audit Completion Report which is required by the Fiscal Control and Internal Auditing Act. The report compares the FY 17 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. Stacy Smith, Director of Internal Audit, provided an overview of the items provided to the committee. Documentation is on file.

Internal Audit Charter

Staff has revised the Internal Audit Charter to comply with changes to the Internal Auditors International Standards effective January 1, 2017. A motion was made by Mark Bailey, seconded by Fred Peronto, that the committee recommend to the Board to approve revisions to the Internal Audit Charter, as presented. The motion passed by unanimous voice vote.

Independence of Internal Audit Activity

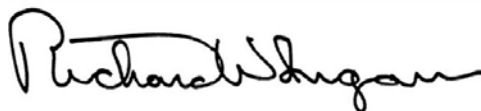
Attribute Standard 1110 from the International Standards for the Professional Practice of Internal Auditing states that the chief audit executive must confirm to the Board, at least annually, the organizational independence of the internal audit activity. A copy of an annual TRS Auditor Independence 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 17 quality assurance and improvement program checklist. Documentation is on file.

ADJOURNMENT

On a motion by Mark Bailey, seconded by Andrew Hirshman, and by unanimous vote, the meeting adjourned at 3:03 p.m.

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

Richard W. Ingram, Executive Director

Approved: 10/27/17