



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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MINUTES Audit Committee February 25, 2021

A virtual meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on February 25, 2021 in accordance the Executive Order 2021-04, which extends the original Executive Order 2020-07 through March 6, 2021. An in-person meeting is not practical due to the current global COVID-19 pandemic.

Fred Peronto, Chair, called the meeting to order at 8:43 a.m. A quorum was present. Roll Call attendance was taken with the following committee members present: Fred Peronto, Chair; David Miller, Larry Pfeiffer, and Doug Strand. Absent: Maureen Mena, Vice Chair.

Trustees present: Beth Anderson, Mark Bailey, Norma Bellcoff, Devon Bruce, Marsha Byas, Andy Hirshman, Matt Hunt, Matt Shattock.

Stan Rupnik, Acting Executive Director/Chief Investment Officer and Cynthia Fain, Sr. Legal Counsel, were physically present at the meeting location in Springfield, 2815 W. Washington Street.

TRS Staff/Counsel/Consultants noted on call: Deron Bertolo, Chief Financial Officer; Carlton Lenoir, Chief Benefits Officer; Stacy Smith, Director of Internal Audit and Risk; Christina Baker, Internal Audit Supervisor; Matt Wombacher, Internal Auditor; Bob Jiroutek, Risk Officer; Jeff Bennett, Director of Operations; Rich Frankenfeld, Director of Outreach; Dave Urbanek, Director of Communications; Chris Wiedel, Director of Information Technology; Chad Fry, Technical Systems Manager; Greg Turk, Director of Investments; Tim Hays, Sr. Investment Officer; Dakin Sanert, Investment Officer; Jose Gonzales, Sr. Investment Officer; Tammy Green, Executive Assistant; and Tiffany Reeves, Reinhart (Fiduciary Counsel).

Visitors noted on call: Christine Williamson, Pensions & Investments; John Bloomfield.

Minutes

A draft of the December 9, 2020 minutes of the audit committee meeting was sent to committee members for review. A motion was made by Trustee Strand, seconded by Trustee Pfeiffer, to approve the minutes as presented. Roll call resulted in affirmative voice votes from Trustees Miller, Peronto, Pfeiffer, and Strand. Motion Carried.

Real Estate Separate Accounts Audit

Tim Hays, Sr. Investment Officer, presented the results of the FY 20 real estate separate account portfolio audits that were performed by KPMG 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; 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 misstatements, no material weaknesses, and no significant deficiencies identified during the audit. No changes to the TRS separate account policy and procedures or external manager internal controls were recommended or required.

Financial Statement Audit

Deron Bertolo, Chief Financial Officer, reported that the Office of the Auditor General released the TRS financial audit for fiscal year ended June 30, 2020. Documentation is on file. The financial audit was conducted by BKD LLP. There were no findings reported under *Government Auditing Standards*. The Comprehensive Annual Financial Report is posted on the TRS website www.trsil.org.

Internal Audit Reports

Christina Baker, Internal Audit Supervisor and Matthew Wombacher, Internal Auditor, provided a summary of the Retirement Claims audit and Agency Organization & Management audit. Documentation is on file.

Quality Assurance Review

The State Internal Audit Advisory Board (SIAAB) has adopted the *Standards* and Code of Ethics for all State internal auditors. In order to report that audits are "conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*", an external assessment must be completed at least once every five years to demonstrate that the internal audit activity is in compliance with the *Standards*. The external assessment is performed through a quality assurance review (QAR). The last external assessment of the TRS Internal Audit function was completed in May of 2016.

Ms. Smith received approval from the SIAAB for the chief internal auditor from the State Universities Retirement System (SURS) to be the independent validator. The audit committee received a copy of the Quality Assurance Confidentiality Policy Commitment Statement, Statement of Independence, and the qualifications of SURS' chief internal auditor. Documentation is on file.

Attribute Standard 1312 in the *Standards* states that the chief audit executive must discuss with the Board the need for more frequent external assessments and the qualifications and independence of the external review. Currently, the five-year review cycle appears adequate. The audit committee will receive a copy of the final Quality Assurance Report once it is issued by SIAAB.

ADJOURNMENT

A motion was made by Trustee Pfeiffer, seconded by Trustee Strand, to adjourn the meeting at 9:03 a.m. Roll call resulted in affirmative voice votes from Trustees Miller, Peronto, Pfeiffer, and Strand. Motion Carried.



Stan Rupnik, Acting Executive Director/Chief Investment Officer

Approved: 6/17/21