



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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R. Stanley Rupnik, Executive Director & Chief Investment Officer

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MINUTES Audit Committee June 17, 2021

A virtual meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on June 17, 2021 in accordance with Executive Order 2021-11 which extends the original Executive Order 2020-07 through June 26, 2021. The provisions of the Open Meetings Act relating to in-person attendance by members of the public body are suspended due to the global coronavirus pandemic.

Fred Peronto, Chair, called the meeting to order at 8:30 a.m. A quorum was present. Roll Call attendance was taken with the following committee members present: Maureen Mena, David Miller, Doug Strand, Larry Pfeiffer, and Fred Peronto, Chairman.

Other TRS trustees present: Beth Anderson, Carmen Ayala, Mark Bailey, Norma Bellcoff, Devon Bruce, Marsha Byas, Andy Hirshman, Matt Hunt, Mia Jazo-Harris, and Joe Blomquist, TRS trustee effective 7/15/21.

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; Stacy Smith, Director of Internal Audit and Risk; Christina Baker, Internal Audit Supervisor; Andy Jones, Sr. IT Internal Auditor; Matt Wombacher, Internal Auditor; Bob Jiroutek, Sr. Risk Officer; Dave Urbanek, Director of Communications; Jeff Bennett, Director of Operations; Chris Wiedel, Director of Information Technology; John Gerding, Deputy Director of Information Technology; Chad Fry, Technical Systems Manager; John Boykin, Sr. Technical Support Analyst; Greg Turk, Director of Investments; Ben Skrodzki, Sr. Investment Officer; Jerry Quandt, Sr. Investment Officer; Scottie Beville, Sr. Investment Officer; Jose Gonzales, Sr. Investment Officer; Tim Hays, Sr. Investment Officer; Grant Aguirre, Investment Analyst; Tammy Green, Executive Assistant; Barbara Davison and Kelly Anderson, ITCI (Consultant); and Tiffany Reeves, Reinhart (Fiduciary Counsel).

Note: 18 call-in participants joined the meeting as audio attendees.

Minutes

A draft of the February 25, 2021 minutes of Audit Committee meeting was sent to the committee members for review. A motion was made by Trustee Pfeiffer, seconded by

Trustee Strand, to approve the minutes, as presented. Roll call resulted in affirmative voice votes from Trustees Mena, Miller, Pfeiffer, Strand, and Peronto. Motion Carried.

Diversifying Strategies Internal Audit Report

Barbara Davison, President of Investment Training and Consulting Institute, provided a summary of the diversifying strategies internal audit report for the period January 1, 2019-December 31, 2020. The major objectives of the audit were to determine whether initial and ongoing due diligence was performed at an appropriate level, verify appropriate approval was obtained on new DS investments and additional funding(s) and review the valuation, performance, risk metrics and financial accounting processes are reconciled and verified by TRS Investment Accounting. Documentation is on file.

Budgeting, Accounting and Reporting Internal Audit Report

Matt Wombacher, Internal Auditor, provided a summary of the Budgeting, Accounting and Reporting audit report. Documentation is on file.

FY 2021 Revised Internal Audit Plan

Internal Audit staff recommended moving three audits from the FY 2021 to the FY 2022 internal audit plan due to additional time spent on the IT Staff Augmentation Contract Review, training of new staff, and development of a fraud and ethics policy to implement alongside a hotline. Documentation is on file.

1. IT General Controls
2. Derivatives
3. Performance Monitoring and Reporting

A motion was made by Trustee Strand, seconded by Trustee Mena, that the committee recommend to the Board to approve the revised FY 2021 internal audit plan, as presented. Roll call resulted in affirmative voice votes from Trustees Mena, Miller, Pfeiffer, Strand, and Peronto. Motion Carried.

FY 2022/FY 2023 Internal Audit Plan

The committee received the two-year Internal Audit Plan for fiscal years 2022 and 2023 including the risk assessment worksheets. Documentation is on file. A motion was made by Trustee Strand, seconded by Trustee Mena, that the committee recommend to the Board to approve the FY 2022/FY 2023 Internal Audit Plan as presented. Roll call resulted in affirmative voice votes from Trustees Mena, Miller, Pfeiffer, Strand, and Peronto. Motion Carried.

Internal Audit Charter Revisions

Per Attribute 1000 in the Institute of Internal Audit Standards, the chief audit executive should periodically review the internal audit charter and present it to senior management and the Board for approval. Stacy Smith, Director of Internal Audit & Risk, proposed revisions to Section 3B, 3C – Audit Documents, to reflect the role of the new internal audit supervisor position and to audit processes due to working from home due to the coronavirus pandemic. Documentation is on file. A motion was made by Trustee Miller, seconded by Trustee Mena, that the committee recommend to the Board to approve revisions to the internal audit charter, as presented. Roll call resulted in affirmative voice votes from Trustees Mena, Miller, Pfeiffer, Strand, and Peronto. Motion Carried.

Audit Findings & Observations Status Report

The committee received the Audit Findings & Observations Status Report as of March 31, 2021. The report provides the status of previous audit findings and observations and ensures that TRS management takes the appropriate corrective action. 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. There are four issues at either pending or partially complete status and eight issues at the risk-accepted status. Documentation is on file.

Enterprise Risk Report

The TRS enterprise risk management committee (ERMC) provides oversight and disciplined thought about current and potential risks facing TRS. The committee reviews individual risk category reports and provides a summary risk report to the Board twice a year. Risk levels include high, elevated, caution, guarded, and low. The eight risk changes reported were mostly related to the Gemini project. Documentation is on file.

ADJOURNMENT

On a motion by Trustee Strand, seconded by Trustee Pfeiffer, the meeting adjourned at 9:27 a.m. Roll call resulted in affirmative voice votes from Trustees Mena, Miller, Pfeiffer, Strand, and Peronto. Motion Carried.



Stan Rupnik, Executive Director and Chief Investment Officer

Approved: 8/12/21