



MINUTES
Audit Committee
May 19, 2010

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on May 19, 2010 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), Sharon Leggett (Vice Chair), Marcia Boone, Jan Cleveland, and Sonia Walwyn. Other trustees present: Mike Busby, Janice Reedus, Sid Marder, Cynthia O'Neill, and Molly Phalen.

Others present: Stan Rupnik, Acting Exec. Director/CIO; Tom Gray, General Counsel; Cynthia Fain, Sr. Asst. General Counsel; Stacy Smith, Director of Internal Audit; Melissa Oller, Internal Auditor; Kathleen Farney, Director of Research; Rich Frankenfeld, Director of Outreach; Tassi Maton, Director of Investment Operations; Gina Larkin, Director of Human Resources; Jana Bergschneider, Director of Administration; Dave Urbanek, Public Information Officer; Sue Billington, Executive Assistant; Tammy Green, Asst. to Executive Director; and John Long, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Dennis Murfin, IRTA Rep.; Shirley Dodds, IRTA Rep.; Don Davis, IRTA Rep.; and Jack Tucker, IEA-R.

Minutes

A draft of the minutes from the February 24, 2010 Audit Committee was sent to the committee members for review. On a motion by Marcia Boone, seconded by Sharon Leggett, and by unanimous voice vote, the minutes were approved as printed.

Audit Findings & Observations Status Report

Stacy Smith, Director of Internal Audit, reported on the Audit Findings & Observations Status Report as of March 31, 2010, containing items that are still pending, issues that have been resolved, and new reportable items. Issues where the risk has been accepted by the responsible department are noted on a separate report titled Audit Findings & Observations With Risk Accepted Status. Documentation is on file.

Internal Audit Reports

Stacy Smith, Director of Internal Audit, and Melissa Oller, Internal Auditor, provided summaries of the Wire & Security Transfers/Signature Policy and Miscellaneous Adjustment audits. Documentation is on file.

FY 11/FY 12 Internal Audit Plan

The committee received copies of the two-year internal audit plan for fiscal years 2011 and 2012 including the risk assessment worksheet. The investment audits will be based upon the results of the work performed by the Investment Training and Consulting Institute (ITCI) in January 2011. Internal Audit will share the results of the ITCI work and bring an adjusted audit plan with the specific investment audits to the audit committee next year. Documentation is on file. A motion was made by Marcia Boone, seconded by Sonia Walwyn, that the committee recommend to the Board to approve the FY 11-12 Internal Audit Plan with risk assessment worksheet, as presented. The motion passed by a unanimous voice vote.

FY 10 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 2010 FCIAA internal control evaluation process is on file. Staff submitted certification to the Auditor General.

Internal Audit Standards

Attribute Standard 1010 from 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. Ms. Smith provided a brief overview of the items provided to the committee. Documentation is on file.

Public Act 96-795

Gina Larkin, Director of Human Resources, reported that Public Act 96-795 passed in November 2009 and requires that the chief officer of each State agency appoint a chief internal auditor to serve a five year term. The chief internal auditor can be terminated only for cause after a hearing before the Executive Ethics Commission. Documentation is on file. The board bylaws state that the Audit Committee must review and concur in the appointment, replacement, or dismissal of the Director of Internal Audit. A motion was made by Sonia Walwyn, seconded by Marcia

Boone, that the committee recommend to the Board to authorize the Acting Executive Director to appoint Stacy Smith to serve a five year term as Director of Internal Audit. The motion passed by a unanimous voice vote.

New Auditor

Ms. Smith reported that Tassi Maton, Director of Investment Operations, has accepted the position of Internal Auditor.

ADJOURNMENT

On a motion by Marcia Boone, seconded by Sharon Leggett, and by unanimous vote, the meeting adjourned at 1:15 p.m.

Stan Rupnik, Acting Executive Director

Approved _____