



MINUTES

**Meeting of the Audit Committee
of the Board of Trustees of the
State Universities Retirement System
10:10 a.m., Wednesday, December 2, 2009
The Northern Trust – London Room B9
50 South LaSalle Street
Chicago, Illinois 60603**

The following Trustees were present: Dr. John Engstrom, Chair; Dr. Jeffrey Beaulieu, Mr. Matthew Berns, Ms. Patricia Cassidy, Dr. Marva Williams, Dr. J. Fred Giertz, Ms. Dorinda Miller, Mr. Antonio Vasquez, and Mr. Mitchell Vogel.

Others present were: Ms. Judith A. Parker, Interim Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Kelly A. Jenkins, General Counsel; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Mr. Steve Hayward, Director of Internal Audit; Ms. Shelley Porter, Chief Financial Officer; Mr. Doug Steele, Director of Application Development & Research; Mr. Chris Hansen, Director of Operations; Mr. Terrin Krantz, Director of Human Resources; Ms. Angela Lieb, Director of Member Services; Mr. Michael Sheppard, Assistant Deputy Director of SMP; Ms. Lori Kern and Ms. Stacy Smith, Executive Assistants; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Ms. Patricia Somerville-Koulouris, The Northern Trust; Mr. Jake Baggott, SURSMAC; and Mr. Steve Zahn, Governmental Consulting Solutions.

Trustee John Engstrom called the meeting to order at approximately 10:10 a.m.

Roll call attendance was taken. Trustee Beaulieu, present; Trustee Berns, present; Trustee Cassidy, present; Trustee Engstrom, present; Trustee Giertz, present; Trustee Hightman, absent; Trustee Miller, present; Trustee Rogers, absent; Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, present.

APPROVAL OF MINUTES

Trustee Engstrom presented the Minutes from the Audit Committee meeting of September 10, 2009. Trustee Miller moved that:

- The Minutes of September 10, 2009, be approved as presented.

Motion seconded and carried with all trustees present voting in favor except Trustee Berns who voted present.

CHAIRPERSON'S REPORT

Trustee Engstrom provided a report referring to the SURS Audit Committee Structure and Review incorporated as part of these Minutes as [Exhibit 1](#). He suggested that the Committee meet annually with representatives from the external audit firm and the Office of the Auditor General (AOG) once the audit process is complete. Trustee Engstrom also encouraged the trustees to develop a questioning attitude when considering a new investments or programs. In all, Trustee Engstrom firmly believed the internal audit function of the SURS staff is operating efficiently and effectively in accordance with state regulations and professional standards.

EXTERNAL AUDIT UPDATE

Mr. Steve Hayward provided a status of the external audit for the fiscal year ended June 30, 2009. The external auditors from McGladrey and Pullen, LLP, are currently reviewing SURS' annual report and financial statements to verify accuracy and to note any compliance problems, if any. Any potential audit findings will be released in their report, which is anticipated to be released prior to the March meeting. Mr. Hayward noted two potential audit findings for the fiscal year 2009. Trustee Engstrom indicated that none of these potential findings are anything to be disturbed about, and that last year's material findings will not be repeated again this year.

INTERNAL AUDIT REPORTS

Mr. Hayward provided a general review of the Lump Sum Death Benefits Audit which tests the claims calculations completed between August 1, 2007, and July 31, 2009. The purpose of this audit is to verify these death benefits conform to the Illinois Pension Code and the rules of the system. Mr. Hayward noted a few immaterial findings from this audit.

He also provided the Audit Completion Report for FY09. This report under the Fiscal Control and Internal Auditing Act (FCIAA) mandates the Internal Auditor to complete a written report detailing how the audit plan for the past year was carried out and any significant findings. The FCIAA requires mandatory audits at least every two years for all major areas. It was noted that all mandatory audits scheduled this fiscal year were completed.

Mr. Hayward reviewed the travel and administrative expenditures audit report which is completed semi-annually. The main objective of this audit is to verify expenses conform to the Higher Education travel statutes, SURS travel and purchasing policies and any other rules of the State of Illinois. Mr. Hayward noted that trustees should remit travel vouchers to SURS within 30 days after the end of travel in accordance to the Board's travel policy.

Mr. Hayward reviewed the Internal Audit Recommendation Implementation tracking report for FY 2010 as well as provided an overview of the Death Match Report.

Since no further business was to come before the Committee, Trustee Williams moved that the meeting be adjourned. The motion was seconded and it carried.

Respectfully submitted,

A handwritten signature in cursive script that reads "Judith A. Parker".

Ms. Judith A. Parker
Secretary, Board of Trustees

JAP:ssr