



## **MINUTES**

**Meeting of the Audit Committee  
of the Board of Trustees of the  
State Universities Retirement System  
11:10 a.m., Thursday, March 12, 2009  
SURS Main Conference Room  
1901 Fox Dr., Champaign, Illinois**

The following Trustees were present: Mr. Mitchell Vogel (President), Ms. Christine Boardman, Mr. Mark Donovan, Mr. Michael Mackey, Dr. Alice Palmer, Mr. Michael Pizzuto, Mr. Antonio Vasquez and Dr. Marva Williams.

Others present were: Ms. Judith Parker, Interim Executive Director; Mr. Daniel L. Allen, Chief Investment Officer; Mr. Douglas C. Wesley, Deputy Chief Investment Officer; Mr. Kelly A. Jenkins; General Counsel, Ms. Kimberly Pollitt, Senior Investment Officer; Ms. Lou Ann Fillingham and Mr. Tony Lee, Investment Officers; Ms. Marilyn Branson, Investment Governance and Compliance Officer; Ms. Hanea Schluter, Ms. Lori Kern and Ms. Stacy Smith, Executive Assistants; Mr. Terrin Krantz, Director of Human Resources; Ms. Mary Pat Burns, Burke, Burns & Pinelli; Ms. Shelley Porter, Chief Financial Officer; Ms. Angie Lieb, Director of Member Services; Mr. Douglas Steele, Application Development Manager; Mr. Chris Hansen, Information Systems & Building Services Manager; Mr. Michael Sheppard, Assistant Deputy Director of SMP, Mr. Steve Hayward, Internal Audit Director; Mr. Bryan Perrero, Assistant General Counsel; Mr. Douglas Taylor, Internal Auditor; Ms. Brenda Dunn, Human Resource Officer; Ms. Kendra Iffland, Publications Editor; Mr. Gary Guibert, The Northern Trust Company; Mr. Don Pollak, Northern Trust Investments.

Mr. Michael Pizzuto called the meeting to order at the time and location set forth in the notice of the meeting.

Roll call attendance was taken. Trustee Boardman, present; Trustee Donovan, present; Trustee Mackey, present; Trustee Palmer, present; Trustee Pizzuto, present; Trustee Vasquez, present; Trustee Vogel, present; Trustee Williams, present.

## **APPROVAL OF MINUTES**

Mr. Pizzuto presented the Minutes from the Audit Committee meeting of December 12, 2008. Dr. Marva Williams moved to approve the Minutes, the motion was seconded and it carried.

## **EXTERNAL AUDIT UPDATE**

Mr. Steve Hayward reported the fiscal year 2008 financial statement audit report, which was released by the Auditor General's office on January 29, 2009, contained one material finding. The finding pertained to the valuation and oversight of alternative investments. It was noted that another potential finding was dismissed during the exit conference. Mr. Hayward explained that SURS needs to improve the accounting and financial reporting processes used in determining the fair value measurements of the alternative investment asset class. Mr. Hayward discussed the final two immaterial findings and explained that they would not be released to the public, but reminded the Board that if SURS did not implement the recommendations, it could result in material findings. The fiscal year 2008 Required Communications report, which is between the external auditors and the Board, was also discussed. Mr. Hayward stated that this report would note any problems or issues the auditors had with staff or accounting practices and no unusual items were noted. Mr. Hayward reported that fiscal year 2009 audit work will begin soon.

## **INTERNAL AUDIT REPORTS**

Mr. Hayward discussed the Disability Retirement Annuity audit report. The main objective of this audit was to determine that the procedures for the payment of disability retirement annuities are adequate and conform to the laws as prescribed in the Illinois Pension Code and the rules of the system. The audit opinion stated that the computer calculations of disability retirement annuity benefits reasonably conform to the Illinois Pension Code and the rules of the system. It was also noted that there were no findings associated with this audit.

Mr. Hayward also reviewed the payroll audit report. Mr. Hayward noted that the audit revealed that SURS does reasonably conform to the statutes and rules of the State Universities Civil Service System and the rules of SURS. A few of the findings and recommendations were reviewed with the Trustees. A review of the travel and administrative expense audit report noted a few minor findings, however the payment of these expenses conformed to the Higher Education travel statutes, SURS travel and purchasing administrative rules. Mr. Hayward also presented a report from the Berwyn death matching process and gave an update as of March 20, 2009 regarding the recovery of the overpaid benefits discovered from this process.

There being no further business to come before the Committee, the meeting adjourned.

Respectfully submitted,



Ms. Judith A. Parker  
Interim Executive Director

JAP:hns