

## **Illinois Municipal Retirement Fund**

### **Meeting No: 10-11-A**

#### **Audit Committee**

The Audit Committee met at the IMRF office in Oak Brook, Illinois on Friday, November 19, 2010 at 7:30 AM. Committee members Henry and Stafford were present. Ms Henry served as chair. Committee member Rademacher arrived at 7:35 A.M. Also present were internal auditors Samz, Gonzales and King, external auditors Gabouer, Barrientos and Allen from KPMG, IS auditors Gerschoffer (via teleconference) and Wannamaker from Crowe Horwath and staff members Kosiba, Woollen, Duquette, O'Brien, and DeCleene.

#### (10-11-01) (Approval of Minutes)

Minutes of the June 25, 2010 audit committee meeting were approved on a motion by Mr. Stafford and seconded by Ms. Henry. The motion carried unanimously.

#### (10-11-02) (Review of Audit Committee's Performance versus its Charter)

Mr. DeCleene furnished an analysis of the Committee's responsibilities as laid out in its charter versus its performance. The analysis indicated that the Committee is meeting its responsibilities.

#### (10-11-03) (Discussion of the Internal Auditing Department Charter)

After a brief discussion by the Committee, it was moved by Mr. Stafford and seconded by Ms. Rademacher to reaffirm the Internal Auditing Department Charter. The motion carried unanimously.

#### (10-11-04) (Review of Audit Committee's Response to Self-Assessment)

Mr. DeCleene furnished an analysis of the Committee's responses. No changes in procedures were suggested based on the responses.

#### (10-11-05) (Report on Compliance Activity)

Ms. O'Brien reported on the results of IMRF's compliance activities over the twelve months ended October 31, 2010. She indicated that there were two reported violations of IMRF's Code of Conduct. In both cases the offending employee was disciplined, counseled and put on probation.

#### (10-11-06) (Presentation of the Results of the IS Internal Audit Work)

Mr. Gerschoffer and Ms. Wannamaker of Crowe Horwath summarized the results of their work surrounding two reports: Network Security Assessment, Information Systems General Controls Review and Application Security Review, and External Penetration Assessment. They touched on the four high and three moderate risk areas identified by their work. Members of the Committee commented on the significant value of Crowe Horwath's work in the information systems area.

#### (10-11-07) (Presentation of 2010 External Audit Plan for IMRF's 2010 Financial Statements)

Mr. Gabouer and Ms. Barrientos of KPMG presented information on their 2010 audit plan for the Fund's financial statements. They discussed the scope of their services and their planned areas of emphasis. They noted that special emphasis was going to be placed on valuation of pension obligation, valuation of marketable and non-marketable investments, derivative disclosures, calculation of benefits, census data, member and employer contributions, and information systems.

#### (10-11-08) (Acceptance of KPMG's 2010 Arrangement Letters)

A recommendation to have the Board of Trustees accept the KPMG arrangement letter for the audit of the 2010 financials was approved on a motion by Ms. Rademacher and seconded by Mr.

Stafford. The motion carried unanimously. The proposed fees for the 2010 financial statement audit are \$120,900.

(10-11-09) (Presentation of 2010 Internal Audit Plan)

Mr. Samz presented the 2011 internal audit plan focusing on the risk assessment process and the areas of emphasis. There were no questions from members of the Committee.

(10-11-10) (Update on 2010 Employer Audits)

Mr. Samz presented the results of the 2010 Employer Audit Program to date. To date 131 employers have been audited with another 19 scheduled by year end. IMRF continues to find numerous exceptions. The Committee discussed at some length the level of training IMRF offers authorized agents. There was a comment that perhaps IMRF should have mandatory training for authorized agents. Staff indicated that it would look into the possibility of offering training for authorized agents using other delivery channels such as the web or webinars. Mr. DeCleene indicated that IMRF is currently in the process of surveying employers. As of November 19, 2010, out of 153 responses to IMRF internal audit staff conducting employer audits, 34.6% were very satisfied, 39.2% were satisfied, 25.5% were neutral, .7% were dissatisfied and no one was very dissatisfied. When asked the importance of employer audits, 44.6% rated them high, 42.0% medium and 14.4% low.

(10-11-11) (Documentation of Eligibility to Participate for Members of Governing Bodies)

The Committee decided to defer acting on the staff's recommendation to require participating elected governing body members to provide documentation supporting that they meet the hourly standard for participation. Staff was asked to provide information on the number of elected governing body members who are currently active members of IMRF.

(09-11-12) (Private Sessions with External and Internal Auditors)

After excusing management representatives, the Committee met separately with the internal auditors from Crowe Horwath, the external auditors from KPMG and IMRF's internal auditors.

(09-11-13) (Adjournment)

The meeting adjourned at 9:20 AM to be reconvened at the Oak Brook office of IMRF on Friday May 20, 2011.

---

Chairperson

Date

---

Clerk

Date