

## Illinois Municipal Retirement Fund

### Meeting No: 11-11-A

#### Audit Committee

The Audit Committee met at the IMRF office in Oak Brook, Illinois on Thursday, November 17, 2011 at 3:23 PM. Committee members Henry, Rademacher and Stafford were present. Board members Copper and Shoop were also present. Ms. Henry served as chair. Also present were internal auditors Samz, Gonzales and Davidyan, external auditors Gabouer and Barrientos from KPMG, IS auditors McKnight and Poluga (via teleconference) from Crowe Horwath and staff members Kosiba, Woollen, Duquette, O'Brien, Engstrom, Splitt and DeCleene.

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

Minutes of the May 20, 2011 audit committee meeting were approved on a motion by Ms. Rademacher and seconded by Mr. Stafford. The motion carried unanimously.

#### (11-11-02) (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.

#### (11-11-03) (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.

#### (11-11-04) (Report on Compliance Activity)

Ms. O'Brien reported on the results of IMRF's compliance activities over the twelve months ended October 31, 2011. She indicated that there were no reported violations of IMRF's Code of Conduct.

#### (11-11-05) (Presentation of the Results of the IS Internal Audit Work)

Mr. McKnight and Ms. Poluga 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 moderate risk areas and one low risk area identified by their work.

#### (11-11-06) (Agreed Upon Procedures for Illinois Department of Insurance)

Mr. DeCleene reported on his discussions with Travis March, Deputy Director Public Pension Division of the Illinois Department of Insurance on reaching agreement on the scope of work the Department of Insurance will require to meet its comfort level on IMRF's compliance with the Illinois Pension Code. The Department of Insurance has submitted the matter to its in-house legal staff for an interpretation. At this time, it appears that the Department will not require any compliance work for 2011.

#### (11-11-07) (Presentation of 2011 External Audit Plan for IMRF's 2011 Financial Statements)

Mr. Gabouer and Ms. Barrientos of KPMG presented information on their 2011 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.

#### (11-11-08) (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 2011 financials was approved on a motion by Ms. Rademacher and seconded by Mr.

Stafford. The motion carried unanimously. The proposed fees for the 2011 financial statement audit are \$125,500.

(11-11-09) (Presentation of 2012 Internal Audit Plan)

Mr. Samz presented the 2012 internal audit plan focusing on the risk assessment process and the areas of emphasis. The Committee accepted the proposed plan without any modifications.

(11-11-10) (Update on 2011 Employer Audits)

Mr. Samz presented the results of the 2011 Employer Audit Program to date. To date 100 employers have been audited with another 50 scheduled by year end. IMRF continues to find numerous exceptions. Mr. DeCleene indicated that IMRF is currently in the process of surveying employers. As of November 17, 2011, out of 180 responses to IMRF internal audit staff conducting employer audits, 51.7% were very satisfied, 36.7% were satisfied, 10.6% were neutral, .6% were dissatisfied and .6% were very dissatisfied.

(11-11-11) (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.

(11-11-12) (Adjournment)

The meeting adjourned at 4:33 PM to be reconvened at the Oak Brook office of IMRF on Friday May 18, 2012.

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Chairperson

Date

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Clerk

Date