

Illinois Municipal Retirement Fund

Meeting No: 12-11-A

Audit Committee

The Audit Committee met at the IMRF office in Oak Brook, Illinois on Thursday, November 16, 2012 at 10:20 AM. Committee members Naninni, Henry, Stafford and Thompson were present. Board members Copper and Piechocinski were also present. Mr. Naninni served as chair. Also present were internal auditors Samz, Gonzales and Davidyan, external auditor Gabouer from KPMG, IS auditors Gerschoffer and Poluga from Crowe Horwath and staff members Kosiba, Woollen, Duquette, O'Brien, Engstrom, Splitt and DeCleene.

(12-11-01) (Approval of Minutes)

Minutes of the May 18, 2012 audit committee meeting were approved on a motion by Ms. Henry and seconded by Ms. Thompson. The motion carried unanimously.

(12-11-02) (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.

(12-11-03) (Review of Audit Committee's Response to Self-Assessment)

Mr. DeCleene furnished an analysis of the Committee's responses. Several members of the committee expressed their concerns about being fully and timely informed of significant matters such as the IRS penalty matter. Staff acknowledged its failure in this area and indicated its resolve to improve in this area. No other changes in procedures were suggested based on the responses.

(12-11-04) (Report on Compliance Activity)

Ms. O'Brien reported on the results of IMRF's compliance activities over the twelve months ended October 31, 2012. She indicated that there were no reported violations of IMRF's Code of Conduct.

(12-11-05) (Agreed Upon Procedures for Illinois Department of Insurance)

Mr. DeCleene reported on the status of compliance testing for the benefit of the Illinois Department of Insurance.

(12-11-06) (Presentation of the Results of the IS Internal Audit Work)

Mr. Gerschoffer and Ms. Poluga of Crowe Horwath summarized the results of their work surrounding three reports: Network Security Assessment, Information Systems General Controls Review and Application Security Review, Internal Penetration Assessments and External Penetration Assessment. They touched on five high risk areas and six moderate risk areas identified by their work. There was a discussion surrounding the risks of unauthorized access to sensitive data.

(12-11-07) (Acceptance of Crowe Horwath's 2013 Arrangement Letters)

A recommendation to have the Board of Trustees accept the Crowe Horwath arrangement letter for internal control testing of IS operations in 2013 was approved on a motion by Ms. Henry and seconded by Ms. Thompson. The motion carried unanimously. The proposed fees for the 2013 work are \$59,500.

(12-11-08) (Presentation of 2012 External Audit Plan for IMRF's 2012 Financial Statements)

Mr. Gabouer of KPMG presented information on their 2012 audit plan for the Fund's financial statements. He discussed the scope of their services and their planned areas of emphasis. He

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.

(12-11-09) (Acceptance of KPMG's 2012 Arrangement Letters)

A recommendation to have the Board of Trustees accept the KPMG arrangement letter for the audit of the 2012 financials was approved on a motion by Ms. Thompson and seconded by Ms. Henry. The motion carried unanimously. The proposed fees for the 2012 financial statement audit are \$129,265.

(12-11-10) (Presentation of 2013 Internal Audit Plan)

Mr. Samz presented the 2013 internal audit plan focusing on the risk assessment process and the areas of emphasis. The Committee agreed to recommend acceptance of the proposed plan at the December 21, 2012 Board of Trustees meeting.

(12-11-11) (Other Business)

Mr. DeCleene updated the Committee of the current status of the IRS appeal related to the late payment of withholding taxes. Mr. DeCleene also informed the Committee of the fraud brainstorming session which is scheduled for December 7, 2012 and extended an invitation to attend.

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

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

(11-11-12) (Adjournment)

The meeting adjourned at 12:30 PM to be reconvened at the Oak Brook office of IMRF on Friday May 31, 2013.

Chairperson

Date

Clerk

Date