

Illinois Municipal Retirement Fund

Meeting No: 15-11-A

Audit Committee

The Audit Committee met at the IMRF office in Oak Brook, Illinois on Monday, November 2, 2015, at 2:30 PM. Committee members Henry, Stanish and Kuehne were present. Board member Miller also attended this meeting. IMRF staff members Kosiba, Woollen, Nannini, Shah, Davidyan, Bianchetta and Lane were present.

(15-11-01) Chairperson Henry called the meeting to order at 2:30 PM.

(15-11-02) (Approval of Minutes)

Minutes from the October 22, 2015 Audit Committee Meeting were approved on a motion by Stanish, seconded by Kuehne. The motion carried unanimously.

(15-11-03) (Presentation of Auditing Services)

The following firms presented to the Audit Committee and staff: RSM (McGladry), Plante Moran and Crow Horwath.

Partner Joe Evans from RSM introduced the proposed engagement team and gave an overview of services as provided in the RFP, followed by questions from the Audit Committee members and staff. Stanish asked about engagement team retention and whether IMRF should expect the same team to return for the audit in the following year. Evans responded that once a team is assigned to a client they return each year for continuity, unless there is a logical time to rotate out or due to staff turnover. Henry asked if the firm had experience auditing multi-employer plans. Evans responded with names of cost sharing plans that are current clients of RSM. Henry followed-up with a question related to expectation around change orders on initial fees quoted. Evans answered that normally they would not be asking for additional fees unless the records were in such shape as to preclude completion of the audit and requiring the engagement team to sort out the discrepancies. Kuehne asked whether they experienced any issues during their GASB 68 work with their clients and whether additional fees were charged as a result. Evans responded that there were some “bumps” on the way. He explained that with one client, where management was proactive on sorting out the issues, no additional fees were charged. However, another client’s issues related to allocation of contributions did result in additional fees due to the fact that it required more extensive involvement on the part of the engagement team. Nannini asked whether RSM would be able to rely on the 2015 SOC1 type II report that will be issued by another firm. Evans answered that he saw no issue and that he had high degree of confidence in the work of this reputable firm, granted RSM would have access to review the working papers of the predecessor firm.

Partners Beth Bialy and Joe Heffernan from Plante Moran introduced the proposed engagement team and gave an overview of services as provided in the RFP, followed by questions from the Audit Committee members and staff. Henry asked about engagement team retention and whether

IMRF should expect the same team to return for the audit in a following year. Bialy responded that they have very low turnover and high retention rates in terms of staffing and that the same team would be expected to return for the audit. Kuehne asked whether they experienced any issues during their GASB 68 work with their clients and whether additional fees were charged as a result. Bialy answered that she was not aware of additional fees charged. She explained the approach that was taken at one of their agent multiple-employer plan clients was to do the SOC1 Type II report for the initial adoption of GASB 68. Henry asked whether Plante Moran would be able to rely on the 2015 SOC1 type II report that will be issued by KPMG. Bialy answered that it should not be a problem, granted Plante Moran would have access to review the working papers of the predecessor firm. Stanish asked based on the firm's experience with both cost sharing and agent multiple-employer plans adopting GASB 67/68, what were some of the challenges and takeaways learned. Heffernan went to explain the fundamental differences between the two types of plans and that in his opinion the agent multiple-employer plans were "easier" in terms of the new standards' adoption.

Partners Christine Torres and Brenda Torres from Crowe Horwath introduced the proposed engagement team and gave an overview of services as provided in the RFP, followed by questions from the Audit Committee members and staff. Henry asked about the fees quoted in the RFP for the GASB 68 work, which seemed high. Torres responded these were reflective of the audit worked that Crowe Horwath deemed necessary to be performed on the individual employer columns in addition to the overall schedule opinion. Kuehne asked a clarifying question about the recurring GASB 68 fee estimate. Torres answered that these fees were quoted as "not to exceed." Davidyan asked what purpose the SOC1 Type II report served if testing was still going to be performed on the individual employers within the schedule of net fiduciary position. Torres answered that the clean SOC1 Type II results help with overall reliance on the allocation and rollforward procedures, along with the materiality and level of testing, which would be adjusted to reflect such results, but that it was still essential to perform both SOC1 Type II as well as a sample based individual employer column testing procedures. Nannini asked whether Crowe Horwath would be able to rely on the 2015 SOC1 type II report that will be issued by another firm. Torres answered that she saw no issue with that, granted Crowe Horwath would have access to review the working papers of the predecessor firm. Shah inquired about adoption of GASB 72 and whether fees related to work to be done for this standard adoption were included in the fee estimate. Torres responded that the fees are reflective of this standard adoption and that they do not anticipate challenges related to its implementation.

At the conclusion of the presentations the Audit Committee and staff held a discussion regarding each of the firms that presented. RSM and Plante Moran were further discussed as the two finalist firms, being compared and contrasted in terms of fees and client experience. Nannini pointed out that Plante Moran had prior agent multiple-employer plan experience and that RSM had only cost-sharing plans experience. The Audit Committee members discussed the proposed fees difference between the two firms and whether higher fees were substantiated by Plante Moran's proposal. Following the discussion and comments, the audit committee voted on the firm selection action item.

(15-11-04) (Motion: Selection of Auditing Services Firm)

The following motion was made by Stanish, seconded by Henry:

The Audit Committee recommends the board approve a contract with RSM for auditing services as presented in the RFP for a term of up to five years.

The motion carried unanimously.

(15-11-05) (Adjournment)

A motion was made by Kuehne, seconded by Stanish to adjourn the meeting. The motion was unanimously approved at 4:13 PM. The Audit Committee will reconvene on November 20, 2015.

Chairperson

Date

Clerk

Date