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Illinois Municipal Retirement Fund (IMRF)

Audit Committee Presentation – 2019 CAFR, SOC 1
Type 2 Report and other GASB 68 Reporting

May 29, 2020

Key Engagement Team

- Audit Team

- Joe Evans – Partner – Engagement Leader
- Marc Sewell – Partner – Quality Reviewer
- Bill Sarb – Senior Manager
- Garrett Larsen – Senior
- Staff – Yuliya Nalyvayko, John Butzow etc.

- SOC Team

- Matt Gill – Partner
- Chris Kettering – Manager
- Michael Kolb – Senior

COVID-19

- The World Health Organization declared COVID-19 a pandemic on March 11, 2020
- Estimated impact on IMRF investment portfolio to date is a decrease of about 7%
- IMRF implemented business continuity plan in February and March
 - Canceled all travel in early February
 - All employees transitioned to working from home except for a select small group of essential individuals
 - Finance team worked to close the books remotely in the midst of the pandemic
 - Internal audit team worked to finalize the pending audit procedures associated with their external audit assistance plan remotely
- The RSM audit team collaborated with IMRF management to perform the majority of audit fieldwork remotely

Scope of Services

- Service Organization Control (SOC) I Type II Report
- Comprehensive Annual Financial Report (CAFR)
- GASB 68 Reporting
 - Schedule of Changes in Fiduciary Net Position by Employer
 - Attestation Report on Census Data

SOC I Type II Report

- Service Organization Control (SOC) I Type II Report
 - Timely issuance – released on March 2, 2020
 - No reported exceptions
 - The SOC process continues to go smoothly and gain efficiencies year over year
 - Upcoming migration to Horizon

Responsibility of External Auditor

- Our responsibilities under auditing standards generally accepted in the United States of America, have been described to you in our arrangement letter dated November 22, 2019
 - To express an opinion on the financial statements prepared by management
 - To obtain evidence about amounts and disclosures in the financial statements
 - To plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement
- We anticipate the issuance of an unmodified “clean” opinion on IMRF’s December 31, 2019 financial statements

Overall Summary of Results of the Audit

- No material weaknesses were noted during our audit
- Financial information received from management appears accurate and well organized
- Internal audit testing was robust, detailed, well organized and produced timely
- Based on direction from the audit committee in 2019, IMRF implemented GASB Statement No. 68 in 2019 prospectively

Investments – Audit Procedures

- Confirmed all investment holdings directly with the asset custodian (Northern Trust) – 100% of portfolio
- Additional audit procedures
 - Investment transaction testing
 - Securities lending testing
 - Investment manager fees testing
- Confirmed alternative investments directly with the fund managers – 96% response rate

Investments – Results

- Valuation Testing

- Level 1 and Level 2 Securities

- Tested representative non-statistical sample of stocks and bonds, no exceptions were noted
 - Tested representative non-statistical sample of non-cash collateral holdings under securities lending, no exceptions noted

- Alternative funds (i.e. private equities, venture capital, real estate, etc.)

- Tested representative non-statistical sample of private equities and real estate funds and compared to audited fund statements

Collaboration with Management & Internal Audit

- Met with management and internal audit to debrief on the 2018 audit in the summer of 2019 and again in the fall of 2019 to update our plan for 2019 audit procedures.
- Direct assistance provided to us by Internal Audit which leads to external audit cost-savings for IMRF in the following areas:
 - Benefits
 - Census Data
 - Investment transactions

Summary of Required Communications

Area	Comment
Significant or unusual transactions	We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatement – Passed Adjustments	As previously discussed, there was one uncorrected misstatements related to the opening balance of the IMRF Net Pension Liability and related deferred inflows and outflows of resources associated with the that liability for IMRF’s employees participation. The impact of the items net to a \$6.6 million balance sheet impact which was corrected during 2019 with the prospective implementation of GASB 68.
Preferability of Accounting Policies and Practices	Under GAAP, in certain circumstances, management may elect among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.
Alternative Treatments Discussed With Management	We noted no alternative treatments within GAAP for accounting policies and practices related to material items that were discussed with management during the current period.

Summary of Required Communications

Area	Comment
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	Management did not have any consultations with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communications Between Management and Our Firm	<ul style="list-style-type: none">• Arrangement Letter• Management Representation Letter

Concluding Thoughts

- Worked closely with Mark Nannini, David Adamski, Jim Splitt and the rest of the finance team to complete our understandings and procedures over the financial statements
- Worked closely with Elisa Juhasz and the rest of the internal audit team to complete testing
- Strong communication on both sides (including status GoTo Meetings and Webex Meetings) proved to be key to getting to this point
- Thank you to everyone involved, we look forward to continuing our relationship in the future

THANK YOU FOR
YOUR TIME AND
ATTENTION

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