

**MINUTES OF THE
AUDIT & COMPLIANCE COMMITTEE**

Monday, July 9, 2018 - 9:00 a.m.
180 N. LaSalle St., Suite 2015
Chicago, IL 60601

Present:	<u>Committee Members</u>	Justice Mary Seminara-Schostok Ezequiel Flores Board Chairman Marc Levine Shari Greco Reiches Stacey Woehrle
	<u>Board Members</u>	Senator James Clayborne Katherine Hennessy
	<u>Staff</u>	Genette Bacon-Cordova Shawn Evans Johara Farhadieh Mitchell Green James Karls Dipesh Mehta Scott Richards Atul Talwar David Zaloga
	<u>Guests</u>	Burke Burns & Pinelli, Ltd. Mary Patricia Burns Illinois State Comptroller's Office Chasse Rehwinkel Lauren Peters Kathleen Stralka Meketa Investment Group, Inc. Alli Wallace KPMG Cathy Baumann Anthony Solano Legal & General IMA Katie Lam Justin Williams

Kahn Swick & Foti, LLC
Dahlia Ronen

ROLL CALL

Chairwoman Schostok called the meeting to order at 9:03 a.m. in the Board Room of the Illinois State Board of Investment office at 180 North LaSalle Street, Suite 2015, in Chicago. Mr. Mehta called the roll and noted a quorum was present.

Board Chairman Levine moved that Trustee Flores be allowed to participate in the meeting by conference call pursuant to Section 7(a) of the Open Meetings Act. Trustee Reiches seconded, and the motion passed unanimously. At 9:04 a.m., Trustee Flores joined the meeting by conference call.

REPORT OF THE AUDIT & COMPLIANCE COMMITTEE CHAIR

None.

CONSIDERATION AND APPROVAL OF MINUTES

Trustee Reiches moved to approve the minutes, as presented, from the February 23, 2018 Audit and Compliance Committee meeting. Trustee Woehrle seconded, and the motion passed unanimously.

FISCAL YEAR 2018 AUDIT PRESENTATION BY KPMG

Representatives from KPMG, Mr. Solano and Ms. Baumann were asked to join the meeting and referred the Committee to the presentation materials. KPMG representatives discussed the general audit plan for the upcoming months, including schedule, team, and general approach and methodology, including the delineation of duties between the Audit and Compliance Committee, ISBI Staff, and KPMG. Trustee Reiches inquired about their process regarding alternative investments and KPMG replied that they are using a sampling approach. Following their presentation and additional questions from Members, the KPMG representatives thanked the Committee for its time and left the meeting.

REPORT OF THE DIRECTOR OF OPERATIONS, ACCOUNTING, AND AUDIT

Report on Status of Fiscal Year 2018 Audit

Mr. Zaloga discussed the status of the fiscal year 2018 audit by external auditor, KPMG LLP. Trustee Reiches asked if the issues from last year had been resolved. Mr. Zaloga stated the issue was resolved and an additional layer of testing was implemented.

CONSIDERATION FOR ACCEPTANCE AND FILING OF RECORD OF VOUCHERS (JANUARY, FEBRUARY, MARCH 2018)

Mr. Zaloga referred Committee Members to the Record of Vouchers paid in January, February, and March 2018.

Board Chairman Levine moved that the Record of Vouchers be approved and accepted for filing, as presented, consistent with the recommendation of ISBI's Staff. Trustee Reiches seconded, and the motion passed unanimously.

ETHICS MATTERS

Consideration and Approval of Agent Contact Report

Mr. Mehta directed Committee members to the Agency Contact Report. Board Chairman Levine asked if this report was necessary and Fiduciary Counsel replied that it was not required, but a best practice for ISBI.

Trustee Reiches moved that the Agent Contact Report as presented is approved and accepted for filing as recommended by ISBI Staff. Trustee Woehrle seconded, and the motion passed unanimously.

Consideration and Approval of Fiduciary Training Opportunities and Reminder of Board Member Timesheets

Mr. Mehta referred Members to the July 2018 list of Upcoming Training Opportunities, previously provided, and noted that travel expenses are reimbursable if approved by a majority of the Board consistent with the requirements of the Illinois Pension Code and ISBI's policies.

Trustee Flores moved that the conferences and trainings listed on the July 2018 list of Upcoming Training Opportunities as presented is approved pursuant to Section 1-113.18 of the Illinois Pension Code and that all resulting allowable expenses consistent with ISBI's policies be reimbursed. Trustee Woehrle seconded, and the motion passed unanimously.

NEW BUSINESS/OLD BUSINESS

None.

PUBLIC COMMENT

None.

NEXT MEETING AND ADJOURNMENT

Chairwoman Schostok noted that the next meeting was scheduled for September 21, 2018 and Committee Members will be notified of the time at a later date. At 9:26 a.m., there being no further business to come before the Committee, Board Chairman Levine moved to adjourn the meeting. Trustee Reiches seconded, and the meeting was adjourned.

Respectfully submitted,



Johara Farhadieh, Executive Director/
Chief Investment Officer