

MINUTES OF THE  
AUDIT & COMPLIANCE COMMITTEE

Thursday, December 12, 2019 – 1:00 P.M.  
180 N. LaSalle St., Suite 2015  
Chicago, IL 60601

Present:

<u>Committee Members</u>	Chairwoman Justice Mary Seminara-Schostok Ronald Powell Michael Tarnoff Comptroller Susana Mendoza
<u>Board Members</u>	Gisela Atlan Senator Robert Martwick Elizabeth Sanders
<u>Staff</u>	Genette Bacon-Cordova Johara Farhadieh Mitchell Green Heidi Hendricks Maryann Hong James Karls Dipesh Mehta Jessica Revilla Scott Richards Atul Talwar David Zaloga
<u>Guests</u>	Burke Burns & Pinelli, Ltd. Sarah Boeckman  State Employees' Retirement System Tim Blair (via Telephone)  Illinois State Comptroller's Office Andrew Ranck  Illinois State Treasurer's Office Rodrigo Garcia Allen Mayer  Governmental Consulting Solutions Steve Zahn

## ***ROLL CALL***

Board Chairwoman Schostok called the meeting to order at 1:02 p.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 that a quorum was present for the Audit and Compliance Committee.

## ***REPORT OF THE AUDIT & COMPLIANCE COMMITTEE CHAIR***

None.

## ***CONSIDERATION AND APPROVAL OF MINUTES***

Trustee Powell moved to approve the minutes, as presented, from the September 20, 2019 Audit and Compliance Committee meeting. Trustee Tarnoff seconded, and the motion passed unanimously.

## ***REPORT ON STATUS OF FISCAL YEAR 2019 DEFINED BENEFIT AUDIT***

Mr. Zaloga discussed the status of the Fiscal Year 2019 Defined Benefit Audit (the “2019 Audit”). He stated that the 2019 Audit had been completed and KPMG will issue a clean and unmodified opinion. Mr. Zaloga also reported that there were no financial findings. Mr. Zaloga discussed the minor issues found in the Compliance Audit, and ISBI’s subsequent corrective efforts. Fiduciary Counsel noted that while it is important for Board Members to monitor “repeat” audit findings, State entities frequently receive “repeat” audit findings in subsequent fiscal years due to the timing of the State Auditor’s final report. Mr. Zaloga confirmed that ISBI may receive a “repeat” audit finding for Fiscal Year 2020 due to the timing of the Auditor’s final report, but he noted that ISBI had implemented steps to ensure that the issues were corrected and was confident that it would not be repeated in subsequent fiscal years. Chairwoman Schostok asked if there were any questions, and there were none.

## ***REPORT ON THE 2018 DEFERRED COMPENSATION AUDIT REVIEW***

Mr. Zaloga discussed the status of the Deferred Compensation Audit Review (the “2018 Audit”). Mr. Zaloga clarified that this was a separate audit done for Central Management Services. He explained ISBI’s efforts to mitigate and lessen the risk of findings, if any.

## ***CONSIDERATION AND APPROVAL OF FINANCIAL STATEMENTS (6/30/19)***

Mr. Zaloga referred Committee Members to the Financial Statements from June 30, 2019. Trustee Sanders inquired about the drop in consulting and professional expense fees and Trustee Tarnoff also asked about the decrease in investment manager fees. Mr. Zaloga noted that ISBI negotiated lower investment and consulting fees compared to the previous year.

Trustee Tarnoff moved that the Financial Statements from June 30, 2019 be approved and accepted for filing, as presented, consistent with the recommendation of ISBI’s Staff. Trustee Powell seconded, and the motion passed unanimously.

***CONSIDERATION FOR ACCEPTANCE AND FILING OF RECORD OF VOUCHERS  
(JULY, AUGUST, SEPTEMBER 2019)***

Mr. Zaloga referred Committee Members to the Record of Vouchers paid in July, August, and September 2019. Board Chairwoman Justice Schostok asked members of the Committee if there were any questions regarding the Record of Vouchers and there were none.

Trustee Tarnoff moved that the Record of Vouchers be approved and accepted for filing, as presented, consistent with the recommendation of ISBI's Staff. Trustee Powell 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 for the second quarter of fiscal year 2020.

Trustee Powell moved that the Agent Contact Report as presented be approved and accepted for filing as recommended by ISBI Staff. Trustee Tarnoff 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 December 2019 list of Upcoming Training Opportunities, previously provided, and noted that travel expenses are reimbursable if approved in advance by a majority of the Board consistent with the requirements of the Illinois Pension Code and ISBI's policies.

Trustee Powell moved that the conferences and trainings listed on the December 2019 list of Upcoming Training Opportunities as presented be approved pursuant to Section 1-150 of the Illinois Pension Code and that all resulting allowable expenses consistent with ISBI's policies be reimbursed. Trustee Tarnoff seconded, and the motion passed unanimously.

***NEW BUSINESS/OLD BUSINESS***

None.

***PUBLIC COMMENT***

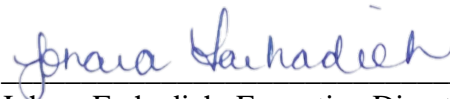
None.

***NEXT MEETING AND ADJOURNMENT***

Board Chairwoman Schostok noted that the next meeting was scheduled for March 19, 2020 and Committee Members will be notified of the time at a later date. At 1:26 p.m., there being no further

business to come before the Committee, Trustee Powell moved to adjourn the meeting. Trustee Tarnoff seconded, and the meeting was adjourned.

Respectfully submitted,

A handwritten signature in blue ink, reading "Johara Farhadieh". The signature is written in a cursive style and is positioned above a horizontal line.

Johara Farhadieh, Executive Director/  
Chief Investment Officer