Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Senator Mary Kiffmeyer, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Members of the Minnesota State Retirement System Board of Directors

Ms. Erin Leonard, Executive Director
Minnesota State Retirement System

We have audited the accompanying Schedule of Employer Allocations of the Minnesota State Retirement System (MSRS) as of and for the fiscal year ended June 30, 2017. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying Schedule of Pension Amounts by Employer of MSRS as of and for the year ended June 30, 2017. We have issued our report thereon dated December 21, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*.

Internal Controls Over Financial Reporting

As part of our audit of these schedules, we considered MSRS's internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances to express our opinion on the schedules, but not for the purpose of expressing an opinion on the effectiveness of MSRS's internal controls. Accordingly, we do not express an opinion on the effectiveness of MSRS's internal controls.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies.[1] Given these limitations, we did not identify any deficiencies in internal controls that we consider material weaknesses. However, unidentified material weaknesses may exist.

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[1] A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies, resulting in a reasonable possibility that internal controls will not prevent or detect and timely correct a material misstatement of MSRS's financial statements. A significant deficiency is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
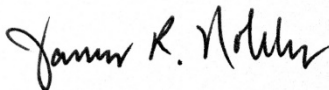
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Compliance and Other Matters

As part of reasonably assuring whether MSRS's schedules are free of material misstatements, we tested its compliance with certain provisions of laws, regulations, and contracts because noncompliance with these provisions could directly and materiality affect the determination of amounts reported on the schedules. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

The sole purpose of this report is to describe the scope of our internal controls and compliance testing and our testing results. This report is an integral part of an audit performed under *Government Auditing Standards* in considering MSRS's internal controls over financial reporting and compliance as part of our audit of these schedules. Accordingly, this report is not suitable for any other purpose.

James R. Nobles
Legislative Auditor

Tracy Gebhard, CPA
Audit Director

December 21, 2017
Saint Paul, Minnesota