

## MINUTES OF THE AUDIT & COMPLIANCE COMMITTEE MEETING

April 16, 2024

### Members Present:

Barbara J.C. Baird, SERS Trustee (via video conference)  
John Tilden, SERS Trustee (via video conference)  
Marvin Becker, Comptroller Designee

### Others in attendance:

Tim Blair, Executive Secretary  
David Morris, Vice Chairperson  
John Tilden, SERS Annuitant Trustee  
Casey Evans, Chief Internal Auditor (CIA)  
Yana Zuo, Internal Auditor

A meeting of the Audit and Compliance Committee of the State Employees' Retirement System of Illinois was held on Tuesday, April 16, 2024, at 8:30 a.m. in the System's Springfield office located at 2101 South Veterans Parkway.

The meeting was called to order at 8:30 a.m. with a quorum being established to conduct business. There were no members of the public present, and no public comments were submitted. The July 25, 2023, committee meeting minutes were provided to the Committee in advance of the meeting. Mr. Becker moved to approve the committee minutes, seconded by Trustee Baird. All members were in favor and the minutes were approved.

Prior to the meeting, the committee members were provided an audit digest highlighting the completed SERS financial audit for fiscal year 2023. CIA Evans explained that the report was released on April 4, 2024, and the external auditors provided an unmodified or clean audit opinion on the financial statements and related notes. It was explained that the fiscal year 2022 and 2023 compliance examination is in the process of being wrapped up. SERS anticipates that there will be two potential findings related to the expanded information systems review. It is expected that the external audit results will be finalized in the coming months, with a report being provided and discussed at the next committee meeting.

The Committee began discussing internal audit business which included a summary of ethics officer duties during the first quarter of fiscal year 2024. The Committee was briefed on two ethical matters in which the

CIA, as Ethics Officer, investigated, consulted, or performed liaison work. It was noted that while these matters were important, it did take away time from performing audit work.

The Committee began discussing fraud monitoring efforts of Internal Audit. The Committee discussed potential fraud schemes observed by members and reported to the retirement system, including insurance agents and financial advisors falsely claiming to be associated with the State of Illinois or SERS in an effort to obtain business from members. CIA Evans noted that the matter was reported to the Office of the Attorney General.

CIA Evans further explained that there is one open court case involving benefit fraud. Another fraud matter has also been referred to a State's Attorney as required. The group discussed the cases and the circumstances of the frauds. CIA Evans noted that SERS is seeking recoupment of benefits paid due to fraudulent or forged documents submitted to the retirement system. Both of the matters were originally found and reported by Internal Audit in performing their work.

The Committee briefly discussed the issue of unclaimed death benefits after survivor deaths. CIA Evans noted that through work performed,, \$1.1 million in unclaimed death benefits payable to survivor beneficiaries was identified. The group discussed this type of benefit payment which occurs in less than 1% of all survivor deaths. CIA Evans explained that this benefit is easy for staff to overlook when processing survivor deaths due to a variety of factors. Information on the unclaimed death benefits was provided to the Pension Section for follow-up with beneficiaries. CIA Evans stated that a data query was developed to help locate these issues and staff has been re-trained on this unique benefit payment.

The Committee briefly discussed a review of the SERS Board of Trustees candidacy eligibility. CIA Evans briefly summarized SERS' trustee candidacy requirements and reminded the Board of his role in evaluating candidate eligibility prior to the Election. Three active members and one annuitant submitted candidacy documents which were reviewed. Each candidate was deemed to meet eligibility requirements. It was explained that since there were just enough candidates to fill the upcoming vacancies, an active member or annuitant election will not be necessary. The three active member candidates would fill the three active member trustee positions, and the annuitant candidate would fill the annuitant trustee position, to begin terms in July.

A brief update was provided on work and testing of the member services registration conversion. CIA Evans explained the new member services online account registration process which includes new security controls such as two-factor authentication and identity proofing. Internal Audit and various other staff throughout SERS have been testing the account registration process and reporting their findings to IT. During design meetings, Internal Audit contributed to the discussion on what internal controls and processes should be

implemented in this new authentication portal. Management has also been working on developing a plan to roll-out the new authentication portal to members in the coming months. Internal Audit has also been engaged with IT in enhancing member account locks, fraud alerts, and other features that will be helpful in safeguarding accounts. The Committee discussed how the rollout of the member services portal would be performed and potentially what issues are expected to be encountered in the conversion.

The Committee discussed payroll error monitoring reports that were developed to help detect various retirement deduction code issues on agency payroll. It was explained that these reports could help detect contribution issues that can impact member accounts including errors resulting in over or under contributing to the retirement system. The Committee discussed preliminary results of the initial monitoring reports and plans to develop automated monitoring reports which could be provided to management and internal audit when certain conditions are met. This would allow for potential automated auditing of various issues and more timely identification of accounts or benefits that need attention by staff.

With there being no new or old business brought before the Committee, Trustee Baird made a motion to adjourn the meeting, which was seconded by Mr. Becker. The meeting was adjourned at 9:50 a.m. ahead of the full SERS Board of Trustees meeting.