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## MINUTES OF THE AUDIT & COMPLIANCE COMMITTEE MEETING

July 29, 2025

### Members Present:

Arnold Black, Vice Chairperson  
Barbara J.C. Baird, SERS Trustee  
John Tilden, SERS Trustee  
Marvin Becker, Comptroller Designee

### Others in attendance:

Casey Evans, Chief Internal Auditor  
Tim Blair, Executive Secretary

A meeting of the Audit and Compliance Committee of the Illinois State Employees' Retirement System was held on Tuesday, July 29, 2025, at 9:00 a.m. in the System's Springfield office located at 2101 South Veterans Parkway with a video conference location in Chicago, IL.

The meeting was called to order at 9:02 a.m. with a quorum established to conduct business. There were no members of the public present, and no public comments were submitted. The April 29, 2025, meeting minutes were provided to the committee in advance of the meeting. A summary of the last meeting was provided by Chief Internal Auditor Evans. Trustee Baird moved to approve the committee minutes. The motion was seconded by Vice Chairperson Black. A voice vote was taken and the motion passed unanimously.

CIA Evans offered an overview of the internal auditor's purpose, responsibility, and importance of the Internal Auditing Standards. The Committee reviewed the submitted Internal Audit Charter effective for fiscal year 2026. It was explained that the Charter is relatively unchanged from the prior year, however, the Standards now require the Chief Internal Auditor to develop a strategic plan and long-term goals which have been incorporated in the charter. The long-term goals in the charter included develop a digital auditing program of targeted queries designed to search for and detect various member and benefit account issues on a periodic basis, increasing the speed at which internal audit results can be delivered, improving the competency and proficiency of the audit staff through continued training, and increasing the headcount within the internal audit function. Trustee Baird made a motion to approve the internal audit charter. The motion was seconded by Vice-Chairperson Black. A voice vote was taken and all were in favor. The FY2026 Internal Audit Charter was approved.

The Committee began discussion of SRS' long-term objectives and risks by referencing a document in the Committee's packet. The Committee reviewed the top 5 long-term continued risks to SRS and the Top 5 IT

Risks to the retirement system. CIA Evans reminded the Committee that the annual risk assessment is the basis of the two-year audit plan. The two-year internal audit plan was then presented to the Committee for discussion.

The FY2026 plan will include a review of two recent IT developments covering termination refunds and death benefits payable after retirement. It was explained that since these payments and processes are being modernized in SRS' systems which will replace legacy programs, internal audit work will be performed covering the functionality and internal controls of these developments. It was noted that there are various risks in these lump sum payments. Two additional IT related audits are planned, which include expanding the work performed in Disaster Recovery and examining the retirement system's data storage to determine where the retirement system may be at risk. The plan includes two benefit related audits focusing on disability benefit conversions and offsets and an audit of benefit adjustments.

Following some discussion, a motion to approve the two-year internal audit plan was made by Vice-Chairperson Black, which was seconded by Mr. Becker. All members voted in the affirmative and the two-year internal audit plan was approved.

The Committee was directed to a document outlining internal audit activity occurring since the last meeting. Some highlights from this document included internal audit performing queries to detect various member issues and payroll miscodings, discovery of a large underpayment to a disability recipient, various fraud monitoring performed by the CIA, and continued work performed in IT and with the SRS Security Committee. The Committee discussed payroll miscodings identified at the Illinois Department of Corrections and the impact to members identified. CIA Evans concluded by stating that work is underway to locate similar issues at the Illinois Department of Juvenile Justice.

The Committee received an update of the external audit. Preliminary audit requests have been received from the external auditors as they begin their work. CIA Evans stated that he serves as the audit liaison to task out requests to staff and help ensure the audit progresses. The Committee was reminded that this year the Systems will receive both a two-year compliance examination covering fiscal years 2024-2025 and annual financial statement audit covering fiscal year 2025. This will include separate audits and examinations for each of the three retirement systems SERS, JRS, and GARS. Updates on the external audit progress will be provided in future meetings when there is more activity to report.

With there being no new or old business brought before the Committee, Trustee Black made a motion to adjourn the meeting, which was seconded by Trustee Tilden. The meeting was adjourned at 9:53 a.m. The next scheduled meeting of the SERS Audit Committee will be held on Tuesday, October 28, 2025.