

MINUTES OF THE AUDIT & COMPLIANCE COMMITTEE MEETING

October 28, 2025

Members Present:

Arnold Black, Vice Chairperson
Barbara J.C. Baird, SERS Trustee
John Tilden, SERS Trustee

Not Present:

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, October 28, 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 9:04 a.m. with a quorum established to conduct business. There were no members of the public present, and no public comments were submitted. The July 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. Vice Chairperson Black moved to approve the committee minutes. The motion was seconded by Trustee Baird. A voice vote was taken and the motion passed unanimously.

CIA Evans provided a summary of the FY2025 FCIAA End of Year Audit Report which highlights the audit work completed in the preceding fiscal year. This report was provided in advance of the meeting, and a copy is on file within Internal Audit. The Committee reviewed this report, as CIA Evans provided a summary of notable projects completed. and discussed several of the projects. CIA Evans stated that for most of the projects the auditors have placed a reliance on gathering data and performing analyses before performing testing. This method has allowed the auditors to quickly locate potential issues and then confirm through recalculation of benefits or review of member accounts. It was explained that this method of planning is essential since the auditors can be dealing with large populations. In FY2026, the auditors hope to continue the process of developing and requesting IT to develop on-demand queries to locate issues identified through the audit work.

The Committee was briefed on internal audit updates during the 1st quarter of FY2026. CIA evans explained the internal auditors performed work over two IT system developments including the processing of termination

refunds and lump sum death benefits after retirement. It was noted that the termination refunds development was complete and has been implemented. Through testing, the auditors were able to confirm that controls were in place to ensure the accuracy of the termination refund expenditures. The auditors provided feedback to the IT developers for improvements in the process for various edit checks. Among the recommendations, the auditors recommended improving edit checks to search for any receivable balances prior to paying a termination refund. This would provide assurance that SERS was recouping any amounts owed from members through the payment of a termination refund.

The Committee then began discussion of work performed by the internal auditors to identify members that were determined to be miscoded under the wrong retirement formula at the Illinois Department of Juvenile Justice (DJJ). Through work performed, the CIA working with DJJ and SERS management determined that 73 members at DJJ had been miscoded. Of this group, 65 members will be converted from regular formula to alternative formula and will receive a billing for contributions owed. 8 members were identified who were incorrectly participating in the alternative formula when they should have been participating in the regular formula and will receive an error refund. Internal audit will continue to monitor resolution of this issue and perform routine, annual queries to help detect membership issues at this agency.

CIA Evans provided an update to the annual census data reconciliation project stating that encrypted membership data has been sent to 91 separate state agencies or departments. He stated that the annual census data process is very labor intensive and is only supported by the CIA. During 2026, the CIA hopes to raise discussions with the Auditor General's Office to consider changing the frequency at which these reconciliations occur. Currently, support is also provided by the CIA to the external auditors as they perform census data testing of approximately 15 agencies.

The Committee discussed a reoccurring project that the internal auditors were asked to assist with. The auditors have worked to identify current disability recipients whose estimated gross monthly pension benefit is greater than the current gross disability benefit. If the member appeared to be a good candidate, a letter was mailed to the member informing them of their option to consider applying for a pension benefit based upon their retirement eligibility and current estimated benefit amounts. Another group of mailing will go out to disability recipients in the coming months. The Committee noted that this was a good priority that could have a positive impact to members. The Trustees noted that this was a great initiative and expressed their gratitude to the Field Services manager and staff who identified the need to notify disability recipients of their retirement eligibility. The Committee briefly discussed why candidates may or may not be a good candidate to consider retirement versus remaining on disability.

The Committee was also informed of audit work performed to locate potential disability overpayments. CIA Evans stated that a designed query located a member had been overpaid by one month due to meeting the five-year benefit limitation due to beginning benefits after age 60. In other work, the auditors located a situation where a member's disability benefit was incorrectly terminated too soon, resulting in a benefit underpayment. It was explained that logic for developing various disability monitoring reports based upon the member's age and length of time on benefits has been provided to the Claims Division Manager so that

IT may develop on-demand queries to help detect disability payment issues. The monitoring reports to be developed would be reviewed by the Claims Division staff and this would not be the responsibility of the internal auditors.

The Committee briefly discussed the conversion of members to ILogin for the purpose of accessing SRS member services. CIA Evans explained that thus far 23,623 members have converted to ILogin, but there remains approximately 68,000 members that will need to convert to this new authentication portal. The retirement system hopes to increase participation amongst the retiree and survivor groups in the Spring of 2026. The Committee was provided with statistics of the current registration mailings and conversion rates.

The Committee received a brief update of the external audits. Currently, the retirement system has not been briefed on any significant issues and the work on the FY25 financial audit has been the focus of the external auditors. CIA Evans reminded the Committee that the release of the annual financial audit and compliance examination is typically during the Spring months.

With there being no new or old business brought before the Committee, Trustee Tilden made a motion to adjourn the meeting, which was seconded by Vice Chairperson Black. The meeting was adjourned at 9:55 a.m. The next scheduled meeting of the SERS Audit Committee will be held on Tuesday, January 13, 2026.