SERS State Employees' Retirement System srs.illinois.gov

MINUTES OF THE AUDIT & COMPLIANCE COMMITTEE MEETING

April 28, 2026

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, April 28, 2026, at 9:00 a.m. in the System's Springfield office located at 2101 South Veterans Parkway.

The meeting was called to order at 9:05 a.m. with a quorum established to conduct business. There were no members of the public present, and no public comments were submitted. The January 13, 2026, meeting minutes were provided to the committee in advance of the meeting. A brief summary of the last meeting's business was provided by Casey Evans, Chief Internal Auditor. 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 presented a memo requesting revision of the FY2026 internal audit plan that was provided to the members in advance of the meeting. The memo identifying audits that would be continued in the remainder of FY2026 and may span into the next fiscal year, along with audits that would be deferred or reconsidered in the future. It was explained that the plan was revised primarily due to the CIA being involved in unplanned work including performing various fraud monitoring and research which impacts the retirement systems' membership along with another project not included in the audit plan involving the review of disability recipient tax returns for indicators of potential gainful employment. CIA Evans asked for approval of this revision with Vice Chairperson Black making the motion to approve and Trustee Baird seconding the motion. All members of the Committee voted in the affirmative and the revision of the audit plan was accepted.

The Committee discussed an executive summary on potential spam or scam pension advisor emails received by SERS members. CIA Evans noted that SERS became aware of a large-scale email campaign by a group not affiliated with the State of Illinois who promised free pension reviews to State of Illinois employees.

After analyzing the emails, discussing concerns with many state employees, and learning of what was being told to State employees in these pension reviews, SERS became very concerned about this activity. CIA Evans explained that an email blast was sent to all active state employees to inform them to be on the lookout for these emails and to report these to SERS for tracking. In addition, SERS posted on its websites examples of the emails received along with tips on spotting potential scams.

After analyzing the domains, senders, and email services being used to send spam emails to State employees, SERS also requested various domains to be considered for blocking in the State email system. It was explained that through tracking spam emails received by State employees, SERS learned that this group has created over 50 domains and 120 unique email addresses for the purpose of avoiding blocking of email systems. It was explained that this type of activity had many indicators of a potential phishing campaign or scam based upon many observed red flags. Further, it was learned that these non-affiliated individuals providing the pension reviews had misrepresented their relationship with the State of Illinois and SERS, provided materially false information about the pension plan, and did not appear to be acting in the members' best interests while attempting to push certain financial products which the representative would earn a high commission.

From research, these free pension review emails appeared to be encountered by state pension funds, teachers, and university employees across the United States. CIA Evans explained that complaints have been filed with several governmental entities to report this activity and investigative efforts continue. The Committee was informed that the Illinois Attorney General's Office staff has been briefed on this matter and a consumer alert warning state employees and retirees of investment scams has been issued. The Committee discussed at length the spam emails being received by State employees, the current response by SERS, and the continued monitoring efforts performed by Internal Audit.

The Committee received an executive summary and was briefed on a matter involving the concealment of a SERS retiree's death. This unreported death of the State retiree has caused a significant, multiple year benefit overpayment that is at risk of being uncollectible. It was explained that a state retiree's death was purposely concealed for alleged financial gain by a suspect that has since been arrested. This matter is still ongoing and is currently being investigated by applicable law enforcement or governmental entities that will work with SERS in potential recoupment efforts. CIA Evans provided a brief background on how SERS receives reports of deaths and the death match services used to detect unreported deaths of SERS beneficiaries.

The Committee discussed an ongoing project of reviewing SERS disability recipients for potential gainful employment. CIA Evans explained that tax returns were requested from disability recipients residing outside of the State of Illinois to evaluate whether there were indicators of other employment or self-employment which could violate SERS' gainful employment provisions thereby making the member ineligible for disability benefits. The Committee discussed disability recipients in which the requested documentation pointed towards potential self-employment and the next actions being considered by the retirement system in this review. CIA Evans provided a background on the continued disability eligibility processes, the controls in place to detect gainful employment of disability recipients, and the current progress of this project. The Committee will be continually brief until this project is finalized.

The Committee briefly discussed an investigative referral of a disability recipient that was observed to be performing physical activity that was not consistent with the member's disability. SERS has scheduled an independent medical examination of this disability recipient and additional information will be provided on the results of this examination through the SERS Executive Committee. In continuing the discussion on SERS disability benefits, the Committee was provided with a draft Disability Work Activity Report which may be considered for implementation by SERS. CIA Evans explained that research was performed to determine what continued eligibility documents are utilized by the Social Security Administration (SSA) in evaluating recipients for gainful employment. During this research, it was found that SSA requests additional information from recipients in the form of a Work Activity Report when it is learned that recipients may have outside employment or be self-employed. This form can aid in evaluating the frequency and type of work being performed in reviewing continued disability eligibility.

The Committee moved on to discuss various internal audit updates from the third quarter of FY2026. CIA Evans highlighted various projects and reviews that the internal auditors have been involved in which included locating a large multi-year pension benefit overpayment through use of data analysis, ordering a death match of inactive members to assist with member account clean-up and processing of survivor and death benefits, and research and consultation on various policies being considered by the retirement system, including a policy covering artificial intelligence. It was explained that internal auditors may take on unplanned work when deemed necessary to help support the retirement systems' objectives, improve the accuracy of system data and benefit payments, and to help reduce risks. The group briefly discussed a project where the internal auditors learned of a benefit increase issue in January 2026, whereby a small group of benefit recipients were found to have not received an annual benefit increase that was owed. In this project, the internal auditors performed data analysis to provide assurance that the impacted population was identified and that appropriate catch-up payments were made to recipients to make them whole.

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 9:50 a.m. The next scheduled meeting of the SERS Audit Committee will be held on Tuesday, July 28, 2026.