

## MINUTES OF THE AUDIT & COMPLIANCE COMMITTEE MEETING

January 14, 2025

### Members Present:

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

### Others in attendance:

Casey Evans, Chief Internal Auditor  
Tim Blair, Executive Secretary

### Absent:

Marvin Becker, Comptroller Designee

A meeting of the Audit and Compliance Committee of the Illinois State Employees' Retirement System was held on Tuesday, January 14, 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 9:00 a.m. with a quorum established to conduct business. There were no members of the public present, and no public comments were submitted. The October 29, 2024, committee meeting minutes were provided to the Committee in advance of the meeting. Following review of the minutes, Trustee Baird moved to approve the committee minutes. The motion was seconded by Vice Chairperson Black. The meeting minutes were approved.

The Committee began discussing internal audit activities including fraud monitoring. CIA Evans recapped existing fraud monitoring efforts and provided to the Committee ahead of the meeting information that can be used to educate the SERS membership of identified scams and how to report identity theft concerns. It was explained that the eventual goal is to make this information available on the SERS website and then to create short informational videos on the variety of fraud schemes encountered and how members can detect potential fraud schemes. The Chief Internal Auditor will be working with the Field Services staff to implement this information to the SERS website.

The Committee discussed a planned IT disaster recovery audit that would be performed. The goal of this audit is to determine the retirement systems' readiness in recovering important data and systems in the event of an IT disaster. It was explained that this audit would require involvement from various staff in the retirement system to identify the most important needs during an IT disaster to prioritize agency wide needs. Through

this audit, the CIA hopes to outline key business objectives, identify the key systems and files required from each Division to achieve these objectives, and develop a priority plan for restoration of IT systems. The audit will also examine what dependencies exist between various agencies in the disaster recovery process. A disaster recovery test will be performed by IT and witnessed by the internal auditors during May-June 2025.

The Committee discussed progress on the optional service purchase and member refund audits as the auditors were nearing completion of both of these projects. The Committee briefly discussed the current optional service purchase process which is now performed online through the SRS member services website, whereby members can request an optional service purchase, receive a service purchase offer, and make a payment election online. Executive Secretary Blair explained that this development has been a great improvement to the retirement system.

CIA Evans explained that the auditors had spent a significant amount of time recalculating optional service purchases and have generally found the calculations of contributions and charged interest to be very accurate with internal audit's recalculations agreeing to system calculations. The internal auditors are currently reviewing one potential issue discovered during this audit and will report on this matter in the near future.

The auditors are also nearing completion of an audit on member contribution refunds. To date, no significant issues have been noted in this audit, however it was noted that one issue encountered by the retirement system is the receipt of additional member contributions after SERS has already processed a member refund. This causes SERS staff to process an additional error refund due to members which pose some administrative issues for the retirement system and its staff. The auditors will be reporting on this audit in the near future, however based on the auditors' work thus far no significant issues have been found.

The Committee was briefed on active member issues and payroll monitoring reports reviewed by Internal Audit. The internal auditors are reviewing payroll reports developed to help locate member contribution issues and several common issues found were explained. Additional data queries and data analyses are planned to detect members that may or may not correctly be participating in the alternative formula. The auditors hope to expand monitoring reports to detect various issues they have previously located in audits.

The Committee moved on to discuss the FY2024 external financial audit. The financial audit was released with no findings being reported and the System receiving a clean audit opinion on the financial statements. The retirement system anticipates posting its Annual Financial Report to the SERS website in the very near future. It was explained that the annual financial report is the culmination of a year's worth of work performed by the SERS Accounting Division which contains the System's audited financial statements, along with actuarial and investment related data, information about the retirement plan's design, and some interesting membership statistics.

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 Baird. The meeting was adjourned at 9:48 a.m.