

MINUTES OF THE AUDIT & COMPLIANCE COMMITTEE MEETING
April 27, 2021

Members Present:

Barbara J.C. Baird, SERS Trustee
Marvin Becker, Comptroller Designee

Members Absent:

Shaun Dawson, Committee Chairperson

Others in attendance:

Tim Blair, Executive Secretary
Jeff Houch, Assistant to the Executive Secretary
Casey Evans, Chief Internal Auditor (CIA)
Andrew Van Leer, Internal Auditor

The SERS Audit and Compliance Committee met on Tuesday, April 27, 2021, at 9:00 a.m. in the System's Springfield office and by videoconference as allowed under Section 7(e) of the Open Meetings Act (5 ILCS 120/7(e)) and Executive Orders 2020-07, as amended and re-issued by Executive Orders 2020-33, 2020-44, and 2021-01. The meeting was called to order at 9:00 a.m. with a quorum being established to conduct business.

Seeing that there were no members of the public present for comment, the Committee moved on to the review and approval of the January 12, 2021 Committee meeting minutes. With there being no significant discussion or revisions to the meeting minutes, Trustee Baird moved to approve the minutes as presented and Mr. Becker seconded the motion. The meeting minutes were approved.

The Committee began discussing a revision to the FY2021 Internal Audit Plan. CIA Evans gave a general background of the FY2021 Internal Audits scheduled and completed. A memo was provided to the memo o requesting the revision to the current audit plan. CIA Evans explained that three audits would be deferred or reconsidered. CIA Evans went on to state the reasons for the deferral. Mr. Becker inquired if any of the audits being deferred were audits that are required to be completed in a 2-year cycle per FCIAA. CIA Evans responded that the audits being deferred were not required by FCIAA. Mr. Becker motioned to approve the changes to the FY2021 Audit Plan. The motion was seconded by Trustee Baird. The change to the FY2021 audit plan was approved.

The Committee began discussing the completion of the fiscal year 2021 internal audit covering IT Security. Mr. Becker asked CIA Evans to review Internal Audits recommendations of the IT Security Audit and to provide status updates for each recommendation. CIA Evans and Mr. Van Leer discussed each

recommendation and provided a status update for each recommendation. Mr. Becker inquired as to whether management had accepted all recommendations. Mr. Blair responded that management has accepted all recommendations. The Committee directed CIA Evans to provide a follow-up regarding the implementation of the recommendations at the October 2021 Audit Committee meeting.

The Committee then briefly discussed the Review of the Tier 2 Automatic Annual Increases (AAI). Mr. Van Leer informed the Committee that Internal Audit discovered, in a previous audit, that an incorrect percentage had been used to calculate the Tier 2 AAIs, which resulted in small underpayments for each Tier 2 member receiving an AAI. Mr. Van Leer went on to state, because of the previous audit, Internal Audit performed a review of the Tier 2 AAIs that would go into effect on January 1, 2021. Mr. Van Leer stated the correct AAI percentage was used on January 1, 2021. Trustee Baird inquired if there were any controls or automation in place to prevent the wrong percentage from being used in the future. CIA Evans stated that percentage is provided to the SERS each year by the Department of Insurance and that the new percentage must be keyed into the system. Mr. Evans went on to state that Internal Audit will continue to monitor the Tier 2 AAI updates each year.

A brief update on the status of the external financial and compliance audits was provided. The retirement systems anticipate a clean audit opinion on the fiscal year 2020 financial statements and do not expect any audit findings based on discussion with the external auditors. The SERS anticipates there will be 3 findings on the fiscal year 2020 compliance examination. The Committee was informed that the annual compliance examination should be released by the Office of The Auditor General in May.

The Committee inquired as to whether there was any old or new business for discussion. Seeing there was no old or new business being brought to the Committee, Trustee Baird moved to adjourn the meeting with the motion being seconded by Mr. Becker. The meeting was adjourned at 9:57 a.m. ahead of the Board of Trustees quarterly meeting. The next meeting of the Audit and Compliance Committee is scheduled for Tuesday, July 27, 2021, at 9:00 a.m. being held by Zoom videoconference.