



April 1, 2007

William G. Holland  
Auditor General  
Iles Park Plaza  
740 E. Ash Street  
Springfield, IL 62703-3154

Dear Sir:

An evaluation of the internal fiscal and administrative controls of the State Employees' Retirement System in effect as of March 31, 2007, was performed in accordance with guidelines established by the Comptroller in consultation with the Director of Central Management Services.

The objectives of the system of the internal fiscal and administrative controls of the State Employees' Retirement System are to provide reasonable assurance that:

1. resources are utilized efficiently, effectively, and in compliance with applicable law,
2. obligations and costs are in compliance with applicable law,
3. funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation,
4. revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources, and
5. funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist.

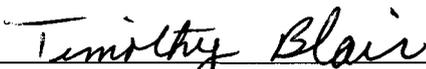
The concept of reasonable assurance recognizes that the cost of inherent control should not exceed the benefits expected to be derived therefrom, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore,



errors or irregularities may occur and not be detected of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, legislative restrictions, and other factors.

Finally, projection of any evaluation on the system of future periods is subject to risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. Nonetheless, I have taken the necessary measures to assure that the evaluation, identified in the first paragraph, has been conducted in a thorough and conscientious manner.

The systems of internal fiscal and administrative controls of the State Employees' Retirement System as of March 31, 2007, comply with the requirements of this Act.

  
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Timothy Blair, Acting, Executive Secretary  
State Employees' Retirement System

TB:cb