State Employees’ Retirement System of Illinois

(a component unit of the State of Illinois)

State Compliance Examination

For the Two Years Ended June 30, 2025
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

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System Officials

Executive Secretary	Timothy B. Blair
Accounting Division Manager	Kristi Conrad
Legal Counsel	Jacob Schlosser (4/1/2026 – present)
Legal Counsel	Vacant (1/31/2026 – 3/31/2026)
Legal Counsel	Samantha Goetz (10/3/2022 – 1/30/2026)
Chief Internal Auditor	Casey Evans

Governing Board Members

Chair of the Board	State Comptroller Susana Mendoza
Trustee (Vice-Chair of the Board)	Arnold Black (5/1/2024 – present) David Morris (Through 4/30/2024)
Trustee	Danny Silverthorn
Trustee	Mohamad Nasir
Trustee	David A. Schultz (7/15/2024 – present) Jeremy Hawk (Through 7/14/2024)
Trustee	Jack Matthews
Trustee	John Day (7/15/2024 – present)
Trustee	Melverta Wilkins
Trustee	John Tilden
Trustee	Barbara J.C. Baird
Trustee	Jameson Ramirez
Trustee	Mona Naser (11/27/2023 – present)
Trustee	Mark Donovan (Through 11/26/2023)
Trustee	Ray Koenig III

Office Locations

Springfield Office
2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794-9255

Chicago Office
State of Illinois Building
160 North LaSalle Street, Suite N725
Chicago, Illinois 60601

SERS srs.illinois.gov

State Employees' Retirement System

MANAGEMENT ASSERTION LETTER

June 22, 2026

RSM US LLP
1450 American Lane
Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State Employees' Retirement System of Illinois (System). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the System's compliance with the following specified requirements during the two-year period ended June 30, 2025. Based on this evaluation, we assert that during the years ended June 30, 2024 and June 30, 2025, the System has materially complied with the specified requirements below.

A. The System has obligated, expended, received and used public funds of the State in accordance with the purpose for which funds have been appropriated or otherwise authorized by law.

B. The System has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. The System has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the System are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the System on behalf of the State or held in trust by the System have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours truly,

State Employees' Retirement System of Illinois

SIGNED ORIGINAL ON FILE

Timothy B. Blair, Executive Secretary

SIGNED ORIGINAL ON FILE

Kristi M. Conrad, CPA, Chief Fiscal Officer

State Compliance Report

Summary

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide.*

Accountant's Report

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	3
Repeated findings	1	1
Prior recommendations implemented or not repeated	2	5

Schedule of Findings

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2025-001	8	2023/2023	Inadequate Controls over Change Management	Significant Deficiency and Noncompliance
			Prior Findings Not Repeated	
A	9	2023/2023	Inadequate Controls over Security Incident and Vulnerability Management	
B	9	2023/2020	Inadequate Internal Controls over Access to Information Systems	

Exit Conference

The System waived an exit conference in a correspondence from Casey Evans, Chief Internal Auditor, on June 8, 2026 The responses to the recommendations were provided by Casey Evans, Chief Internal Auditor, in a correspondence dated June 10, 2026.

Independent Accountant's Report
on State Compliance and on Internal Control Over Compliance

Honorable Christopher B. Meister
Auditor General
State of Illinois

Board of Trustees
State Employees' Retirement System of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State Employees' Retirement System of Illinois (System) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies* (*Audit Guide*) as adopted by the Auditor General, during the two years ended June 30, 2025. Management of the System is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the System's compliance with the specified requirements based on our examination.

The specified requirements are:

A. The System has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The System has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. The System has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the System are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the System on behalf of the State or held in trust by the System have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the System complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the System complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the System's compliance with the specified requirements.

In our opinion, the System complied, in all material respects, with the specified requirements during the two years ended June 30, 2025. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as item 2025-001.

The System's response to the compliance finding identified in our examination is described in the accompanying Schedule of Findings. The System's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the System's internal control over the specified requirements as a basis for designing the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the System's compliance with the specified requirements and to test and report on the System's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2025-001 that we consider to be a significant deficiency.

There were no immaterial findings that have been excluded from this report.

The System's response to the internal control finding identified in our examination is described in the accompanying Schedule of Findings. The System's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
June 22, 2026

Finding No. 2025-001 Inadequate Controls over Change Management

The State Employees' Retirement System of Illinois (System) had inadequate controls over change management.

During the compliance examination, we noted the System utilizes a combination of systems administered both internally as well as externally. These systems and applications are used in operations of the State Employees' Retirement System of Illinois, as well as for the Judges' Retirement System of the State of Illinois and the General Assembly Retirement System of the State of Illinois. During the testing of changes made to an internally administered application, we noted that 3 of 25 changes tested (12%) were developed and deployed into the production environment by the same individual. As a result, adequate segregation of duties was not maintained between the development and deployment functions for these changes.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the System to establish and maintain a system, or systems, of internal fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control section, requires organizations to define and enforce appropriate separation of duties by assigning responsibilities such that no single individual has control over all phases of a critical process. In addition, the Configuration Change Control Section promotes controls for ensuring mechanisms exist to prohibit unauthorized changes to systems within the organization.

System management indicated the exceptions were attributable to insufficient enforcement and monitoring of segregation of duties controls within the change management process.

Failure to maintain adequate controls over change management and segregation of duties increases the risk that unauthorized or inappropriate changes could be introduced into the production environment without independent review, potentially resulting in system disruption, data integrity issues, or undetected errors or irregularities. (Finding Code No. 2025-001, 2023-003)

Recommendation:

We recommend the System strengthen controls over its change management process to ensure adequate segregation of duties are maintained. The System should ensure system changes are independently reviewed and deployed by personnel other than the individual responsible for development.

System Response:

The System agrees with the finding. The retirement system will continue to strengthen existing internal controls in its change management processes to resolve this finding. Current change management controls include various reviews and approvals being required before system changes are deployed. Developers must submit their code for review to a different developer who is required to review and approve the work item. A business analyst and applicable business owners are required to review, test, and approve the System change prior to implementation. The IT Division Manager must then approve the production deployment, with the deployment being performed by a small number of developers authorized to deploy code changes based upon a pre-planned schedule.

Prior Findings Not Repeated

A. Inadequate Controls over Security Incident and Vulnerability Management

During the previous examination, the State Employees’ Retirement System of Illinois (System) had not implemented adequate controls related to security incident and vulnerability management.

During the current examination period, we noted the System established and implemented formal policies and procedures to review and ensure incidents identified involving the System’s systems or data are fully remediated and that related vulnerabilities are addressed. (Finding Code No. 2023-001)

B. Inadequate Internal Controls over Access to Information Systems

During the previous examination, the State Employees’ Retirement System of Illinois (System) did not have adequate controls in place over user access to its Information Technology (IT) systems.

During the current examination, our testing indicated the System performed and documented internal and external security reviews and strengthened controls to ensure that users’ access is timely removed after separation. (Finding Code No. 2023-002, 2021-002, 2020-003)