

To: Agency GAAP Coordinators, Payroll Coordinators, and Directors  
From: State Employee's Retirement System (SERS)  
Date: July 1, 2021  
Subject: Annual Census Data Reconciliation Guidance

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During fiscal year 2020, the Office of the Auditor General (OAG) adopted new audit procedures testing the accuracy of census data reported by State agencies for pension and other post-employment benefit (OPEB) purposes. Following their testing, the OAG concluded that various State agencies do not have a process in place to provide assurance that data submitted to the State Employees' Retirement System (SERS) is complete and accurate, which resulted in many financial audit findings.

Following each payroll run, SERS receives member data, known as census data, to update retirement plan records. While validations, edit checks, and audits are in place to ensure the accuracy of member data at the plan level, the retirement system may inherit payroll errors that can impact the member, agency, and retirement system. Significant and pervasive errors in the census data can cause a misstatement of the pension liability reported at the plan and agency levels.

The AICPA's *Audit and Accounting Guide : State and Local Governments* (Audit Guide) recommends that employee census data should be reconciled annually by each agency to a report provided by SERS and used by its actuaries. This reconciliation process will help mitigate the risk of using incomplete or inaccurate data and will ensure the accuracy of reported pension and OPEB liabilities. Further, this reconciliation process ensures the completeness of agency and plan data, reduces payroll errors, confirms personnel files are up-to-date, and most importantly decreases the risks of financial misstatements. This guidance is being provided to aid your agency in completing this reconciliation. **SERS is requesting that this reconciliation and subsequent certification be performed prior to September 1, 2021.**

### **Census Data Reconciliation Process**

Each agency is asked to appoint and provide contact information to SERS for one representative who will be responsible for securely receiving an encrypted extract of SERS' member data to be reconciled. This representative will be required to have the Entrust encryption desktop client and a security certificate issued by the State of Illinois through the Department of Innovation and Technology (DoIT). This is important in ensuring the member data is appropriately protected when transmitted from SERS to the agency. The agency will then be responsible for maintaining security of this document in accordance with its security protocols after receipt and decryption. To ensure the security of membership data, SERS recommends that the provided data be limited to those agency staff requiring access, remains encrypted at rest, and is securely deleted following completion of the reconciliation. This data may not be shared outside of your agency without permission of SERS.

Further information on encryption can be found on the DoIT website at:  
<https://www2.illinois.gov/sites/doit/services/catalog/security/Pages/pki.aspx>

Once the agency has identified the representative who is authorized to receive the data file, SERS will securely transmit the encrypted file to the representative on August 1, 2021. Each agency will then be responsible for using staff rosters and personnel file contents to validate participation in the retirement plan and to verify the accuracy of each of the census data demographics for each employee of their agency for the fiscal year ending June 30, 2021 (FY2021).

### Census Data to Verify

Agency staff should verify, for each employee in service on June 30, 2021, that the employee's personnel file contents match the SERS census data extract provided and your agency's personnel and payroll systems. Below, SERS has provided the census data elements to be verified and the personnel file documents that can be used to validate those elements.

Census Data Field to Be Reviewed	Recommended Personnel File Source Documents
Full Name of Employee	Use a source document completed by the employee with their full name or other identification, such as a copy of a driver's license, passport, or ID card. Ensure the employee's name is correctly reported within the SERS data set and your agency's payroll system.
Social Security Number (SSN)	Review source documents completed by the employee, such as a W-4 withholding form, I-9 Employment Eligibility Form, copy of SSA Card, or another document completed by the employee with his or her SSN. Ensure the SSN is correctly reported in SERS' data set and your agency's payroll system.
Date of Birth	Review source documents completed by the employee reflecting their date of birth. A copy of a birth certificate, driver's license, or ID card is the best source document to verify.
Gender	Review source documents in the personnel file to verify the employee's gender. This can include copies of the individual's driver's license, birth certificate, copy of passport, or other personnel file contents substantiating gender.
Rate of Pay	Review documentation, such as Personnel Action Forms, employment memos, or other documentation that substantiates the employee's rate of pay on 6/30/2021.
Retirement Deduction Code	Review the reported retirement deduction code for each member at 6/30/2021 and ensure that the deduction code is correct at that point in time for each member.
Participation in SERS	By comparing the staff rosters and personnel files to SERS' data, ensure that each employee eligible for participation in the SERS plan as of 6/30/2021 is included in the provided data set.
Earnings and Service Credit by Calendar Year	Using the SERS Employer Services Portal, review each staff member's FY2021 monthly posted earnings and service credit records for reasonableness against internal personnel and payroll documents. Within the Portal, the earnings and service credit schedule can be found under the Account tab of the member's record. Service credit is granted based on number of days worked reported through payroll.

Note: When performing the census data reconciliation, the agency may use documents such as Personnel Action Forms and data from personnel systems. However, these documents or systems may not be current or accurate and could be prone to data-entry errors. For that reason, we suggest using the source documents indicated above.

### **Certification of Census Data Reconciliation**

Following completion of the census data reconciliation, each agency should certify to SERS that the reconciliation has been completed and report any potential data errors found using the provided Microsoft Excel® template. For reported data errors, SERS will review, provide a disposition, and direct the agency on what steps may be taken to correct the issue. Following the reconciliation, SERS may correspond with payroll coordinators for additional information and to provide guidance on correcting verified census data errors. SERS suggests maintaining a copy of the census data certification for audit purposes.

Completed Census Data Certifications can be emailed to: [casey.evans@srs.illinois.gov](mailto:casey.evans@srs.illinois.gov)

### **Other Payroll and Census Data Supplemental Information**

#### **Retirement Deduction Codes Explained**

The retirement deduction code is a significant element in the payroll process. Errors in these codes can impact the member, agency, and the retirement system. It is imperative that payroll coordinators and staff ensure the correct retirement deduction code is used in processing agency payroll. Below you will find a listing of the retirement deduction codes, their description, social security coordination, and the applicable employee contribution rate. Members that are coordinated are covered and participate in Social Security, whereas members that are non-coordinated are not covered and do not participate in Social Security. Should you have any questions about the retirement deduction codes, please contact SERS' Accounting Division.

<b>Retirement Deduction Code</b>	<b>Deduction Code Description</b>
1	Tier 1, Regular Formula Coordinated, 4%
B	Tier 2, Regular Formula Coordinated, 4%
0	Tier 1, Regular Formula Non-Coordinated, 8%
A	Tier 2, Regular Formula Non-Coordinated, 8%
S	Tier 1, Alternative Formula Coordinated Corrections, 8.5%
S	Tier 1, Alternative Formula Coordinated Highway, 8.5%
M	Tier 1, Alternative Formula Coordinated Air Pilots, 8.5%
D	Tier 2, Alternative Formula Coordinated Corrections, 8.5%
K	Tier 2, Regular Formula Non-Coordinated Highway, 8.5%
2	Tier 1, Alternative Formula Non-Coordinated, 12.5%
C	Tier 2, Alternative Formula Non-Coordinated, 12.5%
R	Tier 1, Alternative Formula Non-Coordinated Corrections, 12.5%
W	Ineligible for Participation in SERS, 0%
4	Contractual Payroll & Special Circumstances, 0%

### **Contractual Workers Ineligible for SERS Participation**

It is important to note that there is a distinct difference between members participating in SERS and those individuals that should not participate in SERS. Contractual workers who are paid on contractual payroll vouchers do not participate in SERS. In this situation, the individual should be coded with a retirement deduction code of "4" under contractual or other circumstances. Agency staff that are hired on a seasonal or short-term basis that are paid on regular State payroll and where there is no contractual agreement, should be considered members of the plan.

### **Personnel & Payroll Controls for Census Data**

In an effort to ensure the accuracy of State payroll and retirement system data, SERS has provided internal control considerations for State payroll agencies found below:

- When feasible, implement independent reviews of payroll data entry or payroll changes prior to processing payrolls. This can help catch errors in payroll.
- For new hires and members of the retirement system, ensure personnel files are complete and review the first payroll posting to ensure all data is accurate within the payroll system including the member's name, SSN, address, gender, date of birth, rate of pay, and retirement deduction code. Member demographics and payroll data can also be reviewed using SERS' Employer Services Web Portal.
- Schedule a period(s) throughout the fiscal year to review personnel file contents to ensure they support member payroll and demographics noted above. Review personnel files to ensure personnel transactions, including changes in the member's pay are supported. For audit purposes, it is recommended that documentation be maintained of such review which could include the member reviewed and the result of the review or change made.
- As a retirement or payroll coordinator, spend a few minutes during routine employee encounters to verify the key census demographics.
- Remind your employees that they can register for the secure SERS Member Services portal to view their demographics, posted earnings, service credit, and most recent benefit statement. Should the member notice an issue with their account, please have them inquire with SERS.
- Consider including census data testing procedures in regularly scheduled internal audits covering personnel and payroll.

### **Resources Available**

Visit the SERS homepage at <https://www2.illinois.gov/sites/SRS/SERS/Pages/default.aspx> to access the Member and Employer Services Portals.

SERS Fact Sheets can be found at: <https://www2.illinois.gov/sites/SRS/SERS/Publications/Pages/Fact-Sheets.aspx>

Should you have questions related to this memo and related guidance, please contact Casey Evans by email at [casey.evans@srs.illinois.gov](mailto:casey.evans@srs.illinois.gov) or by telephone at 217-785-6972.