
















November Audit and Risk Committee meeting


Schedule	Thursday, November 9, 2023 10:00 AM — 11:00 AM CST
Venue	6850 Austin Center Blvd., Suite 320, Austin, TX 78731
Organizer	Sarah McCleary

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1. Call roll of Committee members

Presented by Committee Chair Benson



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 1: Call roll of Committee members

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to determine for the record which Trustees are present at the start of the meeting.

Each Trustee should respond to the roll call, and it will be noted which Trustees are present in person and which Trustees have joined via video conference.

2. Review order of business and meeting objectives

Presented by Committee Chair Benson



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 2:

Review order of business and establish meeting objectives

AGENDA ITEM OBJECTIVE

This agenda item provides Trustees the opportunity to review the order of business and to express a desire to take an agenda item out of order, and to discuss the key objectives of the meeting.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management**. It is an industry best practice to establish meeting objectives and review them at the outset of each meeting.

MEETING OBJECTIVES

1. The Committee will discuss and consider the statement of work from CliftonLarsonAllen (CLA) for the 12/31/2023 financial statement audit.
2. The Committee will discuss a report on the System's Enterprise Risk Management program and proposed risk management activities for 2024.
3. As part of its oversight and monitoring responsibilities, the Committee will receive Staff reports on the third quarter 2023 unaudited financial statements and COAERS 2023 cybersecurity projects.
4. The Committee will review the work it has done in 2023 and discuss the development of the 2024 Committee Work Plan.

3. Consider approval of the August 31, 2023 Audit and Risk Committee minutes

Presented by Michael Benson



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 3:

Consider approval of the August 31, 2023 Audit and Risk Committee minutes

AGENDA ITEM OBJECTIVE

This standing agenda item seeks approval of the minutes from the prior Audit and Risk Committee meeting.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets the core competency established in the **COAERS Strategic Plan** “*Transparency: Complying with open meeting and public information laws to ensure the decision-making process is clear to members and the public.*”

RECOMMENDATION FOR COMMITTEE ACTION

Staff recommends approval of the minutes of the August 31, 2023 Audit and Risk Committee meeting.

ATTACHMENT

1. Draft minutes of August 31, 2023 Audit and Risk Committee meeting



MINUTES

AUDIT AND RISK COMMITTEE

Public Meeting held in-person and telephonically on August 31 2023 at 12:00 p.m. CT
Pursuant to Texas Govt. Code 551.127 – COVID-19 circumstances

Committee Members Present/(Absent)

Michael Benson, Committee
Chair
Michael Granof
Amy Hunter†
Dick Lavine†
Anthony Ross

Guests:

Paige Saenz, General
Counsel

Other Board Trustees Present/(Absent)

Kelly Crook
(Yuejiao Liu)
Chris Noak†
(Leslie Pool)
Brad Sinclair
Diana Thomas

Others Present

Staff:

Christopher Hanson
Russell Nash
Sarah McCleary
Teresa Cantu
Jenni Bonds
Yun Quintanilla
Mehrin Rahman
Cathy Edwards*
David Kushner*
Amy Kelley*

*present telephonically

† present videoconference

1 **Call roll of Committee members**

Committee Chair Michael Benson called the meeting to order at 12:01 p.m. The following Committee members were present in person: Benson, Granof, and Ross. The following Committee members were present via videoconference: Hunter and Lavine.

2 **Review order of business and meeting objectives**

Committee Chair Benson reviewed the order of business and meeting objectives with the Committee. Mr. Benson asked if there were any members of the public who wished to speak, either now or during an agenda item. There were no comments.

Ms. Thomas joined the meeting at 12:09 p.m.

3 Consider approval of the June 15, 2023 Audit and Risk Committee minutes

Committee Chair Benson asked the Committee to review the Audit and Risk Committee minutes. Mr. Michael Granof moved approval of the June 15, 2023 minutes as presented. Mr. Anthony Ross seconded, and the motion passed unanimously.

4 Receive report on annual review of financial statement auditor

Mr. Russell Nash presented a Staff report on CliftonLarsonAllen. Mr. Nash reviewed improved efficiencies during the financial audit process since the hiring of CLA as the financial statement auditor. Mr. Nash also reported that CLA will be providing an engagement letter at the November 2023 Committee meeting for the December 31, 2023 financial statement audit.

5 Discuss and consider the COAERS Enterprise Risk Management program including reports on governance, physical, reputational, and adaptability

Mr. Christopher Hanson presented a report on four of the key Enterprise Risk Management categories focusing on current risk trends and mitigation activities. Mr. Hanson covered trends and activities related to governance, physical, reputational, and adaptability risks.

Ms. Crook left the meeting at 12:33 p.m. and returned to the meeting at 12:38 p.m.

6 Receive second quarter 2023 unaudited financial statements

Ms. Yun Quintanilla presented the June 30, 2023 unaudited financial statements.

7 Receive Cybersecurity update

A. Convene into Executive Session pursuant to Section 551.071, Texas Government Code, Section 1.05, Texas Disciplinary Rules of Professional Conduct, and Section 551.089, Texas Government Code, to consult with legal counsel and deliberate security assessments or deployments relating to information resources technology, network security information described in Section 2059.055, Texas Government Code, and deployment and implementation of security personnel, critical infrastructure, and security devices

B. Reconvene into open session to take action as determined appropriate regarding security assessments or deployments relating to information resources technology, network security information described in Section 2059.055, Texas Government Code, and deployment and implementation of security personnel, critical infrastructure, and security devices

The Committee convened into Executive Session at 12:45 p.m. and reconvened into public session at 1:16 p.m.

Ms. Hunter left the meeting at 1:09 p.m.

8 Review key meeting takeaways and call for future agenda items

Committee Chair Benson summarized the actions taken and information discussed at the meeting and provided an opportunity to add future agenda items.

As there were no other items to address, the meeting adjourned at 1:17 p.m.

DRAFT

4. Discuss and consider
CliftonLarsonAllen (CLA) statement of
work for 12/31/2023 financial statement
audit

Presented by Russell Nash



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 4:

Discuss and consider CliftonLarsonAllen (CLA) statement of work for 12/31/2023 financial statement audit

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Committee to receive the Engagement Letter for the December 31, 2023 financial statement audit.

RELEVANCE TO STRATEGIC PLAN

The objective of this agenda item advances **COAERS Strategic Plan Goal 2: Responsibly Manage the Risks of the System** and meets the core competency established in the **COAERS Strategic Plan** “*Dependable Operations: Managing the financial and operational commitments within appropriate measurable standards.*” Auditing the COAERS financial statements provides Trustees, members, and the public reasonable assurance that the financial statements are free from material misstatement.

RECOMMENDATION FOR COMMITTEE ACTION

Staff recommends the Committee refer the statement of work with CliftonLarsonAllen (CLA) for the 12/31/2023 financial statement audit to the Board for approval.

BACKGROUND

On July 1, 2021, CLA was selected as COAERS financial statement audit firm. This will be the third year that CLA has audited COAERS. A statement of work for the audit of the December 31, 2023 financial statements is attached.

ATTACHMENTS

1. CliftonLarsonAllen Statement of Work – Audit Services



CliftonLarsonAllen LLP
<https://www.claconnect.com>

Statement of Work - Audit Services

October 24, 2023

This document constitutes a statement of work ("SOW") under the master service agreement ("MSA") dated December 14, 2021, or superseding MSA, made by and between CliftonLarsonAllen LLP ("CLA," "we," "us," and "our") and City of Austin Employees Retirement System ("you," "your," or "the entity"). We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services CLA will provide for the entity as of and for the year ended December 31, 2023.

Bhakti Patel is responsible for the performance of the audit engagement.

Scope of audit services

We will audit the financial statements of the City of Austin Employees Retirement System, and the related notes to the financial statements.

The Governmental Accounting Standards Board (GASB) provides for certain required supplementary information (RSI) to accompany the entity's basic financial statements.

The RSI will be subjected to certain limited procedures, but will not be audited.

We will also evaluate and report on the presentation of the supplementary information other than RSI accompanying the financial statements in relation to the financial statements as a whole.

Nonaudit services

We will also provide the following nonaudit services:

- Preparation of the Schedule of Pension Amounts and related notes

Audit objectives

The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered

material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Our audits will be conducted in accordance with U.S. GAAS. Those standards require us to be independent of the entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. Our audit will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions.

We will apply certain limited procedures to the RSI in accordance with U.S. GAAS. However, we will not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. We will also perform procedures to enable us to express an opinion on whether the supplementary information (as identified above) other than RSI accompanying the financial statements is fairly stated, in all material respects, in relation to the financial statements as a whole.

We will issue a written report upon completion of our audit of your financial statements.

Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph to our auditors' report, or if necessary, withdraw from the engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming opinions on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express opinions or issue a report, or withdrawing from the engagement.

It is our understanding that our auditors' report will be included in your annual report which is comprised of Introductory, Investment, Actuarial, and Statistical sections and that your annual report will be issued by the same date as the financial statements. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Auditor responsibilities, procedures, and limitations

We will conduct our audit in accordance with U.S. GAAS.

Those standards require that we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. As part of our audit, we will:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and evaluate whether audit evidence obtained is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the amounts and disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on our evaluation of audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Although our audit planning has not been concluded and modifications may be made, we have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Investments
- Investment Income
- Revenue recognition
- Management override of controls

We plan to use an auditors' specialist to review the GASB 67 disclosure information prepared by the actuarial firm engaged by you.

There is an unavoidable risk, because of the inherent limitations of an audit, together with the inherent limitations of internal control, that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS. Because we will not perform a detailed examination of all transactions, material misstatements, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity, may not be detected.

In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Management responsibilities

Our audit will be conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledge and understand that you have certain responsibilities that are fundamental to the conduct of an audit.

You are responsible for the preparation and fair presentation of the financial statements and RSI in accordance with U.S. GAAP.

Management's responsibilities include the selection and application of accounting principles; recording and reflecting all transactions in the financial statements; determining the reasonableness of significant accounting estimates included in the financial statements; adjusting the financial statements to correct material misstatements; and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for 12 months beyond the financial statement date.

You are responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities and safeguarding assets. You are responsible for the design, implementation, and maintenance of internal controls to prevent and detect fraud; assessing the risk that the financial statements may be materially misstated as a result of fraud; and for informing us about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations, and informing us of all instances of identified or suspected noncompliance whose effects on the financial statements should be considered.

You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including amounts and disclosures, such as records, documentation, identification of all related parties and all related-party

relationships and transactions, and other matters, and for the accuracy and completeness of that information (including information from within and outside of the general and subsidiary ledgers); (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

You agree to inform us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements.

Management is responsible for the preparation of the supplementary information in accordance with U.S. GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. You agree to provide us written representations related to the presentation of the supplementary information.

Management is responsible for the preparation of other information included in your annual report. You agree to provide the final version of such information to us in a timely manner, and if possible, prior to the date of our auditors' report. If the other information included in your annual report will not be available until after the date of our auditors' report on the financial statements, you agree to provide written representations indicating that (1) the information is consistent with the financial statements, (2) the other information does not contain material misstatements, and (3) the final version of the documents will be provided to us when available, and prior to issuance of the annual report by the entity, so that we can complete the procedures required by professional standards. Management agrees to correct material inconsistencies that we may identify. You agree to include our auditors' report in any document containing financial statements that indicates that such financial statements have been audited by us.

Management is responsible for providing us with a written confirmation concerning representations made by you and your staff to us in connection with the audit and the presentation of the basic financial statements and RSI. During our engagement, we will request information and explanations from you regarding, among other matters, the entity's activities, internal control, future plans, specific transactions, and accounting systems and procedures. The procedures we will perform during our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the representations that we receive in the representation letter and otherwise from you. Accordingly, inaccurate, incomplete, or false representations could cause us to expend unnecessary effort or could cause a material fraud or error to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the entity's financial statements that we may fail to detect as a result of misrepresentations made to us by you.

Responsibilities and limitations related to nonaudit services

For all nonaudit services we may provide to you, management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services. Management is also responsible for ensuring that your data and records are complete and that you have

received sufficient information to oversee the services.

Use of financial statements

Should you decide to include or incorporate by reference these financial statements and our auditors' report(s) thereon in a future private placement or other offering of equity or debt securities, you agree that we are under no obligation to re-issue our report or provide consent for the use of our report in such a registration or offering document. We will determine, at our sole discretion, whether we will re-issue our report or provide consent for the use of our report only after we have performed the procedures we consider necessary in the circumstances. If we decide to re-issue our report or consent to the use of our report, we will be required to perform certain procedures including, but not limited to, (a) reading other information incorporated by reference in the registration statement or other offering document and (b) subsequent event procedures. These procedures will be considered an engagement separate and distinct from our audit engagement, and we will bill you separately. If we decide to re-issue our report or consent to the use of our report, you agree that we will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to re-issue our report or decide to withhold our consent to the use of our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our workpapers for those periods, we are under no obligation to permit such access.

If the parties (i.e., you and CLA) agree that CLA will not be involved with your official statements related to municipal securities filings or other offering documents, we will require that any official statements or other offering documents issued by you with which we are not involved clearly indicate that CLA is not involved with the contents of such documents. Such disclosure should read as follows:

CliftonLarsonAllen LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website or submitted on a regulator website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

We may issue preliminary draft financial statements to you for your review. Any preliminary draft financial statements should not be relied on or distributed.

Engagement administration and other matters

We understand that your employees will prepare all confirmations, account analyses, and audit schedules we request and will locate any documents or invoices selected by us for testing. A list of information we expect to need for our audit and the dates required will be provided in a separate communication.

Professional standards require us to be independent with respect to you in the performance of these

services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our audit engagement ends on delivery of our signed report. Any additional services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific SOW for that service.

Fees

Our professional fees are outlined in the table below:

Service	Fee
Financial Statement Audit	68,000
Implementation of the New Risk Auditing Standards which includes an increase in information technology testing	1,000
Total	69,000

Our fee is based on anticipated cooperation from your personnel and their assistance with locating requested documents and preparing requested schedules. If the requested items are not available on the dates required or are not accurate, the fees and expenses will likely be higher.

Professional fees will be billed as follows:

Progress bill to be mailed on	Amount to be billed
Upon execution of the SOW	One-third of our professional fees
Upon the commencement of substantive procedures	One-third of our professional fees
Issuance of draft report(s)	One-third of our professional fees

Unexpected circumstances

We will advise you if unexpected circumstances require significant additional procedures resulting in a substantial increase in the fee estimate.

Changes in accounting and audit standards

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in the SOW increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work.

Agreement

We appreciate the opportunity to provide to you the services described in this SOW under the MSA and believe this SOW accurately summarizes the significant terms of our audit engagement. This SOW and the MSA constitute the entire agreement regarding these services and supersedes all prior agreements (whether oral or written), understandings, negotiations, and discussions between you and CLA related to audit services. If you have any questions, please let us know. Please sign, date, and return this SOW to us to indicate your acknowledgment and understanding of, and agreement with, the arrangements for our audit of your financial statements including the terms of our engagement and the parties' respective responsibilities.

Sincerely,

CliftonLarsonAllen LLP

Response:

This letter correctly sets forth the understanding of City of Austin Employees Retirement System.

CLA

ORG:

NAME:

TITLE:

SIGN:

DATE:

Client

ORG:

NAME:

TITLE:

SIGN:

DATE:

5. Discuss and consider the COAERS Enterprise Risk Management program

Presented by Christopher Hanson



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 5:

Discuss and consider the COAERS Enterprise Risk Management program

AGENDA ITEM OBJECTIVE

This agenda item is for the Committee to review and discuss the Enterprise Risk Management Program including proposed risk activities for 2024.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 2: Responsibly manage the risks of the System.** The Committee's regular review of the Enterprise Risk Management System is one of the strategic objectives of Goal 2 and a key performance indicator is the successful implementation of all annual risk management activities.

RECOMMENDATION FOR COMMITTEE ACTION

At the Committee's discretion.

BACKGROUND

COAERS Enterprise Risk Management Policy requires the Audit and Risk Committee to annually review the COAERS Risk Management System report. Staff has prepared a 2024 draft report for the Committee and will discuss the proposed changes for the risk category rankings, action items, and risk trends with the Committee.

ATTACHMENT

1. Draft 2024 COAERS Risk Management System Report



2024 Enterprise Risk Management Report

	Risk Category	Risk Description	2024 Rank	2023 Rank	Risk Level 2024	Risk Level 2023	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee
1st Quartile Risk	MARKET	Too little or too much exposure to market risk could lead to undesirable investment outcomes.	1	2	High	High	↑	Accept	Chief Investment Officer	Investment Committee
	CYBER	Ineffective cyber security controls could lead to breaches or sabotage of COAERS systems. Unauthorized access of confidential information could result in state or federal law violations and harm the best interests of COAERS.	2	3	High	High	↑	Mitigate	Chief Information Officer	Audit and Risk Committee
	FUNDING	A lack of sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.	3	1	High	High	↓	Mitigate	Executive Director	Benefits and Services Committee
2nd Quartile Risk	COUNTERPARTY	Business partners or entities are unable to fulfill their obligations or do not complete transactions as agreed upon.	4	6	Medium	Medium	↑	Mitigate	Executive Director, Deputy Executive Director, Chief Investment Officer, Chief Financial Officer, Chief Information	Investment Committee, Audit and Risk Committee, Benefits and Services Committee, and Policy Committee
	OPERATIONAL	Event causes a major business interruption	5	4	Medium	Medium	↔	Mitigate	Deputy Executive Director	Audit and Risk Committee
	PERSONNEL	Ability to attract and retain talented staff; succession planning	6	9	Medium	Medium	↑	Mitigate	Executive Director	Governance and Human Resources Committee, and Board of Trustees
3rd Quartile Risk	PHYSICAL	Inadequate facilities management; ineffective space utilization; staff effort to manage issues	7	10	Medium	Low	↑	Mitigate	Executive Director and Deputy Executive Director	Board of Trustees
	LEGISLATIVE	Legislative events lead to adverse relations, unfavorable legislation, and restricted funding	8	5	Medium	Medium	↓	Mitigate	Executive Director	Legislative Committee
	ADAPTABILITY	Inability to meet the strategic mission and vision of the organization; not achieving best outcomes for the system	9	12	Medium	Low	↑	Mitigate	Executive Director	Board of Trustees
4th Quartile Risk	REPUTATIONAL	Erosion of trust in organization either rapidly or slowly over a period of time	10	11	Low	Low	↔	Mitigate	Executive Director	Board of Trustees
	MISSION	Inability to make monthly retirement benefit payments	11	7	Low	Medium	↓	Mitigate	Executive Director and Deputy Executive Director	Audit and Risk Committee, and Investment Committee
	GOVERNANCE	Not following processes and procedures in decision making	12	8	Low	Medium	↓	Mitigate and Transfer	Board of Trustees	Governance and Human Resources Committee



2024 Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee		
			2024	2023	Risk Level Trend (next 12 months)					
MARKET	Too little or too much exposure to market risk could lead to undesirable investment outcomes.	1	High	High	↑	Accept	Chief Investment Officer	Investment Committee		
1st Quartile Risk	Current Status Summary (Trending)	2024 Risk Management Activities							Activity Status	
	Large drawdown of -15% in 2022 and markets retreating on early 2023 gains has significantly increased the chance the Fund will miss its assumed rate of return for two consecutive years. Geopolitics, interest rates, inflation, and long-term economic growth are concerns moving forward. Market and economic risks are significantly elevated and regimes could be unprecedented.	Implement new Strategic Asset Allocation and review all asset class and sub-asset class allocations							OPEN	CLOSED
		Update Investment Risk Framework by deploying investment risk management software to enhance risk management capabilities							x	
		Investment Consultant RFP							x	
		Evolve Austin Model to expand on IRF, Premier List, and Asset/Sub-Asset Class reviews							x	
Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items					
Large market drawdown rate			High	High	Investment Risk Framework					
Failure to adapt diversification strategy			Medium	High	Strategic Asset Allocation Study and Asset/Liability Study					
Poor investment manager performance			Medium	High	Investment Risk Framework					
Poor implementation of policy leads to underperformance vs. the benchmark			Medium	Medium	Premier List					
Poor value for investment fees paid			Low	Medium	Annual review of key policies, regular performance rating					
Chasing performance			Low	Medium	Premier List and CEM Investment Benchmarking					
					Strategic Asset Allocation Reviews (annual)					



2024 Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee		
			2024	2023						
CYBER	Ineffective cyber security controls could lead to breaches or sabotage of COAERS systems. Unauthorized access of confidential information could result in state or federal law violations and harm the best interests of COAERS.	2	High	High	↑	Mitigate	Chief Information Officer	Audit and Risk Committee		
1st Quartile Risk	Current Status Summary (Trending)	2024 Risk Management Activities							Activity Status	
	Cyber activity continues to increase globally. Breaches and attacks have grow significantly each year. While the System has taken significant steps to improve its cybersecurity posture, this activity would indicate this risk trend is increasing.	Optimize security program utilizing NIST compliance.							OPEN	CLOSED
		Plan cross-function collaboration and test best-in-class disaster recovery.							x	
		Enhance IT security program; define policies through a formal and structured process.							x	
		Align third party risk assessments to business workflows and coordinate across organization.							x	
		Perform network penetration testing; develop targeted strategies to mitigate critical vulnerabilities.							x	
	Notable Risks (Root Causes)	Probability	Impact	Risk Management Strategies and Action Items						
Cyberattack causes loss of money, data, business disruption, or sponsor to miss contributions	Medium	High	MSSP and IT Security Program; Web Application Firewall; HA Palo Alto; Global Protect VPN and Wildfire subscriptions; SOC							
Phishing attack (ransomware, credential harvesting)	Medium	High	KnowBe4 Security Awareness Training and Phish Tests; HA Palo Alto; Email Antigena							
Website attack (DDos, SQL Injection, Cross site scripting, Illegal resource access)	Medium	High	MSSP and IT Security Program; Web Application Firewall; HA Palo Alto							
3rd party data breach	Medium	Medium	Third Party Risk Management; Black Kite							
Internal COAERS employee attack	Low	High	KnowBe4 Security Awareness Training; Strict financial auditing controls and separation of duties; IT Security policies; Data management and classification							
IT disruptions caused by outdated hardware and software	Low	Medium	Asset management/Patch management; Penetration testing							
Member Direct user imposter	Low	Medium	LexisNexis; MFA; Membership education on cybersecurity awareness							



2024 Enterprise Risk Management Report

1st Quartile Risk	Risk Category	Risk Description	Rank	Risk Level 2024	Risk Level 2023	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee		
	FUNDING	A lack of sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.	3	High	High	↓	Mitigate	Executive Director	Benefits and Services Committee		
	Current Status Summary (Trending)	2024 Risk Management Activities								Activity Status	
	Passage of SB 1444 moves the System to an actuarial-based contribution model and includes funding for the existing UAAL (legacy liability) and increases the employee contribution rate. Risk still exists due to the cap on contributions from the City and Members which could be triggered due to exceptional market and economic uncertainty.	Begin review of actuarial assumptions in advance of 2025 Experience Study								OPEN	CLOSED
		Conduct 12/31/2023 actuarial valuation								x	
		Update Funding Policy with City of Austin and continue reporting to Board								x	
		Receive and review actuarial audit conducted by the City								x	
		Provide report on funded status and risks of the System to key stakeholders								x	
		Continue regular cash flow and benefit monitoring.								x	
Notable Risks (Root Causes)		Probability	Impact	Risk Management Strategies and Action Items							
Assets insufficient to fund liabilities	Medium	High	Annual Actuarial Valuation and Board Funding Policy								
Contribution rates are not sufficient to fund benefits	Medium	High	Asset/Liability Study								
Unexpected decline in sponsor payroll	Medium	Medium	Cash flow monitoring and monthly benefit reporting								
Rate of Return assumption too aggressive	Medium	Medium	Actuarial Experience Studies								
Unexpected increase in benefits payroll	Medium	Medium	Cash flow monitoring and monthly benefit reporting								
Sponsor closes DB plan in favor of DC plan	Low	Medium	Communication with membership								
Actuarial miscalculation	Low	Medium	Actuarial Audit by sponsor								



2024 Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee	
			2024	2023	Risk Level Trend (next 12 months)				
COUNTERPARTY	Business partners or entities are unable to fulfill their obligations or do not complete transactions as agreed upon.	4	Medium	Medium	↑	Mitigate	Executive Director, Deputy Executive Director, Chief Investment Officer, Chief Financial Officer, Chief Information Officer	Investment Committee, Audit and Risk Committee, Benefits and Services Committee, and Policy Committee	
2nd Quartile Risk	Current Status Summary (Trending)	2024 Risk Management Activities						Activity Status	
	Key vendor relationships are well-established and vendors are generally meeting expectations. Committees review key service providers such as investment consultant, actuary, and legal counsel. Recent cyberattacks against pension industry third-parties have escalated and remain a significant risk. Additionally, new vendor relationships are being established as the organization grows which increases potential counterparty risk.	Continual underwriting of premier list managers and expanding premier list concept to other lines of business						OPEN	CLOSED
		Complete RFP for General Investment Consultant.						x	
		Comprehensive review of custodial bank relationship						x	
		Annual review of consultants and key service providers.						x	
		Develop comprehensive program of third-party IT security audits for key service providers.						x	
Notable Risks (Root Causes)		Probability	Impact	Risk Management Strategies and Action Items					
IT security providers and consultants		Medium	High	Annual 3rd party security reviews; Compliance Manager software; Vendor Risk Management					
City of Austin contribution issues or data issues		Medium	High	Communication with plan sponsor; cash management program					
Actuary		Medium	Medium	Actuarial audits					
Investment consultant		Medium	Low	Annual review of general investment consultant, issuance of RFP					
Custodial banks		Low	High	IC Dashboard to monitor counterparty ratings					
Legal counsel		Low	Medium	Engagement with specialized counsel					
Investment managers		Low	Medium	Premier List; Due Diligence					
Operating bank		Low	Medium	Monitor operating bank counterparty ratings; conduct security assessment; revisit interest credit rates; research alternative vendors					
Brokers and related vendors		Low	Low	Transaction Cost Analysis					
Medical consultants		Low	Low	Engagement with multiple parties including outsourced medical service provider program					



2024 Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee		
			2024	2023	Risk Level Trend (next 12 months)					
OPERATIONAL	Event causes a major business interruption	5	Medium	Medium	↔	Mitigate	Deputy Executive Director	Audit and Risk Committee		
2nd Quartile Risk	Current Status Summary (Trending)	2024 Risk Management Activities							Activity Status	
	Customer survey results are positive and within strategic plan threshold. New audit firm relationship is strong. Policies and procedures update. Financial controls in place. However, new business location creates possible risks to operations that must be properly managed.	Conduct 12/31/2023 financial statement audit							OPEN	CLOSED
		Continue efforts to optimize finance division's use of technology to improve efficiency							x	
		Continue the development of COAERS IT Roadmap for operational technology upgrades in the future.							x	
		Complete due diligence and implementation of new death audit services							x	
	Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items				
	Obsolescence of service delivery methods			Medium	Medium	Communication with membership regarding business operations				
	IT disruptions			Medium	Medium	Capital Improvement Plan				
	Customer service failures			Medium	Medium	Employee Training/Reviews/Internal Communication				
	Pandemic or natural disaster			Low	Medium	COAERS Workplace Strategy and Guidelines				
Accounting and reporting			Low	High	Financial Statement Audit					
Fraud			Low	High	Internal controls, policies, and procedures					
Business Continuity			Low	High	Backup & Disaster Recovery Plan/Testing					
Failure to follow applicable laws, regulations and policies			Low	Medium	Legal reviews by tax and general counsel					
Benefit payment inaccuracies			Low	Medium	Internal controls, policies, and procedures					
Records management			Low	Low	Electronic File & Delivery Systems					



2024 Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee		
			2024	2023	Risk Level Trend (next 12 months)					
PERSONNEL	Ability to attract and retain talented staff; succession planning	6	Medium	Medium	↑	Mitigate	Executive Director	Governance and Human Resources Committee, and Board of Trustees		
2nd Quartile Risk	Current Status Summary (Trending)	2024 Risk Management Activities							Activity Status	
	Retirement eligibility of a few mission critical employees will continue through 2026. Managing succession risk within Member Services and Finance divisions will be critical. Management is proposing seven new FTEs for 2024, which creates risk to the organizational culture.	Management to revisit existing culture statement to evaluate any needed changes							OPEN	CLOSED
		Provide training to new hires and professional development for existing staff.							x	
		Ensure thorough onboarding of new staff to promote alignment and integration into organization							x	
		Continue staffing assessment across all divisions.							x	
	Notable Risks (Root Causes)	Probability	Impact	Risk Management Strategies and Action Items						
	Employee burnout	High	Medium	Health insurance; "fit to work"						
	Employee retention and turnover	High	Medium	Cross-training for each position; Workplace Strategy and Guidelines						
	Ability to attract top talent	High	Medium	Market compensation studies; Well-articulated compensation philosophy						
	Employee resistance to culture change	Medium	Medium	Management promoting culture statement						
Lack of training opportunities	Low	Medium	Professional development and continuing education							
Lack of succession planning	Low	Medium	Succession planning							
Employees performing inadequately in position	Low	Medium	Performance appraisals; Professional development; Training; Personnel Policy and Employee Handbook							
Accidents/Injury/Health	Low	Medium	Workplace Safety Policy							



2024 Enterprise Risk Management Report

3rd Quartile Risk	Risk Category	Risk Description	Rank	Risk Level 2024	Risk Level 2023	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee	
	PHYSICAL	Inadequate facilities management; ineffective space utilization; staff effort to manage issues	7	Medium	Low	↑	Mitigate	Executive Director and Deputy Executive Director	Board of Trustees	
	Current Status Summary (Trending)	2024 Risk Management Activities							Activity Status	
	Move to 4700 Mueller may bring unexpected changes to operations, office space, and logistics. Hybrid work environment brings some upside, but could pose a customer service risk if customer needs are not properly anticipated. Existing policies, procedures, and vendors will need to be reviewed and adjusted as the organization transitions to 4700 Mueller.	4700 internal working group transition from construction to occupancy/ownership							x	
		Evaluate new 4700 Mueller vendors such as property management, building access, and security; establish premier list process for such vendors							x	
		Review existing policies and guidelines such as workplace safety for occupancy at 4700 Mueller							x	
	Notable Risks (Root Causes)				Probability	Impact	Risk Management Strategies and Action Items			
	Facility transition				High	Medium	Proper planning, communication, adaptability			
	Threats to physical safety of employees				Medium	High	RAVE application; Workplace Safety Policy; Fire Drills and Training			
	Accidents or injury				Medium	Medium	Workplace Safety Policy			
Physical risks created by facility management				Medium	Medium	Facility management plan				
Global pandemic				Low	Low	Workplace Strategy and Guidelines; Air quality monitoring; PPE where appropriate				
Public spaces in building				Low	Low	Key card system; Camera system				



2024 Enterprise Risk Management Report

3rd Quartile Risk	Risk Category	Risk Description	Rank	Risk Level 2024	Risk Level 2023	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee	
	LEGISLATIVE	Legislative events lead to adverse relations, unfavorable legislation, and restricted funding	7	Medium	Medium	↓	Mitigate	Executive Director	Legislative Committee	
	Current Status Summary (Trending)	2024 Risk Management Activities							Activity Status	
								OPEN	CLOSED	
	Successful passage of SB 1444, along with the failure of other pension bills to pass the session, reduces risk. However, many key issues and risks remain such as ESG and China divestment, federal regulation, and anti-public sector DB policies.	Monitor key public pension policy issues at national and state levels, including 88th interim session charges						x		
		Engage and educate key policymakers regarding COAERS perspectives on related policy issues						x		
		Develop and adopt COAERS legislative agenda for 89th Session.						x		
		Continue to engage with City governmental relations team in preparation for 89th Session						x		
	Notable Risks (Root Causes)		Probability	Impact	Risk Management Strategies and Action Items					
	State forces legislative changes to plan		Medium	High	Engagement with governmental relations firms; development of legislative priorities and agenda; Increase stakeholder engagement on legislative agenda through events and meetings					
Lack of relationships with key offices		Low	High	Communications planning for legislative agenda messaging						
Risks to the COAERS reputation elevated as the legislation grabs the attention of opponents (DB pundits; Members; Groups that oppose our legislation)		Low	High	Monitor sentiments; address concerns						
Outside organizations promoting anti-DB policies		Medium	Medium	Identify potential opposition groups and stakeholders and create unified messaging to combat misinformation						
Negative or inaccurate media content		Low	Medium	Develop relationships with industry media; Proactive media outreach; Engage consulting/crisis communications						
Social media comments		Low	Low	Social Media Policy						
Unauthorized contact with media		Low	Low	Communications Policy						
Lack of alignment with plan sponsor		Low	Medium	Develop and maintain strong communication with appropriate plan sponsor liaisons						



2024 Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee	
			2024	2023	Risk Level Trend (next 12 months)				
ADAPTABILITY	Inability to meet the strategic mission and vision of the organization; not achieving best outcomes for the system	9	Medium	Low	↑	Mitigate	Executive Director	Board of Trustees	
3rd Quartile Risk	Current Status Summary (Trending)	2024 Risk Management Activities						Activity Status	
	While the organization has made significant strides in recent years to adapt and embrace change, such as the creation of an internal innovation committee; the next 12-24 months will have an even greater amount of change alongside the emergence of new technologies such as Chat GPT and AI. Resting on its laurels or failing to continue to evolve could pose risks to the organization that could threaten achieving the organization's vision statement.	Strategic KPIs for innovation						OPEN	CLOSED
		Engagement with NACD, NCPERS, NASRA						x	
		Develop and implement plans to build on key organizational strengths and address challenges						x	
		Evaluate emerging technologies' potential impact on lines of business and value add to organization, customers, and stakeholders						x	
		Continue to promote culture statement internally and assess effectiveness through survey						x	
	Notable Risks (Root Causes)	Probability	Impact	Risk Management Strategies and Action Items					
Inability to innovate	Medium	Medium	Implement technology and industry best practices; Professional development; Promote innovation internally						
Inability to use analytics and data	Medium	Medium	Utilize data and analytics						
Complacency and "we've always done it this way"	Medium	Medium	Challenge traditional thinking; Engaging industry leading organizations; Executive Leadership						
Employee resistance to culture change	Medium	Medium	Culture statement; Executive Leadership						



2024 Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee		
			2024	2023	Risk Level Trend (next 12 months)					
REPUTATIONAL	Erosion of trust in organization either rapidly or slowly over a period of time	10	Low	Low	↔	Mitigate	Executive Director	Board of Trustees		
4th Quartile Risk	Current Status Summary (Trending)	2024 Risk Management Activities							Activity Status	
	Significant efforts have been made to engage stakeholders regarding COAERS long-term sustainability and expand member focused events. However, risks remain if the organization does not continue to communicate with members regarding the changes from SB 1444 as well as not continuing to develop new ideas in the areas of member education and engagement.	Continue promoting COAERS value proposition to members by enhancing customer offerings such adding virtual Financial Wellness-related events							OPEN	CLOSED
		Maintain contacts with industry media							x	
		Respond rapidly and effectively as situations develop							x	
		Keep stakeholders and membership informed and educated on key organization matters such as pension legislation and funding							x	
		Notable Risks (Root Causes)							Probability	Impact
Negative or inaccurate media content			Low	Medium	Develop relationships with industry media; Proactive media outreach; Engage consulting/crisis communications					
Social media comments			Low	Low	Social Media Policy					
Unauthorized release of confidential information			Low	High	Control procedures and processes/financial audit					
Illegal/Unethical behavior			Low	High	Code of Ethics, Fraud, Waste, and Abuse Policy; Personnel Policy					
Poor outcomes for organization			Low	Medium	Customer service training; Engaging with stakeholders; Transparency					
Unauthorized contact with media			Low	Low	Communications Policy					



2024 Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee		
			2024	2023	Risk Level Trend (next 12 months)					
MISSION	Inability to make monthly retirement benefit payments	11	Low	Medium	↓	Mitigate	Executive Director and Deputy Executive Director	Audit and Risk Committee, Investment Committee		
4th Quartile Risk	Current Status Summary (Trending)	2024 Risk Management Activities							Activity Status	
	Trust fund liquidity and cash management activities continue to ensure promised benefits are paid. New disaster recovery system is in place. Finance and Member Service division staff levels will support mission-critical activities.	Cash projections and liquidity management							OPEN	CLOSED
		Penetration testing to ensure systems resiliency and identify any critical weaknesses							x	
		Continue to develop cross-training							x	
		Review existing succession plans and test through scenario analysis							x	
Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items					
Cyberattack causes loss of money, data, business disruption, or sponsor to miss contributions			Medium	High	Managed Service Security Provider/Security Program					
Employee turnover at critical positions			Medium	Medium	Succession planning and cross-training					
Lack of liquidity to make annuity payments			Low	High	Liquidity monitoring					
Failure to transmit bank files for payments			Low	High	Cash management program					
IT system outages			Low	Medium	Business continuity and disaster recovery plans					
Sponsor contribution not made timely			Low	Medium	Communication with plan sponsor					



2024 Enterprise Risk Management Report

4th Quartile Risk	Expected Risk Level Trend (next 12 months)										
	Risk Category	Risk Description	Rank	Risk Level 2024	Risk Level 2023	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee		
	GOVERNANCE	Not following processes and procedures in decision making	12	Low	Medium	↓	Mitigate and Transfer	Board of Trustees	Governance and Human Resources Committee		
	Current Status Summary (Trending)	2024 Risk Management Activities								Activity Status	
	The Board has completed two successful annual workshops and forged strong professional and personal relationships. The 2023 Board self-evaluation indicated strong support for the current governance of the Board. Board policy review cycles have been established and are monitored. Recently created policies such as the Board Governance Manual, Diversity Policy, Emergency Succession Policy, and Communications Policy bolster already effective Board governance.	Implementation of personalized Trustee education and professional development plans.								OPEN	CLOSED
		Board Annual Self-Assessment								x	
		Trustee continuing education and utilization of Board Skills Matrix to expand trustee training options.								x	
		Begin to foster candidates for possible future Board appointment								x	
	Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items					
	Ineffective Board leadership			Low	Medium	Board and Trustee Self-Evaluation					
Policy-making versus administration lines not held			Low	Medium	Training/Policy & Procedure						
Effectiveness of board governance declines			Low	Medium	Board Governance Effectiveness Survey Follow-Up						
Policies and procedures not followed or established			Low	Medium	Regular Policy Review						
Lack of appropriate skills			Low	Medium	Board Skills Matrix and Board Education Policy						
Lack of trust between trustees			Low	Medium	Communication/Board Workshops						

6. Receive third quarter 2023 unaudited financial statements

Presented by Yun Quintanilla



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 6: Receive third quarter 2023 unaudited financial statements

AGENDA ITEM OBJECTIVE

This item presents the unaudited September 30, 2023 financial statements, which show the net position of the fund and related financial details.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets the core competency established in the **COAERS Strategic Plan** "*Dependable Operations: Managing the financial and operational commitments within appropriate measurable standards.*"

RECOMMENDATION FOR COMMITTEE ACTION

For informational purposes only; no action required.

ATTACHMENT

1. 09/30/2023 Unaudited Financial Statements

CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
Statement of Fiduciary Net Position
September 30, 2023

	<u>Unaudited</u>		<u>Variance</u>
	<u>9/30/2023</u>	<u>9/30/2022</u>	Favorable (Unfavorable)
Assets			
Cash - operating account	\$ 19,378,807	\$ 19,324,008	\$ 54,799
Receivables	82,230	81,355	875
Total cash and receivables	<u>19,461,037</u>	<u>19,405,363</u>	<u>55,674</u>
Investments, at fair value:			
US equities	1,036,350,727	915,319,761	121,030,966
DM Equities	463,164,880	367,797,215	95,367,665
EM Equities	198,647,169	190,320,344	8,326,825
Fixed income	498,603,708	626,627,526	(128,023,818)
Real assets	423,529,373	463,831,906	(40,302,533)
Multi-asset	121,072,223	135,795,386	(14,723,163)
Cash and cash equivalents	235,289,873	79,068,221	156,221,652
Total investments	<u>2,976,657,953</u>	<u>2,778,760,359</u>	<u>197,897,594</u>
Capital assets, net of depreciation	31,496,444	3,583,835	27,912,609
Total assets	<u>3,027,615,434</u>	<u>2,801,749,557</u>	<u>225,865,877</u>
Liabilities			
Payables:			
Accrued expenses	329,280	270,237	(59,043)
Payables and deposits - Mueller	741,594	-	(741,594)
Refunds and death benefits payable	3,677,365	3,216,723	(460,642)
Total liabilities	<u>4,748,239</u>	<u>3,486,960</u>	<u>(1,261,279)</u>
Net position restricted for pensions	<u>\$ 3,022,867,195</u>	<u>\$ 2,798,262,597</u>	<u>\$ 224,604,598</u>

CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
Statement of Changes in Fiduciary Net Position
For the Nine Months Ending September 30, 2023

	Unaudited		Variance
	9/30/2023	9/30/2022	Favorable (Unfavorable)
Additions:			
Contributions:			
Employer contributions	\$ 117,209,063	\$ 105,548,848	\$ 11,660,215
Employee contributions	49,004,673	44,164,198	4,840,475
Creditable service purchases	8,179,758	6,561,002	1,618,756
Total contributions	174,393,494	156,274,048	18,119,446
Investment Income:			
Realized gain/(loss) on investments	6,939,693	(62,338,909)	69,278,602
Unrealized gain/(loss) on investments	61,061,755	(684,583,356)	745,645,111
Net investment appreciation (depreciation) in fair value of investments	68,001,448	(746,922,265)	814,923,713
Dividends	20,619,873	21,497,006	(877,133)
Interest	14,760,436	9,262,809	5,497,627
Investment appreciation (depreciation) before expenses	103,381,757	(716,162,450)	819,544,207
Investment expenses:			
Investment manager fees	3,241,751	3,585,527	343,776
Custodial fees	195,000	195,000	-
Commissions & other fees	59,213	48,403	(10,810)
Investment consultant fees	187,051	135,703	(51,348)
Investment legal counsel	19,396	12,638	(6,758)
Staff continuing education & site visits	17,873	39,728	21,855
Investment staff resources	217,199	226,516	9,317
Total investment expenses	3,937,483	4,243,515	306,032
Net Investment appreciation (depreciation)	99,444,274	(720,405,965)	819,850,239
DDA interest Income	609,078	21,535	587,543
Rent Income - Mueller	673,724	-	673,724
Total additions (deductions)	275,120,570	(564,110,382)	839,230,952
Deductions:			
Retirement annuities	195,589,679	184,855,853	(10,733,826)
Contributions refunded to terminating employees	2,881,722	3,798,419	916,697
DROP disbursements	2,541,362	3,755,578	1,214,216
Retiree lump-sum annuity	1,429,378	2,660,647	1,231,269
Death benefits - retirees	1,323,488	1,020,020	(303,468)
Death benefits - actives	1,477,910	1,801,133	323,223
Total benefit payments, including refunds of member contributions	205,243,539	197,891,650	(7,351,889)
General and administrative expenses	5,401,415	4,895,215	(506,200)
Expenses - Mueller	1,404,182	-	(1,404,182)
Total deductions	212,049,136	202,786,865	(9,262,271)
Net increase/(decrease) in net position	63,071,434	(766,897,247)	829,968,681
Net position restricted for pensions:			
Beginning of year	2,959,795,761	3,565,159,844	(605,364,083)
End of period	\$ 3,022,867,195	\$ 2,798,262,597	\$ 224,604,598

7. Receive Cybersecurity update

A. Convene into Executive Session pursuant to Section 551.071, Texas Government Code, Section 1.05, Texas Disciplinary Rules of Professional Conduct, and Section 551.089, Texas Government Code, to consult with legal counsel and deliberate security assessments or deployments relating to information resources technology, network security information described in Section 2059.055, Texas Government Code, and deployment and implementation of security personnel, critical infrastructure, and security devices

B. Reconvene into open session to take action as determined appropriate regarding security assessments or deployments relating to information resources technology, network security information described in Section 2059.055, Texas Government Code, and deployment and implementation of security personnel, critical infrastructure, and security devices

Presented by Amy Kelley



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 7: Receive Cybersecurity update

- A. Convene into Executive Session pursuant to Section 551.071, Texas Government Code, Section 1.05, Texas Disciplinary Rules of Professional Conduct, and Section 551.089, Texas Government Code, to consult with legal counsel and deliberate security assessments or deployments relating to information resources technology, network security information described in Section 2059.055, Texas Government Code, and deployment and implementation of security personnel, critical infrastructure, and security devices
- B. Reconvene into open session to take action as determined appropriate regarding security assessments or deployments relating to information resources technology, network security information described in Section 2059.055, Texas Government Code, and deployment and implementation of security personnel, critical infrastructure, and security devices

AGENDA ITEM OBJECTIVE

This agenda item allows the Committee to review the COAERS cybersecurity and network security activities.

RELEVANCE TO STRATEGIC PLAN

This agenda item is related to **COAERS Strategic Plan Goal 2: Responsibly manage the risks of the System.**

RECOMMENDATION FOR BOARD ACTION

At the Committee's discretion

ATTACHMENT

1. Cybersecurity Program Update (CONFIDENTIAL)

8. Review 2023 Committee Work Plan and discuss development of 2024 Work Plan

Presented by Christopher Hanson



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 8:
Review 2023 Committee Work Plan and
discuss development of 2024 Committee Work Plan

AGENDA ITEM OBJECTIVE

This agenda item is for the Committee to review the work done by the Committee in 2023 and discuss the development of the 2024 Committee work plan.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and Implement Best Practices**. It is an industry best practice to establish and review Committee work plans.

RECOMMENDATION FOR BOARD ACTION

At the Committee's discretion.

ATTACHMENTS

1. 2023 Committee Work Plan
2. Draft 2024 Committee Work Plan

2023 Audit and Risk Committee Work Plan

Scheduled Quarterly Meetings

1. March meeting
 - ✓ Required Communications for 12/31/2022 audit
 - ✓ Quarterly review of Enterprise Risk Management program
 - ✓ Review of cybersecurity program
 - ✓ Quarterly Financial Statements
2. June meeting
 - ✓ 12/31/2022 financial statement audit presentation
 - ✓ Quarterly review of Enterprise Risk Management program
 - ✓ Review of cybersecurity program
 - ✓ Quarterly Financial Statements
3. August meeting
 - ✓ Quarterly review of Enterprise Risk Management program
 - ✓ Review of cybersecurity program
 - ✓ Annual review of financial audit service provider
 - ✓ Quarterly Financial Statements
4. November meeting
 - ✓ Annual review of Enterprise Risk Management program
 - ✓ Review of cybersecurity program
 - ✓ Quarterly Financial Statements
 - ✓ Engagement Letter - Auditor
 - ✓ 2024 Committee Work Plan

2024 Audit and Risk Committee Work Plan

Scheduled Quarterly Meetings

1. March meeting
 - Required Communications for 12/31/2023 Financial Statement Audit
 - Quarterly review of Enterprise Risk Management Program
 - Review of Cybersecurity Program
 - Quarterly Financial Statements
 - Fraud, Waste, and Abuse Policy
2. June meeting
 - 12/31/2023 Financial Statement Audit presentation
 - Quarterly review of Enterprise Risk Management Program
 - Review of Cybersecurity Program
 - Quarterly Financial Statements
 - Travel Reimbursement Policy
3. August meeting
 - Quarterly review of Enterprise Risk Management Program
 - Review of Cybersecurity Program
 - Annual review of financial audit service provider and renewal decision
 - Quarterly Financial Statements
4. November meeting
 - Annual review of Enterprise Risk Management Program
 - Enterprise Risk Management Policy
 - Review of Cybersecurity Program
 - Quarterly Financial Statements
 - Engagement Letter - Auditor
 - 2025 Committee Work Plan

9. Review key meeting takeaways and call for future agenda items

Presented by Committee Chair Benson



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 9:

Review key meeting takeaways and call for future agenda items

AGENDA ITEM OBJECTIVE

This standing agenda item provides Trustees the opportunity to review the key takeaways from the meeting.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management**. It is an industry best practice to review key meeting takeaways to summarize what was accomplished at the meeting as well as ensure Staff has clear direction on further work and future agenda items.

RECOMMENDATION FOR COMMITTEE ACTION

Trustees will review key meeting takeaways and delineate next steps.