
















August Audit and Risk Committee meeting

Schedule	Thursday, August 31, 2023 12:00 PM — 1:00 PM CDT
Venue	6850 Austin Center Blvd., Suite 320, Austin, TX 78731
Organizer	Sarah McCleary

Agenda

1. Call roll of Committee members	1
Presented by Committee Chair Benson	
 Item #1 Summary.docx	2
<hr/>	
2. Review order of business and meeting objectives	3
Presented by Committee Chair Benson	
 Item #2 Summary.docx	4
<hr/>	
3. Consider approval of the June 15, 2023 Audit and Risk Committee minutes	5
Presented by Committee Chair Benson	
 Item #3 Summary.docx	6
 2023 06 15 Audit and Risk Committee meeting minutes.doc.docx	7
<hr/>	
4. Receive report on annual review of financial statement auditor	10
Presented by Russell Nash	
 Item #4 Summary.docx	11
 04B Staff Report on CLA.docx	12
<hr/>	
5. Discuss and consider the COAERS Enterprise Risk Management program including reports on governance, physical, reputational, and adaptability	13
Presented by Christopher Hanson	
 Item 5 Summary.docx	14
 Staff Presentation Governance, Physical, Reputational, and Adaptability Risks.pptx	15
 Risk Management Dashboard August 2023.pdf	38

6. Receive second quarter 2023 unaudited financial statements	51
Presented by Yun Quintanilla	
 Item #6 Summary.docx	52
 Final Q2 2023 Financial Statements.pdf	53
<hr/>	
7. Receive Cybersecurity update	55
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	
 Item #7 Summary.docx	56
 07A CybersecurityProgramQ3_23.pptx	57
<hr/>	
8. Review key meeting takeaways and call for future agenda items	74
Presented by Committee Chair Benson	
 Item #8 Summary.docx	75
 2023 Audit and Risk Committee Work Plan.docx	76
<hr/>	

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. In its oversight capacity, the Committee will review a report on COAERS' financial statement auditor, CliftonLarsonAllen.
2. The Committee will receive its quarterly report on the COAERS enterprise risk management program with focus on the risk categories of governance, physical, reputational, and adaptability.
3. The Committee will receive a report on the unaudited financial statements as of June 30.
4. The Committee will receive a report related to COAERS information and cybersecurity program.

3. Consider approval of the June 15, 2023
Audit and Risk Committee minutes
Presented by Committee Chair Benson



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 3:

Consider approval of the June 15, 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 June 15, 2023 Audit and Risk Committee meeting.

ATTACHMENT

1. Draft minutes of June 15, 2023 Audit and Risk Committee meeting



MINUTES

AUDIT AND RISK COMMITTEE

Public Meeting held in-person and telephonically on June 15 2023 at 10:30 a.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*
Bhakti Patel, CLA
Lewis Ward, GRS*

Other Board Trustees Present/(Absent)

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

Others Present

Staff:

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

*present telephonically

† present videoconference

1 Call roll of Committee members

As the Committee Chair attended virtually, Board Vice Chair Brad Sinclair called the meeting to order at 10:31 a.m. The following Committee members were present in person: Granof, and Ross. The following Committee members were present via videoconference: Lavine, Hunter, and Benson.

2 Review order of business and meeting objectives

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

3 Consider approval of the March 9, 2023 Audit and Risk Committee minutes

Vice Chair Sinclair asked the Committee to review the Audit and Risk Committee minutes. Mr. Anthony Ross moved approval of the March 9, 2023 minutes as presented. Mr. Michael Granof seconded, and the motion passed unanimously.

4 Discuss and consider acceptance of financial statement audit report as of December 31, 2022

Ms. Bhakti Patel from CliftonLarsonAllen (CLA) presented the results of the December 31, 2022 financial statement audit. Ms. Patel reported to the Committee that CLA issued an unqualified opinion on the financial statements. She further stated that CLA found no significant corrected or uncorrected adjustments during the 2022 audit of the financial statements. Ms. Patel reviewed significant accounting policies used by COAERS and reported that there were no unusual transactions.

Mr. Ross moved to refer to the Board acceptance of the December 31, 2022 financial statements and auditor's report from CLA. Mr. Granof seconded, and the motion passed unanimously.

Mr. Chris Noak joined at 10:53 a.m.

5 Discuss and consider the COAERS Enterprise Risk Management program including the following risk categories: operations, counterparty, mission, and personnel

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 operations, counterparty, mission, and personnel risks.

6 Receive Staff reports on the following matters:**A. First quarter 2023 unaudited financial statements**

Ms. Yun Quintanilla presented the March 31, 2023 unaudited financial statements.

B. Cybersecurity update

Vice Chair Sinclair announced that the Committee would 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.

Ms. Leslie Pool joined the meeting at 11:33 a.m.

The Committee convened into Executive Session at 11:18 a.m. and reconvened into public session at 11:42 a.m.

7 Review key meeting takeaways and call for future agenda items

Committee Chair Sinclair 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 11:42 a.m.

DRAFT

4. Receive report on annual review of financial statement auditor

Presented by Russell Nash



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 4:

Receive report on annual review of financial statement auditor

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Committee to receive a report on COAERS' financial auditors, for which the Committee has oversight responsibilities.

RELEVANCE TO STRATEGIC PLAN

This item supports **Strategic Plan Goal 4: Identify and implement leading practices in Board governance, pension administration, and investment management.** Best practices for fiduciaries require the regular evaluation of key service providers, including those engaged in financial statement audits for the System.

RECOMMENDATION FOR COMMITTEE ACTION

At the Committee's discretion.

BACKGROUND

The Audit and Risk Committee has oversight responsibility for the financial statement auditor relationship. The review is summarized in the attached report which will be discussed at the Committee meeting.

ATTACHMENT

1. Report on COAERS' financial statement auditor



Report on COAERS' Financial Statement Audit Firm

Summary rating: Good. CliftonLarsonAllen (CLA) has the depth and expertise to provide valuable financial statement assurance services to COAERS.

Scope of the Relationship: The purpose of the financial statement audit is to provide the Board of Trustees and other financial statement users with an opinion by the auditor on whether the financial statements are presented fairly, in all material respects, and within an applicable financial reporting framework, to enhance the degree of confidence that intended users can place in the financial statements. CLA has provided two audits since the relationship began – fiscal years ending 2021 and 2022.

Personnel Assigned to COAERS: The CLA principal assigned to COAERS is Ms. Bhakti Patel. Bhakti has more than 18 years of audit experience and focuses on state and local government assurance. Ms. Patel has a bachelor's degree from the University of Virginia and a master's degree in accounting information systems from Virginia Tech University. She is a member of the AICPA and holds CPA licenses in Texas, California, and Virginia. She is a past member of the GFOA Special Review Committee for the Certificate of Achievement for Excellence in Financial Reporting Program. The Audit Manager assigned to COAERS is Mr. Roy Cobb. Mr. Cobb has 10 years of experience. Mr. Cobb has a bachelor's degree from the University of Texas, and a master's degree in accounting from Trinity University. He is a member of the AICPA and holds CPA licenses in Texas and New Jersey.

Terms of Representation: CLA provides audit services under an annual Engagement Letter and pricing provided during the RFP process in 2021. Fees are all-inclusive and fixed. Our contract with CLA for audit services covers fiscal years ending 2021, 2022, and 2023. At the end of this initial term, COAERS can renew the relationship for a two-year term covering audits for fiscal year end 2024 and 2025. Staff will discuss renewal of the contract with the Committee in June 2024. The Committee will determine whether to recommend renewal with CLA to the Board or issue a Request for Proposal for financial statement audit services.

An Engagement Letter for the audit of the 12/31/2023 Financial Statements (the last under the initial contract term) will be presented to the Committee for consideration in November.

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

Presented by Christopher Hanson

AGENDA ITEM 5:

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

AGENDA ITEM OBJECTIVE

This agenda item is for discussion of four of the risk categories in the Enterprise Risk Management Report.

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

The 2023 Enterprise Risk Management Report contains 12 risk categories. Staff will conduct a deeper dive into the risk categories of governance, physical, reputational, and adaptability, as well as present the full report in dashboard format.

ATTACHMENTS

1. Staff Presentation: "Risks: Governance, Physical, Reputational, and Adaptability"
2. Enterprise Risk Management Report Q3 2023



Risks: Governance, Physical, Reputational, Adaptability

Audit and Risk Committee
August 31, 2023

Enterprise Risk Management Report

	Risk Category	Risk Description	2022 Rank	2023 Rank	Risk Level 2022	Risk Level 2023	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee
1st Quartile Risk	FUNDING	A lack of sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.	1	1	High	High	↑	Mitigate	Executive Director	Benefits and Services Committee
	MARKET	Too little or too much exposure to market risk could lead to undesirable investment outcomes.	2	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.	3	3	High	High	↑	Mitigate	Chief Information Officer	Audit and Risk Committee
2nd Quartile Risk	OPERATIONAL	Event causes a major business interruption	4	4	Medium	Medium	↔	Mitigate	Deputy Executive Director	Audit and Risk Committee
	LEGISLATIVE	Legislative events lead to adverse relations, unfavorable legislation, and restricted funding	6	5	Medium	Medium	↑	Mitigate	Executive Director	Legislative Committee
	COUNTERPARTY	Business partners or entities are unable to fulfill their obligations or do not complete transactions as agreed upon.	8	6	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
3rd Quartile Risk	MISSION	Inability to make monthly retirement benefit payments	7	7	Medium	Medium	↔	Mitigate	Executive Director and Deputy Executive Director	Audit and Risk Committee, and Investment Committee
	GOVERNANCE	Not following processes and procedures in decision making	5	8	Medium	Medium	↓	Mitigate and Transfer	Board of Trustees	Governance and Human Resources Committee
	PERSONNEL	Ability to attract and retain talented staff; succession planning	9	9	Medium	Medium	↔	Mitigate	Executive Director	Governance and Human Resources Committee, and Board of Trustees
4th Quartile Risk	PHYSICAL	Inadequate facilities management; ineffective space utilization; staff effort to manage issues	10	10	Low	Low	↔	Mitigate	Executive Director and Deputy Executive Director	Board of Trustees
	REPUTATIONAL	Erosion of trust in organization either rapidly or slowly over a period of time	11	11	Low	Low	↔	Mitigate	Executive Director	Board of Trustees
	ADAPTABILITY	Inability to meet the strategic mission and vision of the organization; not achieving best outcomes for the system	12	12	Low	Low	↔	Mitigate	Executive Director	Board of Trustees

August 31 Committee Review





Governance Risks

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee	
			2022	2023	Risk Level Trend (next 12 months)				
GOVERNANCE	Not following processes and procedures in decision making	8	Medium	Medium	↓	Mitigate and Transfer	Board of Trustees	Governance and Human Resources Committee	
3rd Quartile Risk	Current Status Summary (Trending)	2023 Risk Management Activities						Activity Status	
	The implementation of the 2020 Governance Effectiveness Assessment has been completed. Board policy review cycles have been established and are monitored. Recently created policies such as the Board Governance Manual, Diversity Policy, Emergency Succession Policy, Communications Policy, and Board Governance Manual bolster already effective Board governance.							OPEN	CLOSED
		Implementation of personalized Trustee education and professional development plans.						X	
		Board Annual Self-Assessment							
		Trustee continuing education and utilization of Board Skills Matrix to expand trustee training options.						X	
		Begin to foster candidates for possible future Board appointment							
Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items				
Ineffective Board leadership			Medium	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				

Strategic Goal #4: Leading Practices in Governance

The Board established a goal of the current Strategic Plan to “identify and implement leading practices in board governance...”

Governance: Promote engaged, effective, and independent-minded Trustees by utilizing appropriate and effective governance structures and decision-making processes.



CITY OF AUSTIN
EMPLOYEES'
RETIREMENT SYSTEM

STRATEGIC PLAN
2022 - 2026

Governance Risk Management

- The Board approved its Governance Manual in December 2022 which outlines governance principles, structure, delegation, conduct, committees, and the self-evaluation process.
- The Board Policy Dashboard tracks all Board Policies review cycles to ensure that governance documents are examined in an appropriate review cycle.
- The Board Policy Handbook serves as a singular source of all Board-approved policies.

**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD GOVERNANCE MANUAL**

I. PURPOSE AND SCOPE

This Governance Manual is established to give Trustees information relevant to the governance of the City of Austin Employees' Retirement System ("COAERS" or "System"). Governance is the process for making and implementing decisions. Governance is not about making the "correct" decision, but about the best possible process for making the decision. At its core, governance is the establishment of rules, practices, processes, and the monitoring of their implementation. Governance integrates the power, duties, and accountability of the Trustees to the System's mission. The Board may, at its discretion, delegate authority to carry out the administration of the System but may not delegate responsibility for the System. An essential prerequisite to success of the Board and the System is a well-designed governance structure.

II. GOVERNANCE PRINCIPLES

The following governance principles guide the conduct, decision-making and behavior of the Board and provide a framework for the achievement of the Board's goals:

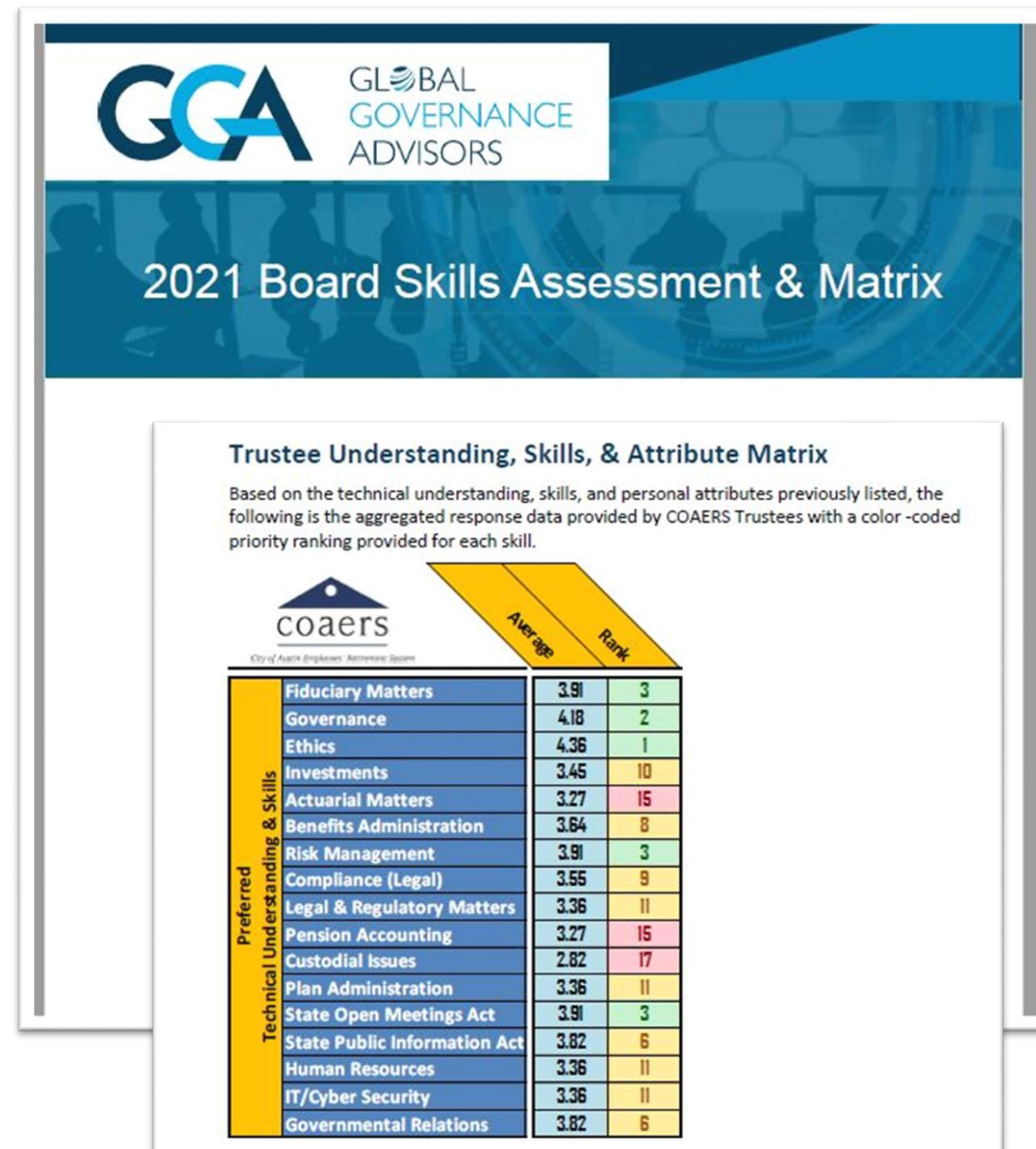
1. All Board members are fiduciaries and as such, must act solely in the best interest of all the participants in the plan.
2. Board members are to be effective and capable in fulfilling their fiduciary responsibilities, taking the time to understand COAERS' business and the role of the Board in conducting that business.
3. Successful governance requires competent Board members who can develop and oversee the implementation of strategies for achieving intended outcomes.

COAERS Board Policy Review Dashboard				
Policy Name	Committee Assigned to Review	Review Cycle	Last Reviewed	Next Review Date
Review Due Now				
Benefits Administration	Benefits and Services	At least every three years	12/1/2019	2022
Diversity	Governance and HR	Annually	6/1/2021	2022
Election	Governance and HR	Annually	6/1/2021	2022
Emergency Succession	Governance and HR	Annually	6/1/2021	2022
Funding	Benefits and Services	At least every two years	9/1/2020	2022
Investment Policy Statement (IPS)	Investment	At least annually	3/1/2021	2022
Investment Implementation Policy (IIP)	Investment	At least annually	7/1/2021	2022
Communication	Policy	Annually	9/1/2021	2022
Review As Necessary				
Financial Statement Audit	Audit and Risk	As necessary	3/1/2021	
Travel Reimbursement	Audit and Risk	As necessary	9/1/2021	
Bylaws	Full Board	As necessary	12/1/2021	
Appointments to Fill Unexpired Terms	Not assigned	N/A	9/1/2003	
Code of Ethics	Policy	As necessary	12/1/2020	
Education	Policy	As necessary	12/1/2017	
Records Management	Policy	As necessary	6/1/2017	
Review Complete				
Enterprise Risk	Audit and Risk	At least every three years	12/1/2021	2024

COAERS
CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

Board Policy Handbook
December 2021

Governance Risk Management



GGA GLOBAL GOVERNANCE ADVISORS

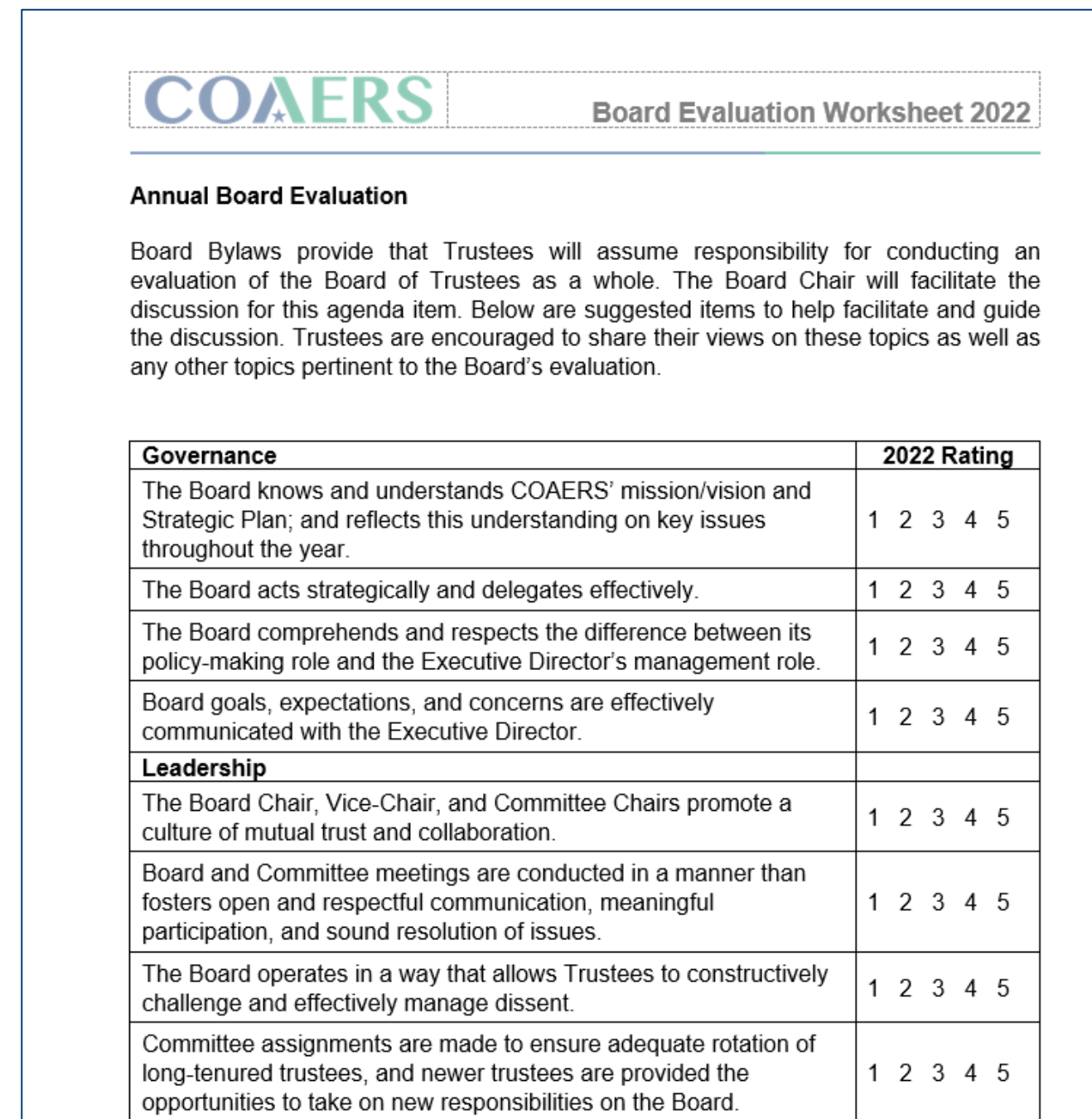
2021 Board Skills Assessment & Matrix

Trustee Understanding, Skills, & Attribute Matrix

Based on the technical understanding, skills, and personal attributes previously listed, the following is the aggregated response data provided by COAERS Trustees with a color-coded priority ranking provided for each skill.

		Average	Rank
Preferred Technical Understanding & Skills	Fiduciary Matters	3.91	3
	Governance	4.18	2
	Ethics	4.36	1
	Investments	3.45	10
	Actuarial Matters	3.27	15
	Benefits Administration	3.64	8
	Risk Management	3.91	3
	Compliance (Legal)	3.55	9
	Legal & Regulatory Matters	3.36	11
	Pension Accounting	3.27	15
	Custodial Issues	2.82	17
	Plan Administration	3.36	11
	State Open Meetings Act	3.91	3
	State Public Information Act	3.82	6
	Human Resources	3.36	11
	IT/Cyber Security	3.36	11
Governmental Relations	3.82	6	

Board Skills Assessment and Skills Matrix



COAERS Board Evaluation Worksheet 2022

Annual Board Evaluation

Board Bylaws provide that Trustees will assume responsibility for conducting an evaluation of the Board of Trustees as a whole. The Board Chair will facilitate the discussion for this agenda item. Below are suggested items to help facilitate and guide the discussion. Trustees are encouraged to share their views on these topics as well as any other topics pertinent to the Board's evaluation.

Governance	2022 Rating
The Board knows and understands COAERS' mission/vision and Strategic Plan; and reflects this understanding on key issues throughout the year.	1 2 3 4 5
The Board acts strategically and delegates effectively.	1 2 3 4 5
The Board comprehends and respects the difference between its policy-making role and the Executive Director's management role.	1 2 3 4 5
Board goals, expectations, and concerns are effectively communicated with the Executive Director.	1 2 3 4 5
Leadership	
The Board Chair, Vice-Chair, and Committee Chairs promote a culture of mutual trust and collaboration.	1 2 3 4 5
Board and Committee meetings are conducted in a manner that fosters open and respectful communication, meaningful participation, and sound resolution of issues.	1 2 3 4 5
The Board operates in a way that allows Trustees to constructively challenge and effectively manage dissent.	1 2 3 4 5
Committee assignments are made to ensure adequate rotation of long-tenured trustees, and newer trustees are provided the opportunities to take on new responsibilities on the Board.	1 2 3 4 5

Annual Board Self-Evaluation



Physical Risks

4th Quartile Risk

Risk Category	Risk Description	Rank	Risk Level 2022	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	10	Low	Low	↔	Mitigate	Executive Director and Deputy Executive Director	Board of Trustees		
Current Status Summary (Trending)		2023 Risk Management Activities							Activity Status	
									OPEN	CLOSED
Hybrid work environment has mitigated certain physical risks. Long-term facilities decisions could be made at the beginning of 2023. Existing policies, procedures, vendors, and finances will need to be reviewed as long term facilities decisions are completed.		Long-term facility due diligence and planning for future office needs							x	
		Review existing policies and guidelines such as workplace safety in accordance with long-term facility decisions.							x	
Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items					
Facility transition			Medium	Medium	Proper planning, communication, adaptability					
Threats to physical safety of employees			Low	High	RAVE application; Workplace Safety Policy; Fire Drills and Training					
Accidents or injury			Low	Medium	Workplace Safety Policy					
Physical risks created by facility management			Low	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					

Strategic Core Competency: Dependable Operations

A long-standing component of the COAERS Strategic Plan is Core Competencies. Proficiency in these Core Competencies is necessary for the organization to deliver on its mission to provide our members with their promised benefits.

Dependable Operations: Managing the financial and operational commitments of the system within appropriate measurable standards.



CITY OF AUSTIN
EMPLOYEES'
RETIREMENT SYSTEM

STRATEGIC PLAN
2022 - 2026

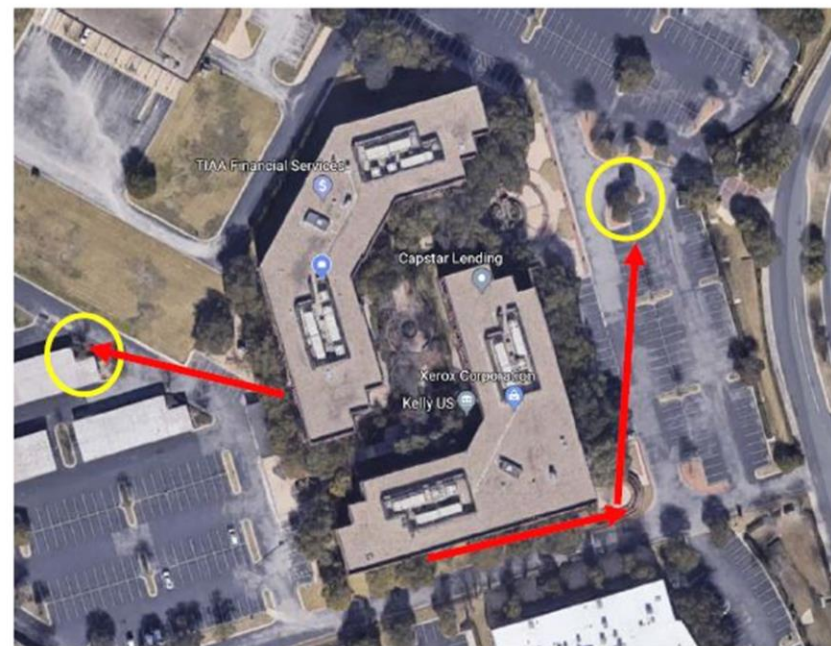
Physical Risk Management



City of Austin Employees' Retirement System Administrative Standard Operating Procedure

COAERS Workplace Safety Procedures

Appendix B: Designated Meeting Areas



For Suite 320: Designated Meeting area is the island next to second covered parking area in back of building

For Suite 190: Designated Meeting area is island across from Northpoint Centre's main front entry steps

NOTIFY KEY PERSONNEL
Key on-site personnel are notified of an emergency immediately when a Panic Call is made to 9-1-1. These users will continue to be notified with situational updates in real time so that they can take appropriate action.

EMERGENCY CALL BUTTONS
A call from the Rave Panic Button app notifies designated on-site personnel and 9-1-1 of the emergency based on the caller's location and emergency type. 9-1-1 will receive both the emergency type and critical emergency information about the campus, such as floor plans.

CRITICAL DATA TO 9-1-1
Immediately, 9-1-1 receives critical data about the campus from which a Panic Call is placed - key situational items like caller location, building floor plans, campus contacts and access info - and is given the ability to rapidly message campus employees and first responders.

STAFF ASSIST
Used often for non-emergency internal communications, authorized employees and on-site groups can quickly communicate without initiating an emergency call to 9-1-1. Internal groups and message templates are predetermined to enable fast communication and reduce the duration of disruptions.

Staff Mobile Safety App


Physical Risk Management

CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

COAERS
CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

Workplace Strategy and Guidelines

November 2021



Christopher Hanson, Executive Director

City of Austin Employees' Retirement System
Suite 320, 6850 Austin Center Boulevard
Austin, TX 78731



THE KUCERA COMPANIES
REAL ESTATE SERVICES

About Us Property Listings Services

Home > Property Listings > Northpoint Centre I & II

NORTHPOINT CENTRE I & II [+ Share](#) | [f](#) [t](#)

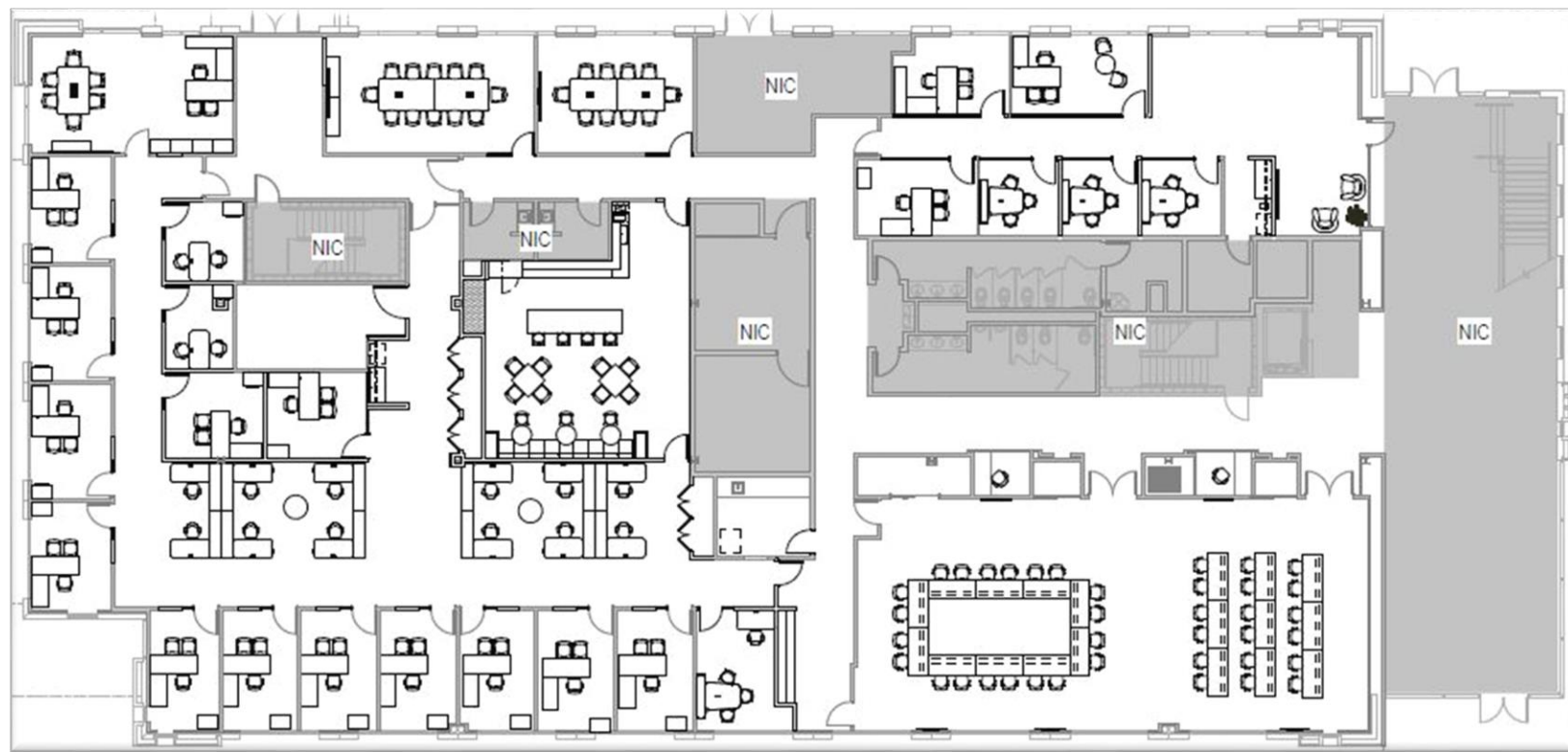
6836 and 6850 Austin Center Blvd
Austin Texas, 78731

**Facility Partners for both
Short/Medium Term and Long-Term**



**AVISON
YOUNG** **Austin**

4700 Mueller





Reputational Risks

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee	
			2022	2023					
REPUTATIONAL	Erosion of trust in organization either rapidly or slowly over a period of time	11	Low	Low	↔	Mitigate	Executive Director	Board of Trustees	
Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
Organizational outreach and communication regarding funding and legislative proposal provided transparency about challenges and solutions. Stakeholder comments have been received, reviewed, and to the extent possible addressed. COAERS leadership is engaged with stakeholders, the City, legislative contingent, and PRB.								OPEN	CLOSED
	Continue promoting COAERS value proposition to members including launch of new Financial Wellness event.							X	
	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.							X		
Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items				
Negative or inaccurate media content			Medium	Medium	Develop relationships with industry media; Proactive media outreach; Engage consulting/crisis communications				
Social media comments			Medium	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, Whistleblower Policy; Personnel Policy				
Poor outcomes for organization			Low	Medium	Customer service training; Engaging with stakeholders; Transparency				
Unauthorized contact with media			Low	Low	Communications Policy				

Strategic Goals #1 and #3

The Board established multiple goals in the current Strategic Plan that related to managing reputational risk: Goals #1 and #3. Both goals have strategic objectives and action items related to mitigating reputational risk:

Goal #1: Providing education and maintaining communication with stakeholders

Goal #3: Ensure excellent service delivery and expand education for stakeholders



CITY OF AUSTIN
EMPLOYEES'
RETIREMENT SYSTEM

STRATEGIC PLAN
2022 - 2026

Reputational Risk Management

STAKEHOLDER GROUP	COMMUNICATION
Active Members	
Group A Group B New Hires EMS Mid-career "Pre-Retirement (projected to retire in 5 years or less)" Proportionate	Website Newsletter Annual Benefit Statement Email Marketing Social Media General Correspondence: emails, notices, letters Telephone, Virtual, and In-person Appointments MemberDirect Member seminars and events
Annuitant	
Retired Members Retirees Returning to Work Joint Annuitants Survivors Disabled Retirees Beneficiaries Alternate Payees	Website Newsletter Annual Benefit Statement Email Marketing Social Media General Correspondence: emails, notices, letters Telephone, Virtual, and In-person Appointments MemberDirect Member seminars and events
Terminated	
Vested Non-Vested	Website Email Marketing Social Media General Correspondence: emails, notices, letters Telephone, Virtual, and In-person Appointments MemberDirect Member seminars and events

STAKEHOLDER GROUP	COMMUNICATION
City of Austin	
City Departments City of Austin City Council/City Management City of Austin Affinity Groups City Human Resources Department	Website Email Marketing Social Media General Correspondence: emails, notices, letters Telephone, Virtual, and In-person Appointments MemberDirect Member seminars and events Plan Sustainability Strategy System Reports and Accounts Plan Sponsor Meetings
Government Officials and Organizations	
Texas Legislature Pension Review Board	Legislative Briefings and Meetings System Reports and Accounts Special Notices Website
Professional Services, Consultants & Advisors	
Actuary Investment Consultants Investment Managers Financial Institutions General Counsel Auditor Vendors System administration software provider	Website General Correspondence: emails, notices, letters System Reports and Accounts
Media	
News Media Trade Publications Journalists TV Radio	Press Releases and media materials Interviews Editorials Organized Media Events

Reputational Risk Management



CITY OF AUSTIN EMPLOYEE'S RETIREMENT SYSTEM OPERATIONAL COMMUNICATIONS PROCEDURES

I. PURPOSE

The purpose of these procedures is to ensure that staff communications on behalf of the City of Austin Employees' Retirement System ("COAERS" or "System") is well coordinated, effectively managed, consistent with Board policy, and responsive to the diverse information needs of the System's stakeholders and the public.

II. COMMUNICATIONS GOALS

COAERS staff will strive to foster and encourage an atmosphere of education, openness, accessibility, and transparency. To the best of their ability, staff will seek to:

- A. Ensure that COAERS communicates effectively and accurately with the System's stakeholders, enhancing member experiences, education, and services.
- B. Provide stakeholders and the public with timely, accurate, clear, objective, and complete information about its policies, programs, services, events, and initiatives.
- C. Deliver prompt, courteous, and responsive service that is sensitive to the needs and concerns of the System's stakeholders and respectful of individual rights.
- D. Employ a variety of ways and means to communicate and provide information in multiple formats to accommodate diverse needs.
- E. Identify and address communication needs and issues routinely in the development, implementation and evaluation of policies, programs, services, events, and initiatives.



CITY OF AUSTIN EMPLOYEE'S RETIREMENT SYSTEM SOCIAL MEDIA POLICY AND GUIDELINES

I. PURPOSE OF SOCIAL MEDIA USE

COAERS may choose to participate in social media. Participation will be for the exclusive purposes of: 1) General discussion of COAERS' programs, investments, benefits, or operations; 2) Notifying users of important information about COAERS; and 3) Providing active and retired members with useful information relevant to their retirement. Such participation is not intended to be an open public forum, nor to discuss individual member, annuitant, or payee-specific information. Participation does not replace COAERS' policy, law, or other communication methods, rather, it provides additional ways in which COAERS communicates with and engages active members, retirees, beneficiaries, and others who have an interest in COAERS. Social media participation will complement the official website, which will remain the primary source of official digital content.

VIII. MEDIA

A. Media Inquiries

Any media inquiries received by COAERS staff should be referred immediately to the Communications Director. No member of the Staff is authorized to speak to the media on behalf of COAERS without prior approval from the Executive Director.

B. Procedures for Responding to Media

1. COAERS' Communications Director shall be notified about all media inquiries immediately.
2. All press releases, media notices, media outreach and advisories must be coordinated by the Communications Director and approved by the Executive Director.
3. The Communications Director is responsible for drawing accurate information from all relevant departments to coordinate a response, including media statements, press releases, talking points, Q&A, and other communication material.
4. The Communications Director will schedule interviews between media and staff upon approval by the Executive Director.
5. A staff member shall not attribute his or her personal views as those of the System when talking with the media.

News releases shall not contain information which is confidential pursuant to provisions of State or Federal law. Documents or information exempt from disclosure shall not be contained in any news release.

Reputational Risk Management



Board Approved Policy

Subject: Personnel Policy

Review Committee: Governance and Human Resources Committee

Date Implemented: December 11, 2018

Date Updated: September 22, 2022



Board Approved Policy

Code of Ethics

Policy Committee

March 18, 1992

December 15, 2020

March 31, 2020

September 27, 2016

September 22, 2015

September 25, 2007

September 27, 2005

July 24, 2001

May 23, 2000 (Adopted as Board Approved Policy)

January 26, 1999

May 23, 1995



Board Approved Policy

Subject: Communications

Review Committee: Policy

Date Implemented: September 21, 2021

Date Updated: September 22, 2022

Signature of Chairperson:

Eyna Canales-Zarate



Adaptability Risks

4th Quartile Risk

Risk Category	Risk Description	Rank	Risk Level 2022	Risk Level 2023	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee	
ADAPTABILITY	Inability to meet the strategic mission and vision of the organization; not achieving best outcomes for the system	12	Low	Low	↔	Mitigate	Executive Director	Board of Trustees	
Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
Strategic activities deployed in 2022 including the creation of an internal Innovation Committee. Strong engagement with staff led to several innovation submissions for review and implementation. Completed review of organizational strengths, challenges, threats, and opportunities at the Board and staff level.								OPEN	CLOSED
	Strategic KPIs for innovation.							x	
	Engagement with NACD, NCPERS, NASRA.							x	
	Develop and implement plans to build on key organizational strengths and address challenges.							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			Low	Medium	Implement technology and industry best practices; Professional development; Promote innovation internally				
Inability to use analytics and data			Low	Medium	Utilize data and analytics				
Complacency and "we've always done it this way"			Low	Medium	Challenge traditional thinking; Engaging industry leading organizations; Executive				
Employee resistance to culture change			Low	Medium	Culture statement; Executive Leadership				

Strategic Goal #5: Identify opportunities to capitalize on organizational strengths

The Board established a goal in the current Strategic Plan to identify opportunities to capitalize on organizational strengths

Austin Model: Continue to develop the “Austin Model” within the investment program and explore application possibilities in other areas of the organization.

KPIs: Number of innovation ideas created, and number mobilized.



CITY OF AUSTIN
EMPLOYEES'
RETIREMENT SYSTEM

STRATEGIC PLAN
2022 - 2026

Adaptability Risk Management

COAERS
City of Austin Employees' Retirement System

SELECT A SERVICE

- Retirement Counseling Telephone Appointment (1 hour)
- General In-Person Appointment (30 minutes)
- In-Person Counseling Appointments (1 hour)
- Virtual Counseling Appointment (1 hour)

Select a service to see available dates and times

Form Link: <https://forms.gle/1YjAu5Cr1t9NhHzn6>

the Google sheet:

Idea Submission Form (Responses)

Timestamp	Email Address	Name	Name of the project or idea	Please describe your idea in as much detail as possible. What problem does it solve?	Which COAERS department or departments will it impact?	Is there a budgetary cost?	Is there anything else you would like the Innovation Committee to know?
10/22/2022 17:11:47	mehrin.rahman@coaers.	Mehrin Rahman	Test	Test	Test	No	Test

COAERS
2022 Board Workshop
SCOT Analysis Results

Strengths:

- Culture
- Governance, policies, procedures
- People
- Strategic thinking
- Cybersecurity

Challenges:

- Limitations
- Decentralization
- Internal/external communication/engagement
- Political environment
- Funded status

Threats:

- Inflation
- Lack of funding/funding challenges
- Turnover
- Cyber
- Policies/regulatory

Opportunities:

- AUM
- Austin-based location

Customer Driven Appointment System

COAERS Innovation Idea Submission Form

2022 SCOT Analysis



Enterprise Risk Management Report

Risk Category		Risk Description	2022 Rank	2023 Rank	Risk Level 2022	Risk Level 2023	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee
1st Quartile Risk	FUNDING	A lack of sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.	1	1	High	High	↑	Mitigate	Executive Director	Benefits and Services Committee
	MARKET	Too little or too much exposure to market risk could lead to undesirable investment outcomes.	2	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.	3	3	High	High	↑	Mitigate	Chief Information Officer	Audit and Risk Committee
2nd Quartile Risk	OPERATIONAL	Event causes a major business interruption	4	4	Medium	Medium	↔	Mitigate	Deputy Executive Director	Audit and Risk Committee
	LEGISLATIVE	Legislative events lead to adverse relations, unfavorable legislation, and restricted funding	6	5	Medium	Medium	↑	Mitigate	Executive Director	Legislative Committee
	COUNTERPARTY	Business partners or entities are unable to fulfill their obligations or do not complete transactions as agreed upon.	8	6	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
3rd Quartile Risk	MISSION	Inability to make monthly retirement benefit payments	7	7	Medium	Medium	↔	Mitigate	Executive Director and Deputy Executive Director	Audit and Risk Committee, and Investment Committee
	GOVERNANCE	Not following processes and procedures in decision making	5	8	Medium	Medium	↓	Mitigate and Transfer	Board of Trustees	Governance and Human Resources Committee
	PERSONNEL	Ability to attract and retain talented staff; succession planning	9	9	Medium	Medium	↔	Mitigate	Executive Director	Governance and Human Resources Committee, and Board of Trustees
4th Quartile Risk	PHYSICAL	Inadequate facilities management; ineffective space utilization; staff effort to manage issues	10	10	Low	Low	↔	Mitigate	Executive Director and Deputy Executive Director	Board of Trustees
	REPUTATIONAL	Erosion of trust in organization either rapidly or slowly over a period of time	11	11	Low	Low	↔	Mitigate	Executive Director	Board of Trustees
	ADAPTABILITY	Inability to meet the strategic mission and vision of the organization; not achieving best outcomes for the system	12	12	Low	Low	↔	Mitigate	Executive Director	Board of Trustees

Discuss at August A/R Committee

Discuss at August A/R Committee



Enterprise Risk Management Report

1st Quartile Risk	Risk Category	Risk Description	Rank	Risk Level 2022	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.	1	High	High	↑	Mitigate	Executive Director	Benefits and Services Committee	
	Current Status Summary (Trending)	2023 Risk Management Activities								Activity Status
	System funded ratio and amortization period expected to deteriorate due to 2022 market losses.	Seek passage of pension legislation to address long-term financial sustainability								x
		Conduct 12/31/2022 actuarial valuation and risk sharing valuation study								x
		Update Funding Policy with City of Austin and continue reporting to Board							x	
		Inform members and stakeholders on legislative progress and provide notice of bill enactment and effective dates of admin changes							x	
		Host stakeholder meeting on funded status of the System								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	High	High	Annual Actuarial Valuation and Board Funding Policy							
Contribution rates are not sufficient to fund benefits	High	High	Asset/Liability Study							
Sponsor closes DB plan in favor of DC plan	High	Medium	Communication with membership							
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							
Actuarial miscalculation	Low	Medium	Actuarial Audit by sponsor							



Enterprise Risk Management Report

1st Quartile Risk	Risk Category	Risk Description	Rank	Risk Level 2022	Risk Level 2023	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee	
	MARKET	Too little or too much exposure to market risk could lead to undesirable investment outcomes.	2	High	High	↑	Accept	Chief Investment Officer	Investment Committee	
	Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
	Large drawdown of -15% as of 12/31/2022 has increased realized volatility on a 5-year basis to near the upper end of the range targeted in policy. Relative outperformance has somewhat dampened the current drawdown in Fund AUM.	Conduct Asset/Liability and Asset Allocation study to evaluate appropriateness of the Strategic Asset Allocation							OPEN	CLOSED
		Update Investment Risk Framework by deploying investment risk management software to enhance risk management capabilities							x	
		Conduct CEM Investment Cost Benchmarking to evaluate value for investment fees paid							x	
	Notable Risks (Root Causes)				Probability	Impact	Risk Management Strategies and Action Items			
	Large market drawdown				High	High	Investment Risk Framework			
	Lower longer-term performance vs. assumed rate				Medium	High	Strategic Asset Allocation Study and Asset/Liability Study			
	Failure to adapt diversification strategy				Medium	High	Investment Risk Framework			
Poor investment manager performance				Medium	Medium	Premier List				
Poor implementation of policy leads to underperformance vs. the benchmark				Medium	Medium	Annual review of key policies, regular performance rating				
Poor value for investment fees paid				Low	Medium	Premier List and CEM Investment Benchmarking				
Chasing performance				Low	Medium	Strategic Asset Allocation Reviews (annual)				



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		
			2022	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.	3	High	High	↑	Mitigate	Chief Information Officer	Audit and Risk Committee		
1st Quartile Risk	Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
	Cyber activity continues to increase globally. Breaches and attacks have grown significantly since the outset of the COVID-19 pandemic. While the System has taken significant steps to improve its cybersecurity posture, this activity would indicate this risk trend is increasing.	Continue to develop and build security program utilizing NIST compliance.							OPEN	CLOSED
		Continue build out of best-in-class disaster recovery.							x	
		Continue to mature IT security program.							x	
		Implement third-party vendors risk management to key vendors.							x	
		Perform network penetration testing.							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							
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	Annual 3rd party security reviews; Compliance Manager software; Vendor Risk Mgmt							
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							
Member Direct user imposter	Low	Medium	LexisNexis; MFA; Membership education on cybersecurity awareness							



Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee	
			2022	2023	Risk Level Trend (next 12 months)				
OPERATIONAL	Event causes a major business interruption	4	Medium	Medium	↔	Mitigate	Deputy Executive Director	Audit and Risk Committee	
Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
								OPEN	CLOSED
Post pandemic operations have been put in place as the new normal mode of conducting business. Customer survey results are positive and within strategic plan threshold. New audit firm relationship is strong. Policies and procedures update. Financial controls in place.	Conduct 12/31/2022 financial statement audit.								x
	Continue implementation of RSM Rapid Assessment recommendations.							x	
	Continue the development of COAERS IT Roadmap for operational technology upgrades in the future.							x	
	Implement restructure of work teams to mitigate effects of attrition and handle future demand for 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				
Pandemic or natural disaster			Medium	Medium	COAERS Workplace Strategy and Guidelines				
Customer service failures			Medium	Medium	Employee Training/Reviews/Internal Communication				
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				



Enterprise Risk Management Report

2nd Quartile Risk	Expected Risk Level Trend (next 12 months)										
	Risk Category	Risk Description	Rank	Risk Level 2022	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	5	Medium	Medium	↑	Mitigate	Executive Director	Legislative Committee		
	Current Status Summary (Trending)		2023 Risk Management Activities							Activity Status	
	The 88th Legislative Session begins in January 2023. COAERS will be seeking the passage of legislation to improve the long-term financial sustainability of the System.		Seek passage of pension legislation.							OPEN	CLOSED
			Engage and educate key stakeholders and policymakers regarding COAERS 88th Legislative Session agenda.								x
			Develop and adopt COAERS legislative agenda for 88th Session.								x
			Engage stakeholders regarding legislative agenda and priorities.								x
	Notable Risks (Root Causes)				Probability	Impact	Risk Management Strategies and Action Items				
	State forces legislative changes to plan				High	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				High	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)				High	High	Monitor sentiments; address concerns					
Outside organizations promoting anti-DB policies				High	Medium	Identify potential opposition groups and stakeholders and create unified messaging to combat misinformation					
Negative or inaccurate media content				High	Medium	Develop relationships with industry media; Proactive media outreach; Engage consulting/crisis communications					
Social media comments				High	Low	Social Media Policy					
Unauthorized contact with media				High	Low	Communications Policy					
Lack of alignment with plan sponsor				Low	Medium	Develop and maintain strong communication with appropriate plan sponsor liaisons					



Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee	
			2022	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.	6	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	
Current Status Summary (Trending)	2023 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. Third-party IT vendor compliance budgeted and implementation is planned for 2023. Results could reveal additional risks that would need to be addressed. Facility needs may lead to new vendor relationships.	Continual underwriting of premier list managers.							OPEN	CLOSED
	Issuance of RFP for General Investment Consultant.							x	
	Comprehensive review of custodial bank relationship							x	
	Annual review to Committees of key service providers.							x	
	Third-party IT security audits for mission-critical 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			Low	High	Communication with plan sponsor; cash management program				
Custodial banks			Low	High	IC Dashboard to monitor counterparty ratings				
Actuary			Low	Medium	Actuarial audits				
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				
Investment consultant			Low	Low	Annual review of general investment consultant, issuance of RFP				



Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee		
			2022	2023	Risk Level Trend (next 12 months)					
MISSION	Inability to make monthly retirement benefit payments	7	Medium	Medium	↔	Mitigate	Executive Director and Deputy Executive Director	Audit and Risk Committee, Investment Committee		
3rd Quartile Risk	Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
	Trust fund liquidity and cash management activities continue to ensure promised benefits are paid. Successful initial tests of new disaster recovery system completed in 2022 along with new policies related to business continuity. Finance and Member Service division staff levels continue to support mission-critical activities in the near future, with long-term staffing assessment underway.	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	
		Implement team restructuring and professional development.							x	
	Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items				
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					
Cyberattack causes loss of money, data, business disruption, or sponsor to miss contributions			Low	High	Managed Service Security Provider/Security Program					
IT system outages			Low	Medium	Business continuity and disaster recovery plans					
Sponsor contribution not made timely			Low	Medium	Communication with plan sponsor					



Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee		
			2022	2023	Risk Level Trend (next 12 months)					
GOVERNANCE	Not following processes and procedures in decision making	8	Medium	Medium	↓	Mitigate and Transfer	Board of Trustees	Governance and Human Resources Committee		
3rd Quartile Risk	Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
	The implementation of the 2020 Governance Effectiveness Assessment has been completed. Board policy review cycles have been established and are monitored. Recently created policies such as the Board Governance Manual, Diversity Policy, Emergency Succession Policy, Communications Policy, and Board Governance Manual bolster already effective Board governance.	Implementation of personalized Trustee education and professional development plans.							OPEN	CLOSED
		Board Annual Self-Assessment								
		Trustee continuing education and utilization of Board Skills Matrix to expand trustee training options.							x	
		Begin to foster candidates for possible future Board appointment								
	Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items				
	Ineffective Board leadership			Medium	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					



Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee		
			2022	2023	Risk Level Trend (next 12 months)					
PERSONNEL	Ability to attract and retain talented staff; succession planning	9	Medium	Medium	↔	Mitigate	Executive Director	Governance and Human Resources Committee, and Board of Trustees		
3rd Quartile Risk	Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
	Retirement eligibility of a few mission critical employees will continue through 2026. The red-hot labor market may be showing signs of normalization. While COAERS experienced turnover in 2022, all vacant positions were filled with qualified talent. Member Services restructuring will add capacity and development opportunities.	Implement Member Services team restructure.							OPEN	CLOSED
		Provide training to new hires and professional development for existing staff.							x	
		Implement HR technology for more efficient and employee-friendly HR experience.							x	
		Continue long-term 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			Medium	Medium	Cross-training for each position; Workplace Strategy and Guidelines					
Ability to attract top talent			Medium	Medium	Market compensation studies; Well-articulated compensation philosophy					
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					
Employee resistance to culture change			Low	Medium	Management promoting culture statement					



Enterprise Risk Management Report

4th Quartile Risk	Risk Category	Risk Description	Rank	Risk Level 2022	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	10	Low	Low	↔	Mitigate	Executive Director and Deputy Executive Director	Board of Trustees	
	Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
	Hybrid work environment has mitigated certain physical risks. Long-term facilities decisions could be made at the beginning of 2023. Existing policies, procedures, vendors, and finances will need to be reviewed as long term facilities decisions are completed.	Long-term facility due diligence and planning for future office needs							OPEN	CLOSED
		Review existing policies and guidelines such as workplace safety in accordance with long-term facility decisions.							x	
	Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items				
	Facility transition			Medium	Medium	Proper planning, communication, adaptability				
	Threats to physical safety of employees			Low	High	RAVE application; Workplace Safety Policy; Fire Drills and Training				
	Accidents or injury			Low	Medium	Workplace Safety Policy				
	Physical risks created by facility management			Low	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					



Enterprise Risk Management Report

Risk Category	Risk Description	Rank	Risk Level	Risk Level	Expected	Risk Response	Risk Owner	Reporting and Oversight Committee		
			2022	2023	Risk Level Trend (next 12 months)					
REPUTATIONAL	Erosion of trust in organization either rapidly or slowly over a period of time	11	Low	Low	↔	Mitigate	Executive Director	Board of Trustees		
4th Quartile Risk	Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
	Organizational outreach and communication regarding funding and legislative proposal provided transparency about challenges and solutions. Stakeholder comments have been received, reviewed, and to the extent possible addressed. COAERS leadership is engaged with stakeholders, the City, legislative contingent, and PRB.	Continue promoting COAERS value proposition to members including launch of new Financial Wellness event.							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.							x	
Notable Risks (Root Causes)			Probability	Impact	Risk Management Strategies and Action Items					
Negative or inaccurate media content			Medium	Medium	Develop relationships with industry media; Proactive media outreach; Engage consulting/crisis communications					
Social media comments			Medium	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, Whistleblower Policy; Personnel Policy					
Poor outcomes for organization			Low	Medium	Customer service training; Engaging with stakeholders; Transparency					
Unauthorized contact with media			Low	Low	Communications Policy					



Enterprise Risk Management Report

4th Quartile Risk	Risk Category	Risk Description	Rank	Risk Level 2022	Risk Level 2023	Expected Risk Level Trend (next 12 months)	Risk Response	Risk Owner	Reporting and Oversight Committee	
	ADAPTABILITY	Inability to meet the strategic mission and vision of the organization; not achieving best outcomes for the system	12	Low	Low	↔	Mitigate	Executive Director	Board of Trustees	
	Current Status Summary (Trending)	2023 Risk Management Activities							Activity Status	
	Strategic activities deployed in 2022 including the creation of an internal Innovation Committee. Strong engagement with staff led to several innovation submissions for review and implementation. Completed review of organizational strengths, challenges, threats, and opportunities at the Board and staff level.	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	
		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				Low	Medium	Implement technology and industry best practices; Professional development; Promote innovation internally			
	Inability to use analytics and data				Low	Medium	Utilize data and analytics			
Complacency and "we've always done it this way"				Low	Medium	Challenge traditional thinking; Engaging industry leading organizations; Executive Leadership				
Employee resistance to culture change				Low	Medium	Culture statement; Executive Leadership				

**6. Receive second quarter 2023
unaudited financial statements**
Presented by Yun Quintanilla



COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 6:
Receive second quarter 2023 unaudited financial statements

AGENDA ITEM OBJECTIVE

This item presents the unaudited June 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. 06/30/2023 Unaudited Financial Statements

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

	<u>Unaudited</u>		<u>Variance</u>
	<u>6/30/2023</u>	<u>6/30/2022</u>	Favorable (Unfavorable)
Assets			
Cash - operating account	\$ 19,834,912	\$ 14,698,582	\$ 5,136,330
Receivables	116,386	78,811	37,575
Total cash and receivables	<u>19,951,298</u>	<u>14,777,393</u>	<u>5,173,905</u>
Investments, at fair value:			
US equities	1,075,558,641	959,157,007	116,401,634
DM Equities	495,560,276	404,433,542	91,126,734
EM Equities	207,098,613	216,324,369	(9,225,756)
Fixed income	516,875,756	660,395,874	(143,520,118)
Real assets	442,255,812	543,097,238	(100,841,426)
Multi-asset	124,987,534	144,735,801	(19,748,267)
Cash and cash equivalents	236,448,760	33,506,282	202,942,478
Total investments	<u>3,098,785,392</u>	<u>2,961,650,113</u>	<u>137,135,279</u>
Capital assets, net of depreciation	31,794,157	3,764,280	28,029,877
Total assets	<u>3,150,530,847</u>	<u>2,980,191,786</u>	<u>170,339,061</u>
Liabilities			
Payables:			
Accrued expenses	329,779	270,708	59,071
Payables and deposits - Mueller	698,250	-	698,250
Refunds and death benefits payable	3,666,156	3,216,100	450,056
Total liabilities	<u>4,694,185</u>	<u>3,486,808</u>	<u>1,207,377</u>
Net position restricted for pensions	<u>\$ 3,145,836,662</u>	<u>\$ 2,976,704,978</u>	<u>\$ 169,131,684</u>

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

	Unaudited		Variance
	6/30/2023	6/30/2022	Favorable (Unfavorable)
Additions:			
Contributions:			
Employer contributions	\$ 73,254,434	\$ 66,628,802	\$ 6,625,632
Employee contributions	30,624,719	27,860,606	2,764,113
Creditable service purchases	4,481,229	4,707,587	(226,358)
Total contributions	108,360,382	99,196,995	9,163,387
Investment Income:			
Realized gain/(loss) on investments	(795,790)	(54,015,831)	53,220,041
Unrealized gain/(loss) on investments	196,796,510	(515,616,309)	712,412,819
Net investment appreciation (depreciation) in fair value of investments	196,000,720	(569,632,140)	765,632,860
Dividends	14,762,242	14,446,882	315,360
Interest	9,654,286	5,747,507	3,906,779
Investment appreciation (depreciation) before expenses	220,417,248	(549,437,751)	769,854,999
Investment expenses:			
Investment manager fees	2,225,812	2,493,961	268,149
Custodial fees	130,000	130,000	-
Commissions & other fees	41,203	34,914	(6,289)
Investment consultant fees	148,051	67,851	(80,200)
Investment legal counsel	7,153	6,723	(430)
Staff continuing education & site visits	7,227	27,680	20,453
Investment staff resources	161,978	160,080	(1,898)
Total investment expenses	2,721,424	2,921,209	199,785
Net Investment appreciation (depreciation)	217,695,824	(552,358,960)	770,054,784
DDA interest Income	364,441	-	364,441
Rent Income - Mueller	335,780	-	335,780
Total additions (deductions)	326,756,427	(453,161,965)	779,918,392
Deductions:			
Retirement annuities	129,483,124	122,301,932	(7,181,192)
Contributions refunded to terminating employees	1,710,633	2,305,070	594,437
DROP disbursements	2,055,847	2,982,386	926,539
Retiree lump-sum annuity	1,281,893	2,322,500	1,040,607
Death benefits - retirees	906,701	716,320	(190,381)
Death benefits - actives	1,059,935	1,340,230	280,295
Total benefit payments, including refunds of member contributions	136,498,133	131,968,438	(4,529,695)
General and administrative expenses	3,656,766	3,324,463	(332,303)
Expenses - Mueller	560,627	-	(560,627)
Total deductions	140,715,526	135,292,901	(5,422,625)
Net increase/(decrease) in net position	186,040,901	(588,454,866)	774,495,767
Net position restricted for pensions:			
Beginning of year	2,959,795,761	3,565,159,844	(605,364,083)
End of period	\$ 3,145,836,662	\$ 2,976,704,978	\$ 169,131,684

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 key meeting takeaways and call for future agenda items

Presented by Committee Chair Benson



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 8:

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.

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