



TRS Risk Management Committee



June 2013

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES
AND
RISK MANAGEMENT COMMITTEE**

(Mr. McDonald, Committee Chair; Mr. Barth; Ms. Charleston; Mr. Kelly; & Mr. Moss, Committee Members)

AGENDA

**June 14, 2013 – 9:30 a.m.
TRS East Building, 5th Floor, Boardroom**

1. Consider the approval of the proposed minutes of the April 18, 2013 committee meeting – Eric McDonald
2. Receive report on the Enterprise Risk Management Program – Jay LeBlanc
3. Receive the TRS Stoplight Report – Jay LeBlanc
4. Receive an update on the risk management activities relating to the TEAM Program, 403(b), Employer Reporting, Records Management, Open Government, Business Continuity, Investment Accounting, Communications and External Relations – Michelle Pagán

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Risk Management Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because a quorum of the Board may attend the Committee meeting, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

Tab 1

Minutes of the Risk Management Committee

April 18, 2013

The Risk Management Committee of the Board of Trustees of the Teacher Retirement System of Texas met on April 18, 2013 in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following committee members were present:

Eric McDonald, Chair
Todd Barth
Karen Charleston
David Kelly
Chris Moss

A quorum of the committee was present.

Others present:

Joe Colonna, TRS Trustee	Tim Wei, TRS
Anita Palmer, TRS Trustee	Jay LeBlanc, TRS
Nanette Sissney, TRS Trustee	Scot Leith, TRS
Brian Guthrie, TRS	Michelle Pagán, TRS
Ken Welch, TRS	Dennis Gold, TRS
Britt Harris, TRS	Hugh Ohn, TRS
Jerry Albright, TRS	Angela Vogeli, TRS
Jase Auby, TRS	Denise Lopez, TRS
Mohan Balachandran, TRS	Lynn Lau, TRS
David Veal, TRS	Dan Herron, TRS
Don Green, TRS	Dr. Keith Brown, Investment Advisor
Sharon Toalson, TRS	Steve Huff, Reinhart Boerner Van Deuren
Tommy Albright, TRS	Brady O'Connell, Hewitt EnnisKnupp
Brian Gomolski, TRS	Philip Mullins, Texas Retired Teachers Association and Texas State Employees Union
Janis Hydak, TRS	Tathata Lohachitkul, Albourne America
Rich Hall, TRS	Craig teDuits, State Street
Sylvia Bell, TRS	Steve Meier, State Street
Susan Wade, TRS	John Powell, State Street
Terry Harris, TRS	

Mr. McDonald called the meeting to order at 11:23 a.m.

1. Consider the approval of the proposed minutes of the December 13, 2012 committee meeting.

On a motion by Mr. Moss, seconded by Mr. Kelly, the committee approved the minutes of the December 13, 2012 meeting as presented.

2. Receive the Investment Risk Report.

Mr. Auby presented the policy requirements on asset allocation, Value at Risk (VaR), tracking error, leverage, liquidity, counterparty exposure, and derivatives exposures. He reported on TRS' compliance with those policies. He responded to questions from Mr. Colonna and Dr. Brown about the meaning and application of VaR. Mr. Auby laid out how each asset class contributed to the total risk and their current asset allocation. He highlighted staff's continuous effort to diversify away from global equity risk, which currently dominates the risk position of the fund

and other nationwide pension funds. Mr. Auby explained for Mr. Colonna that the 100 basis point (bps) policy neutral refers to the policy target. Responding to a question from Mr. McDonald regarding the reporting period, Mr. Auby stated that staff ran the numbers daily via State Street's risk calculation platform. General discussion followed regarding the hedge fund leverage and the liquidity monitoring and reporting mechanism.

In conclusion, Mr. Auby stated that TRS investment exposures were in compliance with the Investment Policy Statement over the quarter ending December 31, 2012. He presented the underweights and overweights at the asset class level. He further explained for Mr. Barth the use of the FX forwards as currency derivatives in the areas of tactical asset allocation and external managers.

3. Review the annual report on the Securities Lending Program.

Mr. Balachandran provided an overview of the TRS security lending program.

Mr. John Powell and Mr. Steve Meyer of State Street gave a presentation on the security lending process, the liquidity market, and the management of TRS' cash portfolio. Per Mr. Barth's request, Mr. Balachandran addressed the potential risks of the program, which related mainly to liquidity issues.

The meeting adjourned at 12:45 p.m.



Tab 2

ERM Program Report

Jay LeBlanc

ERM Peer Group Forum

Forum Purpose: Annual gathering of ERM professionals to learn and share best practices to enhance the discipline of ERM, discuss pension fund ERM processes and lessons learned, gain knowledge and expand participants' ERM expertise.

Group Objective: The ERM public pension peer group is a community of practice operating as an information sharing working group.

■ Forums Held

- April 2012 (Austin, Texas)
 - 6 pension funds participated
- March 2013 (Tallahassee, Florida)
 - 12 pension funds participated

■ Planning is underway for the next forum in 2014

ORGANIZATION PROFILE (as of 3/25/13)

Organization Name	Location/ Headquarters	No. of Active Members	Number of Retirees	Approximate Trust Value \$	ERM reports to within organization?	Internal Risk Committee (Y/N)	ERM reports to: Full Board or Committee?
BC Pension Corporation	British Columbia, Canada	358,000	143,000	70 billion	CFO/CEO	Yes	Audit Committee & Corporate
California Public Employees' Retirement System	Sacramento, CA	1,102,440	551,627	257.1 billion	CFO	Yes	Risk & Audit Committee
California State Teachers' Retirement System	West Sacramento, CA	429,600	253,041	151.7 billion	Strategic Planning Dept.	Yes	Full Board
Employees Retirement System of Texas	Austin, TX	225,075	95,375	22.8 billion	Executive Director & Board	No	Full Board
New York State Teachers' Retirement System	Albany, NY	277,000	150,000	88 billion	N/A	No	N/A
Ontario Municipal Employees Retirement System	Toronto Ontario, Canada	266,000	124,000	60 billion	CFO	Yes	Full Board
State Board of Administration of Florida	Tallahassee, FL	663,567	334,682	158.7 billion	Executive Director & CIO	Yes	Audit Committee & Investment
State of Wisconsin Investment Board	Madison, WI	255,000	170,000	87 billion	Executive Director	Yes	Board Committee
Teacher Retirement System of Texas	Austin, TX	1,003,655	331,747	116.5 billion	Deputy Director	Yes	Risk Management Committee
Teacher Retirement System of the City of New York	New York City, NY	110,000	85,000	40 billion	Executive Director	No	Audit Committee
Teachers' Pension Plan	Toronto, Canada	180,000	120,000	117.1 billion	CFO	Yes	Full Board
Washington State Investment Board	Olympia, WA			65.4 billion	CFO	Yes	Audit Committee

Tab 3

TRS Stoplight Report

Jay LeBlanc

TRS Stoplight Report

- Stoplight Report communicates the state of risks within TRS. It communicates our efforts related to ERM.



- Stoplight Report 2009 → Enterprise Risk Inventory 2012
- New Stoplight Report 2013
 - Risk level color
 - Risk trending

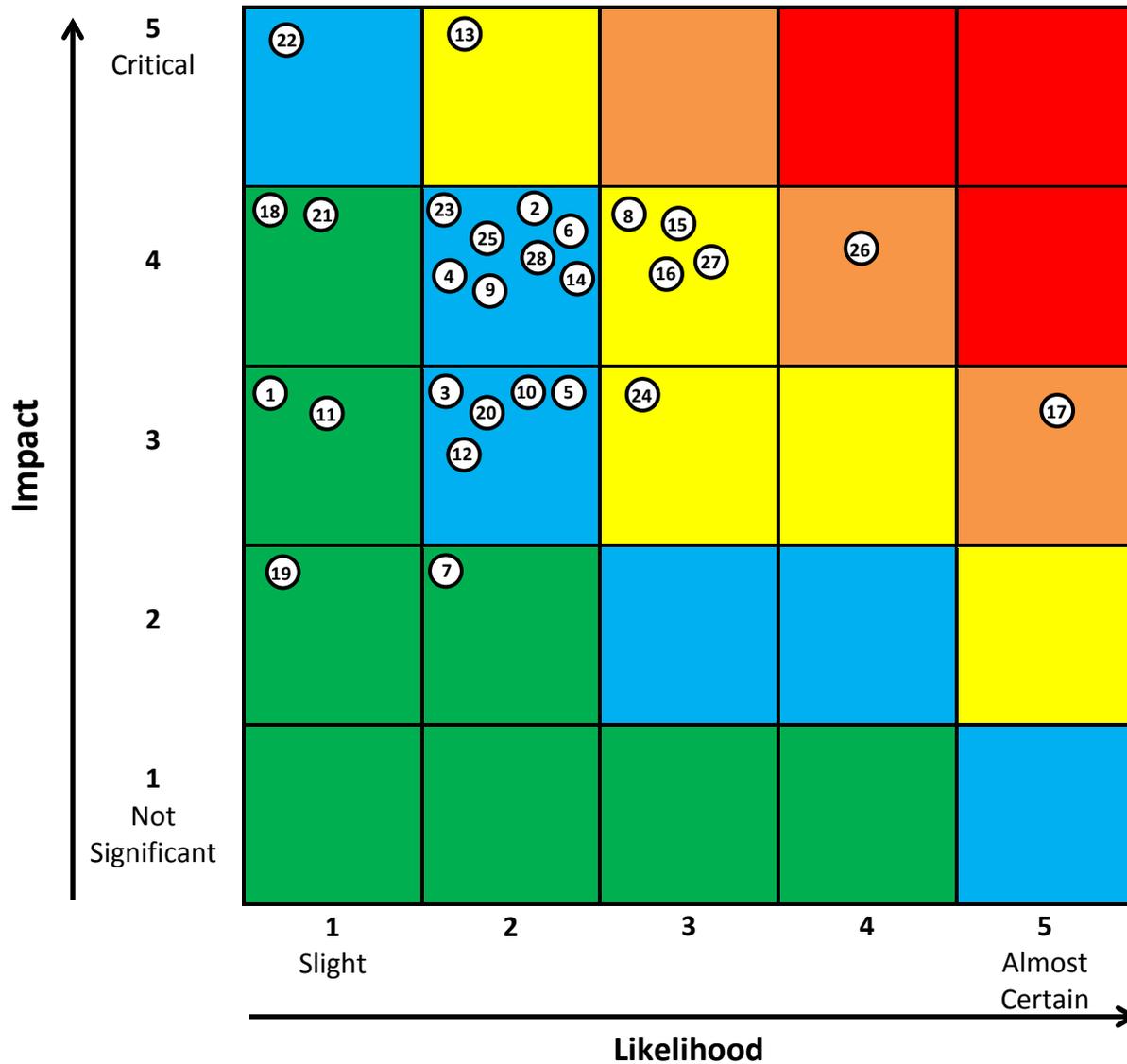
Teacher Retirement System of Texas Stoplight Report 2013

403(b)	Accounting & Reporting	Budget	Business Continuity	Communications & External Relations
Credit	Customer Service	Employer Reporting	Ethics & Fraud Prevention	Facilities
Governmental/ Association Relations & Legislation	Health Care Administration	Information Security & Confidentiality	Investment Accounting	Investment Operations
Investment Reporting	Legacy Information Systems	Liquidity/Leverage	Market	Open Government
Pension Benefit Administration	Pension Funding	Purchasing & Contracts	Records Management	Regulatory, Compliance, & Litigation
Retiree Health Care Funding	TEAM Program	Workforce Continuity		

Risk Level Coding & Threat Level	
LOW	Low Risk - low threat to achieving TRS goals and objectives
GUARDED	Guarded Risk - minimal threat to achieving TRS goals and objectives
CAUTION	Moderate Risk - moderate threat to achieving TRS goals and objectives
ELEVATED	Elevated Risk - elevated threat to achieving TRS goals and objectives
HIGH	High Risk - high threat to achieving TRS goals and objectives

Expected Risk Level Trend	
	Decrease over the next 12-24 months.
	Remain constant over the next 12-24 months.
	Increase over the next 12-24 months.

Teacher Retirement System of Texas Risk Heat Map – June 2013



Risk Category (Impact, Likelihood)

1. 403(b) (3,1)
2. Accounting & Reporting (4,2)
3. Budget (3,2)
4. Business Continuity (4,2)
5. Communications & External Relations (3,2)
6. Credit (4,2)
7. Customer Service (2,2)
8. Employer Reporting (4,3)
9. Ethics & Fraud Prevention (4,2)
10. Facilities (3,2)
11. Governmental/Association Relations & Legislation (3,1)
12. Health Care Administration (3,2)
13. Information Security & Confidentiality (5,2)
14. Investment Accounting (4,2)
15. Investment Operations (4,3)
16. Investment Reporting (4,3)
17. Legacy Information Systems (3,5)
18. Liquidity/Leverage (4,1)
19. Market (2,1)
20. Open Government (3,2)
21. Pension Benefit Administration (4,1)
22. Pension Funding (5,1)
23. Purchasing & Contracts (4,2)
24. Records Management (3,3)
25. Regulatory, Compliance, & Litigation (4,2)
26. Retiree Health Care Funding (4,4)
27. TEAM Program (4,3)
28. Workforce Continuity (4,2)

Teacher Retirement System of Texas Spotlight Report 2013 – Risk Profiles

Risk Category	Risk Owner	Goal	Overall Risk	Impact & Likelihood	Risk Level & Trend	Risk Level Justification	Trending Justification
403(b)	Rebecca Merrill	Set fee caps for 403(b) products offered to school district employees. Maintain list of both qualified companies and products which meet requirements of law and TRS rule.	Public education employees purchase non-qualified products and/or products from non-qualified companies.	Impact – 3 Likelihood – 1		While the 403(b) program is important to help ensure that members invest with reputable companies, it is not a core part of TRS' mission. So, if the program were to experience problems, TRS' core functions would continue on without interruption. Additionally, TRS has mitigations in place – such as review of 403(b) rules and a 403(b) program specialist – to help ensure the consistency of the 403(b) program. Therefore, the impact and likelihood of a 403(b) program failure seem low.	Current mitigations are not changing and there is no new anticipated legislation impacting the 403(b) program. So, the trend remains constant.
Accounting & Reporting	Don Green	Maintain and monitor the integrity, accuracy, and completeness of financial information and timeliness of reporting.	Materially inaccurate financial information and reports would result in board and Legislature decisions being made on flawed data and adverse or qualified audit opinions.	Impact – 4 Likelihood – 2		Although there are challenges ahead in the implementation of a new accounting system and new accounting pronouncements, there should be adequate and knowledgeable staff to accomplish the tasks.	It is anticipated that staffing levels and experience will remain relatively constant. Any challenges initiated by the implementation of the TEAM Program (TEAM) will be mitigated by sound accounting and reporting processes and procedures.

Risk Level Coding & Threat Level				
LOW	GUARDED	CAUTION	ELEVATED	HIGH
Low Risk	Guarded Risk	Moderate Risk	Elevated Risk	High Risk

Expected Risk Level Trend (next 12-24 months)		
DECREASE	REMAIN CONSTANT	INCREASE

Teacher Retirement System of Texas Spotlight Report 2013 – Risk Profiles

Risk Category	Risk Owner	Goal	Overall Risk	Impact & Likelihood	Risk Level & Trend	Risk Level Justification	Trending Justification
Budget	Don Green	Ensure TRS has appropriate budget to provide and sustain resources necessary to successfully carry out TRS' mission, goals, and objectives to serve our members.	Lack of a sufficient operating budget could jeopardize our ability to effectively serve our members.	Impact – 3 Likelihood – 2		The agency's operating budget is driven by staffing, membership growth, trust fund balance, and other workload drivers. The agency's strong organizational governance plays a crucial role in meeting these challenges.	Any risk drivers in the ability to sustain an appropriate budget and available resources are mitigated by a strong strategic planning process and working closely with all divisions to identify funding to achieve goals and objectives in accordance with state statute.
Business Continuity	Ken Welch	Recover and resume operations in the event of a major business interruption.	Members do not receive statutorily required services timely.	Impact – 4 Likelihood – 2		Updating the business impact analysis questionnaires and business continuity plans occurs annually. Critical systems are identified and recovery timeframes are communicated to the disaster recovery team. Based on annual disaster recover testing and mitigations in place, business continuity represents a minimal threat to meeting TRS' goals and objectives.	Over the next 12-24 months the risk level is not expected to change due to the mitigations in place and the proof-of-concept testing for a co-location alternative.
Communications & External Relations	Howard Goldman	Maintain effective communication and positive relations with members, retirees, employers, TRS employees, news media, and the public.	Poor communication could lead to confusion resulting in increased calls to TRS, poor or inappropriate decision-making regarding TRS benefits, and incorrect information provided to external parties.	Impact – 3 Likelihood – 2		Due to existing procedures and routine interaction with other departments when responding to media requests, preparing articles for publications and developing information for social media channels and our website, the overall risk level is controlled.	No substantive changes have occurred in the processes and policies followed to warrant an increase or decrease in risk levels.
Credit	Jase Auby	Maintain effective management of counterparty and securities lending risks.	Unmanaged counterparty and securities lending exposures could result in losses to the investment portfolio.	Impact – 4 Likelihood – 2		Our 10 counterparties are part of a general industry review by the credit rating agencies	Accordingly, certain ratings are on negative watch by Moody's (3 ratings) and S&P (8 ratings).

Teacher Retirement System of Texas Spotlight Report 2013 – Risk Profiles

Risk Category	Risk Owner	Goal	Overall Risk	Impact & Likelihood	Risk Level & Trend	Risk Level Justification	Trending Justification
Customer Service	Marianne Woods Wiley	Deliver superior service to members and internal/ external customers.	Inadequate customer service could result in dissatisfied members or customers and could lead to increased scrutiny and oversight.	Impact – 2 Likelihood – 2		High quality customer service is provided by all Benefit Services departments based on internal and external feedback. Telephone hold time should be shorter but we have hired more counselors which should help mitigate this. Also, we are researching new ways to measure this metric.	Expect trend to be constant unless major legislative changes are passed, a larger than usual number of members retire, and/or TEAM requires more subject matter expert involvement than anticipated.
Employer Reporting	Don Green	Accurately capture and utilize employer reported data to project and calculate future benefits of TRS members.	Incorrect reporting could lead to calculated benefits being inaccurate.	Impact – 4 Likelihood – 3		Staff turnover within TRS-covered employers continually presents a training challenge. We are identifying new ways to create training modules.	We don't anticipate any major changes that will effect or impact the risks until the implementation of TEAM.
Ethics & Fraud Prevention	Brian Guthrie	Maintain a culture that upholds ethical behavior and values that contribute and promote the fiduciary duties of prudence and loyalty, and reduces fraud risks.	A lack of ethics could undermine the duties of prudence and loyalty and create fraud risks resulting in loss of assets and credibility, adverse publicity, and increased scrutiny and oversight.	Impact – 4 Likelihood – 2		While the impact of an ethical breach or instance of fraud would be high, the likelihood of such an event is relatively low. Currently, TRS has a number of mitigations in place such as educating individuals on the fraud, waste, and abuse policy and the fraud web reporting form. These types of mitigations, along with TRS' background check policy, operate together to create a guarded risk for a fraud or ethics breach.	The risk of a fraud or ethical breach is trending neither up nor down. TRS continues to maintain mitigations that help prevent incidences of fraud or an ethical breach. This holds the trend line constant.
Facilities	Don Green	Plan for, acquire, and maintain facilities that provide a safe, secure, and healthy environment where TRS staff can	Inadequate facility planning and maintenance could result in less desirable conditions for TRS staff and visitors and could reduce the	Impact – 3 Likelihood – 2		An evolving organization with rapidly changing needs for the amount and type of space required can experience negative	Implementation of TEAM is creating immediate and short-term challenges that are being mitigated through temporary reallocations of space. Long-

Teacher Retirement System of Texas Spotlight Report 2013 – Risk Profiles

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		maximize productivity and visitors will be comfortable.	probability that TRS will utilize resources effectively, efficiently, and economically.			impacts on service levels and/or moderate business disruptions.	term challenges are being addressed by management through discussions with legislative and regulatory agency representatives.
Governmental/ Association Relations & Legislation	Ray Spivey	Maintain effective communications and positive relations with the Legislature, associations, and other public parties.	Poor communications could lead to adverse relations, unfavorable legislation, and restricted funding.	Impact – 3 Likelihood – 1		Our relationship with the legislature has improved and communication has been effective. Our relationship with the public also appears to be positive.	No major issues are expected over the next 12-24 months.
Health Care Administration	Betsey Jones	Administer a retiree and active member health care program that is responsive to and valued by enrollees.	Inadequate administration of the health care programs could possibly affect the health of those who depend on delivery of TRS health care services.	Impact – 3 Likelihood – 2		Much of the administration of the programs is outsourced. Contract monitoring and controls mitigate this risk.	Administration of the programs is stable with no anticipated significant changes.
Information Security & Confidentiality	Amy Morgan/ Ken Welch	Maintain the integrity, availability, and protection in the storage, use, and transfer of TRS information resources (in any form or medium).	Unauthorized or unintentional release/access of TRS confidential information could result in state or federal law violations, sanctions against TRS or its employees, and harm the best interests of TRS. Inappropriate (accidental or intentional) exposure or modification of critical information maintained by TRS.	Impact – 5 Likelihood – 2		Depending on the scope of an unauthorized or unintentional release of confidential data, this could have a critical impact on TRS. With the existing mitigation strategies and the new strategies in place that were recommended through the HIPAA/HITECH audit the likelihood is low.	While we have put additional controls in place based on findings in the HIPAA/HITECH audit, new security risks are introduced into technical environments daily. Our security posture has improved but information security is an area that needs constant attention. We should never get comfortable that enough security or mitigating strategies are in place.
Investment Accounting	Don Green	Maintain the integrity of investment information - reporting and disclosure, accuracy, completeness and valuation.	Materially inaccurate investment information and reports would result in board and Legislature decisions being made on flawed data and adverse or qualified audit opinions.	Impact – 4 Likelihood – 2		The system's custodian maintains the official investment book of record. Department monitoring and oversight controls mitigate this risk.	The State Street custodian relationship is stable with no anticipated significant changes.
Investment Operations	Jerry Albright	Maintain accurate transaction settlement and position management	Inaccurate understanding of investment positions could result in loss and	Impact – 4 Likelihood – 3		Although we have a strong team in place there are several moving parts in the	State Street is working with both the Investment Management Division (IMD)

Teacher Retirement System of Texas Spotlight Report 2013 – Risk Profiles

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		processes.	inappropriate investment actions.			processes and a mistake could result in a moderate threat to TRS achieving its goals and objectives.	and Investment Accounting to evaluate the overall service delivery strategy. Collectively we have engaged in due diligence to vet an alternative servicing solution that State Street has recently developed called Enhanced Asset Owner Services (EAOS). EAOS will improve efficiency and accuracy within the operation and reporting groups.
Investment Reporting	Jerry Albright	Maintain the integrity of investment information - reporting and disclosure, accuracy, completeness and valuation. Develop and disseminate customized investment reporting for both management and governance to enhance making better strategic and tactical investment decisions.	Investment reports would contain material inaccuracies.	Impact – 4 Likelihood – 3		Communication of inaccurate information, to both internal and external parties, could result in moderate damage to the reputational and operational goals and objectives of TRS.	State Street is working with both IMD and Investment Accounting to evaluate the overall service delivery strategy. Collectively we have engaged in due diligence to vet an alternative servicing solution that State Street has recently developed called Enhanced Asset Owner Services (EAOS). EAOS will improve efficiency and accuracy within the operation and reporting groups.
Legacy Information Systems	Amy Morgan	Provide information systems to meet TRS' long-term business and customer service needs.	Inability to provide adequate and consistent information in a timely fashion via the preferred delivery mechanism.	Impact – 3 Likelihood – 5		It is complicated for our legacy systems to provide robust, online self-service applications for our members. So there is a moderate impact that the preferred delivery mechanism may not be available when desired. The likelihood is almost certain because we know that some of our membership would like to do all their business with us	The legacy systems are still working well and are stable. The functionality that they provide has not and will not diminish in the near future. There are some web self-service applications for members and retirees to use.

Teacher Retirement System of Texas Spotlight Report 2013 – Risk Profiles

Risk Category	Risk Owner	Goal	Overall Risk	Impact & Likelihood	Risk Level & Trend	Risk Level Justification	Trending Justification
						online and that desire will only grow over time.	
Liquidity/ Leverage	Jase Auby	Maintain levels of liquidity appropriate for the support of fund disbursements, anticipated investment funding needs and trust level leverage.	Inadequate liquidity could lead to cash shortfalls.	Impact – 4 Likelihood – 1		Trust is highly liquid and minimally levered.	Trust use of liquidity and leverage is projected to remain stable.
Market	Britt Harris	Maintain market risk exposures consistent with investment objectives.	Too little or too much exposure to market risk could each lead to undesirable investment outcomes.	Impact – 2 Likelihood – 1		Investment policy asset allocation ranges limit market risk appropriately; active risk (tracking error) is budgeted by IMD.	Limits are projected to remain appropriate until the next strategic asset allocation review in 2014.
Open Government	Carolina de Onís	Ensure compliance with laws and rules related to open records and meetings.	Non-compliance could lead to penalties and fines or voiding of board actions.	Impact – 3 Likelihood – 2		Volume and complexity of investment-related open records requests and those seeking aggregated data about TRS members.	Hiring new staff attorney devoted to investment-related open records requests, new software installed and being configured to process, track, and respond to requests, and hiring additional Communications staff to process media inquiries related to open records requests.
Pension Benefit Administration	Marianne Woods Wiley	Accurate delivery of benefits to TRS members, retirees and beneficiaries, including systems monitoring and controls related to accurate calculations and benefit payments to others.	Ineffective delivery of benefits could lead to inaccurate information, inaccurate benefits/ payments, dissatisfied members, retirees, or beneficiaries, and loss of credibility, adverse public perception, increased scrutiny, and oversight.	Impact – 4 Likelihood – 1		Current controls and monitoring assure accurate delivery of benefits. Accuracy and timeliness of benefit delivery meets or exceeds expectations as evidenced through audits and performance metrics.	Expect trend to be constant unless major legislative changes are passed, a larger than usual number of members retire, and/or TEAM requires more subject matter expert involvement than anticipated.
Pension Funding	Brian Guthrie	Sustain a financially sound pension trust fund.	Absent sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.	Impact – 5 Likelihood – 1		While the impact of a loss of pension funding would be significant, the likelihood of such an event is relatively low. Currently, TRS can pay benefits until	Currently, the risk of a fiscally unsound pension fund is neither trending up nor down. Recently, the pension fund's depletion date increased by four years; however, the

Teacher Retirement System of Texas Spotlight Report 2013 – Risk Profiles

Risk Category	Risk Owner	Goal	Overall Risk	Impact & Likelihood	Risk Level & Trend	Risk Level Justification	Trending Justification
						2069. This depletion date as calculated in the 2/28/13 mid-year valuation is four years later than the 2065 date in the 8/31/12 valuation. So, the fund is in mildly better shape than it was six months ago. Conversely, the fund is expected to recognize additional deferred losses and the state has consistently failed to contribute the actuarially required contribution (ARC) to the plan. Given that the funded ratio of the plan is still above 80% and the depletion date recently increased by four years, the risk is guarded.	funded ratio did decline and the system has deferred losses to recognize in the next valuation. So, while the 2/28/13 valuation brought positive information, the status of the risk remains constant. It is worth noting that the Texas Legislature is currently considering plan modifications that could improve the health of the plan, but that legislation has not passed thus far. If the legislation does pass, then it might warrant re-visiting the trend.
Purchasing & Contracts	Don Green	Maintain effective procurement and contract management systems.	Inappropriate procurement practices could result in purchases of sub-standard products and services, unfavorable pricing or contract terms, and violation of laws. Ineffective contract monitoring could result in contractors not fulfilling their contractual obligations.	Impact – 4 Likelihood – 2		Impact is listed at 4 (high) because in the event the overall risk were to occur, it would have a fairly significant impact to TRS ranging from appearance issues, violation of statute, or by us not spending TRS funds in a responsible manner (pay too much, contractors not fulfilling obligations, project failures, etc.). Likelihood is listed at 2 (not likely) because TRS has good processes and procedures in place, our Contract Administration Coordinator performs an internal quality assurance	The procurement function has a fairly stable risk trend and risks should remain somewhat similar and constant over time. Significant impacting factors would be loss of staff with institutional knowledge and divergence from current oversight levels and controls. As these are not the case at TRS, our procurement risk level should remain the same.

Teacher Retirement System of Texas Spotlight Report 2013 – Risk Profiles

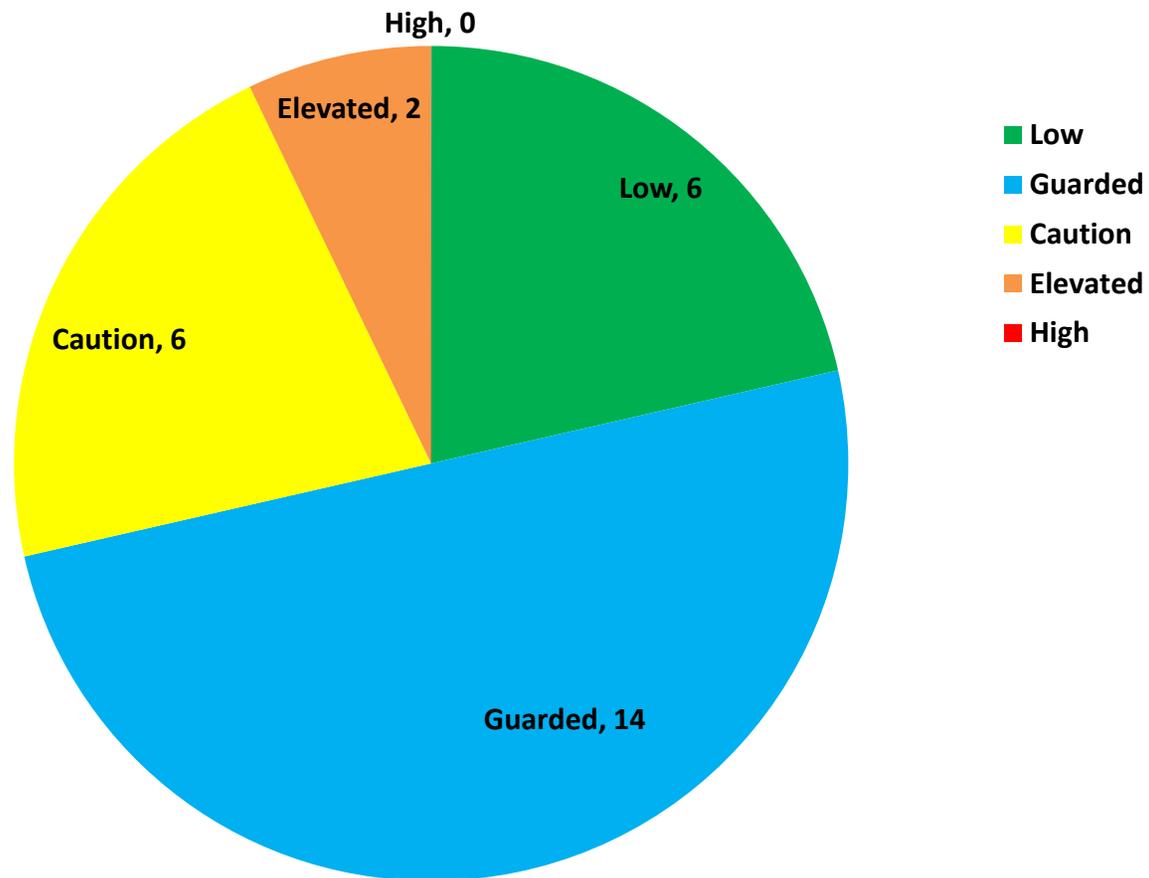
Risk Category	Risk Owner	Goal	Overall Risk	Impact & Likelihood	Risk Level & Trend	Risk Level Justification	Trending Justification
						function, we must report procurement activities regularly, and we are subject to audit by multiple audit entities, both internal and external.	
Records Management	Marianne Woods Wiley	Preserve and destroy TRS records through adherence to laws and rules, and by applying TRS records management policies and practices.	An ineffective records management program could result in loss or accidental release of records, loss of credibility, delays in accessing/destroying records, and increased scrutiny and oversight.	Impact – 3 Likelihood – 3		There is a high growth rate in the volume of e-records. We have silos of files where the retention and disposition is managed manually by individual staff.	While staff is paying more attention to managing e-records, progress is slow and volume continues to grow. Additional time is needed to develop tools that allow e-records to be managed more efficiently.
Regulatory, Compliance, & Litigation	Carolina de Onís	Adhere to and analyze current laws, rules, and policies (e.g., maintain tax qualification status). Render competent advice on legal risk management and awareness, manage litigation risks, and negotiate contracts to address risks.	Non-compliance with laws and rules could lead to penalties, fines, liability and litigation; impaired ability to conduct business; burdensome oversight; third-party investigations/audits; adverse legislation; increased scrutiny; or loss of tax qualification status.	Impact – 4 Likelihood – 2		Changes in regulatory environment (Dodd Frank, BASEL III) and changes in TRS laws (open records, retirement age, health plans, etc.).	Hired outside counsel; better coordination within Legal; hiring new benefits attorney; and retaining existing expertise.
Retiree Health Care Funding	Betsey Jones	Facilitate long-term soundness of TRS-Care in order to pay retiree health care costs.	Inadequate funding would affect solvency of the program over the next biennium, requiring significant premium increases or benefit reductions.	Impact – 4 Likelihood – 4		Inadequate funding would jeopardize retirees having access to affordable health care. The fund is projected to become insolvent in the 2016-2017 biennium.	The fund is projected to deplete each year and become insolvent in the 2016-2017 biennium.
TEAM Program	Ken Welch	Implement cost effective, efficient, and sustainable processes and systems that enable TRS to serve its members, employers, and annuitants.	System design, implementation and functionality of the new processes and systems do not meet the growing demands of TRS in service of its members. Program/project	Impact – 4 Likelihood – 3		Remains at a “Moderate Risk” threat level. The Core Management Team (CMT) and the Executive Steering Committee (ESC) have taken on a more active oversight role in the mitigation of the key TEAM	The number of key TEAM risks identified increased from 10 to 14 from the previous quarter’s reporting to the current one. This is to be expected as several of the projects within TEAM were initiated during this time period. The results of

Teacher Retirement System of Texas Spotlight Report 2013 – Risk Profiles

Risk Category	Risk Owner	Goal	Overall Risk	Impact & Likelihood	Risk Level & Trend	Risk Level Justification	Trending Justification
			implementation schedule and cost exceeds original estimates.			risks as well as the identification of new ones. On the surface the likelihood rating seemed to remain constant from December's reporting to this quarter's reporting at a 3 rating. But, when looking at a finer level of detail there was a dramatic reduction from 3.4 to 2.5. This was the result of the actions taken to mitigate these risks.	these new identified risks offset the decrease in the likelihood rating and the potential to give an overall "Decrease" trend rating. Instead it is expected that with active oversight mitigating existing risks as well as identifying new ones the risk trend will "Remain constant" over the next 12 months.
Workforce Continuity	Janet Bray	Preserve valued institutional knowledge, and ensure a skilled, capable, and motivated workforce is maintained to execute TRS' functions.	Lack of effective knowledge management, talent management, and turnover transition management could lead to loss of institutional knowledge, which could negatively impact the delivery of member services and pension fund management.	Impact – 4 Likelihood – 2		Maintaining a qualified, competent workforce is important for TRS to achieve its goals and objectives. Turnover in the workforce is inevitable, and the loss of staff may create some delays or reductions in meeting strategic or operational objectives. However, these potential risks are not critical enough to stop TRS from meeting goals or terminate business services. As a result, the overall workforce continuity risk level color is set at Guarded (Blue) because of minimal threats to achieving TRS goals and objectives.	We anticipate overall workforce continuity risks decreasing over the next 12-24 months due to various HR initiatives. These include implementing new HR technologies; updating all agency job descriptions; identifying core competencies, knowledge, skills and abilities for positions; addressing gaps in those attributes through increased learning and development opportunities; and resolving staffing needs through workforce planning, succession planning and the realignment of job functions as necessary.

Conclusion

■ 28 Stoplight Report Categories



Tab 4

Risk Reports

Michelle Pagán

Risk Assessments



The risk categories highlighted this quarter include: TEAM Program, 403(b), Employer Reporting, Records Management, Open Government, Business Continuity, Investment Accounting, and Communications & External Relations.

TEAM Program

- **Goal:** Implement cost effective, efficient, and sustainable processes and systems that enable TRS to serve its members, employers, and annuitants.
- **Risk:** System design, implementation and functionality of the new processes and systems do not meet the growing demands of TRS in service of its members. Program/project implementation schedule and cost exceeds original estimates.

403(b)

- **Goal:** Set fee caps for 403(b) products offered to school district employees. Maintain list of both qualified companies and products which meet requirements of law and TRS rule.
- **Risk:** Public education employees purchase non-qualified products and/or products from non-qualified companies.

Employer Reporting

- **Goal:** Accurately capture and utilize employer reported data to project and calculate future benefits of TRS members.
- **Risk:** Incorrect reporting could lead to calculated benefits being inaccurate.

Records Management

- **Goal:** Preserve and destroy TRS records through adherence to laws and rules, and by applying TRS records management policies and practices.
- **Risk:** An ineffective records management program could result in loss or accidental release of records, loss of credibility, delays in accessing/destroying records, and increased scrutiny and oversight.

Risk Assessments (cont'd)

Open Government

- **Goal:** Ensure compliance with laws and rules related to open records and meetings.
- **Risk:** Non-compliance could lead to penalties and fines or voiding of board actions.

Business Continuity

- **Goal:** Recover and resume operations in the event of a major business interruption.
- **Risk:** Members do not receive statutorily required services timely.

Investment Accounting

- **Goal:** Maintain the integrity of investment information – reporting and disclosure, accuracy, completeness and valuation.
- **Risk:** Materially inaccurate investment information and reports would result in board and Legislature decisions being made on flawed data and adverse or qualified audit opinions.

Communications & External Relations

- **Goal:** Maintain effective communication and positive relations with members, retirees, employers, TRS employees, news media, and the public.
- **Risk:** Poor communication could lead to confusion resulting in increased calls to TRS, poor or inappropriate decision-making regarding TRS benefits, and incorrect information provided to external parties.

TEAM Program

Notable Risks

- Conflicting priorities between existing work and TEAM Program-related assignments
- Decisions not made timely and/or made at inappropriate level
- Lack of resources (people)
- Lack of staff with appropriate skill-sets to replace or supplement current expertise
- Legislative changes

Mitigations

- Prioritize/reallocate workload
- Communication
- Program management services from Provaliant
- Extend schedule
- Independent Program Assessment vendor oversight
- Staffing plans; intern program; approval to backfill positions
- Weekly TEAM dashboard/status updates
- Be aware of legislation and planning
- Board/management support
- Program/project management action/decision logs
- Assign accountability
- Escalate issues

Action Items/Monitoring Activities

- Evaluate responses for the Pension Line of Business (LOB) vendor
- Hire TEAM FTEs as outlined in the staffing plan approved by the TRS Board of Trustees
- Select Organizational Change Management (OCM) vendor and obtain deliverables
- Project management
- Action and decision logs
- Weekly reviews
- OCM Project

403(b)

Notable Risks

- Erroneous reporting



Mitigations

- Annual demonstration to ensure salespeople are qualified to offer the products
- Follow-up on complaints
- Companies certify every five years
- Address any lack of compliance with company



Action Items/ Monitoring Activities

- Companies certify every five years
- Annually demonstrate licensure and qualifications of 403(b) company personnel
- Statutory review of 403(b) Rule

Employer Reporting

Notable Risks

- Pension and TRS-Care surcharges for retirees unreported
- Years of service credit manipulated (overreported/underreported service credit)
- Annuities not forfeited when retirees work in excess of limits provided by law
- Benefit Accounting staffing issues due to staff retirements
- External fraud (i.e., eligibility, compensation, service credit)



Mitigations

- Internal and external training
- Ongoing communication
- *TRS Update* newsletter
- Maintain current TRS webpage for employers
- Mass emails
- TEAM Program
- Automated system edits/reports
- Annual statements sent to members
- Cross-training
- Additional FTEs
- Maintain current staffing levels
- Criminal investigations and prosecution



Action Items/ Monitoring Activities

- Self-audit tool for reporting entities
- Supplement with additional staff to mitigate department retirements
- Internal and external training
- Ongoing communication with reporting entities

Records Management

Notable Risks

- Noncompliance with retention schedule, policies and procedures
- Legal holds are difficult to manage for compliance
- Lack of resources to manage and respond to open records requests and legal holds - research, response time, and hold time
- Over-reliance on expanding IT resources to retain records (e.g. physical equipment, staff)
- Numerous repositories for records and data that are difficult to manage for compliance

Mitigations

- Communication with employees regarding retention periods and purge process
- Annual purge process
- Training sessions with records liaisons and employees
- Send follow-up reminders
- Standardized folder structures
- Researching automated open records, discovery and legal hold tools
- File plans
- Prioritizing workload
- Additional staff
- Apply retention schedule
- Budget process
- Streamline process
- Future planning for enterprise architecture for standardized repositories

Action Items/Monitoring Activities

- Annual refresher training for staff on records management policies and procedures
- Develop P8 Records Manager rules for application to e-records repositories
- Advising on the implementation of policy and procedures for disposition of backup tapes
- Implement technology tool to process, track, and better respond to public information requests
- Complete hiring of additional staff to help process public information requests and media inquiries
- Annual purge process
- Training sessions with records liaisons and employees

Open Government

Notable Risks

- Unauthorized destruction, removal, or alteration of public or confidential information
- Inadequate staffing for processing open records requests
- Lack of adequate technology for processing open records requests

Mitigations

- Automated system controls
- Security authorization required for altering, deleting or accessing information
- Training/Cross-training
- Backup tapes
- Policies and procedures
- Intern program/ increase FTEs
- Adjust response time based on workload
- Develop production schedules based on number and volume of requests
- Provide more public information on the Internet
- Finalize and implement technology purchase

Action Items/ Monitoring Activities

- Additional online training regarding confidential information and information awareness
- Implement technology tool to process, track, and better respond to public information requests
- Complete hiring of additional staff to help process public information requests and media inquiries

Business Continuity

Notable Risks

- Business continuity plans (BCP) and disaster recovery plans (DRP) do not exist
- Data loss between backups
- Fail-back process to return to TRS is not in place
- Unable to recover missing data between outage through recovery period
- Lack of staff to recover critical systems after an incident
- Long-term (>6 weeks) continuity of operations strategy does not exist

Mitigations

- Annual review and updates to business impact analysis (BIA) and BCPs based on meetings with business units
- Annual disaster recovery testing and update of DRPs based on testing
- Proof-of-concept for real time synchronization
- Mainstream software
- Disaster recovery procedures
- Cross-training for disaster recovery testing
- Improved offsite access to systems
- Use vendor's remote resources
- Emergency call list
- Emergency purchasing flexibility

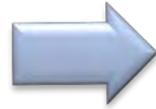
Action Items/ Monitoring Activities

- Research co-location options
- During next annual review, discuss data loss between backups with BCP team leaders
- Cross-training/rotating staff
- Disaster Recovery Procedures

Investment Accounting

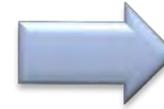
Notable Risks

- Funding of private market investments exceeds commitments
- Partnership financial statements do not follow accounting standards
- Partnership financial statements are materially misstated and misstatements are not detected by TRS
- State Street does not wire funds requested by TRS
- State Street does not maintain accurate historical investment information



Mitigations

- Tracking and comparing cumulative funded amount to the commitment amount
- Policies and procedures
- Annual review of partnerships' audited financial statements
- Review quarterly financial statements for reasonableness
- Written agreement between TRS and State Street regarding wiring of funds
- Daily reconciliation of funds wired between Investment Accounting's wire log and State Street's wire report
- State Street's confirmation of funds wired
- Custodial contract
- Review State Street's Service Organization Control (SOC1) report (formerly SAS 70)



Action Items/ Monitoring Activities

- State Street SOC1
- Funding approval policies and procedures
- Daily wire reconciliation

Communications & External Relations

Notable Risks

- Unauthorized contact/ interviews with the news media
- Excessive volume of comments from Facebook/Twitter (e.g. comments go viral)
- Unauthorized release of confidential information

Mitigations

- Policies and procedures
- Disciplinary action
- Track TRS-related media interviews through web-based software
- Contact media to discuss TRS policies and procedures
- Training and discussions
- Adjust staffing
- Prepared messages/ statements/fact sheets to respond to comments
- Notify telephone counselors
- Post information to TRS website, intranet, social media outlets, and send email notices
- Restrict access
- Coordinate with subject matter experts
- Include language in contracts regarding usage of information

Action Items/ Monitoring Activities

- Increase training and employee education on Staff External Communications Policy and related procedures
- Draft procedures to address excessive volume of social media comments and live webcast issues
- Develop new messages and statements in anticipation of potential problems
- Track TRS-related media interviews through web-based software
- Policies and procedures

Conclusion

- Risk assessments for eight Stoplight Report categories completed this reporting period
 - Management has accepted the risks in most categories
 - For other categories, in addition to monitoring activities, management is further mitigating their higher risks through action items
- TEAM Program remains the highest risk
 - Monitoring will continue through ongoing risk assessments of the program and TEAM-related projects
 - Various reporting methods to communicate issues

APPENDIX

- A. ERM Risk Assessment Methodology
- B. Risk Report Details

APPENDIX A

ERM Risk Assessment Methodology

IMPACT					
	1 Not Significant	2 Low	3 Moderate	4 High	5 Critical
Strategic	No impact to achievement of goals and objectives	Minor delays or modifications to goals and objectives	Delays or modifications to goals and objectives	Significant delays or reductions in scope of goals and objectives	Failure to meet TRS goals and objectives
Operational	No impact to service levels and business activities	Minor impact to service levels and business activities	Impacts service levels or creates moderate business disruptions	Widespread disruption to service levels. Interruption of business functions	Termination of business services for foreseeable future. Widespread data loss. Possible loss of life
Legal/Compliance	No legal/compliance violations	Minor legal/compliance violations	Moderate violations lead to increased scrutiny by oversight entities	Significant penalties, fines, or violations of law. Fraud. Breach of confidential or HIPAA data.	Violations result in loss of tax qualified status. Monetary penalties and interest due to IRS
Reputational	No impact to TRS reputation	Limited criticism from a few media sources	TRS is subject to criticism from several media sources	Negative media reaches headlines of several publications. Increased scrutiny by oversight entities	Irreparable damage to TRS reputation and credibility. Increased scrutiny by oversight entities

LIKELIHOOD					
1 Slight	2 Not Likely	3 Likely	4 Highly Likely	5 Almost Certain	Considerations
< 10%	10-30%	30-60%	60-90%	> 90%	<ul style="list-style-type: none"> ▪ Effectiveness of mitigations in place ▪ Number of processes and systems involved ▪ Historical and industry peer experiences ▪ Skills and competencies managing the risk ▪ Political/regulatory environment

APPENDIX B

TEAM PROGRAM RISK REPORT

RISK OWNER

Ken Welch

REPORTING DATE

June 2013

GOAL

Implement cost effective, efficient, and sustainable processes and systems that enable TRS to serve its members, employers, and annuitants.

OVERALL RISK

System design, implementation and functionality of the new processes and systems do not meet the growing demands of TRS in service of its members. Program/project implementation schedule and cost exceeds original estimates

OBJECTIVES

Implement modern pension and benefit information systems that allow TRS staff to serve our members and deliver accurate benefits effectively and timely by August 2016.

SUMMARY OF ACTIVITIES

- The Executive Steering Committee (ESC) approved the proposed staffing plan submitted by the Core Management Team for the TEAM Program, and positions have been authorized to post.
- The Organizational Change Management (OCM) Project is underway and working on a Statement of Work (SOW) for vendor assistance with the overall project. The HR OCM project team is soliciting feedback from employees within departments that the TEAM Program impacts and is meeting monthly with two employee advisory groups to gather input.
- The CMT and ESC charters have been developed and approved by the ESC.
- All project teams are routinely reviewing risks with Enterprise Risk Management (ERM) staff every other month or monthly as determined by the project sponsors and ERM staff.
- The Reporting Entity Outreach project team launched an informational web page in January for the Reporting Entities and is monitoring and responding to questions from reporting entities using a dedicated email box.

RISK DETAILS

Risk Description	Mitigations	
1. Conflicting priorities between existing work and TEAM Program-related assignments	<ul style="list-style-type: none"> ▪ prioritize workload ▪ communication ▪ program management services from Provaliant ▪ more resources 	<ul style="list-style-type: none"> ▪ reallocate workload ▪ approval to backfill positions ▪ weekly TEAM dashboard ▪ clear direction

TEAM PROGRAM RISK REPORT

Risk Description	Mitigations	
	<ul style="list-style-type: none"> ▪ extend schedule ▪ willingness to negotiate ▪ Independent Program Assessment (IPA) vendor oversight 	<ul style="list-style-type: none"> ▪ be aware of legislation and planning ▪ board/management support ▪ intern program
2. Decisions not made timely and/or made at inappropriate level	<ul style="list-style-type: none"> ▪ program/project management action/decision logs ▪ weekly status updates ▪ assign accountability for action items related to timely decisions ▪ approval to backfill positions ▪ extend schedule ▪ willingness to negotiate ▪ IPA vendor oversight 	<ul style="list-style-type: none"> ▪ escalate issues if needed ▪ program management services from Provaliant ▪ weekly TEAM dashboard ▪ clear direction ▪ decision-making to the appropriate management level ▪ ESC and CMT charters ▪ direct communication with CMT and ESC
3. Lack of resources (people)	<ul style="list-style-type: none"> ▪ TRS/TEAM staffing plans ▪ prioritize workload ▪ approval to backfill positions ▪ extend schedule ▪ willingness to negotiate 	<ul style="list-style-type: none"> ▪ program/project milestones ▪ program management services from Provaliant ▪ weekly TEAM dashboard ▪ clear direction ▪ IPA vendor oversight
4. Internal TEAM governance structure operating inefficiently	<ul style="list-style-type: none"> ▪ weekly CMT and ESC meetings ▪ committee assignments ▪ OCM Project ▪ continue to review “lessons learned” from other pension systems ▪ IPA vendor oversight ▪ weekly TEAM dashboard 	<ul style="list-style-type: none"> ▪ status reports ▪ action/decision logs ▪ effective communication ▪ risk assessments at program and project-level ▪ program management services from Provaliant ▪ clear direction
5. Inaccurate planning estimates	<ul style="list-style-type: none"> ▪ obtain estimates ▪ periodic reassessments and communication ▪ weekly status meetings 	<ul style="list-style-type: none"> ▪ research vendors and other pension funds ▪ vendor demonstrations
6. Failure to manage change (scope, schedule, budget)	<ul style="list-style-type: none"> ▪ communicate, monitor, and enforce the change control process ▪ new project launch meetings with teams ▪ expectations communicated up front 	<ul style="list-style-type: none"> ▪ all projects follow the same organizational structure ▪ quarterly internal budget meetings ▪ quarterly Legislative Budget Board (LBB)

TEAM PROGRAM RISK REPORT

Risk Description	Mitigations	
	<ul style="list-style-type: none"> ▪ program management services from Provaliant ▪ weekly TEAM dashboard ▪ clear direction ▪ status reports ▪ reduce scope 	<ul style="list-style-type: none"> ▪ reporting ▪ more resources ▪ willingness to negotiate ▪ IPA vendor oversight
7. Lack of staff acceptance	<ul style="list-style-type: none"> ▪ vendor demonstrations ▪ staff involvement ▪ planning ▪ research ▪ celebrate successes ▪ getting buy-in through involvement 	<ul style="list-style-type: none"> ▪ OCM Project ▪ recognition ▪ effective execution of the Communications Plan ▪ personnel position changes ▪ training
8. Excessive and time consuming open records requests	Involve Attorney General's office if it becomes too burdensome	<ul style="list-style-type: none"> ▪
9. Internal Fraud (e.g., requirements favor a specific vendor that staff or a Board member may have a relationship with)	<ul style="list-style-type: none"> ▪ open evaluation process ▪ assessment and valuation by committee ▪ fraud hotline 	<ul style="list-style-type: none"> ▪ Ethics Policy and training ▪ open records process ▪ Open Meetings Act
10. External Fraud (e.g., undue influence by vendor(s) to alter requirements in an attempt for a peer vendor to gain a contract)	<ul style="list-style-type: none"> ▪ open evaluation process ▪ assessment and valuation by committee ▪ fraud hotline ▪ Ethics Policy and training 	<ul style="list-style-type: none"> ▪ research vendor relationships ▪ competing vendors will speak out ▪ Open Meetings Act ▪ open records process
11. Lack of staff with appropriate skill-sets to replace or supplement current expertise	<ul style="list-style-type: none"> ▪ OCM Project ▪ use contractors ▪ new FTE's ▪ on-the-job training 	<ul style="list-style-type: none"> ▪ train existing staff ▪ ability to obtain vendors/contractors/employees with expertise ▪ staffing plan
12. Change in executive leadership/board resulting in different priorities	<ul style="list-style-type: none"> ▪ communicate to new leadership the importance of supporting program and projects 	<ul style="list-style-type: none"> ▪ communicate the value proposition ▪ solicit board support
13. Ineffective communication	<ul style="list-style-type: none"> ▪ effective execution of the Communications Plan ▪ TEAM repository ▪ recorded webinars ▪ training 	<ul style="list-style-type: none"> ▪ open meetings ▪ solicit employee feedback ▪ OCM Project ▪ Reporting Entity Outreach Project

TEAM PROGRAM RISK REPORT

Risk Description	Mitigations
14. Legislative changes	<ul style="list-style-type: none"> ▪ Be aware of legislation and planning ▪ Board/management support ▪ Communication of upcoming changes ▪ Governmental relations

Action Item	Owner	Target Date	Revised	Status	Comments
Evaluate responses for the Pension Line of Business (LOB) vendor (Risk 1)	LOB Evaluation Team	6/2013		In Progress	Received responses for the Pension LOB vendor and in the process of evaluating those responses for minimum qualifications. Will invite qualified vendors to TRS for a Current Functionality Assessment. The vendors will then propose a better cost estimate. Evaluation Team will evaluate proposals of qualified vendors and bring in finalists for an oral presentation and demonstration of their product. The oral presentation and demonstrations are in the final stage of the evaluation process.
Include standing agenda item on the weekly ESC meeting agenda to discuss TEAM project issues and decision due dates/milestones with the CMT (Risk 2)	ESC	3/2013		Complete	New action item to take a proactive communication approach to further mitigate the risk of decisions not being made timely, and to ensure that any needed decisions are recorded on the decision log for a timely response. The process is now in place and therefore this will be an ongoing mitigation. Action item closed.
Draft proposal for staffing plan (Risk 3)	CMT	10/2012	11/2012	Complete	Staffing plan presented to the ESC. The ESC decision status was added to the action log. Action item is closed.
Hire TEAM FTEs as outlined in the staffing plan approved by the TRS Board of Trustees (Risk 3)	Project Sponsors & Managers	Ongoing		In Progress	TRS Board of Trustees approved the proposed TEAM Program staffing plan. Based on timelines and fiscal year needs, positions have been posted.

TEAM PROGRAM RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
					Posted positions have also been prioritized and some interviews are in progress.
Development of Request for Offer (RFO) for LOB vendor (Risk 3)	CMT	8/2012	11/2012	Complete	The RFO was issued in January 2013. Action item is closed.
Revise Program Charters (Risk 4)	CMT	12/2012		Complete	Charters for the ESC and CMT were revised to specify roles and responsibilities. Action item is closed.
Initiate OCM Project (Risk 1, 4, 7, 11)	OCM Project Sponsor & Manager	9/2012	1/2013	Complete	This project has been initiated and planning is underway for OCM activities. This action item will be an ongoing mitigation and is now closed.
Develop OCM project charter (Risk 4, 7, 11)	OCM Project Sponsor & Manager	12/2012		Complete	Charter developed to outline roles and responsibilities.
Select OCM vendor and obtain deliverables (Risk 1, 4, 7, 11)	OCM Project Sponsor & Manager	3/2013	6/2013	In Progress	The project sponsor is currently writing the SOW for review by CMT, Project Management Office (PMO) and ESC.

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Project management (Risk 1, 2, 3, 4, 6)	Program & Project Managers	Minimum weekly program/project meetings to review all risk and mitigation plan updates with the program/project manager and sponsor. The PMO will meet with project managers regularly to ensure project consistency. As new projects begin, they will utilize the service request process to help ensure that resources are better tracked.	A project sponsor and project manager is assigned to each project; this has been effective to manage the various concurrent projects.
Action and decision logs (Risk 2, 4)	ESC, CMT, Program & Project	Documented actions and decisions are received and reviewed weekly by ESC, CMT, and program &	Logs provide documented support and quick reference for actions and decisions made that impact a project or

TEAM PROGRAM RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
	Managers	project managers.	the program. Separate logs are in place for the ESC, CMT, and individual projects. Project-level logs are part of the weekly status report.
Meeting minutes (Risk 4, 5)	ESC, CMT, Program & Project Managers	Meeting agendas, minutes and decisions are documented and sent out for review. These are available in the TEAM Repository for all staff.	Minutes are reviewed by all participants and formally approved during meetings. These are an effective communication tool and also provide background and validation of actions taken and decisions made during project meetings.
Weekly reviews (Risk 1, 2, 3, 4, 5, 6)	Project Sponsors	Project managers work with project sponsors regarding the reviewing, monitoring, and updating of the risks on the status reports. Project sponsors report risks and issues to the CMT and ESC.	Reassessing the list of risks on the status reports is completed as needed; issues or changes are communicated to the CMT or ESC. The drop dead lead time date is monitored to ensure the key risk is mitigated.
Risk assessments (Risk 4)	ERM Team, Project Sponsors, Program & Project Managers	Risk assessments are conducted and tracked on the risk log. Results are shared with ESC, CMT, project sponsor, and program and project managers.	As projects begin, initial risk assessments are conducted. In addition, the risks are reviewed every other month or more frequently if necessary. Team members review the risks and mitigations for addition to the risk log. The following projects have completed the initial risk assessment: Financial System Replacement, Data Management, Business Rules, Enterprise Security, Reporting Entity Outreach, and Organizational Change Management. The website re-design project will schedule their initial risk assessment once the project charter has been approved.
OCM Project (Risk 4, 7, 11, 13)	Project Sponsor, Program & Project Manager	In addition to ongoing meetings with employees, HR will meet with managers throughout the life of the TEAM Program to solicit feedback and suggestions. Once on board, the vendor will be tasked with developing surveys to assess the effectiveness of OCM efforts. The project sponsor	Two employee advisory groups have been created and are meeting monthly to provide employee input. Once a vendor is on board, focus groups will be conducted to gather input from all employees. A plan for training employees and managers on OCM skills is being developed. An all-hands meeting to update employees

TEAM PROGRAM RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
		provides weekly updates to the CMT and receives feedback. The executive sponsor provides updates to the ESC and receives feedback. Written weekly project status updates are provided to TEAM Program managers and are added to the weekly risk log/status summary. The IPA vendor also provides feedback regarding OCM efforts.	about the TEAM Program is scheduled for May 2013. HR is currently interviewing randomly selected employees of departments most impacted by the TEAM Program and working with management to develop customized OCM plans based on interview results.

403(b) RISK REPORT

RISK OWNER

Rebecca Merrill

REPORTING DATE

June 2013

GOAL

Set fee caps for 403(b) products offered to school district employees. Maintain list of both qualified companies and products which meet requirements of law and TRS rule.

OVERALL RISK

Public education employees purchase non-qualified products and/or products from non-qualified companies.

SUMMARY

The risks identified for this risk category are being appropriately mitigated and the owner accepts all risks. No additional mitigation strategies are planned at this time. Key mitigations include companies certify every five years, annual demonstration of licensure and qualifications of 403(b) company personnel, and statutory review of the 403(b) Rule, which is planned for June 2013.

RISK DETAILS

Risk Description	Mitigations
1. Intentional misreporting to TRS	<ul style="list-style-type: none"> ▪ annual demonstration to ensure sales people are qualified to offer the products ▪ companies certify every five years ▪ follow-up on complaints ▪ address any lack of compliance with company ▪ initial review of products
2. Erroneous reporting	<ul style="list-style-type: none"> ▪ annual demonstration to ensure sales people are qualified to offer the products ▪ follow-up on complaints ▪ companies certify every five years ▪ address any lack of compliance with company
3. Online list can't be accessed due to technical issues	<ul style="list-style-type: none"> ▪ hard copy list maintained ▪ electronic backups nightly ▪ district employees can call TRS
4. Companies fail to register products	<ul style="list-style-type: none"> ▪ follow-up on complaints from other companies ▪ revoke certification ▪ address any lack of compliance with company
5. Companies remain on the list after they are no longer qualified	<ul style="list-style-type: none"> ▪ manual process to review and remove non-qualified companies and products ▪ address any lack of compliance with company ▪ companies certify every five years
6. District employees pay fees that exceed TRS maximums	<ul style="list-style-type: none"> ▪ address any lack of compliance with company ▪ follow-up on complaints ▪ contact licensing agency for investigation

403(b) RISK REPORT

Risk Description	Mitigations
7. Complaint resolution is not reported to TRS timely	<ul style="list-style-type: none"> ▪ contact licensing agency ▪ follow-up on complaints

Action Item	Owner	Target Date	Revised	Status	Comments
None at this time					

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Companies certify every five years (Risk 1, 2, 5)	Special Projects	Contact the companies for recertification.	Ongoing process as company certifications expire.
Annually demonstrate licensure and qualifications of 403(b) company personnel (Risk 1, 2)	Special Projects	Contact the companies for annual demonstration.	Each June receive documentation and record compliance on TRS website.
Statutory review of 403(b) Rule (Risk 1, 2, 4, 5, 6)	Special Projects	Rule review every five years based on statutory requirements.	Planned for summer 2013.

EMPLOYER REPORTING RISK REPORT

RISK OWNER

REPORTING DATE

Don Green

June 2013

GOAL

OVERALL RISK

OBJECTIVE

Accurately capture and utilize employer reported data to project and calculate future benefits of TRS members.	Incorrect reporting could lead to calculated benefits being inaccurate.	<ul style="list-style-type: none"> • Improved electronic reporting and auditing through TEAM. • Supplement with additional staff to prepare for TRS staff retirements.
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SUMMARY OF ACTIVITIES

Plans are in place to provide additional training internally and externally. Currently in the hiring process to supplement future staff retirements.

RISK DETAILS

Risk Description	Mitigations	
1. Ineligible members reported	<ul style="list-style-type: none"> ▪ internal and external training ▪ ongoing communication ▪ <i>TRS Update</i> newsletter 	<ul style="list-style-type: none"> ▪ maintain current TRS webpage for employers ▪ mass emails
2. Not all eligible members reported	<ul style="list-style-type: none"> ▪ internal and external training ▪ ongoing communication ▪ <i>TRS Update</i> newsletter 	<ul style="list-style-type: none"> ▪ maintain current TRS webpage for employers ▪ mass emails
3. Member salaries paid from miscellaneous funds unreported (federal, private, statutory minimum, non-educational/general local, educational/general local, new member)	<ul style="list-style-type: none"> ▪ internal and external training ▪ ongoing communication ▪ <i>TRS Update</i> newsletter 	<ul style="list-style-type: none"> ▪ maintain current TRS webpage for employers ▪ mass emails ▪ TEAM Program
4. Ineligible/underreported/overreported salaries (used in final average salary calculation)	<ul style="list-style-type: none"> ▪ internal and external training ▪ ongoing communication ▪ maintain current TRS webpage for employers ▪ mass emails 	<ul style="list-style-type: none"> ▪ <i>TRS Update</i> newsletter ▪ annual statements sent to members ▪ TEAM Program

TRS Spotlight Report Category

EMPLOYER REPORTING RISK REPORT

Risk Description	Mitigations	
5. Pension and TRS-Care surcharges for retirees unreported	<ul style="list-style-type: none"> ▪ internal and external training ▪ ongoing communication ▪ <i>TRS Update</i> newsletter 	<ul style="list-style-type: none"> ▪ maintain current TRS webpage for employers ▪ mass emails ▪ TEAM Program
6. Retirement not revoked when retirees return to work without break in service	<ul style="list-style-type: none"> ▪ internal and external training ▪ ongoing communication ▪ automated system edits/reports 	<ul style="list-style-type: none"> ▪ maintain current TRS webpage for employers ▪ mass emails ▪ <i>TRS Update</i> newsletter
7. Years of service credit manipulated (overreported/underreported service credit)	<ul style="list-style-type: none"> ▪ internal and external training ▪ ongoing communication ▪ automated system edits/reports ▪ mass emails 	<ul style="list-style-type: none"> ▪ maintain current TRS webpage for employers ▪ <i>TRS Update</i> newsletter ▪ annual statements sent to members
8. Annuities not forfeited when retirees work in excess of limits provided by law	<ul style="list-style-type: none"> ▪ internal and external training ▪ ongoing communication ▪ automated system edits reports ▪ mass emails 	<ul style="list-style-type: none"> ▪ maintain current TRS webpage for employers ▪ <i>TRS Update</i> newsletter ▪ TEAM Program
9. Benefit Accounting staffing issues due to staff retirements	<ul style="list-style-type: none"> ▪ internal training ▪ cross-training 	<ul style="list-style-type: none"> ▪ maintain current staffing levels ▪ additional FTEs
10. External fraud (i.e., eligibility, compensation, service credit)	<ul style="list-style-type: none"> ▪ internal and external training ▪ automated system edits/reports ▪ maintain current TRS webpage for employers ▪ mass emails 	<ul style="list-style-type: none"> ▪ <i>TRS Update</i> newsletter ▪ criminal investigations and prosecution ▪ ongoing communication
11. Inability to provide appropriate customer service due to increased number of reporting entities	<ul style="list-style-type: none"> ▪ internal training ▪ cross-training 	<ul style="list-style-type: none"> ▪ additional FTEs ▪ TEAM Program

Action Item	Owner	Target Date	Revised	Status	Comments
Increase number of topic-specific training sessions with reporting entities either through onsite meetings or webinars (Risk 1, 2)	Benefit Accounting	11/2013		In Progress	Currently scheduled to take place September through November 2013.
Self-audit tool for reporting entities (Risk 5)	Internal Audit, Benefit Accounting	9/2014		In Progress	Next step of the process is to have the tool reviewed by Legal.

TRS Spotlight Report Category

EMPLOYER REPORTING RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
Supplement with additional staff to mitigate department retirements (Risk 9, 11)	Benefit Accounting	8/2014		In Progress	Currently interviewing to fill additional FTEs.

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Internal and external training (All risks)	Benefit Accounting	Scheduled and ad-hoc training as needed.
Ongoing communication with reporting entities (Risk 1, 2, 3, 4, 5, 6, 7, 8, 10)	Benefit Accounting	Communicate with reporting entities via phone calls and email.

RECORDS MANAGEMENT RISK REPORT

RISK OWNER

Marianne Woods Wiley

REPORTING DATE

June 2013

GOAL

Preserve and destroy TRS records through adherence to laws and rules, and by applying TRS records management policies and practices.

OVERALL RISK

An ineffective records management program could result in loss or accidental release of records, loss of credibility, delays in accessing/destroying records, and increased scrutiny and oversight.

OBJECTIVE

Improve compliance with the retention schedules with respect to e-records.

SUMMARY OF ACTIVITIES

- Retention Schedule has been loaded into P8 Records Manager.
- Initial retention schedule reports generated from P8.
- More active monitoring of email volumes.
- Conducted annual purge.
- Methodology for developing file plans created through the Leadership Development Program.

RISK DETAILS

Risk Description	Mitigations	
1. Noncompliance with retention schedule, policies and procedures	<ul style="list-style-type: none"> ▪ communication with employees regarding retention periods and purge process 	<ul style="list-style-type: none"> ▪ training sessions with records liaisons and employees ▪ annual purge process
2. Lack of time and resources to properly manage records	<ul style="list-style-type: none"> ▪ streamline process ▪ file plans 	<ul style="list-style-type: none"> ▪ standardized folder structures
3. Lack of understanding of retention schedule and policies	<ul style="list-style-type: none"> ▪ communication with employees regarding retention periods and purge process 	<ul style="list-style-type: none"> ▪ training sessions with records liaisons and employees ▪ annual purge process
4. Records Retention Schedule is not updated or maintained and does not correlate with records actually maintained	<ul style="list-style-type: none"> ▪ training sessions with records liaisons and employees ▪ annual purge process 	<ul style="list-style-type: none"> ▪ review schedules periodically ▪ communication with records liaisons

TRS Stoplight Report Category

RECORDS MANAGEMENT RISK REPORT

Risk Description	Mitigations	
5. Rules are complex and not easily understood	<ul style="list-style-type: none"> ▪ streamline process ▪ standardized folder structures ▪ file plans 	<ul style="list-style-type: none"> ▪ training sessions with records liaisons and employees
6. Legal holds are difficult to manage for compliance	<ul style="list-style-type: none"> ▪ send follow-up reminders ▪ standardized folder structures ▪ file plans 	<ul style="list-style-type: none"> ▪ researching automated open records, discovery and legal hold tools
7. Lack of resources to manage and respond to open records requests and legal holds - research, response time, and hold time	<ul style="list-style-type: none"> ▪ researching automated open records, discovery and legal hold tools ▪ file plans 	<ul style="list-style-type: none"> ▪ standardized folder structures ▪ prioritizing work load ▪ additional staff
8. Over-reliance on expanding IT resources to retain records (e.g. physical equipment, staff)	<ul style="list-style-type: none"> ▪ apply retention schedule ▪ file plans 	<ul style="list-style-type: none"> ▪ budget process
9. Numerous repositories for records and data that require technical proficiency to operate for compliance	<ul style="list-style-type: none"> ▪ file plans ▪ standardized folder structures ▪ streamline process 	<ul style="list-style-type: none"> ▪ future planning for enterprise architecture for standardized repositories
10. Numerous repositories for records and data that are difficult to manage for compliance	<ul style="list-style-type: none"> ▪ file plans ▪ standardized folder structures ▪ streamline process 	<ul style="list-style-type: none"> ▪ future planning for enterprise architecture for standardized repositories
11. IT resources are not reliable or available for accessing or managing records (e.g., old media, expired licenses)	<ul style="list-style-type: none"> ▪ up-to-date backup procedures ▪ contract for services ▪ emergency purchasing flexibility 	<ul style="list-style-type: none"> ▪ disaster recovery/business continuity exercises

Action Item	Owner	Target Date	Revised	Status	Comments
Annual refresher training for staff on records management policies and procedures (Risk 1, 3)	Records Management	8/2014		Planned	
Develop P8 Records Manager rules for application to e-records repositories (Risk 2, 5, 9, 10)	Records Management	8/2014		Planned	
Advising on the implementation of policy and procedures for disposition of backup tapes (Risk 6, 7)	Legal Services	6/2013		In Progress	Legal is consulting with outside counsel to ensure that the policy and procedures are implemented in compliance with TRS' legal obligations.

RECORDS MANAGEMENT RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
Implement technology tool to process, track, and better respond to public information requests (Risk 6, 7)	Legal Services	6/2013		In Progress	Software has been installed, configuration is underway, and training is scheduled for June.
Complete hiring of additional staff to help process public information requests and media inquiries (Risk 7)	Legal Services, Communications	5/2013		In Progress	Interviews are in progress for an open records attorney and additional Communications staff to process media inquiries related to open records requests.

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Annual purge process (Risk 1, 3, 4)	Records Management	Analyze purge results	Review volume and record series not purged.
Training sessions with records liaisons and employees (Risk 1, 3, 4, 5)	Records Management	Conduct annual training sessions	Training sessions include review of the purge process and past history.
Ongoing communication with records liaisons (Risk 4)	Records Management	Communication with liaisons includes annual purge, training, retention schedule amendments, and other records management topics.	

OPEN GOVERNMENT RISK REPORT

RISK OWNER

Carolina de Onís

REPORTING DATE

June 2013

GOAL

Ensure compliance with laws and rules related to open records and meetings.

OVERALL RISK

Non-compliance could lead to penalties and fines or voiding of board actions.

SUMMARY OF ACTIVITIES

Obtaining better technology and additional staff to process open records requests, which will further mitigate the risks identified. Key mitigations include training, calendaring, procedures, and shared responsibility.

RISK DETAILS

Risk Description	Mitigations
1. Failure to consider policies in light of open records and records management laws	<ul style="list-style-type: none"> ▪ training ▪ structured legislative implementation process ▪ policy review schedules ▪ participation in continuing education ▪ automated subscription services
2. Failure to comply with or coordinate applicable policies, procedures and laws	<ul style="list-style-type: none"> ▪ training ▪ policy review schedules ▪ structured legislative implementation process ▪ participation in continuing education ▪ automated subscription services ▪ cross-departmental communication and coordination during policy review ▪ inter-departmental oversight during implementation
3. Lack of education on laws, rules and policies	<ul style="list-style-type: none"> ▪ training ▪ priority on hiring knowledgeable staff ▪ dissemination of updates and changes ▪ publications and newsletters
4. Unauthorized public disclosure of confidential information	<ul style="list-style-type: none"> ▪ training ▪ policies and procedures ▪ secondary review prior to disclosure ▪ separate repositories for confidential information presented to the board ▪ updating technologies ▪ software tools for redacting information ▪ dedicated job functions and positions for protecting information ▪ statutory protection against accidental disclosure ▪ encryption and protection capability and procedures

OPEN GOVERNMENT RISK REPORT

Risk Description	Mitigations	
5. Failure to timely provide requested public information	<ul style="list-style-type: none"> ▪ calendars ▪ color-coded filing system ▪ provide more public information on the Internet ▪ coordination with other departments 	<ul style="list-style-type: none"> ▪ technology tools and adequate staffing ▪ training ▪ policies and procedures
6. Unauthorized destruction, removal, or alteration of public or confidential information	<ul style="list-style-type: none"> ▪ automated system controls ▪ security authorization required for altering, deleting or accessing information 	<ul style="list-style-type: none"> ▪ training ▪ backup tapes ▪ policies and procedures
7. Failure to destroy information based on retention schedule policy	<ul style="list-style-type: none"> ▪ training ▪ policies and procedures 	<ul style="list-style-type: none"> ▪ limited liability ▪ annual purge
8. Inadequate staffing for processing open records requests	<ul style="list-style-type: none"> ▪ cross-training ▪ intern program ▪ adjust response time based on workload ▪ develop production schedules based on number and volume of requests 	<ul style="list-style-type: none"> ▪ automated tools (e.g., redacting and tracking software) ▪ provide more public information on the Internet ▪ increase FTEs
9. Lack of adequate technology for processing open records requests	<ul style="list-style-type: none"> ▪ finalize and implement technology purchase 	<ul style="list-style-type: none"> ▪ funding for technology
10. Potential civil litigation as a result of open records requests	<ul style="list-style-type: none"> ▪ communication with requestor 	<ul style="list-style-type: none"> ▪ reputation of good faith effort to respond
11. Criminal violations relating to open records and confidentiality laws	<ul style="list-style-type: none"> ▪ training ▪ timely responses to requests ▪ leadership awareness and involvement 	<ul style="list-style-type: none"> ▪ culture of adhering to confidentiality laws ▪ policies and procedures
12. Criminal violations for failing to comply with open meetings act	<ul style="list-style-type: none"> ▪ knowledgeable general counsel ▪ board training ▪ designated board secretary ▪ educate staff 	<ul style="list-style-type: none"> ▪ policies and procedures ▪ calendar ▪ technology tools
13. Voiding of board actions	<ul style="list-style-type: none"> ▪ knowledgeable general counsel ▪ board training ▪ designated board secretary ▪ educate staff 	<ul style="list-style-type: none"> ▪ policies and procedures ▪ calendar ▪ technology tools
14. Failure to properly post meeting notices (e.g., timing, verbiage)	<ul style="list-style-type: none"> ▪ calendars ▪ technology tools 	<ul style="list-style-type: none"> ▪ cross-training ▪ shared responsibilities

OPEN GOVERNMENT RISK REPORT

Risk Description	Mitigations
	<ul style="list-style-type: none"> ▪ policies and procedures ▪ redundancy in the process ▪ enforcement of deadlines
15. Technology issues	<ul style="list-style-type: none"> ▪ policies and procedures ▪ testing and monitoring technology prior to meetings ▪ contract provisions ▪ due diligence in selecting contractor ▪ maintain awareness of latest technology options

Action Item	Owner	Target Date	Revised	Status	Comments
Additional online training regarding confidential information and information awareness (Risk 3, 4, 6, 11)	Human Resources, Information Security, Management	6/2013		In Progress	Information Awareness Quiz was sent out in April 2013. The confidential information web-based training is being revised based on new HIPAA-HITECH requirements.
Implement technology tool to process, track, and better respond to public information requests (Risk 5, 9)	Legal Services	6/2013		In Progress	Software has been installed, configuration is underway, and training is scheduled for June.
Complete hiring of additional staff to help process public information requests and media inquiries (Risk 5, 8)	Legal Services, Communications	5/2013		In Progress	Interviews are in progress for an open records attorney and additional Communications staff to process media inquiries related to open records requests.
Develop P8 Records Manager rules for application to e-records repositories (Risk 7)	Records Management	8/2014		Planned	

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Training (Risk 1, 2, 3, 4, 5, 6, 7, 11)	Information Security, Human Resources	Online training regarding confidential information is provided to new employees and an information awareness quiz is provided annually.

OPEN GOVERNMENT RISK REPORT

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Calendarling (Risk 5, 12, 13, 14)	Special Projects	Board reviews agendas earlier, and meeting materials, agendas and deadlines are placed on SharePoint for transparency and timely production.
Procedures and calendarling (Risk 5)	Legal Services	Procedures for processing open records requests include assignment of staff and calendarling of deadlines.
Shared responsibility (Risk 14)	Legal Services, Special Projects	Legal Services and Special Projects coordinate efforts to ensure agendas are posted accurately and timely.

BUSINESS CONTINUITY RISK REPORT

RISK OWNER

REPORTING DATE

Ken Welch

June 2013

GOAL

OVERALL RISK

OBJECTIVE

Recover and resume operations in the event of a major business interruption.	Members do not receive statutorily required services timely.	Restore and provide continuation of time-sensitive and critical services within the times specified in the business impact analysis and business continuity plans.
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SUMMARY OF ACTIVITIES

- Business continuity plans (BCP) and business impact analysis (BIA) questionnaires were updated in September 2012 and are current.
- Developed business continuity plans for new departments in the Investment Management Division and other departments that were missing.
- February 2012 tabletop exercise conducted and tabletop exercise planned for June 2013.
- Emergency notification system tested with the Incident Management Team (IMT). The IMT plan has been updated and is current.
- Seeking approval for co-location budget and strategy.

RISK DETAILS

Risk Description	Mitigations	
1. BCP and disaster recovery plans (DRP) do not exist	<ul style="list-style-type: none"> ▪ annual review and updates to BIAs and BCPs based on meetings with business units 	<ul style="list-style-type: none"> ▪ annual disaster recovery testing and update of DRPs based on testing
2. BCPs and DRPs are not communicated to affected department staff	<ul style="list-style-type: none"> ▪ communicate with team leader and alternate team leader as needed 	<ul style="list-style-type: none"> ▪ Risk Management handbook ▪ Business Continuity Policy
3. Not capturing critical functions in the BIAs and BCPs	<ul style="list-style-type: none"> ▪ annual review and updates to BIAs and BCPs based on meetings with business units to identify critical functions 	<ul style="list-style-type: none"> ▪ annual disaster recovery testing and update of plans based on testing
4. Lack of testing critical functions identified in the BIA	<ul style="list-style-type: none"> ▪ annual review and updates to BIAs and BCPs based on meetings with business units to identify critical functions 	<ul style="list-style-type: none"> ▪ annual disaster recovery testing and update of DRPs based on testing ▪ experienced, cross-trained staff

BUSINESS CONTINUITY RISK REPORT

Risk Description	Mitigations	
5. Business continuity provider and vendors cannot provide nor guarantee services for business resumption of critical systems	<ul style="list-style-type: none"> ▪ annual contract review ▪ annual disaster recovery testing ▪ contracts or Memorandum of Understanding (MOU) with external partners 	<ul style="list-style-type: none"> ▪ contract with large multi-site business continuity/recovery services vendor ▪ emergency purchasing flexibility
6. Vendors or entities do not protect TRS confidential information during a business interruption or disaster recovery test	<ul style="list-style-type: none"> ▪ data is deleted from vendor's resources after recovery testing and documented in DRPs ▪ TRS security implemented during recovery of data 	<ul style="list-style-type: none"> ▪ firewall encryption ▪ contract provisions ▪ encryption of TRS data
7. Data loss between backups	<ul style="list-style-type: none"> ▪ proof-of-concept for real time synchronization 	
8. Failed telecommunications with business partners or external entities.	<ul style="list-style-type: none"> ▪ BCPs provide external contact information ▪ virtual private networks over direct paths 	<ul style="list-style-type: none"> ▪ multiple paths to Internet ▪ contract with large multi-site business continuity/recovery services vendor
9. Lack of equipment to recover critical systems after an incident	<ul style="list-style-type: none"> ▪ contract with large multi-site business continuity/recovery services vendor 	<ul style="list-style-type: none"> ▪ emergency purchasing flexibility ▪ TRS owns recovery infrastructure
10. Fail-back process to return to TRS is not in place		
11. Unable to recover missing data between outage through recovery period	<ul style="list-style-type: none"> ▪ IT BCP plan allows for recovery of some business data 	<ul style="list-style-type: none"> ▪ remote access to available systems during recovery
12. Lack of staff to recover critical systems after an incident	<ul style="list-style-type: none"> ▪ mainstream software ▪ disaster recovery procedures ▪ cross-training for disaster recovery testing 	<ul style="list-style-type: none"> ▪ improved offsite access to systems ▪ use vendor's remote resources ▪ emergency call list
13. Long-term (>6 weeks) continuity of operations strategy does not exist	<ul style="list-style-type: none"> ▪ emergency purchasing flexibility 	
14. Data backup media is not available	<ul style="list-style-type: none"> ▪ multiple sites for storing tapes ▪ NETAPP snapshots 	<ul style="list-style-type: none"> ▪ multiple copies available
15. Members are not able to communicate with TRS to complete business processes	<ul style="list-style-type: none"> ▪ communication system testing ▪ alternate website for communicating TRS contact information 	<ul style="list-style-type: none"> ▪ disaster recovery contract includes phone capacity
16. Critical vendors do not have BCPs or DRPs in place	<ul style="list-style-type: none"> ▪ contract provisions 	

BUSINESS CONTINUITY RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
Business Continuity Coordinator is working with departments to develop BCPs (Risk 1)	Risk Management	9/2013		In Progress	
Develop online BCP awareness presentation (Risk 2)	Risk Management	6/2013		In Progress	
Annual BCP awareness presentation to the Leadership Team (Risk 2)	Risk Management	12/2013		Planned	
Research revising contract provisions to include business associate agreement (BAA) requirement (Risk 6)	Risk Management, Purchasing & Contracts	12/2013		Planned	
Research co-location options (Risk 5, 7, 9, 10, 11, 12, 13, 14)	Information Technology	6/2013		In Progress	Proof-of-concept tested in fiscal year 2012 and will be tested again in fiscal year 2013. Seeking funding for co-location option.
During next annual review, discuss data loss between backups with BCP team leaders (Risk 7)	Risk Management	12/2013		Planned	
Research revising contract provisions to include BCP and DRP requirement (Risk 16)	Risk Management, Purchasing & Contracts	12/2013		Planned	

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
BCP/BIA annual reviews and updates (Risk 1, 3, 4)	BC/DR Coordinator	<ul style="list-style-type: none"> Ongoing communication with team leaders and alternates during the review process. Review plans to ensure critical processes and systems have not changed from previous year. Communicate any changes to critical processes and systems to IT for testing and recovery purposes.

BUSINESS CONTINUITY RISK REPORT

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Review and update IMT plan (Risk 1, 3, 4)	Risk Management	Periodic reviews quarterly and detailed review on an annual basis as part of the BCP process.
Annual hot site exercise (Risk 1, 3, 4, 5)	BC/DR Coordinator	Planning and participation in annual exercise. Post-exercise report to executive director.
Disaster Recovery Procedures (Risk 1, 3, 4, 12)	Information Technology	Review procedures and update as needed after each annual hotsite exercise.
Cross-training/rotating staff (Risk 4, 12)	Information Technology	Participate in annual exercise and cross-train and rotate staff to share knowledge of disaster recovery processes and procedures.
Contract monitoring (Risk 5, 6, 8, 9, 15, 16)	Risk Management, Information Technology, Purchasing	Annual review and coordination with Purchasing and IT to update or revise.
Backup tapes stored offsite in two locations and tapes are inventoried (Risk 14)	Information Technology	Daily pick up and sign off for Austin tapes. Dallas tapes are sent monthly. Inventories are performed daily and documented.

INVESTMENT ACCOUNTING RISK REPORT

RISK OWNER

Don Green

REPORTING DATE

June 2013

GOAL

Maintain the integrity of investment information – reporting and disclosure, accuracy, completeness and valuation.

OVERALL RISK

Materially inaccurate investment information and reports would result in board and Legislature decisions being made on flawed data and adverse or qualified audit opinions.

OBJECTIVES

- Ensure accurate and sufficient investment reporting for Comprehensive Annual Financial Report (CAFR) and management
- Verify that partnership investments are valued in accordance with TRS valuation guidelines
- Ensure that wire transfers of funds are complete and made as requested
- Accurately calculate incentive compensation awards

SUMMARY

The risks identified for this risk category are being appropriately mitigated and the owner accepts all risks. No additional mitigation strategies are planned at this time. Key mitigations include reviewing State Street’s SOC1, General Ledger Sub-Ledger reconciliation, reconciliation of partnership market values, funding approval policies and procedures, and daily wire reconciliation. Activities for this risk category include a successful department-wide audit in the summer of 2012 and ongoing quarterly audits of fundings.

RISK DETAILS

Risk Description	Mitigations
1. State Street’s investment accounts are incompletely or incorrectly mapped to TRS’ general ledger (GL) accounts	<ul style="list-style-type: none"> ▪ semi-annual review of mapping of State Street’s investment accounts to TRS’ GL accounts ▪ policies and procedures
2. TRS’ GL account balances do not match State Street’s GL account balances	<ul style="list-style-type: none"> ▪ tie-out between State Street’s sub-ledger and TRS’ GL ▪ policies and procedures
3. TRS investment accounts are misstated or misclassified in financial statements	<ul style="list-style-type: none"> ▪ tie-out between State Street’s sub-ledger and TRS’ GL ▪ policies and procedures

TRS Stoplight Report Category

INVESTMENT ACCOUNTING RISK REPORT

Risk Description	Mitigations	
4. TRS financial statements not in compliance with GASB or notes are omitted for significant disclosure items	<ul style="list-style-type: none"> ▪ familiarity and continuous monitoring of accounting standard changes (e.g., GASB requirements) ▪ communication between General Accounting 	<ul style="list-style-type: none"> ▪ continuous monitoring of investing activities (e.g., by attending Internal Investment Committee) ▪ policies and procedures
5. Under or over reporting of values of investments	<ul style="list-style-type: none"> ▪ reconciliation of partnership statements to State Street's reports (RALI report and Private Edge report) ▪ director's review of various reconciliations 	<ul style="list-style-type: none"> ▪ State Street SOC 1 (formerly SAS 70) review ▪ on-site visits to State Street ▪ TRS Security Valuation Guide ▪ policies and procedures
6. Incomplete reporting of values of TRS partnerships	<ul style="list-style-type: none"> ▪ reconciliation of partnership statements to State Street's reports (RALI report and Private Edge report) 	<ul style="list-style-type: none"> ▪ director's review of various reconciliations ▪ policies and procedures
7. Funding of private market investments exceeds commitments	<ul style="list-style-type: none"> ▪ tracking and comparing cumulative funded amount to the commitment amount 	<ul style="list-style-type: none"> ▪ policies and procedures
8. Partnership financial statements do not follow accounting standards	<ul style="list-style-type: none"> ▪ annual review of partnerships' audited financial statements 	<ul style="list-style-type: none"> ▪ policies and procedures
9. Partnership financial statements are materially misstated and misstatements are not detected by TRS	<ul style="list-style-type: none"> ▪ annual review of partnerships' audited financial statements ▪ Investment Management Division (IMD) reviews statements 	<ul style="list-style-type: none"> ▪ review quarterly financial statements for reasonableness ▪ policies and procedures
10. Data entry errors in spreadsheets	<ul style="list-style-type: none"> ▪ monthly reconciliation with State Street ▪ spreadsheets reside on network drives with limited access 	<ul style="list-style-type: none"> ▪ policies and procedures
11. Unauthorized access to spreadsheets	<ul style="list-style-type: none"> ▪ spreadsheets reside on network drives with limited access 	<ul style="list-style-type: none"> ▪ policies and procedures
12. State Street wires funds without TRS authorization	<ul style="list-style-type: none"> ▪ approval – funding requests should come from General Partners (GPs) and IMD has to approve them first ▪ segregation of duties – IMD can only request funding and Investment Accounting can only authorize State Street to wire funds ▪ written agreement between TRS and State Street regarding wiring of funds 	<ul style="list-style-type: none"> ▪ Funds Transfers Authorized List (FTOP) is in compliance with Board-approved Incumbency Certificate ▪ State Street's confirmation of funds wired ▪ daily reconciliation of funds wired between Investment Accounting's wire log and State Street's wire report ▪ policies and procedures

TRS Stoplight Report Category

INVESTMENT ACCOUNTING RISK REPORT

Risk Description	Mitigations	
13. State Street does not wire funds requested by TRS	<ul style="list-style-type: none"> ▪ written agreement between TRS and State Street regarding wiring of funds ▪ State Street’s confirmation of funds wired ▪ policies and procedures 	<ul style="list-style-type: none"> ▪ daily reconciliation of funds wired between Investment Accounting’s wire log and State Street’s wire report
14. State Street wires amount/person/account different from the amount/person/account on the approved funding request	<ul style="list-style-type: none"> ▪ written agreement between TRS and State Street regarding wiring of funds ▪ daily reconciliation of funds wired between Investment Accounting’s wire log and State Street’s wire report 	<ul style="list-style-type: none"> ▪ Investment Accounting’s review of information accuracy in funding request ▪ callback requirements ▪ policies and procedures ▪ State Street’s confirmation of funds wired
15. State Street does not credit incoming wires to TRS	<ul style="list-style-type: none"> ▪ written agreement between TRS and State Street regarding wiring of funds ▪ State Street’s confirmation of funds wired 	<ul style="list-style-type: none"> ▪ daily reconciliation of funds wired between Investment Accounting’s wire log and State Street’s wire report
16. TRS fails to timely detect wiring errors or mistakes made by State Street	<ul style="list-style-type: none"> ▪ daily reconciliation of funds wired between Investment Accounting’s wire log and State Street’s wire report 	<ul style="list-style-type: none"> ▪ State Street’s confirmation of funds wired ▪ policies and procedures
17. Fraud – e.g., portfolio manager’s collusion with GP or alteration of funding request information	<ul style="list-style-type: none"> ▪ segregation of duties – IMD can only request funding and Investment Accounting can only authorize State Street to wire funds ▪ list of authorized signatures in the Board-approved Incumbency Certificate ▪ State Street’s confirmation of funds wired ▪ policies and procedures 	<ul style="list-style-type: none"> ▪ daily reconciliation of funds wired between Investment Accounting’s wire log and State Street’s wire report ▪ Investment Accounting’s review of information accuracy in funding request ▪ callback requirements
18. State Street does not maintain accurate historical investment information	<ul style="list-style-type: none"> ▪ custodial contract 	<ul style="list-style-type: none"> ▪ review State Street SOC1 (formerly SAS 70)
19. Fund new investment not approved by IIC or completed by TRS Legal	<ul style="list-style-type: none"> ▪ include signature approval page from contract with initial funding 	<ul style="list-style-type: none"> ▪ fundings require IMD manager approval
20. External manager fee paid for the incorrect amount	<ul style="list-style-type: none"> ▪ reconcile external manager fees on the invoice with income summary received from State Street 	
21. Incentive compensation awards are not calculated correctly	<ul style="list-style-type: none"> ▪ calculations are reviewed and approved by Human Resources and Internal Audit 	

INVESTMENT ACCOUNTING RISK REPORT

Risk Description	Mitigations	
22. Incorrect data is used to calculate incentive compensation awards	<ul style="list-style-type: none"> ▪ performance results are calculated and provided independently by State Street 	<ul style="list-style-type: none"> ▪ underlying data is reviewed and approved by Human Resources and Internal Audit

Action Item	Owner	Target Date	Revised	Status	Comments
None at this time					

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Review State Street SOC1 (Risk 5, 18)	Investment Accounting	Annually review report and submit questions to State Street.	Report is typically available in April and State Street submits a bridge letter noting that controls have not materially changed since the last SOC1 report.
General Ledger Sub-Ledger Reconciliation (Risk 2, 3)	Investment Accounting	Process to tie general ledger fee to all subsidiary documents sent by State Street.	
Reconciliation of partnership market values (Risk 5, 6)	Investment Accounting	Maintain independent partnership market values that are tied to State Street market values each month.	
Funding approval policies and procedures (Risk 12, 13, 14, 15, 16, 17)	Investment Accounting	Funding process is controlled by the State Street FTOP which is based on the Board's approved controls detailed in the TRS 477.	The controls cover the Financial division, IMD, and State Street activities.
Daily wire reconciliation (Risk 12, 13, 14, 15, 16, 17)	Investment Accounting	Verify each wire is properly and appropriately recorded in State Street's systems.	

COMMUNICATIONS & EXTERNAL RELATIONS RISK REPORT

RISK OWNER

Howard Goldman

REPORTING DATE

June 2013

GOAL

Maintain effective communication and positive relations with members, retirees, employers, TRS employees, news media, and the public.

OVERALL RISK

Poor communication could lead to confusion resulting in increased calls to TRS, poor or inappropriate decision-making regarding TRS benefits, and incorrect information provided to external parties.

OBJECTIVES

- Publicize the agency's updated Staff External Communications Policy.
- Review and improve existing procedures relating to internal and external communications.
- Develop new procedures to address potential spikes in social media activity and how to most effectively address them.

SUMMARY OF ACTIVITIES

- Worked with other departments to restructure the *TRS Benefits Handbook* to simplify use by members, retirees.
- Developed social media policies and procedures and launched TRS presence on Facebook, Twitter, YouTube, and LinkedIn.
- Purchased and customized Web-based software enabling TRS to send publications/announcements electronically via *MyTRS*.
- Conducted the 2012 member satisfaction survey.
- Produced *TRS Today* videos on legislative studies, the Aetna Medicare Advantage plans, and TRS-Care program improvements.
- Produced an updated "A Great Value for Texans" video.
- Commemorated TRS' 75th Anniversary through video, online history museum, interviews with TRS centenarians, employee celebration, new logo, posters, and dedication to Charles Umlauf's "Spirit of Learning" sculpture.
- Project initiated to redesign TRS' website.

RISK DETAILS

Risk Description

1. Unauthorized contact/interviews with the news media

Mitigations

- policies and procedures
- disciplinary action
- track TRS-related media interviews through web-based software
- contact media to discuss TRS policies and procedures
- training and discussions

COMMUNICATIONS & EXTERNAL RELATIONS RISK REPORT

Risk Description	Mitigations	
2. Excessive volume of comments from Facebook/Twitter (e.g. comments go viral)	<ul style="list-style-type: none"> ▪ adjust staffing ▪ prepared messages/statements/fact sheets to respond to comments 	<ul style="list-style-type: none"> ▪ post information to TRS website, intranet, social media outlets, and send email notices ▪ notify telephone counselors
3. Unauthorized release of confidential information	<ul style="list-style-type: none"> ▪ policies and procedures ▪ restrict access ▪ coordinate with subject matter experts 	<ul style="list-style-type: none"> ▪ include language in contracts regarding usage of information
4. Inaccurate, insufficient, or misleading information is released to the news media	<ul style="list-style-type: none"> ▪ coordinate with subject matter experts ▪ approval process for releasing information ▪ policies and procedures ▪ communicate with editorial boards or other media personnel ▪ refer to previous responses to ensure consistency ▪ post information to TRS website 	<ul style="list-style-type: none"> ▪ use software tool to monitor articles and make corrections as needed or respond to inaccuracies in a timely manner ▪ review reporters' reputations and past reports ▪ write up op-eds ▪ respond to letters, phone calls, and email messages
5. Inaccurate, insufficient, or misleading information is released to the public	<ul style="list-style-type: none"> ▪ coordinate with subject matter experts ▪ approval process for releasing information ▪ policies and procedures ▪ refer to previously approved information to ensure consistency ▪ post information to TRS website, social media outlets, and send email notices ▪ respond to letters, phone calls, and email messages 	<ul style="list-style-type: none"> ▪ make corrections as needed or respond to inaccuracies in a timely manner ▪ provide statements to telephone counseling center ▪ collaborate with associations, legislators, and other stakeholders to communicate accurate information
6. TRS-related information is not disseminated to TRS members and retirees in a timely and effective manner	<ul style="list-style-type: none"> ▪ post information to TRS website, social media outlets, and send email notices ▪ adhere to time management tools for publications ▪ coordinate with subject matter experts ▪ policies and procedures 	<ul style="list-style-type: none"> ▪ contingency planning in place ▪ collaborate with associations, legislators, and other stakeholders to communicate accurate information ▪ respond to letters, phone calls, and email messages
7. Hacker or software/hardware failure disrupts live webcasts or TRS social media sites	<ul style="list-style-type: none"> ▪ vendor support ▪ contract provisions ▪ website postings 	<ul style="list-style-type: none"> ▪ provide statements for telephone counseling center ▪ social media

COMMUNICATIONS & EXTERNAL RELATIONS RISK REPORT

Risk Description	Mitigations	
8. Inappropriate, inaccurate, or negative social media comments posted and/or left unattended	<ul style="list-style-type: none"> ▪ monitor social media comments ▪ social media filter tool 	<ul style="list-style-type: none"> ▪ policies and procedures ▪ respond in a timely manner
9. Vendor error during live webcasts	<ul style="list-style-type: none"> ▪ vendor support ▪ contract provisions ▪ website postings 	<ul style="list-style-type: none"> ▪ provide statements for telephone counseling center ▪ social media
10. Negative perceptions are not responded to in a timely manner	<ul style="list-style-type: none"> ▪ post information to TRS website, social media outlets, and send email notices ▪ collaborate with associations, legislators, and other stakeholders to communicate accurate information ▪ coordinate with subject matter experts 	<ul style="list-style-type: none"> ▪ respond to letters, phone calls, and email messages ▪ member surveys to identify negative perceptions ▪ contingency planning in place
11. Outside vendors fail to fulfill contract obligations	<ul style="list-style-type: none"> ▪ terminate contract ▪ subrogation of services 	<ul style="list-style-type: none"> ▪ work with vendor to remediate issues ▪ seek compensation
12. Information is inaccessible to persons with disabilities	<ul style="list-style-type: none"> ▪ policies and procedures ▪ web accessibility committee ▪ participate in Department of Information Resources (DIR) program to scan and monitor website for accessibility 	<ul style="list-style-type: none"> ▪ produce accessible materials ▪ accessibility coordinator ▪ TEAM projects require accessibility compliance to federal and state standards ▪ monitor changes in the law
13. Materials cannot be printed due to equipment failure	<ul style="list-style-type: none"> ▪ vendor procurement ▪ equipment repairs ▪ internal and external printing options 	<ul style="list-style-type: none"> ▪ post digital version to website ▪ increase use of e-publications
14. Not able to maintain technical expertise/ experience due to rapidly changing technology	<ul style="list-style-type: none"> ▪ training ▪ networking with professional colleagues 	<ul style="list-style-type: none"> ▪ hire consultants/contractors ▪ attend association meetings
15. Inaccurate, insufficient, or misleading TRS-related information is disseminated to TRS employers	<ul style="list-style-type: none"> ▪ communicate via employer email distribution list, <i>Update</i> newsletter, TRS website, and social media outlets ▪ coordinate with subject matter experts ▪ approval process for releasing information ▪ make corrections as needed or respond to inaccuracies in a timely manner 	<ul style="list-style-type: none"> ▪ provide statements to telephone counseling center ▪ collaborate with associations, legislators, education service centers, and other stakeholders to communicate accurate information ▪ respond to letters, phone calls, and email messages ▪ policies and procedures

COMMUNICATIONS & EXTERNAL RELATIONS RISK REPORT

Risk Description	Mitigations	
16. Inaccurate, insufficient, or misleading TRS-related information is disseminated to TRS employees	<ul style="list-style-type: none"> ▪ coordinate with subject matter experts ▪ approval process for releasing information ▪ policies and procedures ▪ post information to TRS website, intranet, social media outlets, and send email notices ▪ internal newsletter 	<ul style="list-style-type: none"> ▪ make corrections as needed or respond to inaccuracies in a timely manner ▪ respond to phone calls and email messages ▪ refer to previously approved information to ensure consistency

Action Item	Owner	Target Date	Revised	Status	Comments
Increase training and employee education on Staff External Communications Policy and related procedures (Risk 1)	Communications	6/2014		Planned	Increase coverage in Chalkboard newsletters; send updated policy to all employees to communicate; and hold employee presentations
Develop new messages and statements in anticipation of potential problems (Risk 2)	Communications	6/2014		Planned	
Draft procedures to address excessive volume of social media comments and live webcast issues (Risks 2, 7, 9)	Communications	6/2013		In Progress	
Use web coding to make web pages accessible (Risk 12)	Communications	6/2014		Planned	
Evaluate new legal requirements regarding accessibility and update the website appropriately (Risk 12)	Communications	6/2014		In Progress	Research and evaluate purchase of new scanning software tool

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Training and discussions (Risk 1)	Communications	Address policy in new employee orientation. Email updated policy to all employees. Publish <i>Chalkboard</i> article relating to the policy.

COMMUNICATIONS & EXTERNAL RELATIONS RISK REPORT

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Track TRS-related media interviews through web-based software (Risk 1)	Communications	Scan all TRS-related articles and blogs on a daily basis.
Policies and procedures (Risks 1, 3, 4, 5, 6, 12, 15, 16)	Communications	Review/update policy and procedures.