



Risk Management Committee



November 2014

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

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

AGENDA

**November 20, 2014 – 2:15 p.m.
TRS East Building, 5th Floor, Boardroom**

1. Consider the approval of the proposed minutes of the September 18, 2014 committee meeting – Karen Charleston
2. Receive report on Enterprise Risk Management – Jay LeBlanc & 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

September 18, 2014

The Risk Management Committee of the Board of Trustees of the Teacher Retirement System of Texas met on September 18, 2014 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:

Karen Charleston, Chair

Todd Barth

David Corpus

David Kelly

Christopher Moss, by telephone conferencing

Others present:

Joe Colonna, TRS Trustee

Anita Palmer, TRS Trustee

Dolores Ramirez, TRS Trustee

Nanette Sissney, TRS Trustee

Brian Guthrie, TRS

Ken Welch, TRS

Carolina de Onís, TRS

Britt Harris, TRS

Jerry Albright, TRS

Michael Aluko, TRS

Jase Auby, TRS

Ronnie Bounds, TRS

Dan Junell, TRS

Lynn Lau, TRS

Dr. Keith Brown, Investment Advisor

Steve Huff, Reinhart Boerner Van Deuren s.c.

Steve Voss, Hewitt EnnisKnupp

Ann Fickel, Texas Classroom Teachers Association

Philip Mullins, Austin Retired Teachers Association

Ms. Charleston called the meeting to order at 3:48 p.m. A quorum of the committee was present.

1. Consider the approval of the proposed minutes of the June 5, 2014 committee meeting – Committee Chair.

On a motion by Mr. Kelly, seconded by Mr. Barth, the committee approved the minutes of the June 5, 2014 meeting, as presented.

2. Review the Investment Risk Report – Jase Auby.

Mr. Auby stated that the TRS Trust Fund was in full compliance with risk measures related to asset allocation, value at risk (VaR), tracking error, leverage, liquidity, counterparty risk, and derivatives exposure. He noted that present structural underweight with regard to the energy and natural resources and real assets would move to 0 percent because of the new strategic asset allocation (SAA).

Mr. Auby stated that with the new SAA, the portfolio's VaR would stay at 7.6 percent, closely tracked the benchmark. He confirmed for Dr. Brown that the minimum and maximum VaR allowed by the policy would move upward .3 or .4 percent. He stated that directional hedge funds, stable value hedge funds, U.S. treasuries, and TIPS had been significant diversifiers of the trust risk. He noted that the new risk parity strategy would also be a diversifier to the fund.

Mr. Auby discussed the changes to the trust's tracking error for both public and private assets as a result of the new SAA. He stated that the tracking error for the public assets would slightly

increase from 131 basis points to 136 basis points. He stated that private assets tracking error would increase from 156 basis points to 175 basis points because of the private assets added to the trust. He noted that the tracking error for private assets was higher in general because they were more difficult to be benchmarked.

Mr. Auby discussed the total fund's leverage. With the addition of the risk parity strategy, he stated that the trust net leverage would increase from 97.8 percent to 102.8 percent, and the gross leverage from 112.4 percent to 117.4 percent. Mr. Auby confirmed for Mr. Colonna and Dr. Brown that futures, currency derivatives, and swaps drove leverage in 2013. Mr. Auby stated that hedge fund, strategic partners, and real assets leverage had held roughly stable over time.

Discussing the trust's derivatives positions, Mr. Auby stated that the use of derivatives would rise by 7 percent as a result of adding the risk parity strategy to the new SAA.

The meeting adjourned at 4:04 p.m.

APPROVED BY THE **RISK MANAGEMENT COMMITTEE** OF THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 20TH DAY OF NOVEMBER, 2014.

ATTESTED BY:

Dan Junell
Secretary to the TRS Board of Trustees

Date



Tab 2

Enterprise Risk Management Report

Jay LeBlanc & Michelle Pagán

Teacher Retirement System of Texas ERM Update – November 2014

Stoplight Report Changes

Risk Level Color/Trending Changes	June 2014	November 2014
▪ Active Health Care Affordability	●↑	●↑
▪ Investment Accounting	●↔	●↔
▪ Pension Funding	●↔	●↓
▪ Retiree Health Care Funding	●↑	●↔
▪ TEAM Program	●↔	●↑

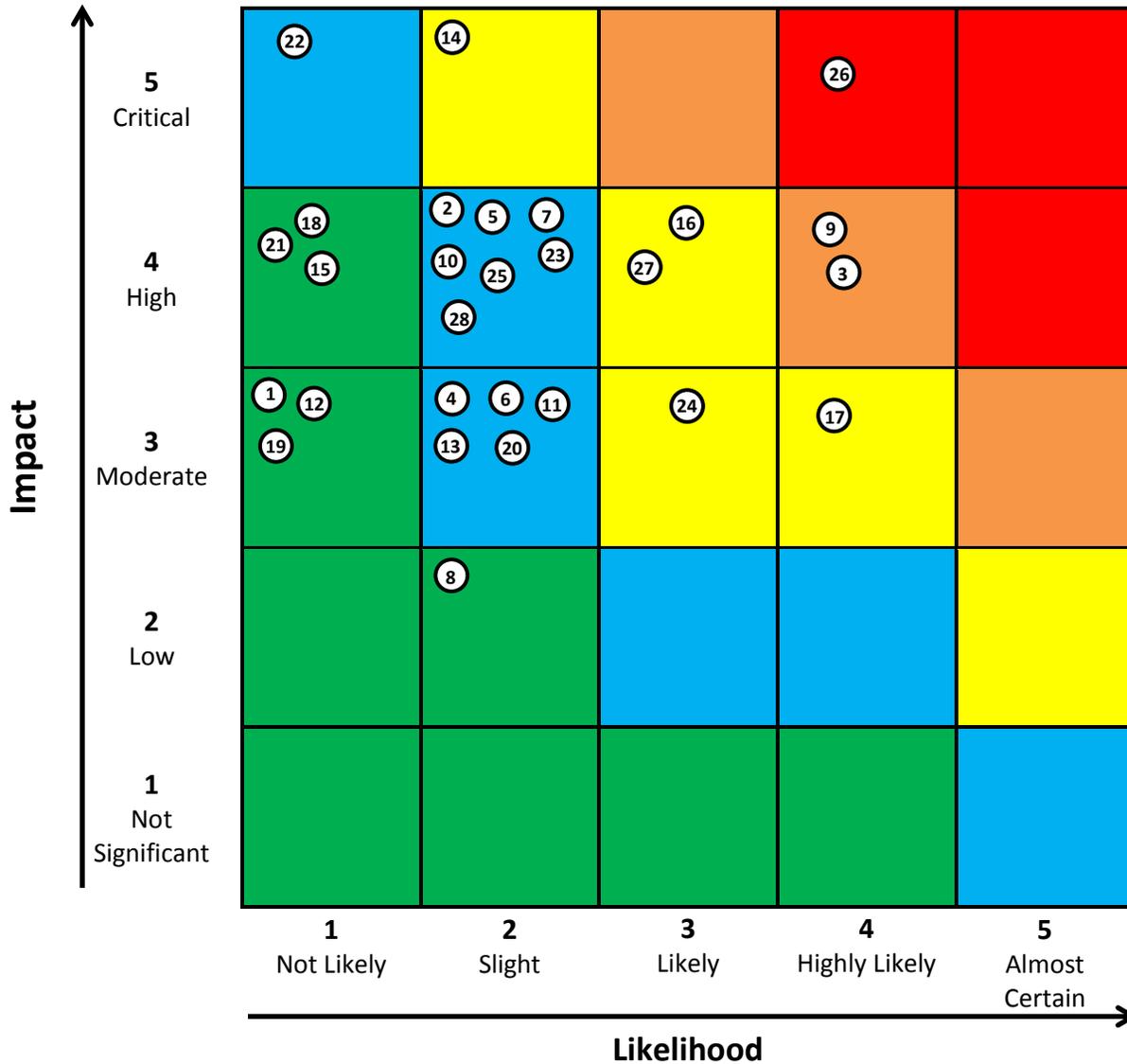
Teacher Retirement System of Texas Stoplight Report – November 2014

 403(b)	 Accounting & Reporting	 Active Health Care Affordability	 Budget	 Business Continuity
 Communications & External Relations	 Credit	 Customer Service	 Employer Reporting	 Ethics & Fraud Prevention
 Facilities Planning	 Governmental/ Association Relations & Legislation	 Health Care Administration	 Information Security & Confidentiality	 Investment Accounting
 Investment Operations	 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		

STOPLIGHT RISK LEVEL (Threat to Achieving TRS Goals & Objectives)				
HIGH	ELEVATED	CAUTION	GUARDED	LOW
				

EXPECTED RISK LEVEL TREND (NEXT 12-24 MONTHS)		
INCREASE	DECREASE	NO CHANGE
		

Teacher Retirement System of Texas Risk Heat Map – November 2014



Risk Category (Risk Score)

1. 403(b) (3,1)
2. Accounting & Reporting (4,2)
3. Active Health Care Affordability (4,4)
4. Budget (3,2)
5. Business Continuity (4,2)
6. Communications & External Relations (3,2)
7. Credit (4,2)
8. Customer Service (2,2)
9. Employer Reporting (4,4)
10. Ethics & Fraud Prevention (4,2)
11. Facilities Planning (3,2)
12. Governmental/Association Relations & Legislation (3,1)
13. Health Care Administration (3,2)
14. Information Security & Confidentiality (5,2)
15. Investment Accounting (4,1)
16. Investment Operations (4,3)
17. Legacy Information Systems (3,4)
18. Liquidity/Leverage (4,1)
19. Market (3,1)
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 (5,4)
27. TEAM Program (4,3)
28. Workforce Continuity (4,2)

Teacher Retirement System of Texas Risk Level & Trend Summary – November 2014

Risk Category	6/2013	12/2013	6/2014	11/2014
403(b)				
Accounting & Reporting				
Active Health Care Affordability				
Budget				
Business Continuity				
Communications & External Relations				
Credit				
Customer Service				
Employer Reporting				
Ethics & Fraud Prevention				
Facilities Planning				
Governmental/Association Relations & Legislation				
Health Care Administration				
Information Security & Confidentiality				
Investment Accounting				

Risk Category	6/2013	12/2013	6/2014	11/2014
Investment Operations				
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				

ERM Update – November 2014

Risk Profile Updates

Changes made to:	Overall Risk Description	Risk Score/ Level	Risk Level Comment	Trend Comment
▪ Active Health Care Affordability	✓	✓	✓	
▪ Business Continuity				✓
▪ Customer Service			✓	
▪ Facilities Planning				✓
▪ Investment Accounting		✓		✓
▪ Open Government				✓
▪ Pension Funding	✓		✓	✓
▪ Records Management				✓
▪ Regulatory, Compliance & Litigation				✓
▪ Retiree Health Care Funding		✓	✓	
▪ TEAM Program		✓	✓	✓

Teacher Retirement System of Texas Risk Profiles – November 2014

Risk Category	Risk Owner	Goal	Overall Risk	Risk Score	Risk Level & Trend	Comments	
						Risk Level	Trending
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.	3,1		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 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. Therefore, 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 of Trustees and Texas Legislature decisions being made on flawed data and adverse or qualified audit opinions.	4,2		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.
Active Health Care Affordability	Betsey Jones	Facilitate financial soundness of TRS-ActiveCare in order to pay eligible participant health care claims.	Inadequate funding by the state and participating entities could affect affordability.	4,4		Given recent premium increases and rising health care costs, the risk level has been elevated. Inadequate funding would jeopardize the fund's ability to provide public school employees with affordable health care.	District and State minimum contribution requirements to the fund have been static since the inception of the plan.

*Light purple shading indicates risk category had a risk assessment this reporting period.

Teacher Retirement System of Texas Risk Profiles – November 2014

Risk Category	Risk Owner	Goal	Overall Risk	Risk Score	Risk Level & Trend	Comments	
						Risk Level	Trending
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.	3,2		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	Rebecca Merrill	Recover and resume operations in the event of a major business interruption.	Members do not receive statutorily required services timely.	4,2		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 teams. Based on annual disaster recovery 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. The annual update will begin in November 2014 and is expected to be completed in February 2015 for all TRS business units.
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.	3,2		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.	4,2		All counterparties currently meet required credit ratings; securities lending exposures are well managed and within guidelines.	All counterparty credit ratings are A3/A- or higher by three credit agencies; provided, one counterparty is not rated by Moody's and so is rated A3/A- or higher by two rather than three agencies. Credit ratings expected to remain stable.
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.	2,2		High quality customer service is provided by all Benefit Services departments based on internal and external feedback. Overall, telephone customer service measures are meeting and sometimes exceeding expectations.	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.

Teacher Retirement System of Texas Risk Profiles – November 2014

Risk Category	Risk Owner	Goal	Overall Risk	Risk Score	Risk Level & Trend	Comments	
						Risk Level	Trending
Employer Reporting	Don Green	Accurately capture and utilize employer reported data to project and calculate future benefits of TRS members and to properly allocate the total pension liability across districts.	<ul style="list-style-type: none"> Incorrect reporting could lead to calculated benefits being inaccurate. Improperly allocating actuarial liability across districts. 	4,4		Current system limitations present challenges to data analysis and verification controls. Risk level has increased due to recent Governmental Accounting Standards Board (GASB) pronouncements requiring greater controls around district data and reports.	The new TEAM LOB system is expected to address most of the risks and challenges surrounding collecting, analyzing and verifying district data. However, the system will not be implemented until at least fiscal year 2015.
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.	4,2		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 Planning	Don Green	Develop a long-term space plan for TRS facilities.	Inadequate facilities planning could result in less than desirable conditions for TRS members, visitors, and staff and could jeopardize our ability to continue providing an exemplary level of service to our members.	3,2		An evolving organization with rapidly changing needs for the amount and type of space required can experience negative impacts on service levels and/or moderate business disruptions.	CBRE, workplace strategy consultant, completed an assessment of our available space and long-term needs and presented recommendations and options to the Board. Long-term space options 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.	3,1		Our relationship with the legislature is constantly improving 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	Inadequate administration of the health care programs could possibly affect the	3,2		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.

Teacher Retirement System of Texas Risk Profiles – November 2014

Risk Category	Risk Owner	Goal	Overall Risk	Risk Score	Risk Level & Trend	Comments		
						Risk Level	Trending	
		and valued by enrollees.	health of those who depend on the delivery of TRS health care services.					
Information Security & Confidentiality	Ken Welch/ T.A. Miller	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.	5,2		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	<ul style="list-style-type: none"> Maintain the integrity of investment information - reporting and disclosure, accuracy, completeness and valuation. Ensure TRS investment fundings and distributions are appropriately and accurately delivered and received. 	Materially inaccurate investment information and reports would result in Board of Trustees and Texas Legislature decisions being made on flawed data and adverse or qualified audit opinions.	4,1		The system's custodian maintains the official investment book of record. Funds are sent and received by the custodian bank. Department monitoring and oversight control mitigate the risks for this category.	State Street bank has been re-selected as custodian bank providing stability for the next few years. Additionally, the Special Service Buyback (SSB) accounting team has been upgraded, emphasizing daily ownership and greater understanding of accounting records rather than the traditional month-end only pension fund accounting cycle.	
Investment Operations	Public Market Operations	Sylvia Bell	Maintain the integrity of the transaction settlement and position information for optimal investment management decisions.	Inefficient or ineffective transaction settlement or position management process could result in losses to the fund.	4,3		Given the operational complexity of these processes, a moderate threat to TRS achieving its investment goals and objectives exists.	Investment Management Division (IMD) performs daily and monthly reconciliations of trades, positions and net asset values (NAVs) via TRS custodian systems. Results are provided to IMD profit centers on a daily and monthly basis. TRS' custody bank relationship is managed through a customized Service Level Agreement with key performance indicators.

Teacher Retirement System of Texas Risk Profiles – November 2014

Risk Category	Risk Owner	Goal	Overall Risk	Risk Score	Risk Level & Trend	Comments	
						Risk Level	Trending
Private Market Operations	Sylvia Bell	Maintain integrity of the transaction settlement and position information for optimal investment management decisions.	Inefficient or ineffective transaction settlement or position management process could result in losses to the fund.	4,3		Given the operational complexity of these processes, a moderate threat to TRS achieving its investment goals and objectives exists.	IMD performs monthly and quarterly reconciliations of trades, positions and NAVs via TRS custodian systems. Results are provided to IMD profit centers on a monthly and quarterly basis. TRS' custody bank relationship is managed through a customized Service Level Agreement with key performance indicators.
Performance Reporting	Sylvia Bell	<ul style="list-style-type: none"> 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. 	Performance reports contain material inaccuracies.	4,3		Communication of inaccurate information, to both internal and external parties, could result in a moderate threat to TRS investment decisions.	IMD performs daily, weekly and quarterly reconciliations of investment returns. Investment results are presented to the IMD management committee for review and validation. Third-party calculation and pricing is performed by TRS' custodian bank. TRS' custody bank relationship is managed through a customized Service Level Agreement with key performance indicators.
Legacy Information Systems	T.A. Miller	Provide information systems to meet TRS' business and customer service needs.	Inability to provide adequate and consistent information in a timely fashion via the preferred delivery mechanism.	3,4		It is complicated for our legacy systems to provide robust, online self-service applications for our members. Therefore, a moderate impact exists that the preferred delivery mechanism may not be available when desired. The likelihood is highly likely because we know that some of our membership would like to do all their business with us online and that desire will only grow over time.	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 Risk Profiles – November 2014

Risk Category	Risk Owner	Goal	Overall Risk	Risk Score	Risk Level & Trend	Comments	
						Risk Level	Trending
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.	4,1		Trust is highly liquid and minimally levered.	Trust use of liquidity and leverage is monitored daily and is projected to remain stable.
Market	Jase Auby	Maintain market risk exposures consistent with investment objectives.	Too little or too much exposure to market risk could each lead to undesirable investment outcomes.	3,1		Investment policy asset allocation ranges limit absolute market risk (VaR) appropriately; relative risk (tracking error) is budgeted by IMD and is well within min/max range.	Limits remain appropriate and are currently under routine review as part of the 2014 strategic asset allocation process.
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.	3,2		Volume and complexity of investment-related open records requests and requests seeking personal financial information about TRS' key employees.	Hired new staff attorney devoted to investment-related open records requests; hired new open records specialist; installed and configured new software to process, track, and respond to requests; and new legislation enhances protection of key employees' personal financial information.
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.	4,1		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.	A lack of sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.	5,1		While the impact of a loss of pension funding would be significant, the likelihood of such an event is relatively low. The valuation for 2013 determined the pension fund actuarially sound with a funding period of 28 years. Moreover, preliminary investment return estimates show that for the fiscal year 2014 actuarial valuation the fund will	Currently, the risk of a fiscally unsound pension fund is decreasing. The Texas Legislature made plan modifications that improved the health of the plan and increased contribution rates. Fiscal year 2014 showed strong investment returns. The 8/31/14 valuation is expected to indicate good fiscal health and even deferred gains. The

Teacher Retirement System of Texas Risk Profiles – November 2014

Risk Category	Risk Owner	Goal	Overall Risk	Risk Score	Risk Level & Trend	Comments	
						Risk Level	Trending
						be able to amortize its losses, be deemed actuarially sound, and defer a gain. This is still preliminary and will be finalized in November. Additionally, the plan's fiscal health depends on the current contribution levels continuing indefinitely, and with strong returns there is always the risk that some legislators will want to reduce contribution rates, which would negatively impact plan funding. Finally, there continues to be parties interested in changing the plan's funding and defined benefit status. Therefore, the risk is guarded.	continued health of the plan depends on the current contribution rates continuing indefinitely, but if these gains are banked and not spent, then that would help trend the risk down.
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.	4,2		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 not spending TRS funds in a responsible manner (pay too much, contractors not fulfilling obligations, project failures, etc.). Likelihood is listed at 2 (slight) because TRS has good processes and procedures in place, our Contract Administration Coordinator performs an internal quality assurance function, we must report procurement activities regularly, and we are subject to audit by multiple audit entities, both internal and external.	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.
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	3,3		There is a high growth rate in the volume of e-records. We have silos of files where retention and disposition is managed manually by individual staff.	E-records volume growth has slowed, and staff is more attentive to the issue. Recent trends are: 1. Outlook volumes are below historical average 2. Terminated employees' e-records are being reviewed for deletion, and workflows have been

Teacher Retirement System of Texas Risk Profiles – November 2014

Risk Category	Risk Owner	Goal	Overall Risk	Risk Score	Risk Level & Trend	Comments	
						Risk Level	Trending
			scrutiny and oversight.				implemented to review in a more consistent manner 3. Life-cycle management was accepted as part of system requirements for TEAM and Accounting system replacement
Regulatory, Compliance & Litigation	Carolina de Onís	<ul style="list-style-type: none"> 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.	4,2		Changes in regulatory environment (Dodd-Frank, BASEL III) and changes in TRS laws (open records, retirement age, health plans, etc.).	Consulting frequently with outside counsel; hired new Chief Compliance Officer and compliance specialist for IMD (both housed within Legal after moving Investment Compliance from Internal Audit to Legal); enhancing compliance software systems; applied for and awaiting IRS tax-qualification determination; monitoring proposed IRS regulations; completing statutory four-year rule review; onboarding new attorneys; 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.	5,4		The fund is projected to become insolvent in the 2016-2017 biennium. The risk level has been elevated to high. Inadequate funding would jeopardize retirees having access to affordable health care.	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 implementation schedule and cost exceeds original estimates.	4,3		<p>The Impact rating remained constant from the last report to this report, at a 4. The Likelihood rating increased from the last report to this report, from a 2 to 3 respectively.</p> <p>This puts the average risk score at 12.0, which moved the Risk Threat Level to "Caution" from "Guarded" as was reported on the last Stoplight Report.</p> <p>The Risk Level increase is directly attributed to the fact that several of the risks are now occurring. These risks were elevated to issues on the TEAM</p>	<p>The number of key TEAM risks increased to 17 from the previous report, which was 15. The net increase of 2 risks included the addition of 3 new risks as well as the closing of 1 risk. This validates what was stated in the last Stoplight Report that it was expected that several new risks would be identified as the majority of the TEAM projects are either in the planning or execution phase.</p> <p>The Risk Level Trend is being elevated to an "Increase" status. This is due to the TEAM Line of Business (LOB)</p>

Teacher Retirement System of Texas Risk Profiles – November 2014

Risk Category	Risk Owner	Goal	Overall Risk	Risk Score	Risk Level & Trend	Comments	
						Risk Level	Trending
						Line of Business (LOB) project and have action plans in place to resolve them.	<p>project having some issues raised that resulted in the overall higher TEAM Program risk level.</p> <p>It is expected that the Risk Level will remain at “Caution” and not “Elevated” as mitigation and issue resolution plans have already been developed and are currently being implemented.</p>
Workforce Continuity	Janet Bray	Preserve valued institutional knowledge, and ensure a skilled, capable, and motivated workforce is maintained to execute TRS’ functions.	The delivery of member services and pension fund management could be negatively impacted by turnover, the inability to retain qualified staff, lack of a sufficient knowledge transfer program, and an inconsistent performance management process.	4,2		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 Human Resources (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.

Teacher Retirement System of Texas

ERM Update – November 2014

Risk Assessments

- New risk assessments for this reporting period
 - Credit
 - Liquidity/Leverage
 - Market

- Updated risk assessments
 - 403(b)
 - Accounting & Reporting
 - Active Health Care Affordability
 - Budget
 - Customer Service
 - Governmental/Association Relations & Legislation
 - Health Care Administration
 - Information Security & Confidentiality
 - Legacy Information Systems
 - Pension Benefit Administration
 - Pension Funding
 - Purchasing & Contracts
 - Retiree Health Care Funding
 - TEAM Program
 - Workforce Continuity

Conclusion

Summary for this Reporting Period

- 18 Stoplight Report risk assessments completed
 - High Risk Area – Retiree Health Care Funding
 - Elevated Risk Areas – Active Health Care Affordability and Employer Reporting
- Risk reports indicate planned or in progress action items to further mitigate higher risks (see Appendix)

ERM Activities for 2015

- Risk Assessments
 - Stoplight Report
 - TEAM Program Projects
 - Ad-hoc Requests
- Data Protection Project
- Strategic Planning

APPENDIX

A. Risk Report Details

403(b) RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Rebecca Merrill		November 2014

GOAL	OVERALL RISK
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.

SUMMARY

Existing mitigations are working as implemented; however, additional mitigations are planned to further reduce the risks related to intentional violation of 403(b) requirements, district employees paying fees that exceed TRS maximums, and lack of awareness of 403(b) requirements by school districts and charter schools. Key mitigations include annual demonstration of licensure and qualifications of 403(b) company personnel, statutory review of the 403(b) Rule, and companies certify every five years. Notable activity since the last reporting date, the 403(b) Rule was reviewed in June 2013 and the next review is planned for 2018.

RISK DETAILS

Risk Description	Mitigations
1. intentional violation of 403(b) requirements including misreporting to TRS, failing to certify as a company, or failing to register products	<ul style="list-style-type: none"> ▪ annual demonstration to ensure salespeople are qualified to offer the products ▪ follow-up on complaints ▪ initial review of products ▪ revoke certification ▪ report company to licensing agency ▪ address any lack of compliance with company ▪ statutory review of 403(b) Rule
2. unintentional violation of 403(b) requirements including erroneous reporting to TRS, inadvertent failure to certify as a company, or inadvertent failure to register products	<ul style="list-style-type: none"> ▪ annual demonstration to ensure salespeople are qualified to offer the products ▪ send reminders of registration period to all companies with registered products every 6 months ▪ companies required to certify every 5 years ▪ follow-up on complaints ▪ address any lack of compliance with company ▪ statutory review of 403(b) Rule
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 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 required to certify every 5 years

403(b) RISK REPORT

Risk Description	Mitigations
	<ul style="list-style-type: none"> ▪ statutory review of 403(b) Rule
5. district employees pay fees that exceed TRS maximums	<ul style="list-style-type: none"> ▪ address any lack of compliance with company ▪ contact licensing agency for investigation ▪ follow-up on complaints ▪ statutory review of 403(b) Rule
6. complaint resolution is not reported to TRS timely	<ul style="list-style-type: none"> ▪ contact licensing agency ▪ follow-up on complaints
7. school districts and charter schools are unaware of requirements for 403(b) products	<ul style="list-style-type: none"> ▪ communicate with school districts about 403(b) program requirements

Action Item	Owner	Target Date	Revised	Status	Comments
Revise the product submission process so that companies attest that they have procedures to avoid exceeding TRS fee caps (Risk 1, 5)	Special Projects	1/2015		Planned	
Communicate with school districts to: <ul style="list-style-type: none"> • educate on 403(b) requirements • remove offering if necessary (Risk 1, 7) 	Special Projects	10/2014		Planned	Utilize <i>TRS Update Newsletter</i> to reach out to school districts.
Contact association of charter schools and offer to educate (Risk 7)	Special Projects	11/2014		Planned	

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
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)	Special Projects	Rule review every 5 years based on statutory requirements.	Review completed in 2013 and the next review is planned for 2018.
Companies required to certify every 5 years (Risk 2, 4)	Special Projects	Contact the companies for recertification.	Ongoing process as company certifications expire.

ACCOUNTING & REPORTING RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Don Green	● ↔	November 2014

GOAL	OVERALL RISK	OBJECTIVES
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 of Trustees and Texas Legislature decisions being made on flawed data and adverse or qualified audit opinions.	<ul style="list-style-type: none"> Ensure timely and accurate reporting for decision-making purposes Obtain favorable or unqualified audit results

SUMMARY

Mitigations are appropriate to address the level of risk for this risk category and the risk owner accepts a majority of the risks. Other risks need further mitigation and action items are planned or in progress for those risks. Key mitigations include quality control processes, policies and procedures, and hired additional experienced personnel. Two notable activities for this risk category include the following:

- Received Certificate of Achievement for Excellence in Financial Reporting for fiscal year ended August 31, 2013.
- Favorable 2013 Comptroller Post-Payment audit results.

RISK DETAILS

Risk Description	Mitigations
1. inadvertent errors, duplicates, or omissions	<ul style="list-style-type: none"> quality control process documented policies and procedures hired additional personnel exception reports <ul style="list-style-type: none"> reconciliations audit trails ongoing training
2. missed oversight or regulatory deadline	<ul style="list-style-type: none"> documented policies and procedures hired additional personnel <ul style="list-style-type: none"> planning schedule Outlook reminders
3. lack of training	<ul style="list-style-type: none"> documented policies and procedures training budget <ul style="list-style-type: none"> documented workpapers hired experienced personnel
4. poor or unclear communication	<ul style="list-style-type: none"> documented policies and procedures documented workpapers obtain clarification <ul style="list-style-type: none"> hired experienced personnel good communication skills

ACCOUNTING & REPORTING RISK REPORT

Risk Description	Mitigations	
5. competing priorities	<ul style="list-style-type: none"> ▪ supervisory guidance ▪ cross-training ▪ contract workers 	<ul style="list-style-type: none"> ▪ delegation ▪ hired additional experienced personnel ▪ subject matter experts for each team
6. inadequate or poorly executed quality control process	<ul style="list-style-type: none"> ▪ hired experienced personnel ▪ multiple reviewers when needed 	<ul style="list-style-type: none"> ▪ documented policies and procedures ▪ checklists
7. labor intensive manual data collection process	<ul style="list-style-type: none"> ▪ automate processes ▪ streamline manual processes 	<ul style="list-style-type: none"> ▪ hired experienced personnel
8. TRS financial statements not in compliance with the Governmental Accounting Standards Board (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) ▪ Government Finance Officers Association (GFOA) checklist 	<ul style="list-style-type: none"> ▪ communication with Benefit Accounting and oversight entities ▪ GASB subscriptions

Action Item	Owner	Target Date	Revised	Status	Comments
Enhance time management process (e.g., scheduling appointments to minimize interruptions) (Risk 5)	General Accounting	Pending Completion of Envision Phase		Planned	The Financial System Replacement Project may include a Human Resources Management (HRM) module. This module will include an Employee Scheduling System (ESS) tool that will streamline workflows and processes.
Implement new financial system (Risk 7)	General Accounting	Pending Completion of Envision Phase		In Progress	The Financial System Replacement Project is part of the TEAM Program. There was a decision to not move forward with the vendor contracted for the envision phase of the financial system replacement. A new Request for Offer (RFO) will be issued in the fall of 2014 for a new vendor. Cross-reference Budget risk report action item for Risk 5.

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Quality control processes (Risk 1)	General Accounting	Maintain up-to-date desk procedures. Ongoing supervisory review.	

ACCOUNTING & REPORTING RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Policies and procedures (Risk 1, 2, 3, 4, 6)	General Accounting	Reviewed and updated annually.	Provided to the State Auditor’s Office (SAO) during the Comprehensive Annual Financial Report (CAFR) audit.
Hired additional experienced personnel (Risk 1, 2, 3, 4, 5, 6, 7)	General Accounting	Job description review, qualifications screening, reference and background checks, and skills-based testing. Feedback during probationary period.	

ACTIVE HEALTH CARE AFFORDABILITY RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Betsey Jones		November 2014

GOAL	OVERALL RISK	OBJECTIVE
Facilitate financial soundness of TRS-ActiveCare in order to pay eligible participant health care claims.	Inadequate funding by the state and participating entities could affect affordability.	Manage the revenues, expenses, and benefits of TRS-ActiveCare in a way that contributes to its financial soundness.

SUMMARY

Mitigations are appropriate to address the level of risk for this risk category and the risk owner accepts all risks. An action item to conduct a *TRS-ActiveCare Affordability Study* is in progress. This will provide further information on alternatives and options. Key mitigations include the TRS board has the authority to change benefits and/or premiums at any time, continuous monitoring and analysis of actual funding and trends to ensure adequate funding on an annual basis, contract/vendor monitoring, and participating districts' incentive to provide affordable health coverage by contributing above the minimum.

RISK DETAILS

Risk Description	Mitigations
1. change in legislative policy direction	<ul style="list-style-type: none"> ▪ proposed legislation reviewed by TRS analyst ▪ alternatives identified in <i>TRS-ActiveCare Affordability Study</i> ▪ fiscal notes prepared
2. inadequate state funding or required entity funding	<ul style="list-style-type: none"> ▪ active communication with legislators and stakeholders ▪ participating entities may increase their contributions above the required minimum
3. funding shortage due to incorrect assumptions for cost trends, population, payroll growth, etc. , underestimate liabilities when setting premium rates	<ul style="list-style-type: none"> ▪ alternatives identified in <i>TRS-ActiveCare Affordability Study</i> ▪ districts have an incentive to provide affordable health coverage by contributing above the required minimum
4. catastrophic claims due to natural disasters or pandemic	<ul style="list-style-type: none"> ▪ continuous monitoring and analysis of actual experience and trends ▪ adjust premiums ▪ change benefits
4. catastrophic claims due to natural disasters or pandemic	<ul style="list-style-type: none"> ▪ seek greater short-term provider discounts

ACTIVE HEALTH CARE AFFORDABILITY RISK REPORT

Risk Description	Mitigations	
5. legislative coverage mandates increase claims costs (including the Affordable Care Act (ACA))	<ul style="list-style-type: none"> ▪ monitor proposed legislation ▪ adjust premiums 	<ul style="list-style-type: none"> ▪ change benefits
6. violation of contract terms by vendors, vendor/provider fraud, limited vendor competition	<ul style="list-style-type: none"> ▪ use reputable vendors ▪ robust vendor procurement process ▪ external independent claims audits ▪ obtain/review SSAE¹ 16 reports ▪ continuous vendor monitoring and monthly reporting ▪ performance guarantees and financial penalties, suspension, termination ▪ customer satisfaction surveys ▪ large \$ claims reviewed by internal staff 	<ul style="list-style-type: none"> ▪ continuous claims monitoring to identify anomalies ▪ third party verification (independent healthcare consultants & auditors) ▪ vendor signed code of conduct statements ▪ alert management ▪ quarterly vendor meetings ▪ confidentiality agreements ▪ healthcare consultants vendor disaster recovery plan
7. internal fraud	<ul style="list-style-type: none"> ▪ management/supervisor oversight ▪ management/supervisor review ▪ restricted or limited file/system access ▪ secured storage ▪ required fraud and/or ethics training ▪ documented policies and procedures ▪ audit trails ▪ monthly review & audit of databases 	<ul style="list-style-type: none"> ▪ back-up data ▪ alert management ▪ criminal background checks ▪ make staff aware of issues/consequences ▪ secondary review/verification ▪ internal system controls ▪ fraud hotlines (SAO, internal) ▪ separation of duties

Action Item	Owner	Target Date	Revised	Status	Comments
Draft <i>TRS-ActiveCare Affordability Study</i> (Risk 1, 2)	Chief Health Care Officer	8/2014	11/2014	In Progress	Study to be completed in November 2014.

¹ Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization, American Institute of Certified Public Accountants (AICPA)

ACTIVE HEALTH CARE AFFORDABILITY RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
TRS board has the authority to change benefits and/or premiums at any time (Risk 3, 5)	TRS staff and Gabriel, Roeder, Smith (GRS)	TRS staff makes recommendation to the board on at least an annual basis.	Some changes may require 60-day participant notification before implementation due to the ACA.
Continuous monitoring and analysis of actual experience and trends to ensure adequate funding on an annual basis (Risk 3)	GRS, TRS staff, Vendors	<ol style="list-style-type: none"> 1. Claims data is submitted monthly to GRS by the vendors and projections are updated by GRS based on actual claims experience. 2. Quarterly vendor meetings to review plan claims experience. 3. Quarterly fluctuation analysis to detect any abnormal activity/cost trend. 	GRS models plan finances with projections several years in advance and provides ad hoc models for any considered benefit changes.
Contract/vendor monitoring (Risk 6)	TRS staff and GRS	Independent external claims and rebate audits, quarterly and annual vendor reviews, and other periodic ad hoc reports.	TRS staff is in daily contact with the vendors regarding a multiplicity of topics so emergent issues are resolved quickly.

BUDGET RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Don Green		November 2014

GOAL	OVERALL RISK	OBJECTIVE
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.	To efficiently request, plan, allocate, and control the spending of financial resources.

SUMMARY

Mitigations are appropriate to address the level of risk for this risk category and the risk owner accepts a majority of the risks. Other risks need further mitigation and action items are in progress for those risks. Key mitigations include policies and procedures, hiring additional experienced personnel, and quality control processes.

RISK DETAILS

Risk Description	Mitigations	
1. inaccurate data from systems	<ul style="list-style-type: none"> ▪ reconciliations ▪ internal and external audits 	<ul style="list-style-type: none"> ▪ documented desk and departmental procedures
2. lack of training	<ul style="list-style-type: none"> ▪ training through oversight agencies 	<ul style="list-style-type: none"> ▪ cross-training
3. competing priorities	<ul style="list-style-type: none"> ▪ supervisor guidance ▪ cross-training ▪ routine meetings 	<ul style="list-style-type: none"> ▪ prioritize workload ▪ intern program ▪ ongoing communication
4. lack of support from upper management	<ul style="list-style-type: none"> ▪ ongoing communication 	<ul style="list-style-type: none"> ▪ supervisor guidance
5. labor intensive manual processes	<ul style="list-style-type: none"> ▪ automate processes ▪ periodic reassessment 	<ul style="list-style-type: none"> ▪ quality control process ▪ streamline manual processes
6. lack of personnel	<ul style="list-style-type: none"> ▪ recruitment ▪ intern program 	<ul style="list-style-type: none"> ▪ contractors ▪ hire additional, experienced staff

BUDGET RISK REPORT

Risk Description	Mitigations	
7. lack of cross-communication with departments	<ul style="list-style-type: none"> ▪ quarterly budget meetings ▪ divisional budget representatives ▪ participatory budget process 	<ul style="list-style-type: none"> ▪ monitor ongoing expenses against budgeted estimates and identify changes needed for future budgets
8. not aligning budget plans with agency goals and objectives	<ul style="list-style-type: none"> ▪ clearly defined executive management priorities ▪ strong strategic planning process 	<ul style="list-style-type: none"> ▪ monitor ongoing expenses against budgeted estimates and identify changes needed for future budgets
9. failure to receive approval for adequate funding, or appropriate statutory authority to determine funding, from the legislature	<ul style="list-style-type: none"> ▪ follow state budget process ▪ pursue transparency with state leadership 	<ul style="list-style-type: none"> ▪ seek input as appropriate from all stakeholders

Action Item	Owner	Target Date	Revised	Status	Comments
Implement new financial system (Risk 5)	General Accounting	Pending Completion of Envision Phase		In Progress	The Financial System Replacement Project is part of the TEAM Program. There was a decision to not move forward with the vendor contracted for the envision phase of the financial system replacement. A new Request for Offer (RFO) will be issued in the fall of 2014 for a new vendor. Cross-reference Accounting & Reporting risk report action item for Risk 7.

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Policies and procedures (Risk 1)	Budgeting	Reviewed and updated annually.	Provided to the State Auditor's Office (SAO) during the Comprehensive Annual Financial Report (CAFR) audit.
Hiring additional experienced personnel (Risk 6)	Budgeting	Job description review, qualifications screening, reference and background checks, and skills-based testing. Feedback during probationary period.	
Quality control processes (Risk 5)	Budgeting	Maintain up-to-date desk procedures. Ongoing supervisory review.	

CREDIT RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Jase Auby	● ↔	November 2014

GOAL	OVERALL RISK	OBJECTIVE
Maintain effective management of counterparty and securities lending risks.	Unmanaged counterparty and securities lending exposures could result in losses to the investment portfolio.	Achieve proper diversification of counterparty exposure.

SUMMARY

The mitigations in place appropriately reduce risks to a level that the risk owner accepts the risks. No additional mitigation strategies are planned at this time. Key mitigations include Securities Lending Policy, approved list of counterparties and limits, Securities Lending Program reviews, Credit Rating Monitor, and Daily Derivatives Report.

RISK DETAILS

Risk Description	Mitigations
Securities Lending	
1. Counterparty/lending agent default	<ul style="list-style-type: none"> ▪ TRS approval required for change in counterparties and limits (reviewed annually) ▪ Current counterparty exposure monitored monthly ▪ Indemnification against losses from counterparty default ▪ Securities Lending Policy ▪ Approved list of counterparties and limits
2. Inadequate collateral	<ul style="list-style-type: none"> ▪ Security Lending Policy restricts types of collateral, requires minimum over-collateralization (haircut) by collateral type
3. Securities Lending Investment Portfolio suffers declines	<ul style="list-style-type: none"> ▪ Strict Security Lending Policy parameters, monthly reviews and stress testing ▪ Securities Lending Program review
Derivatives	
4. Over-The-Counter (OTC) derivative counterparty default	<ul style="list-style-type: none"> ▪ Daily Derivatives Report - monitors counterparty exposure and creditworthiness ▪ Credit rating monitor
5. Collateral tied up at counterparties	<ul style="list-style-type: none"> ▪ Collateral swept daily

CREDIT RISK REPORT

Risk Description	Mitigations
6. Futures clearing merchants (FCM) default	<ul style="list-style-type: none"> ▪ Two FCMs for diversification ▪ Daily Derivatives Report ▪ Daily monitoring

Action Item	Owner	Target Date	Revised	Status	Comments
No actions required at this time.					

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Securities Lending Policy (Risk 1, 2, 3)	Investment Compliance	Sets parameters for Securities Lending Program, includes limits to type of collateral, minimum over-collateralization (haircut) required, etc.
Approved list of counterparties and limits (Risk 1)	Investment Compliance	Reviewed monthly and updated annually
Securities Lending Program review (Risk 3)	Investment Compliance, Asset Allocation, Risk Group	Monthly call to review performance
Credit rating monitor (Risk 4, 6)	Risk Group	Periodic review of credit ratings (both long and short term) by various rating agencies
Daily Derivatives Report (Risk 4, 6)	Risk Group	Reports daily derivative exposure by derivative type, strategy, and counterparty (includes credit ratings)

CUSTOMER SERVICE RISK REPORT

RISK OWNER

RISK LEVEL/TREND

REPORTING DATE

Marianne Woods Wiley



November 2014

GOAL

OVERALL RISK

OBJECTIVES

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.

- Minimize amount of time members spend waiting to speak to a counselor.
- Maintain a Benefit Counseling Department quality average score at the “successful” rating.

SUMMARY

Mitigations are appropriate to address the level of risk for this risk category and the risk owner accepts a majority of the risks. Additional mitigation strategies are planned to further reduce the risks related to employee staffing levels and disruption of or interruption in customer service levels. Key mitigations include cross-training/training, Quality Assurance Program, surveys, and the verification process. A recent activity for this risk category includes implementing a callback feature for members to have the opportunity to receive a callback versus staying on hold.

RISK DETAILS

Risk Description	Mitigations	
1. employee staffing level inadequate or unexpected turnover	<ul style="list-style-type: none"> ▪ hiring process ▪ budget approved for additional staff ▪ streamline work processes 	<ul style="list-style-type: none"> ▪ cross-training ▪ backfills
2. spikes in retirement or other service areas due to legislative changes create backlog	<ul style="list-style-type: none"> ▪ cross-training ▪ prioritize workload ▪ streamline work processes 	<ul style="list-style-type: none"> ▪ overtime pay ▪ proactive member communication
3. counseling staff giving out incorrect information	<ul style="list-style-type: none"> ▪ training ▪ Quality Assurance Program ▪ performance evaluations ▪ interdepartmental communication 	<ul style="list-style-type: none"> ▪ ongoing feedback on accuracy and quality of counseling from members and retirees ▪ surveys
4. conflicting priorities due to TEAM Program implementation	<ul style="list-style-type: none"> ▪ backfills ▪ streamline work processes ▪ cross-training 	<ul style="list-style-type: none"> ▪ Benefit Services touch point meetings ▪ prioritize workload

CUSTOMER SERVICE RISK REPORT

Risk Description	Mitigations	
5. Benefit Services staff distributes incorrect information	<ul style="list-style-type: none"> ▪ training ▪ verification process ▪ performance evaluations ▪ processes and procedures 	<ul style="list-style-type: none"> ▪ periodic quality checks ▪ system edits and reports ▪ internal audits and quarterly testing ▪ interdepartmental communication
6. disruption of or interruption in customer service levels during transitional phase of TEAM Program implementation	<ul style="list-style-type: none"> ▪ ongoing member communication ▪ interdepartmental communication 	<ul style="list-style-type: none"> ▪ Decommissioning Legacy Systems Project (TEAM) ▪ TEAM Connect

Action Item	Owner	Target Date	Revised	Status	Comments
Research skills-based testing for benefit counselors (Risk 1)	Benefit Counseling, Human Resources	9/2014	9/2015	Planned	Pending coordination with Human Resources.
Develop interim processes for Phase I (Risk 6)	Benefit Services, Core Program Team	5/2015		Planned	
User acceptance testing for Phase I (Risk 6)	Core Program Team	6/2015		Planned	
Business Procedures and Training Project (TEAM) (Risk 6)	BPT Project Team	9/2015		Planned	
Training (Risk 6)	Benefit Services	9/2015		Planned	

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Cross-training/Training (Risk 1, 2, 3, 4, 5)	Benefit Services Management	Training with new staff and refresher and cross-training with existing staff; within and across departments.
Quality Assurance Program (Risk 3)	Benefit Counseling	Monthly call reviews and coaching sessions.
Surveys (Risk 3)	Benefit Counseling, Communications	Review survey results and take action when necessary.
Verification Process (Risk 5)	Benefit Services	Ongoing secondary review.

GOVERNMENTAL/ASSOCIATION RELATIONS & LEGISLATION RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Ray Spivey	● ↔	November 2014

GOAL	OVERALL RISK
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.

SUMMARY

Two risks on inadequate communications and perception of lobbying were identified. Based on the mitigations in place, the risk owner accepts both risks. No additional mitigation strategies are planned at this time. Proactive communication is a key mitigation.

RISK DETAILS

Risk Description	Mitigations	
1. inadequate communications with Legislature and other external groups	<ul style="list-style-type: none"> ▪ coordinate releasable information with TRS directors, including notifying Governmental Relations of any communications to external groups by other TRS divisions 	<ul style="list-style-type: none"> ▪ plan key TRS meetings with external groups and continually update group contact lists ▪ follow-up with person-to-person communications ▪ proactive communication
2. perception of lobbying	<ul style="list-style-type: none"> ▪ presentation on statutes to the board ▪ proactive communication 	<ul style="list-style-type: none"> ▪ maintain constant awareness of no lobbying

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

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Proactive communications	Governmental Relations	Maintain contact with our stakeholder groups and provide timely responses to requests or inquiries.

HEALTH CARE ADMINISTRATION RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Betsey Jones		November 2014

GOAL	OVERALL RISK	OBJECTIVE
Administer retiree and active member health care programs that are responsive to and valued by enrollees.	Inadequate administration of the health care programs could possibly affect the health of those who depend on the delivery of TRS health care benefits.	Provide health care benefits in compliance with the statutory requirements for TRS-Care and TRS-ActiveCare.

SUMMARY

Mitigations are appropriate to address the level of risk for this risk category and the risk owner accepts a majority of the risks. Additional mitigation strategies are planned to further reduce the risks related to the disruption of or interruption in customer service and processing levels. One key mitigation for this risk category is contract/vendor monitoring.

RISK DETAILS

Risk Description	Mitigations
1. change in legislative policy direction	<ul style="list-style-type: none"> ▪ proposed legislation reviewed by TRS analyst ▪ fiscal notes prepared ▪ active communication with legislators
2. inadequate information systems	<ul style="list-style-type: none"> ▪ rely on Information Technology (IT) for solutions
3. reliance on external vendors (i.e., violation of contract terms, vendor/provider fraud, limited vendor competition)	<ul style="list-style-type: none"> ▪ financial performance penalties, suspension, termination ▪ independent healthcare consultants & auditors ▪ monthly reporting ▪ quarterly meetings ▪ vendor disaster recovery plan ▪ rely on vendor controls ▪ warnings/suspensions/ termination of contract ▪ contractual performance penalties ▪ provider fraud risk for Medicare Advantage participants transferred to vendor ▪ replace vendor
4. unauthorized release of confidential information	<ul style="list-style-type: none"> ▪ business associate agreements under HIPAA¹ ▪ require vendors to report monthly any unauthorized release of information ▪ utilize secure email ▪ documented policies and procedures ▪ confidentiality agreements/policy

¹ Health Insurance Portability and Accountability Act of 1996 (HIPAA)

HEALTH CARE ADMINISTRATION RISK REPORT

Risk Description	Mitigations	
	<ul style="list-style-type: none"> ▪ sign code of conduct statement ▪ limited disclosure of confidential info on documents ▪ unique member identifiers 	<ul style="list-style-type: none"> ▪ request changes in writing ▪ member notifications ▪ required annual training on HIPAA ▪ obtain TRS-628 (HIPAA) form
5. failure to comply with laws/rules/regulations/ policies and procedures	<ul style="list-style-type: none"> ▪ departmental policies and procedures ▪ maintain & access copy of laws/rules ▪ weekly staff meeting ▪ periodic staff training ▪ risk for Medicare Advantage participants transferred to vendor ▪ access to vendors' policies/procedures 	<ul style="list-style-type: none"> ▪ annual compliance statement ▪ escalate issues ▪ consult with co-workers ▪ review laws ▪ mandatory confidentiality/HIPAA training ▪ ethics training
6. inadequate staffing and resources (i.e., succession planning)	<ul style="list-style-type: none"> ▪ departmental policies and procedures ▪ employee job descriptions ▪ cross-training ▪ share work 	<ul style="list-style-type: none"> ▪ prioritize workload/activities ▪ hire full-time staff or temps ▪ flexible project teams
7. ineligible participants due to reliance on districts to determine eligibility (TRS-ActiveCare)	<ul style="list-style-type: none"> ▪ designated district benefit administrators (BA) ▪ restricted/secure access by BAs to vendors enrollment systems ▪ TRS provides eligibility guidelines to BAs 	<ul style="list-style-type: none"> ▪ BA must verify eligibility by signature for each enrollee ▪ districts have financial incentive to be accurate and timely
8. disruption of or interruption in customer service levels during transitional phase of TEAM Program implementation	<ul style="list-style-type: none"> ▪ ongoing participant communication ▪ interdepartmental communication ▪ parallel running of new and old system ▪ Decommissioning Legacy Systems Project (TEAM) 	<ul style="list-style-type: none"> ▪ TEAM Connect ▪ thorough testing of new system before it's placed in production
9. disruption with accuracy, processing productivity, turnaround times and timely reporting of participant data to third party administrators during transitional phase of TEAM Program implementation	<ul style="list-style-type: none"> ▪ ongoing participant communication ▪ interdepartmental communication ▪ internal system gap reporting ▪ revised process flows ▪ parallel running of new and old system ▪ TEAM Connect 	<ul style="list-style-type: none"> ▪ Organizational Change Management Project (TEAM) ▪ Decommissioning Legacy Systems Project (TEAM) ▪ thorough testing of new system before it's placed in production

HEALTH CARE ADMINISTRATION RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
Develop interim processes and internal system reporting for Phase I (Risk 8, 9)	Health & Insurance Benefits, Core Program Team	5/2015		Planned	
User acceptance testing for Phase I (Risk 8, 9)	Core Program Team	6/2015		Planned	
Business Procedures and Training Project (TEAM) (Risk 8, 9)	BPT Project Team	9/2015		Planned	
Training (Risk 8, 9)	Health & Insurance Benefits	9/2015		Planned	

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Contract/vendor monitoring (Risk 3)	TRS staff and GRS	Quarterly/annual vendor reviews and other periodic ad hoc reports.

INFORMATION SECURITY & CONFIDENTIALITY RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Ken Welch/T.A. Miller		November 2014

GOAL	OVERALL RISK	OBJECTIVE
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.	Comply with laws, rules, policies, and fiduciary duties regarding the security and confidentiality of information, including TRS participant records, personal health information, investment information, and other categories of information classified as high risk.

SUMMARY

Risks to information security and confidentiality include non-compliance with laws and regulations, accidental or intentional exposure or disclosure of confidential information to unauthorized parties, external parties gain unauthorized access, and inappropriate modification of critical information maintained by TRS. Key mitigations include policies and procedures, records retention program, system security, physical security, criminal history background checks, annual review of user access, training and awareness, and contract agreements. Planned actions to mitigate risks to an appropriate level include developing departmental HIPAA¹ training and method for tracking completion, review/confirm vendors have mitigation/remediation plans in place for incident response, and research enhancing plans to respond to natural disasters or accidents. A recent activity for this risk category includes the development of two training models for departments with access to HIPAA information. These training models can be further customized to meet the HIPAA training needs of each department.

RISK DETAILS

Risk Description	Mitigations
1. non-compliance with federal or state laws and regulations result in civil or criminal penalties imposed on TRS or TRS employees	<ul style="list-style-type: none"> ▪ training and awareness ▪ policies and procedures ▪ audit and system security review ▪ criminal history background checks ▪ physical security ▪ system security ▪ corrective action ▪ Records Retention Schedule ▪ legal review

¹ Health Insurance Portability and Accountability Act of 1996 (HIPAA)

INFORMATION SECURITY & CONFIDENTIALITY RISK REPORT

Risk Description	Mitigations	
2. employees or contract workers accidentally or intentionally expose or disclose confidential information to unauthorized parties (e.g., theft by contractor, kickback for disclosing)	<ul style="list-style-type: none"> ▪ training and awareness ▪ policies and procedures ▪ monitoring compliance ▪ corrective action ▪ physical security ▪ system security ▪ vendor contract agreements 	<ul style="list-style-type: none"> ▪ non-TRS worker policy ▪ management/supervisor oversight/review ▪ employer reference checks ▪ criminal history background checks ▪ annual review of system access ▪ non-disclosure agreements
3. vendors, business partners, or external parties expose or disclose confidential information to unauthorized parties	<ul style="list-style-type: none"> ▪ system security ▪ communication ▪ vendor contract agreements ▪ policies and procedures ▪ non-TRS worker policy 	<ul style="list-style-type: none"> ▪ training and awareness ▪ non-disclosure agreements ▪ business associate agreements ▪ criminal history background checks ▪ physical security
4. vendors, business partners, or external parties gain unauthorized access to confidential information electronically or physically	<ul style="list-style-type: none"> ▪ system security ▪ vendor contract agreements ▪ non-disclosure agreements ▪ policies and procedures ▪ non-TRS worker policy 	<ul style="list-style-type: none"> ▪ communication ▪ business associate agreements ▪ physical security ▪ criminal history background checks
5. natural disaster or accident exposes confidential information (onsite or in the vendor's possession)	<ul style="list-style-type: none"> ▪ vendor selection for disaster recovery services ▪ training and awareness ▪ policies and procedures ▪ vendor contract agreements ▪ vulnerability assessments 	<ul style="list-style-type: none"> ▪ vendor's mitigation/ remediation plan ▪ maintain electronic copies ▪ non-TRS worker policy ▪ criminal history background checks
6. employees or external parties inappropriately (accidentally or intentionally) modify critical information maintained by TRS	<ul style="list-style-type: none"> ▪ restrict privileged access used for critical data files using owner-defined access criteria ▪ audit and system security review ▪ annual review of system access ▪ confirm appropriate use of systems and data 	<ul style="list-style-type: none"> ▪ control validity of work processes in system development (and during program changes) ▪ policies and procedures ▪ training and awareness

Action Item	Owner	Target Date	Revised	Status	Comments
Develop departmental HIPAA training and method for tracking completion (Risk 1, 2)	Management, Legal Services, Information	12/2015		In Progress	Departmental HIPAA training has been developed for the Health & Insurance Benefits department and is being finalized for the Information Technology

INFORMATION SECURITY & CONFIDENTIALITY RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
	Technology, Human Resources				department. These two training models will be used to develop similar training for other departments with access to HIPAA information. Completion of departmental HIPAA training for Health & Insurance Benefits department is currently tracked electronically. There will be a recommendation for electronic delivery and tracking of future departmental HIPAA trainings. Cross-reference to Open Government risk report.
System security enhancements (scanning, encryption, and monitoring) (Risk 1, 2, 3, 4)	Information Technology	1/2013	3/2014	Complete	<i>Encryption at Rest:</i> <ul style="list-style-type: none"> • Laptop drive encryption is complete. • Desktop PC drive encryption is complete.
				Complete	<i>Removable Media Encryption:</i> USB and storage device encryption is complete.
				Complete	<i>Email Encryption:</i> Encryption for emails to external entities is complete. Takes place on demand. Some contracts already require vendors to provide secure, encrypted communication methods with TRS.
				Complete	<i>Vulnerability Scanning:</i> 12/2013: Received final report and remediated or mitigated all exploitable vulnerabilities. 12/2012: Vendor completed an internal vulnerability/security scan. NIS has received an initial vulnerability report. Next steps are to review the final report and build an action plan to remediate vulnerabilities.
Complete	<i>Security Monitoring:</i> A managed security services provider was selected in June and the monitoring systems and processes are in				

INFORMATION SECURITY & CONFIDENTIALITY RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
					place. Network traffic and critical systems are being monitored 24 hours a day, 365 days a year for potential security threats. Threats are classified and alerting occurs based on criticality and risk.
Research onsite shredding service (Risk 1, 2, 5)		12/2013		Complete	Researched options and pricing for onsite shredding services.
Enhance the existing new employee orientation training and provide to current employees (Risk 1, 2, 6)	Health & Insurance Benefits, Human Resources, Information Technology, Legal Services, Risk Management	1/2013	9/2013	Complete	The new employee orientation training has been revised to include references to HIPAA (as revised by the Omnibus Rule), TRS' <i>Confidentiality Policy</i> and related procedures and standards, and updated definitions. This training was converted to a web-based format and it includes questions related to Information Security since the topics are similar. Training completion is tracked electronically.
		5/2013	5/2014	Complete	An inventory of departments who handle PHI has been completed. Processes and procedures for conducting specialized departmental training was requested from individual departments. This information as well as the revised <i>Confidentiality Policy</i> , related procedures and standards, and previous department-specific HIPAA quiz questions will be used to develop core-training elements.
Implement state encryption rule when published (Risk 2, 3)	Information Technology	12/2013		Complete	The encryption rule was published and implemented.
Confirm vendors selected for disaster recovery services have mitigation/remediation plans to assist with incident response (Risk 5)	Contract Management	Ongoing		In Progress	During the contracting process for disaster recovery service vendors, review/confirm vendors have plans in place for recovery after a TRS incident.
Research enhancing disaster recovery plans to respond to natural	Risk Management	12/2013	8/2015	Planned	During the next review of the Incident Management Team plan, Risk Management will research methods to

INFORMATION SECURITY & CONFIDENTIALITY RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
disasters or vendor accidents (Risk 5)					enhance the plan to respond to natural disasters and vendor accidents.

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Policies and procedures (All risks)	Management	Review/update policies and procedures according to the normal review cycle or update them if significant changes are needed.	TRS' Confidentiality Policy and related procedures and standards were approved in April 2012; the next review is due April 2017. The Information Security Policy was updated July 2013; the next review is due July 2018. The Information Security Manual was reviewed and updated on February 20, 2014.
Records Retention Program (Risk 1)	Records Management, Records Liaisons	Records Analyst coordinates agency-wide records purge on an annual basis to ensure departmental information, which may contain confidential records, is destroyed in accordance with standard procedures.	The annual disposition cycle covers records regardless of media. Departments respond relatively well in processing their paper files; however, the deletion of electronic records is a concern. Individual electronic file deletion is labor-intensive due to volume and lack of standard filing procedures. A methodology was created to help departments standardize their folder structure. Several work teams have completed this work. File plans allow for automated retention of e-records.
System security and Physical security (Risk 1, 2, 3, 4)	Information Technology, Staff Services, Information Owners	<ul style="list-style-type: none"> ▪ Information Security Officer conducts annual: <ul style="list-style-type: none"> ○ Security risk assessments and makes recommendations. ○ Vulnerability assessments and penetration testing. ▪ Security staff monitors both West and East buildings 24 hours a day. Routine security patrols ensure critical areas are secured. ▪ Staff Services coordinates the pick-up and delivery of bins for confidential materials to be shredded offsite by the contracted 	System security is effective and enhancements have been made to vulnerability scanning, encryption, and security monitoring. Physical security to secure the computer room and confidential shred bins is working. Routine security patrols help to deter any suspicious activity.

INFORMATION SECURITY & CONFIDENTIALITY RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
		<p>vendor. The contractor is required to ensure that the bins are locked while in transit to and from TRS facilities. Staff Services also provides oversight of the contractor responsible to convey locked confidential bins to and from the individual department locations within TRS.</p>	
Criminal History Background Checks (Risk 2)	Human Resources	<p>Human Resources conducts or requires state and federal criminal history background checks on all new employees, applicants, consultants, contractors and workers. Employees are also responsible for self-reporting incidents. If the contractor conducts the criminal background check, then the contractor shall inform the TRS HR Director as soon as possible as to all relevant facts and circumstances surrounding the surrounding the charge or indictment.</p>	<p>This is a very thorough check that provides TRS with information to determine future employment or continued employment based on the type of incident.</p>
Annual review of user access by managers and information owners (Risk 2, 3, 6)	Information Security	<p>Access criteria are continually reviewed and adjusted to match changes/modifications in automated performance of job functions.</p>	
Training and awareness (e.g., use of applications) (Risk 2, 3, 6)	Human Resources, Information Security, and Management	<ul style="list-style-type: none"> ▪ Human Resources staff in collaboration with IT using SharePoint provides and documents online training to TRS employees and interns for HIPAA/Confidentiality-General, Fraud, Waste, and Abuse Prevention, and Ethics. ▪ TRS staff is provided individual specialized departmental training and instruction on confidentiality/HIPAA requirements prior to beginning their new job duties and as needed. Completion of annual departmental 	<p>Training is conducted as outlined in the <i>Procedures for Compliance Training</i>; to ensure attendance can be validated for web-based training, capturing electronic signatures for online participation was developed.</p>

INFORMATION SECURITY & CONFIDENTIALITY RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
		<p>training will be documented and reported to Human Resources once a method has been determined.</p> <ul style="list-style-type: none"> ▪ Human Resources staff in collaboration with IT will provide offline policy acknowledgment and training for non-TRS workers for selected TRS policies, HIPAA/Confidentiality -General, Fraud, Waste and Abuse Prevention, and Ethics. Completion of policy and training acknowledgments by non-TRS workers will be confirmed by the contract sponsor and a signed acknowledgment form will be forwarded to Human Resources. ▪ Information Security provides and documents annual Information Awareness training. ▪ Supervisory oversight by department manager. 	
Vendor contract agreements; non-disclosure agreements; and business associate agreements (Risk 3, 4)	Contract Management	Contract management staff requests non-disclosure and business associate agreements as part of the contracting process.	Contract management follows a standard process to request completion of these agreements during contract negotiations.

LEGACY INFORMATION SYSTEMS RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
T.A. Miller		November 2014

GOAL	OVERALL RISK
Provide information systems to meet TRS' business and customer service needs.	Inability to provide adequate and consistent information in a timely fashion via the preferred delivery mechanism.

SUMMARY

Mitigations are appropriate to address the level of risk for this risk category and the risk owner accepts all risks. No additional mitigation strategies are planned at this time. Key mitigations include additional personnel and/or contractors, purchasing and implementing software tools to aid in modernization, focused project management, approving/disapproving and prioritizing work requests, and having open communication with stakeholders.

RISK DETAILS

Risk Description	Mitigations	
1. insufficient number of personnel with appropriate skill sets	<ul style="list-style-type: none"> ▪ justify additional personnel and/or contractors ▪ hire retirees with special skill sets ▪ cross-training ▪ fill vacant positions ▪ prioritize work requests 	<ul style="list-style-type: none"> ▪ workforce continuity plans ▪ seek solutions that do not require new staffing or that do fit our current skill sets ▪ outsourcing
2. inability to support aging application infrastructure	<ul style="list-style-type: none"> ▪ TEAM Program ▪ modernize applications where feasible within constraints posed by ongoing business demands for maintenance and enhancement of existing system ▪ train backups 	<ul style="list-style-type: none"> ▪ replace software tools that have a limited number of vendor support staff ▪ purchase and implement software tools to aid in modernization ▪ contractors brought on board
3. lack of strategic analysis and development of system due to too much focus on tactical changes	<ul style="list-style-type: none"> ▪ approve/disapprove and prioritize work requests ▪ freeze changes to existing systems unless critical to TRS' goals and objectives ▪ IT strategic plan 	<ul style="list-style-type: none"> ▪ strategic direction from the Board of Trustees, executive management, Core Management TEAM (CMT), and the Information Systems Architects

LEGACY INFORMATION SYSTEMS RISK REPORT

Risk Description	Mitigations	
4. legislative changes that require implementation on legacy information systems that will be retired	<ul style="list-style-type: none"> ▪ justify additional personnel and/or contractors ▪ hire retirees with special skill sets ▪ cross-training ▪ prioritize work requests 	<ul style="list-style-type: none"> ▪ if possible, implement in TEAM ▪ influence timing of legislative changes ▪ outsourcing
5. complexity of decommissioning of legacy information systems	<ul style="list-style-type: none"> ▪ focused project management ▪ open communication with stakeholders ▪ testing and quality assurance ▪ maintain buy-in for TEAM Program 	<ul style="list-style-type: none"> ▪ create extensive inventory and system interdependencies ▪ TEAM Program governance ▪ seek simplest solutions
6. challenge of running the legacy information systems in parallel to TEAM	<ul style="list-style-type: none"> ▪ continue to actively manage the legacy information system infrastructure ▪ maintain appropriate capacity ▪ seek simple and common methodology for interdependent processes between new application and legacy applications ▪ open communication with stakeholders 	<ul style="list-style-type: none"> ▪ justify additional personnel and/or contractors ▪ implement automated solutions to verify consistent results ▪ focused project management ▪ outsourcing ▪ leverage existing tools (e.g., Informatica) ▪ maintain buy-in for TEAM Program
7. competing priorities within the decommissioning project	<ul style="list-style-type: none"> ▪ communication ▪ reallocate workload ▪ intern program ▪ clear direction ▪ more resources ▪ be aware of legislation and planning 	<ul style="list-style-type: none"> ▪ board/management support ▪ extend schedule ▪ willingness to negotiate ▪ approval to backfill positions ▪ utilize the decommissioning core project team to prioritize work

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

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Additional personnel and/or contractors (Risk 1, 4, 6)	Information Technology	Backfill positions as needed due to existing resources needed for TEAM.	Contracted for eight Natural programmers to backfill key positions.

LEGACY INFORMATION SYSTEMS RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Purchase and implement software tools to aid in modernization (Risk 2)	Information Technology	Research and analyze solutions to facilitate modernization.	<ul style="list-style-type: none"> Evaluated and decided upon address validation software to ensure the best postal rates for mass mailings. Evaluated and decided upon software to handle credentials and roles for remote users. Evaluated and decided upon software for the application servers and the enterprise service bus.
Approve/disapprove and prioritize work requests (Risk 3, 4)	Information Technology	As part of the IT governance process, the Core Management Team (CMT) approves and disapproves work requests. CMT prioritization meetings are monthly.	Decided that all projects related to the TEAM Program will be given a high default value to expedite the approval process. Some work requests have been disapproved.
Focused project management (Risk 5, 6)	Information Technology	Assign experienced project managers to critical projects.	Project managers have been assigned to the critical projects including Data Management, Line of Business, Website Redesign, Reporting Entity Outreach, Decommissioning, and Enterprise Security.
Open communication with stakeholders (Risk 5, 6, 7)	Information Technology	Maintain ongoing communication with stakeholders through status reports, meetings, and presentations.	Weekly status reports on TEAM Program and projects, weekly executive briefings, board presentations, multiple meetings, detailed level requirement discussions, and ad hoc reports.

LIQUIDITY/LEVERAGE RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Jase Auby	● ↔	November 2014

GOAL	OVERALL RISK	OBJECTIVE
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.	Keep trust liquidity at necessary level to support trust objectives.

SUMMARY

The mitigations in place appropriately reduce risks to a level that the risk owner accepts the risks. No additional mitigation strategies are planned at this time. Key mitigations include Daily Liquidity Report and Hedge Fund Leverage/Liquidity/Concentration (LLC) reports.

RISK DETAILS

Risk Description	Mitigations
1. Trust does not have enough cash to meet its obligations (benefits, capital calls, etc.)	<ul style="list-style-type: none"> ▪ Daily Liquidity Report ▪ Conservative cash management guidelines in place ▪ Low net leverage ▪ High trust liquidity
2. Unexpected Hedge Fund losses due to excessive leverage	<ul style="list-style-type: none"> ▪ Limited Partnerships (LP) Structure ▪ Hedge Fund Leverage/Liquidity/Concentration (LLC) monthly reports

Action Item	Owner	Target Date	Revised	Status	Comments
No actions required at this time.					

Monitoring Activities

Key Mitigation	Monitored By	Monitoring Process
Daily Liquidity Report (Risk 1)	Risk Group, Asset Allocation	Monitors the daily sources and uses of liquidity.
Hedge Fund Leverage/Liquidity/Concentration Report (Risk 2)	Risk Group	Monthly reporting and review of Hedge Fund Leverage, Liquidity, and Concentration.

MARKET RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Jase Auby	● ↔	November 2014

GOAL	OVERALL RISK	OBJECTIVE
Maintain market risk exposures consistent with investment objectives.	Too little or too much exposure to market risk could each lead to undesirable investment outcomes.	Sustain appropriate level of risk necessary to meet investment objectives.

SUMMARY

Market risk is being appropriately monitored and mitigated such that the risk owner accepts all risks. No additional mitigation strategies are planned at this time. Key mitigations include the Investment Policy Statement (IPS), Risk Signals, Value at Risk (VaR) Report, and Risk Budget.

RISK DETAILS

Risk Description	Mitigations
1. Improper asset allocation	<ul style="list-style-type: none"> ▪ Strategic Asset Allocation (SAA) study sets policy (every 5 years) ▪ Tactical Asset Allocation (TAA) over/underweighting within +/- 5% bands (continuously monitored, rebalanced monthly) ▪ Monthly risk signals (Bubble, Environmental, Valuation, Political Risk, etc.) ▪ Investment Policy Statement (IPS)
2. Inadequately considering tail risk	<ul style="list-style-type: none"> ▪ Monthly VaR reports - assess predicted VaR versus benchmark and its history
3. Active portfolios deviate inefficiently from benchmark, resulting in material underperformance	<ul style="list-style-type: none"> ▪ Tracking error guidelines in IPS ▪ Risk Budget
4. Private Markets fundings happen slower than anticipated, resulting in Trust underweight to those asset classes, and potential underperformance in an up-market	<ul style="list-style-type: none"> ▪ Quarterly floating weights for 2014 IPS

MARKET RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
No actions required at this time.					

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Investment Policy Statement (Risk 1, 3, 4)	Asset Allocation, Investment Compliance	IPS sets asset allocation (reviewed every 5 years) and investment guidelines.
Risk Signals (Risk 1)	Risk Group	Monthly monitoring of economic environment, asset class bubbles, valuations, etc.
VaR Report (Risk 2)	Risk Group	Monthly monitoring of historic and predicted VaR versus the benchmark.
Risk Budget (Risk 3)	Risk Group	Monthly budgets and tracks historic and predicted tracking error by profit center and asset class.

PENSION BENEFIT ADMINISTRATION RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Marianne Woods Wiley	● ↔	November 2014

GOAL	OVERALL RISK	OBJECTIVES
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.	Process 98% of initial annuity payments to TRS retirees when first due.

SUMMARY

Mitigations are appropriate to address the level of risk for this risk category and the risk owner accepts a majority of the risks. Additional mitigation strategies are planned to further reduce the risk related to disruption with accuracy and timeliness of benefit delivery and inability to monitor employee performance and overall service delivery performance. Key mitigations include quarterly testing, verification process, TRS Policy Decision Repository, cross-training/training, and prioritizing workload.

RISK DETAILS

Risk Description	Mitigations	
1. human error	<ul style="list-style-type: none"> ▪ system edits and reports ▪ processes and procedures ▪ verification process 	<ul style="list-style-type: none"> ▪ performance evaluations ▪ internal audits and quarterly testing ▪ periodic quality checks
2. complexity of the pension plan	<ul style="list-style-type: none"> ▪ policies and procedures ▪ review applicability of rules, policies, and procedures 	<ul style="list-style-type: none"> ▪ training ▪ TRS Policy Decision Repository ▪ automated systems
3. sustained reliance on legacy information systems (e.g., level of staff effort to maintain systems, performance issues)	<ul style="list-style-type: none"> ▪ TEAM Program implementation ▪ system performance monitoring and diagnostics 	<ul style="list-style-type: none"> ▪ regular maintenance of systems ▪ policies and procedures
4. conflicting priorities due to TEAM Program implementation	<ul style="list-style-type: none"> ▪ backfills ▪ streamline work processes 	<ul style="list-style-type: none"> ▪ cross-training ▪ prioritize workload

PENSION BENEFIT ADMINISTRATION RISK REPORT

Risk Description	Mitigations	
5. spikes in retirement or other service areas due to legislative changes create backlog	<ul style="list-style-type: none"> ▪ cross-training ▪ prioritize workload ▪ streamline work processes 	<ul style="list-style-type: none"> ▪ overtime pay ▪ proactive member communication
6. disruption with accuracy and timeliness of benefit delivery during transitional phase of TEAM Program implementation	<ul style="list-style-type: none"> ▪ ongoing member communication ▪ interdepartmental communication ▪ TEAM Connect 	<ul style="list-style-type: none"> ▪ Organizational Change Management Project (TEAM) ▪ Decommissioning Legacy Systems Project (TEAM)
7. inability to monitor employee performance and overall service delivery performance against set metrics during transitional phase of TEAM Program implementation	<ul style="list-style-type: none"> ▪ heightened awareness of occurrence ▪ continue to research issue 	<ul style="list-style-type: none"> ▪ business representation on decommissioning of Legacy Systems project

Action Item	Owner	Target Date	Revised	Status	Comments
Research skills-based testing for benefit counselors (Risk 1)	Benefit Counseling, Human Resources	9/2014	9/2015	Planned	Pending coordination with Human Resources.
Develop interim processes for Phase I (Risk 6)	Benefit Services, Core Program Team	5/2015		Planned	
User acceptance testing for Phase I (Risk 6)	Core Program Team	6/2015		Planned	
Business Procedures and Training Project (TEAM) (Risk 6)	BPT Project Team	9/2015		Planned	
Training (Risk 6)	Benefit Services	9/2015		Planned	
Replicate current reports for performance and turnaround time (Risk 7)	Information Technology, Benefit Services	9/2015		Planned	
During detailed level requirements specify employee performance and business processing monitoring reports needed out of the workflows (Risk 7)	Benefit Services, Core Program Team, Core Management Team	2/2015		Ongoing	

PENSION BENEFIT ADMINISTRATION RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
Create ad-hoc reports (Risk 7)	Information Technology, Benefit Services	9/2015		Planned	

Monitoring Activities		
Key Mitigation	Monitored By	Monitoring Process
Quarterly Testing (Risk 1)	Benefit Processing, Internal Audit	Ongoing quarterly testing of benefit payments and resolve any exceptions.
Verification Process (Risk 1)	Benefit Services	Ongoing secondary review.
TRS Policy Decision Repository (Risk 2)	Executive Management	Administrative decisions made to clarify application of laws and rules.
Cross-training/Training (Risk 2, 4, 5)	Benefit Services Management	Training with new staff and refresher and cross-training with existing staff; within and across departments.
Prioritize Workload (Risk 4, 5)	Benefit Processing Management	Weekly management team meetings to review workload and age of documents in order to prioritize.

PENSION FUNDING RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Brian Guthrie		November 2014

GOAL	OVERALL RISK
Sustain a financially sound pension trust fund.	A lack of sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.

OBJECTIVES

- To manage an actuarially sound retirement system that maintains an amortization period of less than 31 years.
- Create a process to develop and implement an investment policy capable of achieving the trust’s actuarial assumed rate of return as measured on rolling 20-year periods.
- Develop and maintain a sound, professional and systematic risk management and capital allocation system.
- Create and maintain a highly capable and diversified external network of global investment, trading and consulting relationships.

SUMMARY

Mitigations are appropriate to address the level of risk for this risk category and the risk owner accepts all risks. No additional mitigation strategies are planned at this time. Key mitigations include:

- Reviewing liabilities annually and mid-year during legislative sessions to assess financial status of the fund;
- Conducting periodic experience studies;
- Reporting and monitoring investment performance on a quarterly basis;
- Performing asset allocation studies and asset liability modeling (ALM) studies at least every 5 years and positioning TRS’ portfolio accordingly; and
- Educate Texas Legislature on importance of increased contribution rates and impact of any additional Cost-of-Living Adjustments (COLAs).

RISK DETAILS

Risk Description	Mitigations
1. actual benefit payouts over the long-term exceed actuarial assumptions	<ul style="list-style-type: none"> review liabilities annually to assess financial status of the fund conduct periodic experience studies to ensure that <ul style="list-style-type: none"> ensure quality of actuary (Request for Offer process, board selection) ensure all new benefit changes are properly costed

PENSION FUNDING RISK REPORT

Risk Description	Mitigations	
	<ul style="list-style-type: none"> assumptions are still reasonable ▪ obtain actuarial audit every 5 years 	<ul style="list-style-type: none"> ▪ verify that actual benefit payments are accurate ▪ internal audit of COLA payments
2. long-term investment returns below 8.0%	<ul style="list-style-type: none"> ▪ report and monitor investment performance on a quarterly basis ▪ perform asset allocation studies and ALM studies at least every 5 years and position portfolio accordingly ▪ actively manage fund assets both internally and externally to add value over passive benchmarks 	<ul style="list-style-type: none"> ▪ maintain a dedicated risk management and monitoring team within Investment Management Division ▪ independent general investment consultant monitors and verifies returns ▪ perform tactical allocation adjustments periodically for short term changes to the market
3. inadequate contribution rate over the long-term	<ul style="list-style-type: none"> ▪ verify the “Actuarially Required Contribution” (ARC) rate annually ▪ state rates and member rates are set to increase through 2017 ▪ school districts that don’t participate in OASDI¹ will contribute to the pension fund starting in FY15 ▪ communicate regularly with stakeholders regarding the contribution rates 	<ul style="list-style-type: none"> ▪ reductions in state rate automatically trigger reductions in member and district rates which guards against reductions ▪ educate Texas Legislature on importance of increased contribution rates and impact of any additional COLAs
4. significant changes in plan structure that increase unfunded liability (e.g., moving to a 401(K) type plan for new hires or benefit increases that negatively impact the plan)	<ul style="list-style-type: none"> ▪ educate and communicate with stakeholders regarding impact of potential changes ▪ participate in national dialogue on the value and risks of defined benefit plans and share TRS’ research and experience ▪ conducted benefit design study 	<ul style="list-style-type: none"> ▪ educate and communicate with stakeholders on actual impact of Governmental Accounting Standards Board (GASB) 67 and 68 ▪ educate Texas Legislature on importance of increased contribution rates and impact of any additional COLAs

Action Item	Owner	Target Date	Revised	Status	Comments
Actuarial Audit (Risk 1)	Executive Director	9/2014		Complete	Audit was reported to the Board September 2014.
Asset Allocation Study (Risk 2)	IMD	9/2014		Complete	Conducted in fiscal year 2014; reported and approved by the Board in September 2014 with minor adjustments to the current allocation.

¹ Old-Age, Survivors, and Disability Insurance (OASDI)

PENSION FUNDING RISK REPORT

Monitoring Activities		
Key Mitigation	Monitored By	Comments
Review liabilities annually and mid-year during legislative sessions to assess financial status of the fund (Actuarial Valuation) (Risk 1, 2, 3)	Executive Director	Fiscal year 2014 Actuarial Valuation as of August 31, 2014; valuation will be reported to the Board in November 2014.
Conduct periodic experience studies (Risk 1, 2, 3)	Executive Director	Reporting will be done in fiscal year 2016 for five-year period ending August 31, 2015.
Report and monitor investment performance on a quarterly basis (Risk 2)	Chief Investment Officer	Reported to the Board on a quarterly basis including reports on individual investment units to the Investment Management Committee.
Perform asset allocation studies and ALM studies at least every 5 years and position portfolio accordingly (Risk 2)	Chief Investment Officer	Conducted in fiscal year 2014; reported and approved by the Board in September 2014 with minor adjustments to the current allocation.
Educate Texas Legislature on importance of increased contribution rates and impact of any additional COLAs (Risk 3, 4)	Executive Director	

PURCHASING & CONTRACTS RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Don Green	● ↔	November 2014

GOAL	OVERALL RISK	OBJECTIVES
Maintain effective procurement and contract management systems.	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Mitigate Procurement risk associated with processing purchases and contracts. Mitigate Contract Management risk through effective monitoring processes.

SUMMARY

Risks for this category include inadequate resources and loss of institutional knowledge, failure to receive timely information, unauthorized access to or release of confidential information, internal fraud, collusion, and competing priorities. Key mitigations include cross-training, team meetings, monitoring staff levels, documented processes and procedures, effective communication, review of procurements and contracts, cross-functional participation, and planning. An ongoing action item includes ensuring that sufficient resources exist throughout the TEAM Program initiative. Maintaining existing mitigations and separation of duties will be important during the transition to a new financial solution and over the course of the TEAM Program initiative.

RISK DETAILS

Risk Description	Mitigations
1. inadequate resources and loss of institutional knowledge	<ul style="list-style-type: none"> succession planning cross-training and rotation of duties provide positive and pleasant work environment prioritize filling vacant positions adequate funding for full-time equivalent (FTE) employees <ul style="list-style-type: none"> monitor staffing levels generate opportunities for cross-training, team building and professional development to minimize turnover staff development one-on-one and team meetings
2. failure to receive information in a timely manner	<ul style="list-style-type: none"> effective communication planning monitor statute/rule changes and reporting requirements <ul style="list-style-type: none"> documented processes and procedures update TRS procurement policy and procedures inform staff of new requirements and convey existing procedures as opportunities arise

PURCHASING & CONTRACTS RISK REPORT

Risk Description	Mitigations	
3. unauthorized access to or release of confidential information	<ul style="list-style-type: none"> ▪ documented processes and procedures ▪ management oversight ▪ ensure appropriate forms are included in contractual agreements ▪ fraud training ▪ review procurements 	<ul style="list-style-type: none"> ▪ screen prospective employees ▪ obtain legal review on matters involving confidentiality ▪ maintain contract for fraud hotline ▪ contract review
4. internal fraud (e.g., staff creates false invoice, purchase request, or vendor)	<ul style="list-style-type: none"> ▪ documented processes and procedures ▪ management oversight ▪ review procurements ▪ annual ethics compliance statement ▪ segregation of duties 	<ul style="list-style-type: none"> ▪ screen prospective employees ▪ contract review ▪ fraud training ▪ maintain proper controls ▪ audits
5. collusion with vendor/contractor on major contracts (e.g., healthcare contracts)	<ul style="list-style-type: none"> ▪ cross-functional participation on major contracts ▪ management oversight ▪ contract review ▪ annual ethics compliance statement 	<ul style="list-style-type: none"> ▪ segregation of duties ▪ documented processes and procedures ▪ fraud training ▪ audits
6. competing priorities/heavy workload	<ul style="list-style-type: none"> ▪ plan and prioritize work ▪ management oversight ▪ contract administration tracking system (CATS) 	<ul style="list-style-type: none"> ▪ cross-training and rotation of duties ▪ effective communication
7. business units fail to comply with purchasing requirements including pursuing justification rather than competitive process	<ul style="list-style-type: none"> ▪ multiple departments involved in purchasing processes ▪ state procurement manual ▪ contract management guide ▪ effective communication 	<ul style="list-style-type: none"> ▪ TRS voluntarily complies with state processes and rules ▪ contract administration manual ▪ audits
8. failure to maintain complete contract documentation	<ul style="list-style-type: none"> ▪ effective communication ▪ checklists ▪ contract administration coordinator reviews 	<ul style="list-style-type: none"> ▪ quality assurance function for contracts ▪ audits

Action Item	Owner	Target Date	Revised	Status	Comments
Follow-up on contract administration audit recommendations (Risk 2, 7, 8)	Purchasing & Contracts	9/2015		Planned	Review and update contract administration manual.

PURCHASING & CONTRACTS RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
Ensure sufficient resources exist throughout the TEAM Program development (Risk 6)	Purchasing & Contracts	Ongoing		In Progress	Two staff members are heavily involved in the TEAM Program, so resource limitations still exist.

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Cross-Training (Risk 1)	Purchasing & Contracts Manager	Systematically ensure that multiple team members have the knowledge to perform each team task.	Ad-hoc as needed; standard processes, clauses are in place to create efficiencies.
One-on-one and team Meetings (Risk 1)	Purchasing & Contracts Manager	Actively solicit feedback from team members regarding workload levels and any possible issues affecting the Purchasing Team.	Ad-hoc as needed to discuss and comment on efficiencies.
Monitor staffing levels (Risk 1)	Department Manager	Review overtime reports and workload metrics to determine appropriate staffing levels.	Reports are submitted to support and justify requests for additional positions.
Documented processes and procedures (Risk 2)	Purchasing Staff, Contract Administration Coordinator, Purchasing & Contracts Manager	Maintain documented processes and procedures. Note any changes to current Purchasing Team processes and/or procedures and ensure that these are captured in the team procedures and/or Contract Administration Manual.	Ad-hoc as needed; contract administration manual is typically updated annually.
Effective communication (Risk 2, 6)	Purchasing & Contracts Manager, Contract Administration Coordinator	Ensure that e-mail, Intranet, and/or phone are used to share necessary information in a timely manner to meet the need(s) at hand. Meet one-on-one or as a team to verify priorities and gauge workloads.	Daily communication via multiple methods. Discuss workload, priorities, and other procurement issues.
Review of procurements (Risk 3, 4)	Purchasing & Contracts Manager, Contract Administration Coordinator	Ensure all procurements are in accordance with established processes and procedures.	Standardized forms, checklists, and spreadsheets for contracts allows reviewer to easily identify missing or required information; pre-contract and post-contract reviews are conducted.

PURCHASING & CONTRACTS RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Contract review (Risk 3, 4, 5)	Purchasing & Contracts Manager, Contract Administration Coordinator	Perform periodic review of contracts to ensure that contract requirements, appropriate documentation, deliverables, and payments are in accordance with the terms of the contract and contained in the contract file.	Contracts greater than \$10,000 require completion of a risk assessment questionnaire, which is numerically scored to determine level of monitoring throughout the contract period.
Cross-functional participation (Risk 5)	Divisional Management, Legal Services, Internal Audit, Purchasing & Contracts Manager	Active involvement throughout the contracting process by Divisional Management, Legal Services, Internal Audit, and Procurement.	Cross-functional participation from various departments has been very effective.
Contract Administration Tracking System (CATS) (Risk 6)	Purchasing & Contracts Manager, Contract Administration Coordinator, Purchasing Staff	Use contract expiration reports to plan for the renewal or re-solicitation of expiring contracts and allows the Contract Administration Coordinator to monitor and review higher risk contracts.	Reports processed from CATS provide 3-4 months advance notice of renewal dates expiring and allows the Contract Administration Coordinator to schedule contract reviews.
Planning (Risk 6)	Purchasing & Contracts Manager, Purchasing Staff	Maintain regular contact with contract sponsors to obtain knowledge and status of upcoming contracts.	Routine communication ensures planning can begin on future contracts.

RETIREE HEALTH CARE FUNDING RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Betsey Jones	● ↔	November 2014

GOAL	OVERALL RISK	OBJECTIVE
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.	Manage the revenues, expenses, and benefits of TRS-Care in a way that contributes to its long-term sustainability.

SUMMARY

Mitigations are appropriate to address the level of risk for this risk category and the risk owner accepts all risks. An action item to update the *TRS-Care Sustainability Study* is in progress. This will provide further education on alternatives and options. Key mitigations include the TRS board has the authority to change benefits and/or premiums at any time, continuous monitoring and analysis of actual experience and trends to ensure adequate funding for a minimum two-year cycle, and contract/vendor monitoring.

RISK DETAILS

Risk Description	Mitigations
1. change in legislative policy and funding direction	<ul style="list-style-type: none"> ▪ proposed legislation reviewed by TRS analyst ▪ alternatives identified in <i>TRS-Care Sustainability Study</i> update ▪ fiscal notes prepared ▪ active communication with legislators and stakeholders
2. changes in Medicare	<ul style="list-style-type: none"> ▪ monitor any changes and/or reductions ▪ change benefits ▪ adjust premiums ▪ seek emergency funding
3. funding shortage due to incorrect assumptions for cost trends, population, payroll growth, etc., underestimate liabilities when setting premium rates	<ul style="list-style-type: none"> ▪ continuous monitoring and analysis of actual experience and trends to ensure adequate funding for a minimum two-year cycle ▪ adjust premiums ▪ continuous monitoring of Medicare Advantage and Part D participation ▪ maintaining contingency reserves ▪ change benefits
4. catastrophic claims due to natural disasters or pandemic	<ul style="list-style-type: none"> ▪ request emergency appropriation from legislature ▪ seek greater short-term provider discounts
5. legislative coverage mandates increase costs (including the Affordable Care Act (ACA))	<ul style="list-style-type: none"> ▪ monitor proposed legislation ▪ change benefits ▪ adjust premiums ▪ seek emergency funding

RETIREE HEALTH CARE FUNDING RISK REPORT

Risk Description	Mitigations	
6. violation of contract terms by vendors, vendor/provider fraud, limited vendor competition	<ul style="list-style-type: none"> ▪ use reputable vendors ▪ robust procurement process ▪ external independent claims audits ▪ obtain/review SSAE¹ 16 reports ▪ continuous vendor monitoring and monthly reporting ▪ performance guarantees and financial penalties, suspension, termination ▪ healthcare consultants vendor disaster recovery plan 	<ul style="list-style-type: none"> ▪ continuous claims monitoring to identify anomalies ▪ large \$ claims audited by internal staff ▪ third party verification (independent healthcare consultants & auditors) ▪ customer satisfaction surveys ▪ signed code of conduct statements ▪ alert management ▪ quarterly vendor meetings ▪ confidentiality agreements
7. internal fraud	<ul style="list-style-type: none"> ▪ management/supervisor oversight ▪ management/supervisor review ▪ restricted or limited file/system access ▪ secured storage ▪ attend fraud and/or ethics training ▪ documented policies and procedures ▪ audit trails ▪ separation of duties 	<ul style="list-style-type: none"> ▪ monthly review & audit of databases ▪ back-up data ▪ alert management ▪ criminal background checks ▪ make staff aware of issues/consequences ▪ secondary review/verification ▪ internal system controls ▪ fraud hotlines (State Auditor's Office, internal)

Action Item	Owner	Target Date	Revised	Status	Comments
Update <i>TRS-Care Sustainability Study</i> (Risk 1)	Chief Health Care Officer	8/2014	11/2014	In Progress	Study to be completed by November 2014.

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
TRS board has the authority to change benefits and/or premiums at any time (Risk 2, 3, 5)	TRS staff and Gabriel, Roeder, Smith (GRS)	TRS staff makes recommendation to board on at least an annual basis.	Some changes may require 60-day participant notification before implementation due to the ACA.

¹ Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization, American Institute of Certified Public Accountants (AICPA)

RETIREE HEALTH CARE FUNDING RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Continuous monitoring and analysis of actual experience and trends to ensure adequate funding for a minimum two-year cycle (Risk 3)	GRS, TRS staff, Vendors	<ol style="list-style-type: none"> 1. Claims data is submitted monthly to GRS and projections are updated based on actual experience. 2. Quarterly vendor meetings to review plan experience. 3. Quarterly fluctuation analysis to detect any abnormal activity/cost trend. 	GRS models plan finances with projections several years in advance and provides ad hoc models for any considered benefit changes.
Contract/vendor monitoring (Risk 6)	TRS staff and GRS	Independent external audits, quarterly/annual vendor reviews, and other periodic ad hoc reports.	TRS staff is in daily contact with the vendors regarding a multiplicity of topics so emergent issues are resolved quickly.

TEAM PROGRAM RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Ken Welch		November 2014

GOAL	OVERALL RISK	OBJECTIVE
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 implementation schedule and cost exceeds original estimates.	Implement modern pension and benefit information systems that allow TRS staff to serve our members and deliver accurate benefits effectively and timely by August 2017.

SUMMARY

Risks identified for the TEAM Program involve people, processes, project management, and change. Management is actively pursuing mitigations for these risks. A summary of activities since the last board reporting in June 2014 include the following:

- Second round of TEAM huddles were completed in October 2014. These meetings allow employees to ask the executive director and deputy director questions about the TEAM Program and other agency-related issues.
- TEAM Connect published a link to the detailed level requirement sessions for TRS staff to be informed of all sessions taking place.
- Organizational Change Management (OCM) Project Team developed an informational document outlining the changes for *MyTRS* that were effective September 2014. Communications department included an article in the summer newsletter to inform TRS members about TEAM and changes they can expect to see.
- There was a decision to not move forward with the vendor contracted for the envision phase of the financial system replacement. A new Request for Offer (RFO) will be issued in the fall of 2014 for a new vendor.
- The project charters for the Business Procedures and Training Project and the Decommissioning of the Legacy Systems Project were completed and approved.
- Held “Speed of Trust” workshop in September 2014 for the Core Management Team (CMT), business managers and Information Technology managers to facilitate communication methods.

TEAM PROGRAM RISK REPORT

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 ▪ extend schedule ▪ willingness to negotiate ▪ Independent Program Assessment (IPA) vendor oversight ▪ intern program ▪ Project Management Office (PMO) 	<ul style="list-style-type: none"> ▪ reallocate workload ▪ approval to backfill positions ▪ weekly TEAM dashboard ▪ clear direction ▪ be aware of legislation and planning ▪ board/management support ▪ OCM Project ▪ prioritization for service requests that require IT resources
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 ▪ Executive Steering Committee (ESC) and CMT charters ▪ assign accountability for action items related to timely decisions ▪ standing agenda item on weekly ESC meetings to discuss TEAM project issues and decision due dates/milestones ▪ weekly TEAM dashboard ▪ change management process ▪ escalate issues if needed 	<ul style="list-style-type: none"> ▪ program management services from Provaliant ▪ clear direction ▪ decision-making to the appropriate management level ▪ direct communication with CMT and ESC ▪ approval to backfill positions ▪ extend schedule ▪ willingness to negotiate ▪ IPA vendor oversight ▪ Responsible, Accountable, Consulted, Informed (RACI) Chart
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 ▪ IPA vendor oversight 	<ul style="list-style-type: none"> ▪ contractors ▪ program/project milestones ▪ program management services from Provaliant ▪ weekly TEAM dashboard ▪ resource loaded project schedule ▪ clear direction
4. internal TEAM governance structure operating inefficiently	<ul style="list-style-type: none"> ▪ weekly CMT and ESC meetings ▪ committee assignments 	<ul style="list-style-type: none"> ▪ program/project management action/decision logs ▪ risk assessments at program and project level

TEAM PROGRAM RISK REPORT

Risk Description	Mitigations	
	<ul style="list-style-type: none"> ▪ OCM Project ▪ continue to review “lessons learned” from other pension systems ▪ IPA vendor oversight ▪ CMT regularly attends Executive Briefing meetings ▪ effective communication 	<ul style="list-style-type: none"> ▪ program management services from Provaliant ▪ weekly TEAM dashboard ▪ clear direction ▪ RACI chart ▪ status reports
5. inaccurate planning estimates (i.e., cost and schedule)	<ul style="list-style-type: none"> ▪ obtain estimates ▪ periodic reassessments and communication ▪ process improvement plan for the Pension Line-of-Business (LOB) ▪ research vendors and other pension funds 	<ul style="list-style-type: none"> ▪ vendor demonstrations ▪ additional personnel ▪ weekly status meetings
6. failure to manage change (e.g., 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 ▪ program management services from Provaliant ▪ weekly TEAM dashboard ▪ clear direction ▪ all projects follow the same organizational structure 	<ul style="list-style-type: none"> ▪ monthly internal budget meetings ▪ quarterly Legislative Budget Board reporting ▪ status reports ▪ reduce scope ▪ 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 ▪ TEAM huddles
8. excessive and time consuming Open Records requests	<ul style="list-style-type: none"> ▪ involve Attorney General’s office if it becomes too burdensome 	<ul style="list-style-type: none"> ▪ focused legal services resources
9. lack of agency staff with appropriate skill sets	<ul style="list-style-type: none"> ▪ OCM Project (e.g., train the trainer) ▪ use contractors ▪ new full-time equivalent (FTE) employees ▪ on-the-job training ▪ embedding staff with vendors 	<ul style="list-style-type: none"> ▪ train existing staff ▪ ability to obtain vendors/ contractors/employees with expertise ▪ resource loaded project schedule ▪ staffing plan

TEAM PROGRAM RISK REPORT

Risk Description	Mitigations	
10. 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
11. ineffective communication	<ul style="list-style-type: none"> ▪ effective execution of the Communications Plan ▪ TEAM repository ▪ recorded webinars ▪ training ▪ project interdependency meetings ▪ TEAM huddles 	<ul style="list-style-type: none"> ▪ program manager involvement ▪ open meetings ▪ solicit employee feedback ▪ OCM Project ▪ Reporting Entity Outreach (REO) Project ▪ program manager liaison between TRS and vendors
12. legislative changes	<ul style="list-style-type: none"> ▪ be aware of legislation and planning ▪ board/management support ▪ governmental relations 	<ul style="list-style-type: none"> ▪ communication of upcoming changes ▪ change control process
13. TEAM Project meetings have too many additional TRS staff attending (inefficient meetings and use of resource time)	<ul style="list-style-type: none"> ▪ developed RACI chart to show roles and responsibilities ▪ identify subject matter experts (SMEs) needed throughout the projects 	<ul style="list-style-type: none"> ▪ clear/concise agendas with purpose and expected outcome ▪ define Core Project Team as more projects begin
14. lack of patience to adhere to contracted schedule and methodology (TRS schedules and vendor schedules conflict to discuss project-related topics)	<ul style="list-style-type: none"> ▪ work with vendor to bring forward items on the schedule as long as there is no risk of negatively affecting the schedule 	
15. unknown interdependencies in schedule/project	<ul style="list-style-type: none"> ▪ regular project interdependency meetings ▪ interdependency schedule 	<ul style="list-style-type: none"> ▪ consolidated action/decision logs
16. lack of vendor staff with appropriate skill sets	<ul style="list-style-type: none"> ▪ on the job training ▪ ability to obtain people with expertise ▪ realign schedule to optimize staff with the skill set 	<ul style="list-style-type: none"> ▪ vendor is hiring additional resources to provide adequate backup for business analysts ▪ process improvement plan for LOB
17. lack of resource availability due to audits occurring at the same time as user acceptance testing and phase one conversion for LOB (e.g., CAFR, internal audits)	<ul style="list-style-type: none"> ▪ request that auditor coordinates audit schedule with auditee ▪ cross-train backups for subject matter experts 	<ul style="list-style-type: none"> ▪ auditor provides detailed list of documents needed and areas they will focus on

TEAM PROGRAM RISK REPORT

Action Item	Owner	Target Date	Revised	Status	Comments
Hire TEAM FTEs as outlined in the staffing plan approved by the TRS Board of Trustees (Risk 3)	TEAM Project Sponsors & Managers	Ongoing		In Progress	TRS has filled positions that were allocated during fiscal year 2013 and 2014 budget; currently in the process of filling the positions allocated for fiscal year 2015. CMT reviewed the original staffing plan and requested additional resources that were approved by the board of trustees. CMT will continue to assess resources throughout the TEAM Program. This will be an ongoing action item based on the staffing plan priorities.
Finalize a Process Improvement Phase for the Pension Line-of-Business (LOB) with HP to improve efficiencies in the detailed level requirement sessions for the project (Risk 5, 16)	LOB Project Sponsor & Manager	11/2014		In Progress	Vendor's objective for the Process Improvement Phase is to drive higher quality into the requirements gathering process to ensure the final deliverable meets or exceeds TRS expectations. TRS will be looking at areas that TRS can improve on to expedite the requirements gathering and decision-making processes.
TRS is working on process improvement action items internally that will provide efficiencies in the remaining detailed level requirements sessions as well as items that will help in all areas of TEAM (e.g., faster decision-making)	LOB Project Sponsor	11/2014		In Progress	The TRS process improvement action items were identified through TRS self-assessments and conversations with the TEAM vendors. TRS has already put a process in place to monitor these process improvement action items that TRS is responsible for.
Hire additional OCM Project FTEs (Risk 7, 11)	OCM Project Sponsor & Manager	8/2014	10/2014	In Progress	A request for one additional FTE—in lieu of a vendor—was reposted and interviews are being scheduled. The new target date is October 2014.

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Project management (Risk 1, 2, 3, 4, 6)	Program & Project Manager	Minimum weekly program/project meetings to review all risk and mitigation plan updates with the program/project manager and sponsor. The PMO	A project sponsor and project manager is assigned to each project; this has been effective to manage the

TEAM PROGRAM RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
		meets 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 tracked better.	various concurrent projects.
Weekly reviews (Risk 1, 2, 3, 4, 5, 6)	Project Sponsor	Project manager works with project sponsor regarding the reviewing, monitoring, and updating of the risks on the status reports. Project sponsor reports risks and issues to the CMT and ESC.	Reassessing the list of risks on the status report 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.
OCM Project (Risk 1, 4, 7, 9, 11, 13)	Project Sponsor, Program & Project Manager	Human Resources (HR) will solicit feedback and suggestions throughout the life of the TEAM Program through meetings, online surveys, advisory groups, focus sessions, and one-on-one interviews. The project sponsor provides regular 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 the TEAM Program managers and are added to the weekly risk log/status summary. The IPA vendor also provides feedback regarding OCM efforts.	Two employee advisory groups meet monthly to provide employee input. Once the new HR FTEs are on board, focus sessions will be conducted to gather input from all Red River employees. A plan for training employees and managers on OCM skills is being developed. Communication from the executive director and deputy director occurs through a combination of all-hands meetings to update employees about the TEAM Program and department TEAM Huddles to answer department-specific questions and concerns about TEAM. An internal website devoted to employee-friendly communications about the TEAM Program has launched and is regularly updated. HR will continue to interview managers and randomly selected employees of departments most impacted by the TEAM Program and adjust OCM plans as needed based on the input received.
Action and decision logs (Risk 2, 4)	ESC, CMT, Program & Project Manager	Documented action and decisions are received and reviewed weekly by the ESC, CMT, and program and project manager.	Logs provide documented support and quick reference for actions and decisions made that impact a project or the program. Separate logs are in place for the ESC, CMT, and individual projects. Project-level logs are part

TEAM PROGRAM RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
			of the weekly status report.
Risk assessments (Risk 4)	Risk Management, Project Sponsor, Program & Project Manager	Risk assessments are conducted and tracked on the risk log. Results are shared with the ESC, CMT, project sponsor, and program and project manager.	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 as well as reassessing impact and likelihood.
Meeting minutes (Risk 4, 5)	ESC, CMT, Program & Project Manager	Meeting agenda, 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.

WORKFORCE CONTINUITY RISK REPORT

RISK OWNER	RISK LEVEL/TREND	REPORTING DATE
Janet Bray		November 2014

GOAL	OVERALL RISK	OBJECTIVES
Preserve valued institutional knowledge, and ensure a skilled, capable, and motivated workforce is maintained to execute TRS' functions.	The delivery of member services and pension fund management could be negatively impacted by turnover, the inability to retain qualified staff, lack of a sufficient knowledge transfer program, and an inconsistent performance management process.	<ul style="list-style-type: none"> Collect and monitor workforce data, including employee feedback and surveys. Update and implement the TRS Leadership Development Program (LDP). Develop a template and process for divisional talent continuity plans. Implement an agency-wide performance appraisal system.

SUMMARY

Risks to workforce continuity include staff turnover, including retirements, lack of effective transfer of key institutional knowledge and skills, and lack of a defined agency-wide performance appraisal system. Key mitigations include:

- Monitoring turnover trends, employee engagement surveys and employee feedback to develop targeted action plans.
- Assessing departmental talent continuity needs, career paths and ongoing learning and development needs to develop succession and knowledge transfer programs.
- Developing an integrated talent management system that standardizes performance management, staffing, recruiting, compensation, professional development and workforce planning.
- Implementing a new Human Resource Information System (HRIS), as part of the Financial System Replacement project, to help track and maintain workforce and employee data.

RISK DETAILS

Risk Description	Mitigations
1. staff turnover including retirements	<ul style="list-style-type: none"> TRS LDP positive and rewarding work environment collect and monitor employee feedback regarding <ul style="list-style-type: none"> exploring options for a knowledge transfer program monitor and assess turnover and retirement trends executive management support and oversight

WORKFORCE CONTINUITY RISK REPORT

Risk Description	Mitigations	
	<ul style="list-style-type: none"> ▪ areas of concern through surveys and discussion ▪ cross-training ▪ biennial Workforce Plan 	<ul style="list-style-type: none"> ▪ exploring succession planning options ▪ career paths
2. lack of effective transfer of key institutional knowledge and skills	<ul style="list-style-type: none"> ▪ exploring options for a knowledge transfer program ▪ Knowledge Transfer pilot testing ▪ exploring succession planning 	<ul style="list-style-type: none"> ▪ conduct learning and development needs assessment ▪ TRS LDP
3. lack of defined agency-wide performance appraisal system	<ul style="list-style-type: none"> ▪ training and coaching ▪ working toward consistency in performance appraisals across the agency ▪ review current performance appraisal processes 	<ul style="list-style-type: none"> ▪ HRIS system (in progress) ▪ track and monitor performance appraisal data ▪ conduct learning and development needs assessment

Action Item	Owner	Target Date	Revised	Status	Comments
Develop a template and process for creating divisional talent continuity plans (Risks 1, 2)	Human Resources	Ongoing		Planned	The planning process to develop talent continuity plans in conjunction with implementing the strategic and workforce plan.
Coordinate with divisions to complete talent continuity plans (Risk 1, 2)	Human Resources	Ongoing		Planned	The planning process to obtain workforce continuity plans will be linked to the strategic and workforce plan.
Recruit a performance management specialist (Risk 3)	Human Resources	12/2013		Complete	Position was filled.
Develop and coordinate a succession planning and knowledge transfer program (Risk 1, 2)	Human Resources	8/2016		In Progress	An HR team was created to focus on developing and coordinating a succession planning and knowledge transfer program.
Develop standardized processes and procedures for performance appraisals (Risk 3)	Human Resources	12/2014	8/2016	In Progress	Currently piloting three divisions for the performance management system using existing resources. A standardized process will better enhance the agency's ability to track workforce and succession planning.

WORKFORCE CONTINUITY RISK REPORT

Monitoring Activities			
Key Mitigation	Monitored By	Monitoring Process	Comments
Monitor organization turnover and assess trends (Risk 1)	Human Resources	Monitor using USPS data and provide individual business unit data to management.	Annual; end of fiscal year, a key measure used to compare TRS to other state entities.
Workforce Plan (Risk 1)	Management	Follow biennial Workforce Plan, review annual turnover data and trends, and update plan as necessary.	Next update is scheduled for spring of 2016.
Employee engagement surveys (Risk 1)	Human Resources	Analyze survey data for trends within TRS control. Evaluate results and recommend actions for management's consideration.	Results were positively high as they were in previous years, so no actions recommended.
Evaluate career paths (Risk 1)	Human Resources	Ongoing review of classification and career paths.	Developing structure and process for evaluating classifications and career paths.
Ongoing learning and development needs assessments conducted by departments (Risk 2, 3)	Human Resources and Management	Conduct ongoing assessment of learning and development needs and knowledge gaps. Acquire, develop, and deliver instruction and/or provide resources to address identified gaps.	Management determines if specific instruction and/or resources are needed prior to the learning and development needs assessment conducted by HR.