

July 2025

ASSURANCE

Audit, Compliance & Ethics Committee Meeting



**TEACHER RETIREMENT SYSTEM OF TEXAS
BOARD OF TRUSTEES
AND
AUDIT, COMPLIANCE AND ETHICS COMMITTEE**

*All or part of the July 18, 2025, meeting of the TRS Audit, Compliance and Ethics Committee and Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have a quorum and the presiding officer of the meeting physically present at the following location, which will be open to the public during the open portions of the meeting: **4655 Mueller Blvd, 2nd Floor, Boardroom.***

The open portions of the July 18, 2025, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the meeting is provided at www.trs.texas.gov. A recording of the meeting will be available at www.trs.texas.gov.

**AGENDA
July 18, 2025 – 9:30 a.m.**

1. Call roll of Committee members.
2. Approve minutes of April 2025 Audit, Compliance and Ethics Committee meeting
– Chair
3. Receive report on the TRS Internal Audit Quality Assurance and Improvement Program (QAIP) External Assessment – Amanda Jenami; Cheryl Cervantes Dietz, California State Teacher Retirement System (CalSTRS); Tony Chavez, Employees Retirement System of Texas (ERS); and Cathleen Davis, Arizona Public Safety Personnel Retirement System (PSPRS)
4. Receive TRS Compliance reports including those related to ethics and fraud, conflicts of interest, and investment policies – Heather Traeger, Chris Bowlin, and Michelle Pagán.
5. Receive Internal Audit reports:
 - A. Review of Middle Office Operations – Syed Israr and Kelly Newhall
 - B. Review of Enterprise Risk Management Program – Kathey Mitchell and Michelle Pagán
 - C. Status of Prior Audit Recommendations – Jonathan O'Reilly
 - D. Review of Cyber Controls – Kristi Glasgall and Chris Cutler; Troy Dearing, Kudelski Security
6. Discuss or consider Internal Audit and TRS Compliance administrative reports and matters related to governance, risk management, internal control, compliance violations, fraud, regulatory reviews or investigations, fraud risk areas, audits for the annual internal audit plan, or auditors' ability to perform duties – Chair, Amanda Jenami and Heather Traeger.

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

Minutes of the Audit, Compliance and Ethics Committee April 11, 2025

The Audit, Compliance and Ethics Committee of the Board of Trustees of the Teacher Retirement System of Texas met on April 11, 2025, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

Committee members present:

Ms. Brittny Allred, Chair
Mr. Michael Ball
Ms. Laronda Graf
Mr. John R. Rutherford
Mr. Elvis Williams

Other TRS Board Members present:

Mr. John Elliott
Mr. James Dick Nance
Mr. Robert H. Walls, Jr.

Others who participated:

Brian Guthrie, TRS
Caasi Lamb, TRS
Don Green, TRS
Heather Traeger, TRS
Amanda Jenami, TRS
Chris Cutler, TRS
Frank Williams, TRS
Chris Bowlin, TRS
Michelle Pagán, TRS
Katie Linczer, TRS
Carolyn Hansard, TRS
Cui Rye, TRS
Kathy Bridgeman, TRS
Jonathan O'Reilly, TRS
Stephen Randall, TRS
Kristi Glasgall, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein

Audit, Compliance and Ethics Committee Chair, Ms. Allred, called the meeting to order at 9:15 a.m.

1. Call roll of Committee members.

Ms. Farrell called the roll. A quorum was present.

2. Consider the approval of the proposed minutes of the December 2024 Audit, Compliance and Ethics Committee meeting – Ms. Brittney Allred.

On a motion by Mr. Williams, seconded by Mr. Rutherford, the committee unanimously voted to approve the proposed minutes for the December 2024 Audit, Compliance and Ethics Committee meeting as presented.

Ms. Allred without objection called up agenda item 4.

4. Consider recommending to the Board of Trustees proposed revisions to the Fiscal Year 2025 Audit Plan – Amanda Jenami.

Ms. Jenami stated all changes to the Audit Plan must be brought before the Board for approval. She said there were three proposed changes to the fiscal year 2025 audit plan. She said the first was to cancel the ActiveCare Dependent Eligibility Testing Project noting it was a lower risk area. She said in its place the other change is to add the PAVES audit. The other recommended change was the addition of an advisory project on the non-production environments within TRUST. The project came out of the refunds audit that was performed last year..

On a motion by Ms. Graf, seconded by Mr. Rutherford, the committee voted to recommend to the Board proposed revisions to the fiscal year 2025 audit plan, as presented by staff.

5. Receive Internal Audit reports:

A. Review Energy Natural Resources and Infrastructure Portfolio Operations – Katie Linczer and Carolyn Hansard.

Ms. Katie Linczer provided a background on the Energy Natural Resources and Infrastructure Portfolio (ENRI)'s role within the Trust. She said the ENRI comprised of about \$14.5 billion at the end of August 2024, 7 percent of the Trust. She reported ENRI portfolio operations included sufficient processes to provide reasonable assurance that ENRI objectives are accomplished effectively, efficiently and in compliance with TRS' policy and relevant procedures. She noted that only incremental enhancements were recommended by the audit team.

Ms. Carolyn Hansard provided the management response noting that she appreciated audit ensuring they were doing what they are supposed to be doing and having a fresh set of eyes looking at their processes.

B. Review of contract Oversight – Information Security Office – Cui Rye and Kathy Bridgeman.

Ms. Jenami provided the background that this was the first audit where the Contract Management Office (CMO) assisted a business unit, Information Security Office (ISO), with administrative aspects of contract oversight. Ms. Cui Rye provided an overview of the audit. She said the team made recommendations including that the contract oversight process could benefit from a

standardized checklist for contract close-out and a RACI chart to clarify roles and responsibilities between the two teams.

Ms. Kathy Bridgeman provided management's response. She agreed with the recommendation and noted that one had already been implemented.

C. Status of Prior Audit Recommendations – Jonathan O'Reilly.

Mr. Jonathan O'Reilly reported there are 21 outstanding recommendations, down from 26 last quarter.

Ms. Allred announced, without objection, taking up Agenda Item 6.

6. Discuss or consider Internal Audit and TRS Compliance administrative reports and matters related to governance, risk management, internal control, compliance violations, fraud risk areas, audits for the annual internal audit plan, or auditors' ability to perform duties – Brittney Allred, Amanda Jenami and Heather Traeger.

Ms. Jenami provided the quarterly update on Internal Audit's actual performance. She reported the team was meeting or on track to meet all the targets. Regarding the Audit Plan, she reported that 16 projects were in progress, six were complete and three were pending. She noted that Internal Audit staff was on track to meet the Audit Plan completion performance target.

Ms. Allred then announced, without objection, taking up agenda item 5(d) in executive session.

D. Audit of Access Control Management – Stephen Randall, Chris Cutler, and Frank Williams.

At 10:10 a.m., Ms. Allred announced the Committee would go into executive session under the following agenda items and sections of the Government Code: Item 5.D., under Sections 551.076, 551.089, and 551.071, to discuss the audit of Access Control Management and consult with legal counsel, as needed.

At 10:48 a.m., Ms. Allred reconvened the Committee in open meeting.

3. Receive TRS Compliance reports including those related to ethics and fraud, conflicts of interest, and investment policies and the Enterprise Risk Management Update – Heather Traeger, Chris Bowlin and Michelle Pagán.

Mr. Chris Bowlin reported two IPS findings for the quarter. One was regarding a purchase of a security on one of the divestment lists. He said this occurred when the onboarding of a new portfolio used an index that was not part of the custom benchmark that normally excludes those names. The other IPS finding related to a private markets employee who was appointed to a company board. The checklist in the IPS requiring approvals, representation agreements, etc., were not completed ahead of the appointment. He said remedial actions were taken and all the requisite

checklists as of this week have been accomplished and the item is considered closed for Compliance.

Ms. Heather Traeger reported there were three 541(c)s reported all relating to law firms and two 541(e)s reported relating to two employees who flagged that they had family members who work for portfolio companies. She said all matters were worked through and proceeded accordingly with appropriate barriers. She noted there was one item for the hotline report regarding allegations of fraud and abuse that were determined to be unsubstantiated.

Ms. Michelle Pagán provided an overview of the Enterprise Stoplight Report for the period. She highlighted five changes including an increase in the pension funding trend. She said that was a result of possible state legislation and market volatility.

With no further business before the Committee, the meeting adjourned at 11:00 a.m.

Approved by the Audit, Compliance and Ethics Committee of the Board of Trustees of the Teacher Retirement System of Texas on July _____, 2025.

Brittney Allred
Chair, Audit, Compliance and Ethics Committee
Board of Trustees
Teacher Retirement System of Texas

Date



Internal Audit

**Audit, Compliance & Ethics
Committee Meeting / July 2025**





External Quality Assurance Review of the TRS Internal Audit Department

July 18, 2025

**Presented By:
Cheryl Cervantes Dietz, Tony Chavez & Cathleen Davis**





Review Team



Team Leader

- Cheryl Cervantes Dietz, CPA, CIA
 - Chief Auditor, California State Teachers' Retirement System (CalSTRS)

Team Members

- Tony Chavez, CIA, CGAP, CRMA
 - Internal Audit Director, Employees Retirement System of Texas (ERS)
- Cathleen Davis, CIA, CISA, CFE
 - Chief Auditor, Arizona Public Safety Personnel Retirement System (PSPRS)



Professional Standards

- ☐ The Institute of Internal Auditors (IIA) International Professional Practices Framework (Red Book)
 - Global Internal Audit Standards
 - Topical Requirements
 - Global Guidance
- ☐ United States Government Accountability Office (GAO) Government Auditing Standards (Yellow Book)
- ☐ Texas Internal Auditing Act (Texas Government Code, Chapter 2102)



External Quality Assessment Key Requirements



The external quality assessment is a comprehensive review of the adequacy of the internal audit function.

Global Internal Audit Standard Quality Requirements

Standard 8.4: The Chief Audit Executive must:

- Develop a plan for an external quality assessment to be performed every five years by a qualified, independent assessor or assessment team.
- Ensure at least one person holds an active Certified Internal Auditor designation.

Government Auditing Standards Quality Requirements

Chapter 5: External peer reviews must be conducted every three years by reviewers independent of the audit organization being reviewed. Selection of peer review team is at the discretion of audit organization.

Texas Internal Auditing Act Quality Requirements

Chapter 2102: Mandates a quality assurance review at least every three years conducted by qualified, independent professionals from outside the organization.



Global Internal Audit Standards: Ratings and Definitions



Full Achievement

- The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing

General Achievement

- The internal audit function is not fully achieving at least one of the principles or aspect of Domain I but is achieving the Purpose of Internal Auditing

Partial Achievement

- The internal audit function is not fully achieving at least one principle or aspect of Domain I, and the impact is significant enough to rate the function's overall achievement as partially achieving

Nonachievement

- The internal audit function is not fully achieving at least one principle, and the impact is significant enough to rate the function's overall conclusion as nonachievement



Government Auditing Standards: Ratings and Definitions



Pass

- A system of quality management has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards in all material respects

Pass with Deficiencies

- A system of quality management has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards in all material respects with the exception of a certain deficiency or deficiencies described in the report

Fail

- A system of quality management is not suitably designed to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards in all material respects, or that the audit organization has not complied with its system of quality management to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards in all material respects



Scope of External Quality Assessment



Global Internal Audit Standards

Five Domains, 15 Principles, and 52 Standards

Domain I: Purpose of Internal Auditing

Domain II: Ethics and Professionalism

Domain III: Governing the Internal Audit Function

Domain IV: Managing the Internal Audit Function

Domain V: Performing Internal Audit Services

Government Auditing Standards Quality Requirements

Chapter 3: Ethics, Independence and Professional Judgment

Chapter 4: Competence and Continuing Professional Education

Chapter 5: Quality Management, Engagement Quality Review and Peer Review

Chapters 8 & 9: Fieldwork and Reporting Standards for Performance Audits

Texas Internal Auditing Act Quality Requirements

Purpose, Required Activities, Required Reporting



Methodology and Period Under Review



Feedback

- Chief Audit Executive
- Internal Audit Staff
- Board Chair
- ACE Committee Chair
- Executive Director
- Deputy Director
- Senior Management

Documents

- TRS Bylaws
- Board Meeting Materials
- Internal Audit Charter
- Internal Audit Strategic Plan
- Performance Metrics
- Risk Assessment & Audit Plan
- Internal Audit Manual
- Other Relevant Documents

Workpapers

- Internal Audit Staff Objectivity and Independence Statements
- Planning
- Fieldwork
- Communication
- Internal Audit Reports
- Quality Review Checklists

Review Period: June 1, 2022 through June 15, 2025





Results



Results



Global Internal Audit Standards

- Full Achievement of Compliance is the highest level of conformance with the principles, standards and *Purpose of Internal Auditing*.
- Achievement of Performance Objectives (12.1/12.2)

Government Auditing Standards Quality Requirements

Pass indicating the system of quality control is suitably designed and complied with, providing reasonable assurance of conformity

Texas Internal Auditing Act Quality Requirements

In compliance





Internal Audit Successful Practices



- Adoption of Principles of Engagement
- Independence Attestations
- Chief Audit Executive (CAE) deeply committed to continuous improvement and professional development
- Comprehensive Internal Audit Charter
- Strong stakeholder trust and confidence
- Leadership team with knowledge of Standards, professionalism, business acumen and experience
- Culture of innovation and value creation
- Robust Quality Assurance Review checklist
- Highly credentialed team
- Active leadership engagement in professional communities
- Advanced continuous auditing and risk monitoring tools





Enhancement Opportunities, Recommendations & Response

Requirement: *Generally Accepted Government Auditing Standards - Section 3.26*

The CAE annually affirms independence of the internal audit function. This attestation could be enhanced to document the safeguards applied for non-audit services as described in GAGAS 3.26 conceptual framework approach to independence.

Recommendation:

Include the safeguards in place for non-audit services as part of the annual affirmation and disclosure to the board.

Management's Response:

Internal Audit management agrees with the recommendation to include safeguards for non-audit services in the annual affirmations to the board. This enhancement will be reflected in our next report to the board at the ACE Committee's December 2025 meeting.



Enhancement Opportunities, Recommendations & Response

Requirement: *Global Internal Audit Standards - Principles within Domain II*

The Internal Audit Charter and *Internal Audit Manual* address requirements for internal audit staff to comply with Domain II which replaced *IIA Code of Ethics*. Additionally, individual audit staff attest to objectivity and independence for assurance and advisory engagements. However, internal audit staff do not attest to all the principles within Domain II such as integrity, competency and confidentiality on an annual basis. Annual attestation would serve as a reminder to staff of the Domain II requirements.

Recommendation:

Expand the existing annual staff objectivity and independence attestations to address all the Principles and Standards within Domain II.

Management's Response:

Internal Audit Management agrees with the recommendation to expand staff objectivity and independence attestations to fully address the Principles and Standards within Domain II. An action plan is in place to update relevant documents and templates by July 31, 2025, with changes effective Sept 1, 2025.



Enhancement Opportunities, Recommendations & Response

Requirement: *Global Internal Audit Standards - Domain IV / Principle 11 Communicate Effectively*

- Standard 11.1 *Building Relationships and Communicating with Stakeholders*
The CAE and Internal Audit staff demonstrate strong relationships and communication with its stakeholders. However, formalization of the CAE's expectation or plan does not exist within the *Internal Audit Manual*.
- Standard 11. 4 *Errors and Omissions*
Current Internal Audit processes include strong quality reviews to ensure results are accurate. However, a formal process to correct significant errors or omissions in final engagement communications, with input from the board on criteria for significance, does not exist.
- Standard 11.5 *Communicating the Acceptance of Risk*
Although an unacceptable level of risk was not identified by the CAE during the period reviewed, a formal process on how to approach, escalate and communicate unacceptable levels of risk, if necessary, does not exist.



Enhancement Opportunities, Recommendations & Response

Recommendation:

Update the *Internal Audit Manual* to include/address:

- The CAE's approach to build relationships and trust with key stakeholders
- A formal process to correct significant errors or omissions in final engagement communications, if necessary; with input from the board on criteria for significance
- A formal process on how to approach, escalate and communicate unacceptable levels of risk, if necessary

Management's Response:

Internal Audit management concurs with recommendations 11.1, 11.4, and 11.5 and has initiated updates to the Internal Audit Manual, scheduled for completion by July 31, 2025.



TRS Compliance: Ethics Overview

Heather Traeger and Chris Bowlin

July 2025

Quarterly Investment Compliance Testing
Investment Policy Statement (IPS), Securities Lending Policy (SLP), and Proxy Voting Policy
Quarter ending March 31, 2025

Procedures Performed	Test Results
Business Objective 1: Board Reports All required information is reported to the TRS Board of Trustees	
<ul style="list-style-type: none"> Obtain evidence that all requirements reported to Board of Trustees 	<ul style="list-style-type: none"> All reporting requirements were met and documentation provided supported information tested
Business Objective 2: Investment Selection and Approval Investments made are within delegated limits and established selection criteria	
<ul style="list-style-type: none"> Obtain evidence that Investment Integrity Questionnaires (IIQs) were received prior to investment authorization and deal closing Obtain evidence from the investment teams that the CIO conditional upon approval was received after the IIC Obtain evidence of existence of IMD's prudent underwriting objectives for advisor's due diligence Obtain evidence that all counterparty requirements were met Obtain evidence that new investments in emerging managers met requirements Obtain evidence that approved investments were within policy limits 	<ul style="list-style-type: none"> Two IPS violations related to IIQs not being timely obtained prior to authorization
	<ul style="list-style-type: none"> No CIO conditional approvals occurred for this period
	<ul style="list-style-type: none"> No prudence letters were required for this period
	<ul style="list-style-type: none"> All Credit Risk Management reporting requirements were met, and documentation provided supported information tested
	<ul style="list-style-type: none"> Obtained Project Tear-Sheets from the Emerging Managers team for all completed projects For Private and Public Markets investments tested, no manager or partner organization exceeded the authorized limits and verified term sheet calculations with manager exposure file
Business Objective 3: Other (IPS, SLP, other reporting) Risk limits are followed for other investment and proxy voting policies and procedures were followed	
<ul style="list-style-type: none"> Obtain senior management disclosure about known compliance violations Obtain evidence that TRS securities lending program complied with guidelines Contractual Allowances & Commission Credits Tracking 	<ul style="list-style-type: none"> Obtained quarterly compliance certification from IMD IIC and Legal Obtained monthly reconciliations with successful tests (no violations) Obtained annual commission allowance tracking reports from IMD Operations

Legend:



Significant to TRS



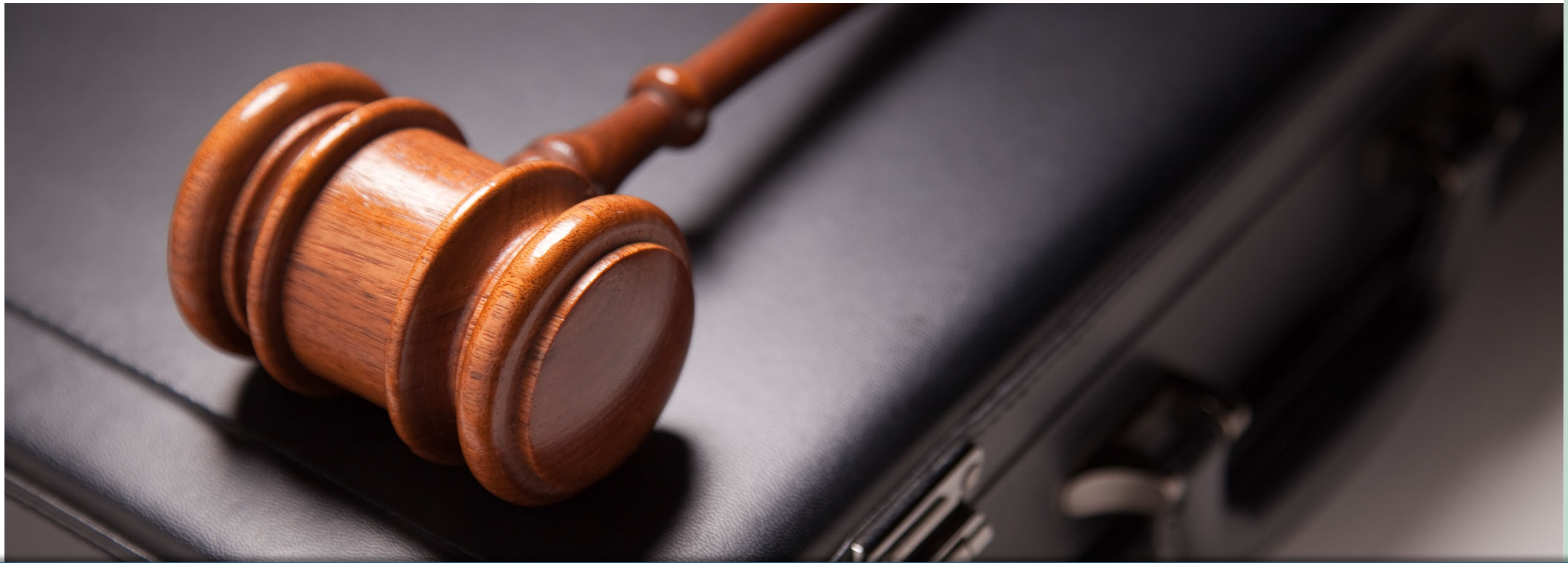
Significant to Business Objectives



Other Reportable Exception



Positive Test Result/ No Exception



Enterprise Risk Management Update

July 18, 2025

Michelle Pagán

Director, Enterprise Risk, Strategy & Performance



Agenda

- Summary of Changes
- Enterprise Stoplight Report
- Risk Trending Dashboard & Charts



Summary of Changes – Enterprise Stoplight Report



Risk Level Color/Trending Changes	April 2025	July 2025
Open Government*	● ↔	Deleted
Market Portfolio Exposure	● ↑	● ↑
Records & Information Management	● ↔	● ↓
TEAM Program	● ↓	● ↑




*Open Government risk category has been deleted; individual risk event was merged with the Regulatory, Compliance & Litigation risk category.



Enterprise Stoplight Report* – July 2025



Business Continuity	Communications & External Relations	Cybersecurity	Data Privacy & Confidentiality	Employer Reporting
Enterprise Technology	Ethics & Fraud Prevention	Facilities Management & Planning	Financial Operations	Global Operations
Health Care Plans Administration	Pension Funding	Pension Services	Portfolio Exposure	Procurement & Contracts
Records & Information Management	Regulatory, Compliance & Litigation	Talent Continuity	TEAM Program	TRS-ActiveCare Affordability
TRS-Care Funding				

RISK CATEGORY LEVEL - Threat to Achieving TRS Goals & Objectives									
HIGH		ELEVATED		CAUTION		GUARDED		LOW	

EXPECTED RISK CATEGORY TREND - NEXT 12-24 MONTHS					
INCREASE	↑	DECREASE	↓	NO CHANGE	↔

*Risk category ratings are based on a point in time and independent of other risk categories.



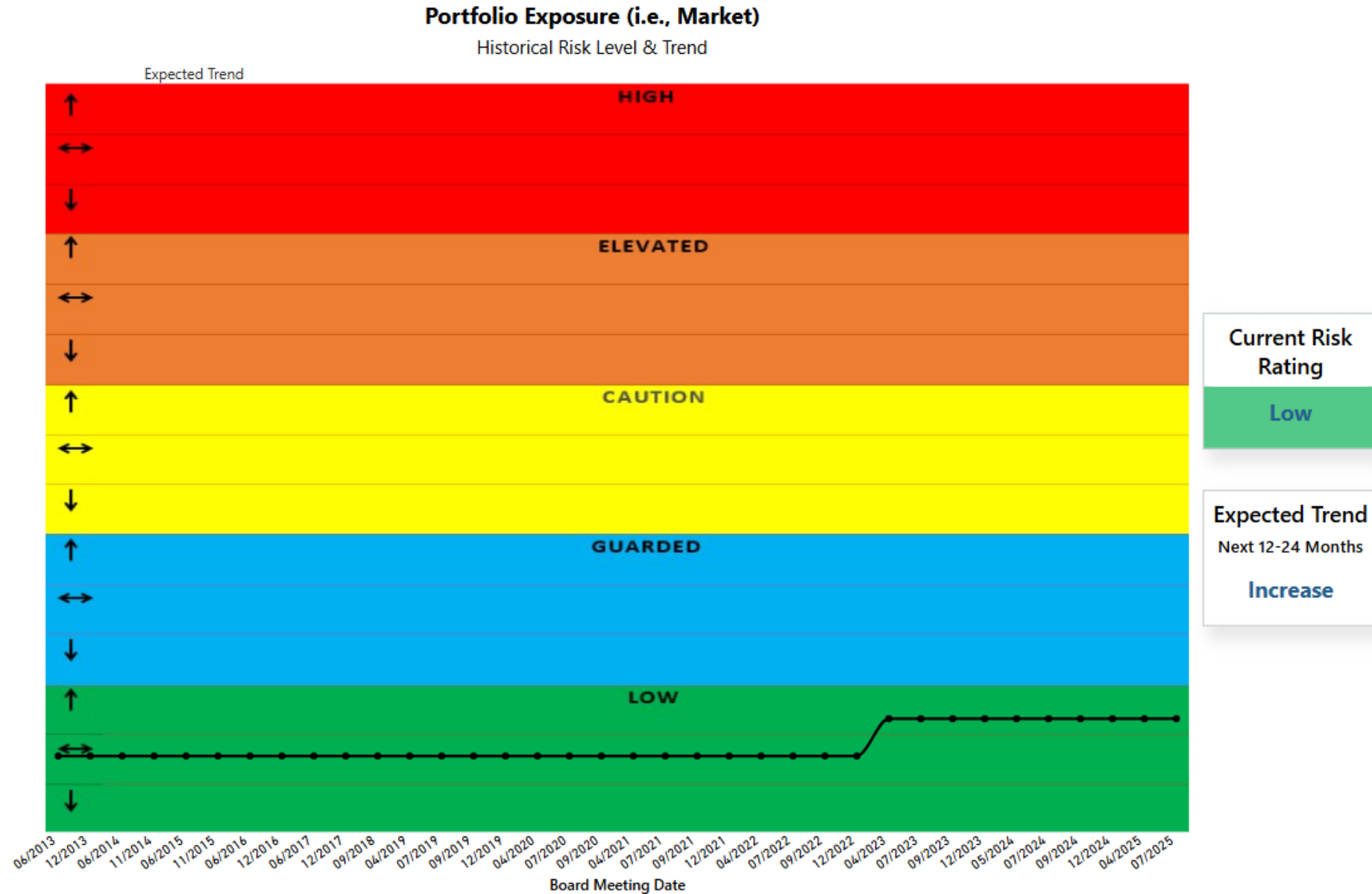
Risk Trending Dashboard



Enterprise Risk Categories July 2025	Current Risk Level	Expected Trend 12-24 months	10-Year Historical Trend
Business Continuity	Caution	Decrease	
Communications & External Relations	Caution	Stable	
Cybersecurity	Elevated	Increase	
Data Privacy & Confidentiality	Caution	Stable	
Employer Reporting	Guarded	Stable	
Enterprise Technology	Elevated	Increase	
Ethics & Fraud Prevention	Guarded	Stable	
Facilities Management & Planning	Caution	Stable	
Financial Operations	Guarded	Stable	
Global Operations	Guarded	Stable	
Health Care Plans Administration	Caution	Stable	
Pension Funding	Elevated	Increase	
Pension Services	Guarded	Stable	
Portfolio Exposure (i.e., Market)	Low	Increase	
Procurement & Contracts	Caution	Stable	
Records & Information Management	Elevated	Decrease	
Regulatory, Compliance & Litigation	Guarded	Stable	
Talent Continuity	Guarded	Stable	
TEAM Program	Caution	Increase	
TRS-ActiveCare Affordability	Caution	Stable	
TRS-Care Funding	Low	Stable	



Risk Trending Dashboard – Trend Chart



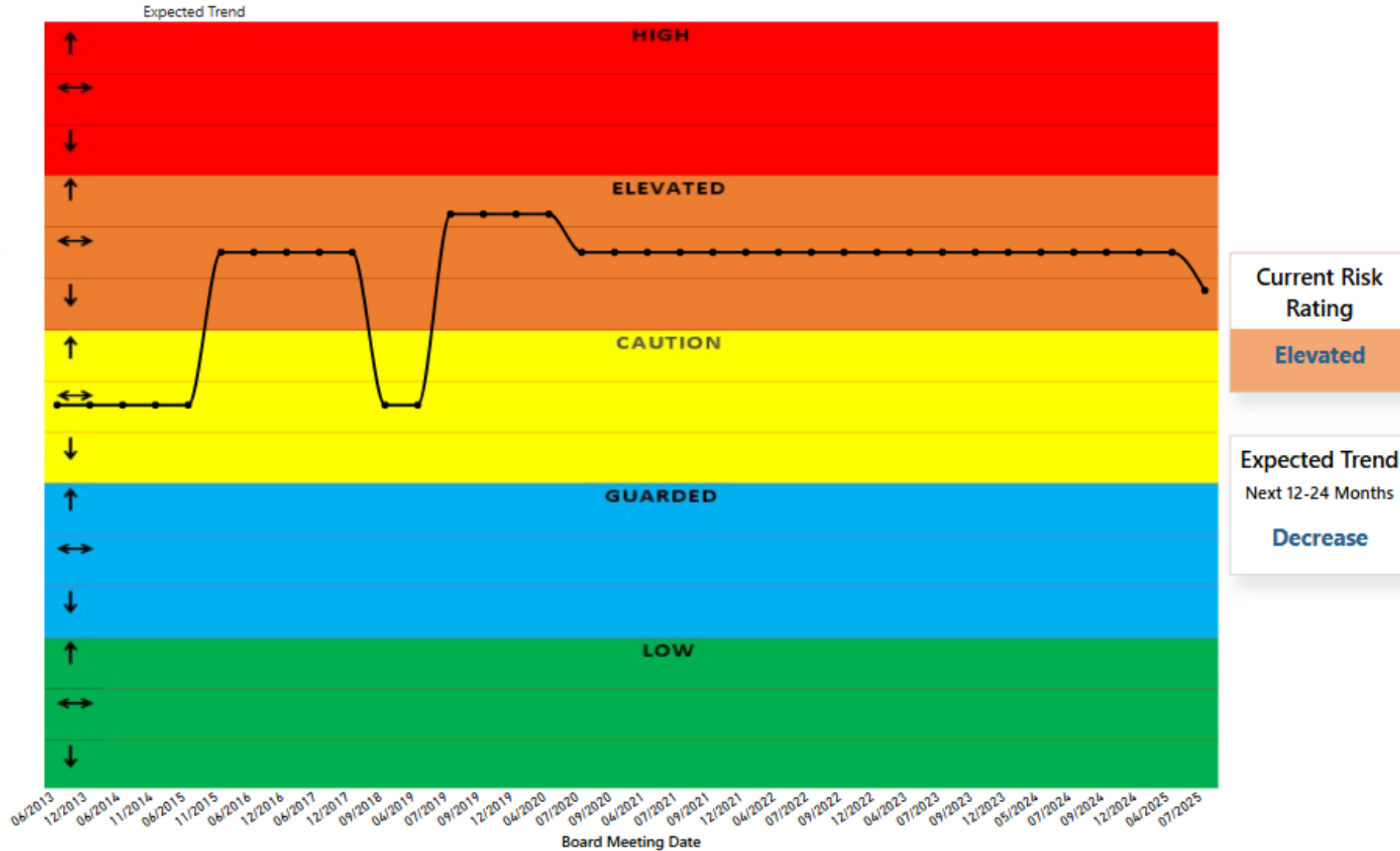


Risk Trending Dashboard – Trend Chart



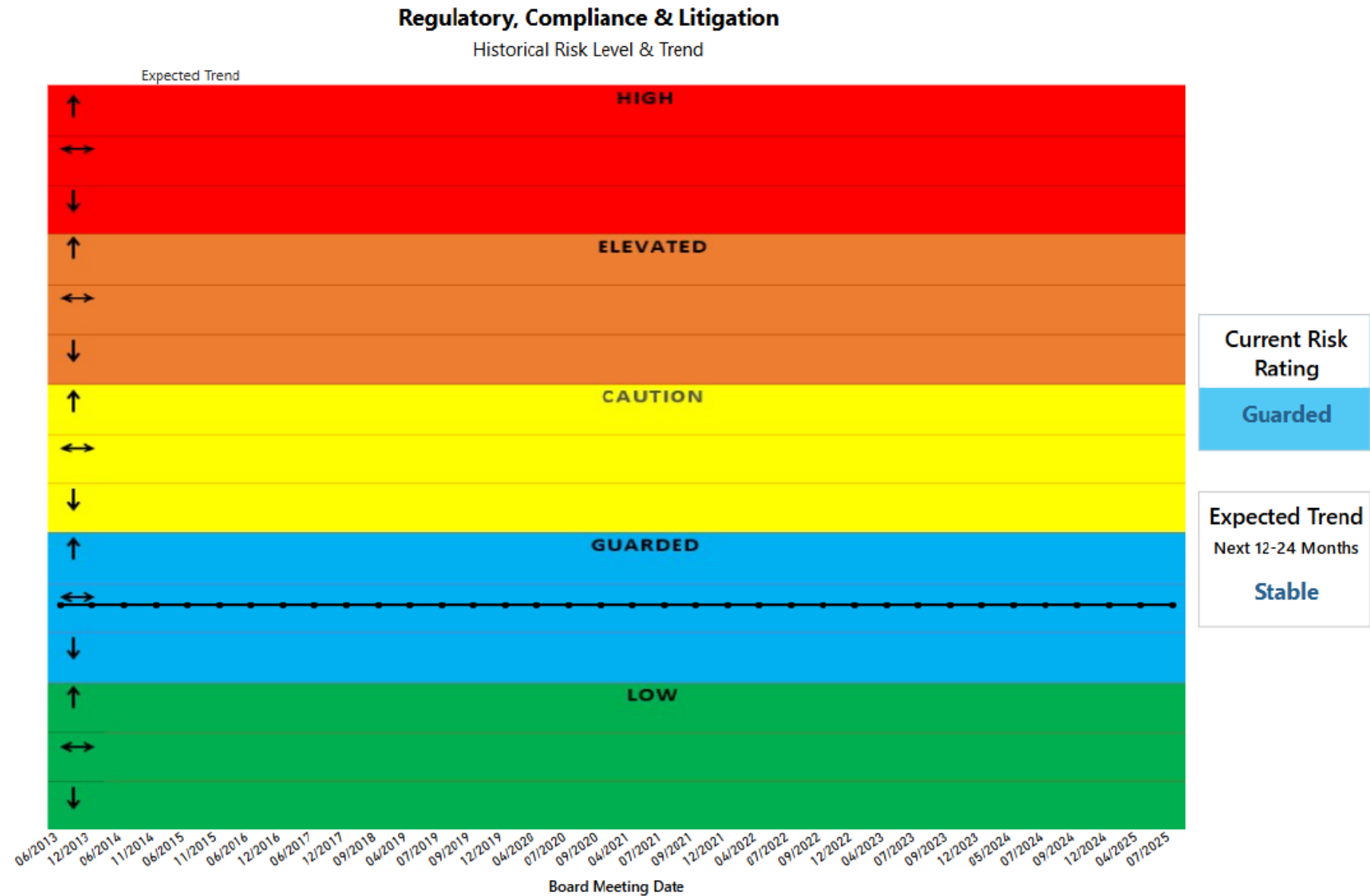
Records & Information Management

Historical Risk Level & Trend



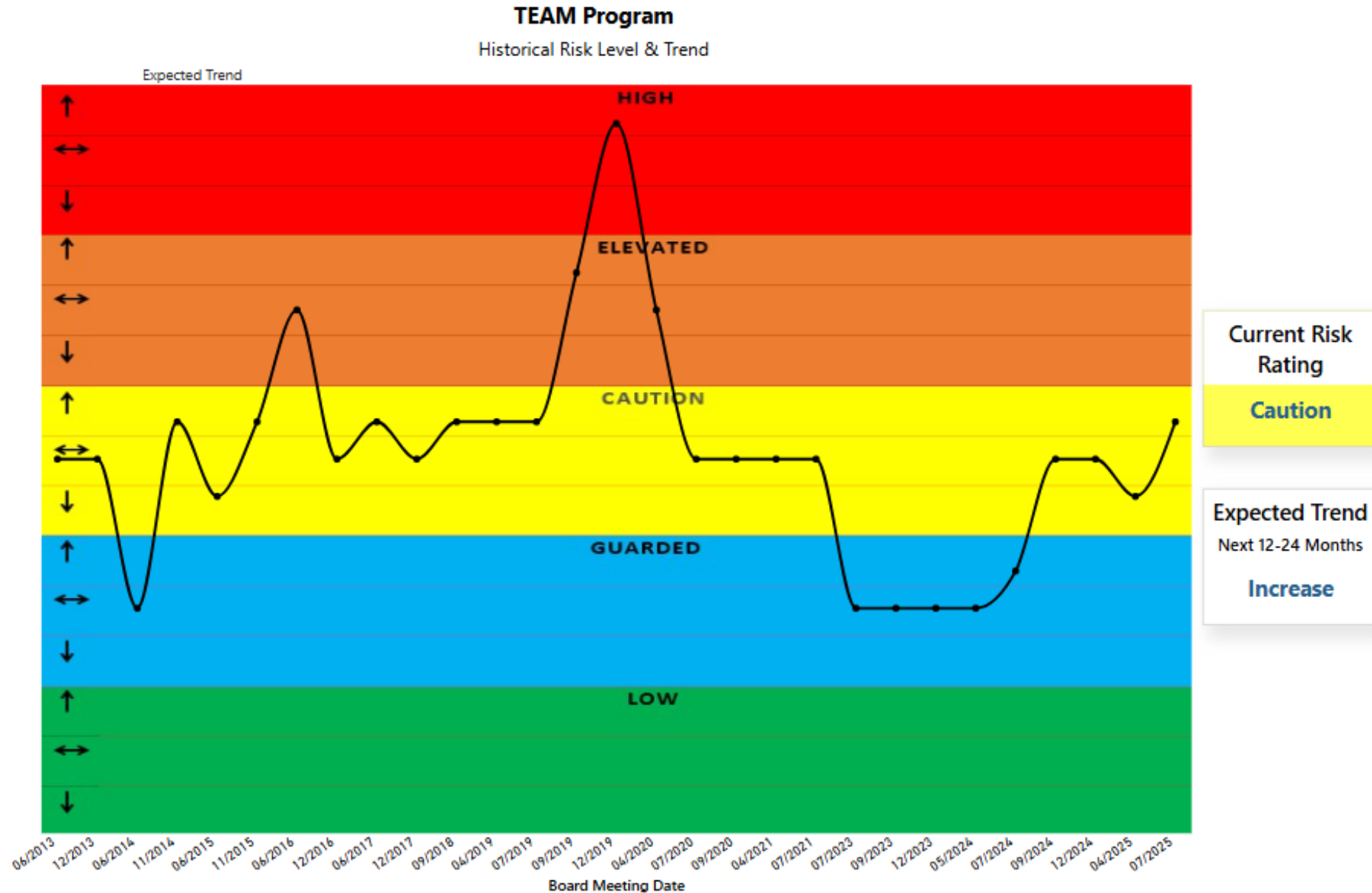


Risk Trending Dashboard – Trend Chart





Risk Trending Dashboard – Trend Chart





Internal Audit Review of Investment Middle Office (MO) Operations

July 18, 2025

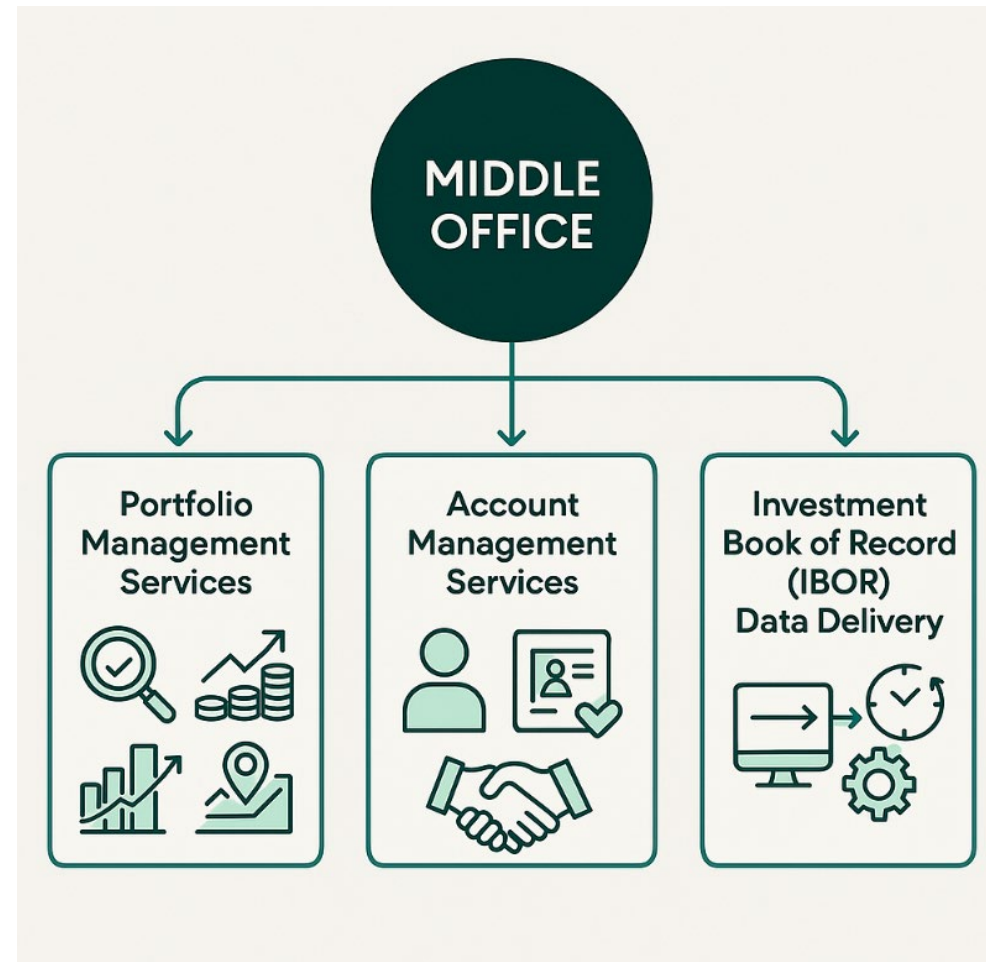
**Presented By:
Syed Israr and Kelly Newhall**



Review of Investment Middle Office (MO) Operations

Audit Scope

- ✓ April 2023 – March 2025
- ✓ Activities and reporting related to MO operations





Review of Investment Middle Office (MO) Operations



AUDIT CONCLUSION

The Teacher Retirement System's (TRS) Middle Office (MO) operations include sufficient processes to provide reasonable assurance that the facilitation of Investment Book of Record (IBOR) data delivery, account management and portfolio management services are conducted effectively and in accordance with applicable policies, guidelines and procedures.

Key controls include:

- Investment Policy Statement
- Proxy Voting Policy
- Service Level Agreement (SLA) with Custodian



Executive Summary



MO Operations Business Objective:

Support and enhance IMD success by delivering Investment Book of Record (IBOR) data, account management and portfolio management services

<u>Positive Results</u>	<u>Recommendation</u>	<u>Management Response</u>
<ul style="list-style-type: none">• Proxy refer vote procedure• New Fund Directional (NFD) / account setup process• Quarterly proxy vote reconciliation• Backup coverage for daily IBOR reports	Opportunity to enhance documentation of key processes	Management agrees and will enhance documentation of key processes (05/31/2026)



Project Team



Investment Audit Services Team



Syed Israr
Senior Investment Auditor



Nathan Ward, CFA
Senior Investment Auditor



Katie Linczer, CPA, CIA, CRMA
Senior Investment Auditor



Julie Toler, CFA, CFP®, CIA, CRMA
Investment Audit Director



APPENDIX

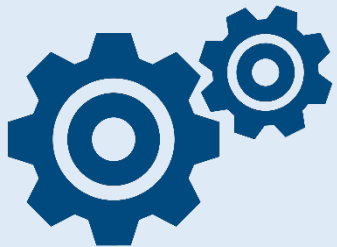


BACKGROUND



AUDIT OBJECTIVE

Determine whether activities related to Middle Office operations including facilitation of Investment Book of Record (IBOR) data delivery, account management and portfolio management services include sufficient controls to ensure activities are managed and conducted effectively and in accordance with applicable policies, guidelines and procedures.



METHODOLOGY

- ✓ Identified key risks and controls
- ✓ Reviewed Investment Policy Statement
- ✓ Interviewed management and staff
- ✓ Reviewed TRS processes and documents



AUDIT SCOPE

- ✓ April 2023 – March 2025
- ✓ Activities and reporting related to Middle Office operations



Internal Audit

July 18, 2025

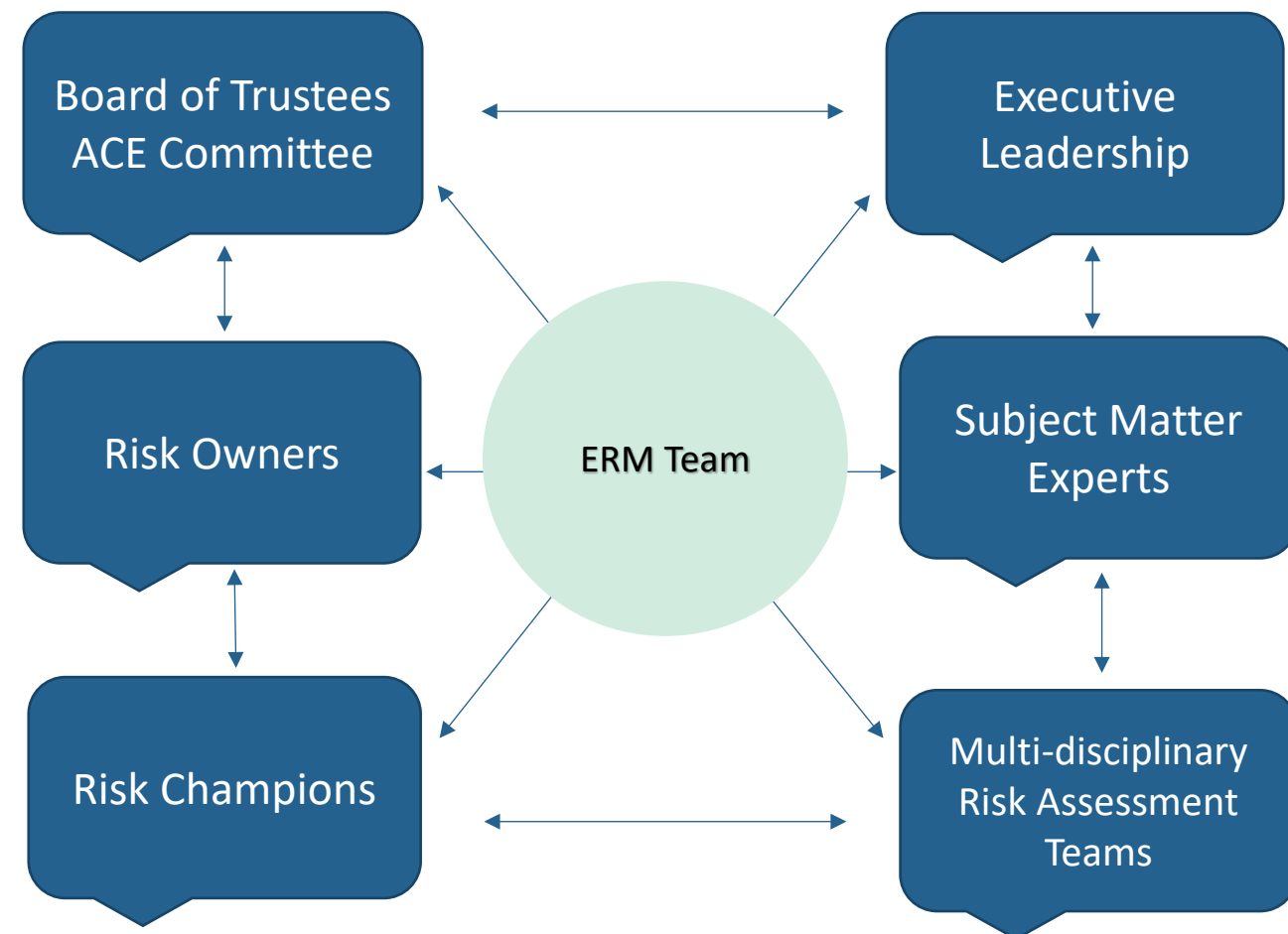
Presented By:
Kathey Mitchell and Michelle Pagán





Review of Enterprise Risk Management (ERM) Program

Background: ERM Framework & Key Roles



The ERM team is primarily responsible for coordinating and managing the process of identifying, assessing and tracking of enterprise risks and providing status reports to the Audit Compliance and Ethics Committee (ACE) and senior management.



Review of Enterprise Risk Management (ERM) Program



AUDIT CONCLUSION

The TRS ERM Program includes sufficient controls to provide reasonable assurance that enterprise risks are identified, assessed, appropriately responded to, and reported effectively, efficiently and in compliance with the ERM Policy and relevant procedures and in alignment with the Strategic Plan.

Key controls include:

- ERM Policy
- ERM Framework
- Risk Oversight Committee Charter
- Risk Champion Guide
- Standardized Risk Assessment Forms



Detailed Results



- ERM framework includes key components of an ERM process when compared to International Organization for Standardization 31000, an authoritative ERM framework
- ERM process enables management to:
 - Appropriately assign risk owners and risk champions
 - Identify and assess enterprise risks
 - Determine appropriate risk response and mitigation plans
 - Monitor risks and report on enterprise risks



Project Team



Operations Audit Team



Jonathan O'Reilly
Director of Operations Audit and Business
Intelligence



Kathey Mitchell, CIA, CGAP, RTSBA
Audit Project Lead



Falguni Sampat, CIA
Senior Internal Auditor



Questions?

Appendix: Audit Objective, Methodology and Scope

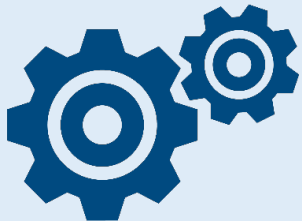


Appendix: Audit Objective, Methodology and Scope



AUDIT OBJECTIVE

Determine whether the ERM Program includes sufficient controls to ensure that enterprise risks are identified, assessed and appropriately responded to and reported effectively, efficiently and in compliance with applicable requirements.



METHODOLOGY

- ✓ Identified key risks and controls
- ✓ Reviewed policies and procedures
- ✓ Interviewed trustees, management and staff
- ✓ Surveyed risk assessment participants
- ✓ Reviewed reports and supporting documents
- ✓ Performed tests, as deemed appropriate



AUDIT SCOPE

- ✓ ERM activities during Fiscal Year 2024



Internal Audit

Summary of Audit Recommendations as of June 23, 2025

July 18, 2025

Jonathan O'Reilly
Director of Operations Audit & Business Intelligence





Highlights



37

Recommendations
(Total)

12

Audit Reports

24

Recommendations
rated significant

Implementation Status

26⁵⁺

Pending

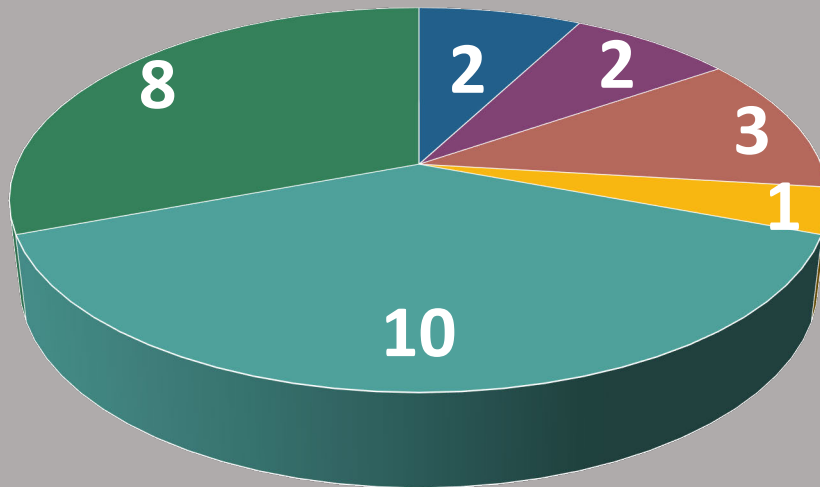
11⁶⁺

Satisfactorily
Implemented

0⁰⁻

Implemented,
pending IA
validation

Ownership of Pending Recommendations



■ Pension Services ■ Business Admin ■ HD ■ IMD ■ IT ■ ISO

Age of Recommendations

12

1-12
months

7

13-24
months

5

25-36
months

2

37-48
months



Internal Audit Administrative Reports

July 18, 2025

Presented By:
Amanda Jenami, CPA, CISA, CIA, CIDA, CFSA, CRMA, CFE





Executive Summary



FY2025 Strategic Goals

Goal 1: Provide assurance to the board of trustees and senior management (3 KPIs)

Goal 2: Serve as trusted advisor to the board of trustees and management (3 KPIs)

Goal 3: Attract, develop and retain diverse and outstanding talent (5 KPIs)

Goal 4: Leverage technology (2 KPIs)

FY2025 Key Performance Indicators (KPIs)

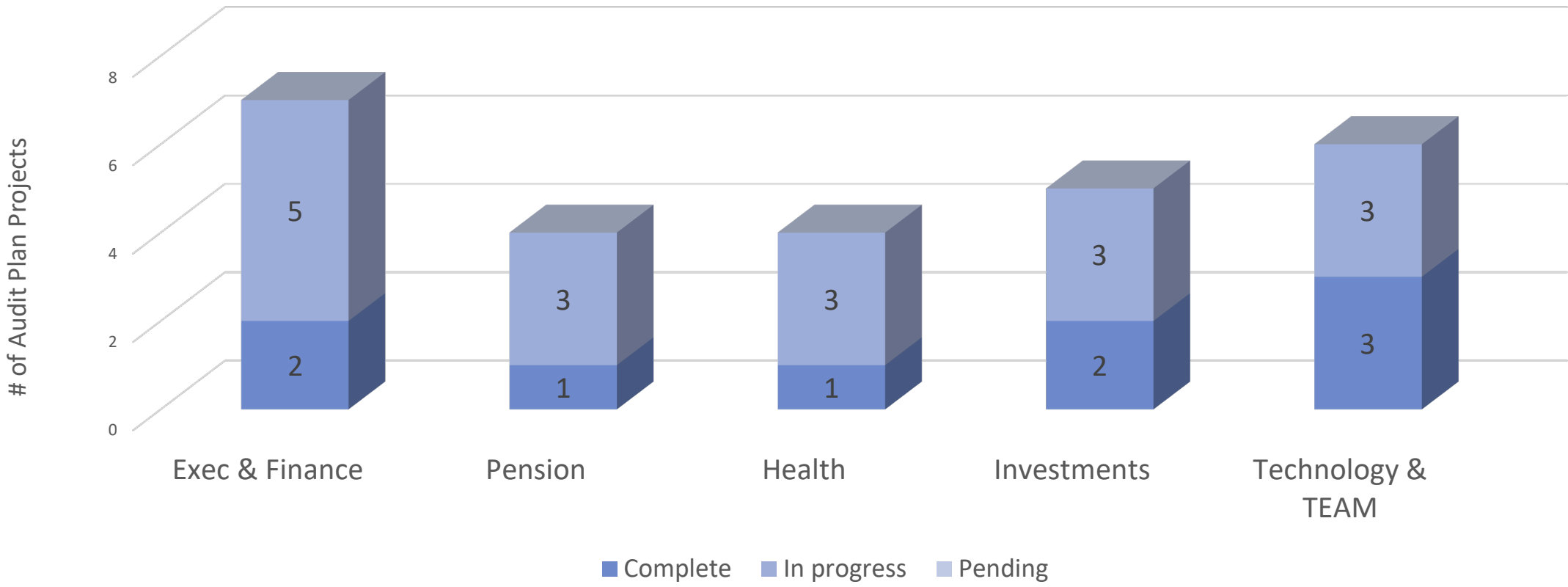
Through the third quarter, Internal Audit either achieved or was on track to achieve 100% (13 out of 13) of its annual performance targets.



FY25 Audit Plan Status Through 3rd Quarter



Audit Plan Project Status
FY2025 Year to Date



Detailed list of Audit Plan projects & status is provided in the Appendix



Peer Leadership



April 29 - May 2
St. Louis, MO

39 public pensions
represented

TRS Internal Audit presenters:

Jonathan O'Reilly
Julie Toler
Amanda Jenami



The Institute of
Internal Auditors

IIA Austin Audit Summit

May 8
Austin, TX

TRS Internal Audit presenter:

Amanda Jenami



Staff Highlights: New Team Member!



Jack Henserling Senior IT Auditor

Jack brings over 17 years of experience in IT and information security, having served in roles at the United States Air Force, the Department of Veterans Affairs, and most recently, the Internal Revenue Service. He holds a Bachelor's degree in Information Technology from Wayland Baptist University and an MBA in IT Management from Western Governors University. Jack also carries several key certifications, including CISSP, Security+, and Network+.



Questions



Appendix

Detailed FY25 Audit Plan Status Through 3rd Quarter : Audit & Formal Advisory Projects

	In		
	Complete	Progress	Pending
Executive, Business Administration & Contracts			
Review of ERM Program	✓		
Review of Contract Oversight (Information Security)	✓		
Review of Safety and Physical Security (Alpha)		✓	
Follow-Up of Prior Audits*		✓	
Special requests, initiatives and emerging Issues (all divisions)*		✓	
Review of PAVES		✓	
Pension			
ACFR Testing of Annuity Payments	✓		
Reporting Employer Audits		✓	
Reporting Employer Data Analysis*		✓	
Special Requests and Emerging Issues*		✓	
Investments			
Review of Energy, Natural Resources and Infrastructure Portfolio Operations	✓		
Review of Investment Middle Office Operations	✓		
Review of the Innovation Portfolio Program		✓	

	In		
	Complete	Progress	Pending
Health			
Dental/Vision LTEO Independent Testing	✓		
Healthcare Claims Data Analysis (Administrator Contract Compliance)*		✓	
Benefit Matrix Testing*		✓	
Healthcare Claims Data Analysis (Provider Compliance & Industry Standards)*		✓	
Technology & TEAM			
Access Control Management	✓		
TRUST Non-production Environments	✓		
Application Programming Interface		✓	
Review of Cyber Controls	✓		
Business Continuity Planning and Disaster Recovery		✓	
TEAM Independent Program Assessment (IPA) Vendor Support*		✓	

* Projects that are ongoing/yearlong in nature will be marked complete in September ACE report.



Internal Audit Advisory Services During 3rd Quarter



EXECUTIVE

- Served on Levels 1 & 2 Project Review committees
- Served on the Risk Oversight Committee
- Served on the Enterprise Data Governance Council

INFORMATION TECHNOLOGY

- Attended the Project Review Committee Meetings
- Bi-weekly meetings with Information Security and Legal and Compliance
- Participated in the annual Disaster Recovery testing
- Attended Information Security Advisory Team (ISAT) meetings
- Attended Change Management Team (CMT) meetings
- Coordinated IPA (TEAM) activities
- Held collaboration meetings with Chief Information Officer (CIO) and Chief Information Security Officer
- Served on Enterprise Risk Management (ERM) Cybersecurity Team

INVESTMENT MANAGEMENT DIVISION (IMD)

- Attended Internal Investment Committee (IIC) meetings
- Attended Securities Lending monitoring calls
- Held quarterly collaboration meetings with Investment Compliance and Investment Risk
- Held quarterly collaboration meetings with IMD management

PENSION SERVICES

- Attended quarterly Employer Advisory Group meetings
- Performed RE data integrity tests via data analytics
- Held monthly collaboration meetings with Benefits Accounting management

HEALTH DIVISION (HD)

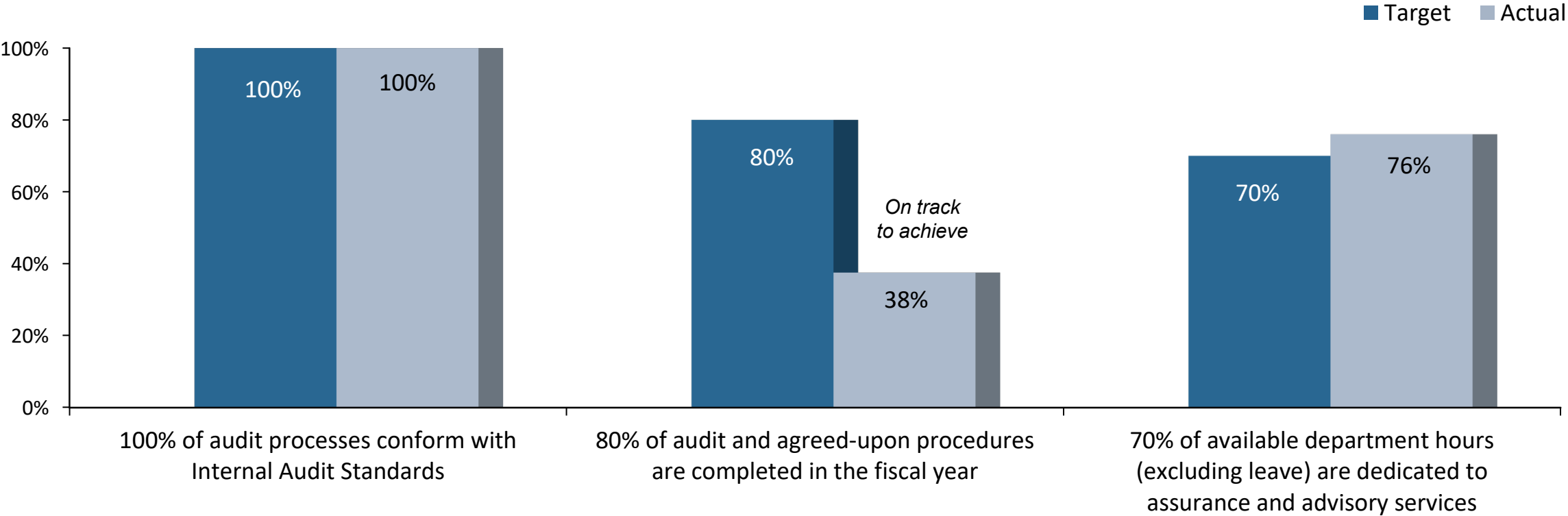
- Performed health plan program integrity tests via data analytics
- Held quarterly collaboration meetings with Health Division management



Detailed KPI Results



Goal 1: Provide assurance to the board of trustees and senior management



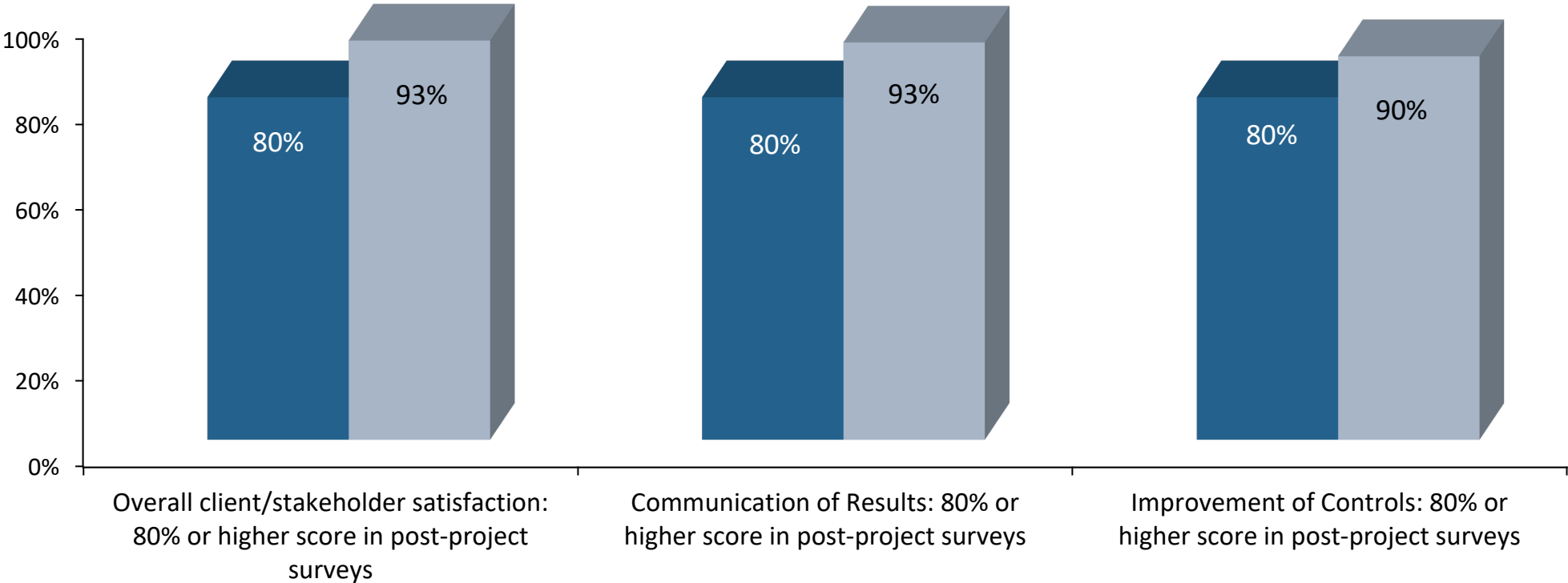


Detailed KPI Results



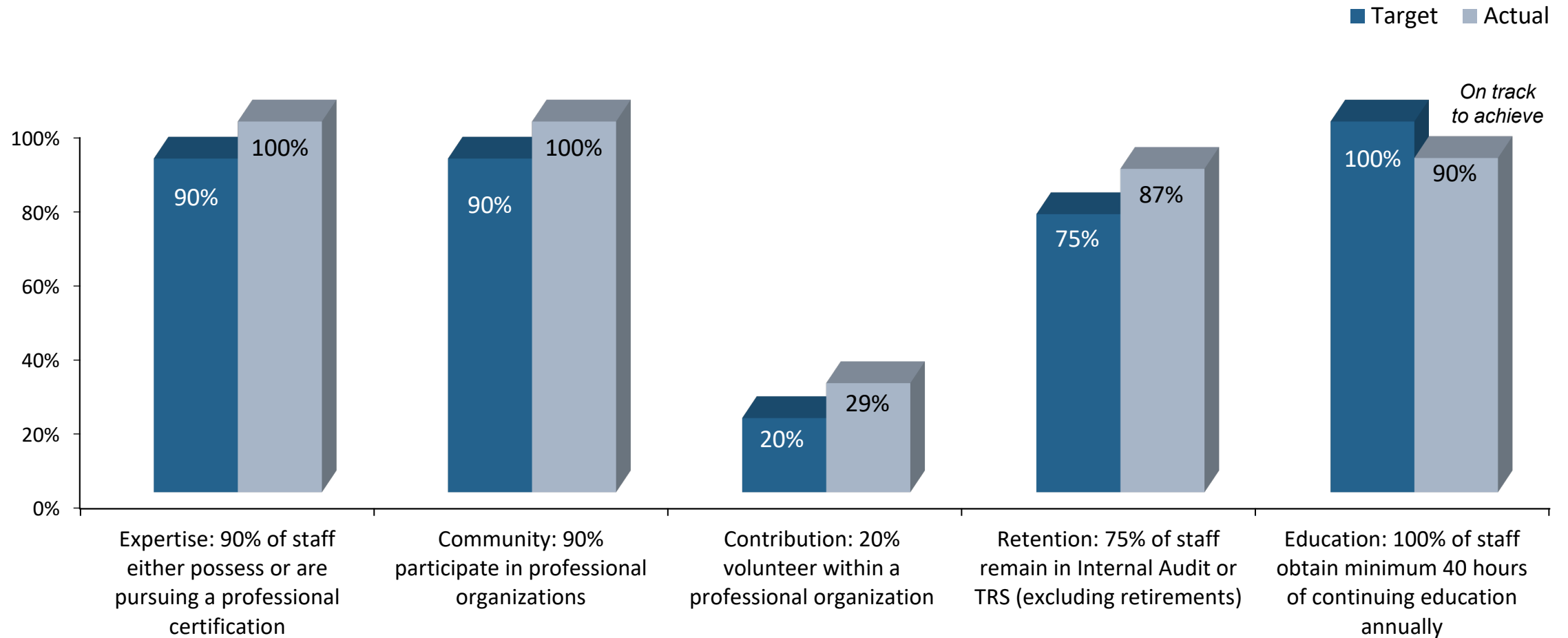
Goal 2: Serve as trusted advisor to the board of trustees and management

■ Target ■ Actual



Detailed KPI Results

Goal 3: Attract, develop & retain outstanding talent





Detailed KPI Results



Goal 4: Leverage technology

