



Audit Committee Meeting

March 1, 2023



Presented for Review and Approval

May 17, 2023

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**AUDIT COMMITTEE MEETING
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
March 1, 2023**

TRUSTEES PRESENT

Neika Clark, Audit Committee Chair
Brian Barth, Member
Craig Hester, Member
Dr. James Kee, Member
Catherine Melvin, Member
John R. Rutherford, Member

ERS DIRECTORS PRESENT

Porter Wilson, Executive Director
Cathy Terrell, Deputy Executive Director
Jennifer Chambers, Director of Government Relations & Special Projects
Tony Chavez, Director of Internal Audit
Bernie Hajovsky, Director of Enterprise Planning
Cynthia Hamilton, General Counsel
Robin Hardaway, Director of Customer Benefits
Diana Kongevick, Director of Group Benefits
Machelle Pharr, Chief Financial Officer
Gabrielle Schreiber, Director of Procurement and Contract Oversight
DeeDee Sterns, Director of Human Resources
Kathryn Tesar, Director of Benefits Communications
Chuck Turner, Director of Information Systems
David Veal, Chief Investment Officer

ERS STAFF PRESENT

Chris Beggs, Investments
Raquel Colón, Investments
Kurt Cressotti, Internal Audit
Anthony Curtiss, Investments
Kelley Davenport, Executive Office
Pablo de la Sierra Perez, Investments
Marcia Gibbs, Benefits Communications
Cyprain Ihekwoaba, Internal Audit
Tiffani Jenkins, Benefits Communications
Tressie Landry, Internal Audit
Debbie Legg, Group Benefits
Jonathan Puckett, Internal Audit
Meghann Robinson, Customer Benefits
Cheryl Scott Ryan, Office of General Counsel
Robert Sessa, Investments
Ben Schuman, Investments
Rodney Valls, Internal Audit

ALSO PRESENT

Chris Rogers, CliftonLarsonAllen
Brittany Smith, CliftonLarsonAllen

Meeting of the ERS Board of Trustees Audit Committee

1. Call Meeting of the Audit Committee to Order

Ms. Neika Clark, Chair of the Audit Committee of the Employees Retirement System of Texas (ERS), noting a quorum was present, called the meeting to order at 8:30 a.m. on Wednesday, March 1, 2023 and read the following statement:

“A public notice of the ERS Board of Trustees’ Audit Committee meeting containing all items on the proposed agenda was filed with the Office of the Secretary of State at 4:15 p.m. on Tuesday, February 21, 2023, as required by Chapter 551 Texas Government Code, referred to as “The Open Meetings Act.”

“The same posting provided notice of today’s meeting of the Joint Meeting of the ERS Board of Trustees and the Investment Advisory Committee and the ERS Board of Trustees meeting.”

2. Consideration of the Minutes to the December 6, 2022 Audit Committee Meeting – (Action)

Chair Neika Clark opened the floor for a motion on the approval of the minutes from the December 6, 2022 ERS Audit Committee meeting.

Move that the ERS Board of Trustees Audit Committee approve the minutes to its meeting held on December 6, 2022.

Motion by Brian Barth, second by Craig Hester

Final Resolution: Motion Carries

Aye: Craig Hester, Brian Barth, Neika Clark, Jim Kee, Catherine Melvin

Abstained: John R. Rutherford

3. Consideration of External Audit Reports

Audit Report of Fiscal Year 2022 Financial Statements

Chris Rogers, Engagement Partner, CliftonLarsonAllen and Brittany Smith, Engagement Manager, CliftonLarsonAllen provided a summary of the results of the audit of the Fiscal Year 2022 Annual Comprehensive Financial Report for the year ended August 31, 2022. Mr. Rogers reported that the auditor’s opinion was a “clean” opinion, which means that the financial statements are materially accurate and presented fairly.

Mr. Rogers noted that the Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards reported no material weaknesses, significant deficiencies, or material findings associated with compliance with laws and regulations or other matters.

Key estimates reviewed by auditors include:

- Valuation of alternative investments
- Actuarial information, assumptions and methods used

Key data analysis focused on:

- Pension benefit payments
- Census data

No action was required on this agenda item.

4. Consideration of Internal Audit Reports

Contact Center Audit

Tony Chavez introduced Tressie Landry, Internal Audit Manager, and Jonathan Puckett, Audit Lead, to present the results of the Contact Center Audit. Also present was Robin Hardaway, Director of Customer Benefits.

Members who have questions regarding their retirement or other benefits contact the ERS contact center, which is comprised of both internal staff and outsourced contact centers. Contact methods include phone calls, emails and in-person visits. Other resources available to members include the ERS website, self-service through ERS Online, and Agency Benefits Coordinators, who are personnel at each state agency responsible for helping employees with ERS benefits.

Overall results of the audit were 'Needs Improvement' with two observations, including establishing a formal Customer Service Policy Statement, and providing an annual Customer Service Report to the Board of Trustees. This engagement focused on phone calls received at the internal ERS contact center since they currently represent the majority of contact methods.

Customer Benefits tracks several metrics, however performance goals and associated key metrics are not consistently communicated to the Board. In addition, key policy directives and associated performance measures have not been established.

Intermittent and varying levels of customer service measures have been presented to the Board between December 2017 – March 2022, but presentations were limited to trends in overall customer service and discussion of the attributes leading to positive/negative performance. Limited uniformity in customer service performance results reported across regulatory bodies and the Board has resulted in some information not being communicated to the Board.

No action was required on this agenda item.

5. Consideration of Audit Administrative Items

Internal Audit Charter

Tony Chavez presented the Internal Audit Charter to review the purpose and highlight any necessary changes. No changes were identified by Internal Audit during the annual review and no changes were proposed by Board members.

No action was required on this agenda item.

6. Adjournment of the Audit Committee Meeting

The Audit Committee meeting adjourned at 9:38 a.m. on Wednesday, March 1, 2023.