CalPERS

Risk and Audit Committee
Agenda Item 7b

February 17, 2021

Item Name: 2020-21 Enterprise Risk Management Mid-Year Plan Update

Program: Enterprise Risk Management

Item Type: Information

Executive Summary

The purpose of this item is to provide the Risk and Audit Committee (Committee) with the mid-year update of activities in the Enterprise Risk Management Plan for the July 1, 2020 through December 31, 2020 period.

Strategic Plan

This agenda item supports the 2017-22 CalPERS Strategic Plan Goal - Risk Management: Cultivate a risk-intelligent organization. The Enterprise Risk Management Division (ERMD) provides assurance to the Board of Administration (Board) through the implementation of an effective enterprise-wide risk management program and the continued cultivation of a risk-intelligent organization.

Background

ERMD developed the 2020-21 Plan to communicate priorities in support of CalPERS' Strategic and Business Plans, vision, and mission. In April 2020, ERMD received Committee approval for the Plan, which aligns program initiatives to the strategic goals of Fund Sustainability and Risk Management. The Mid-Year Plan update includes progress on the Plan activities for first and second quarters reported on the Plan Dashboard (Attachment 1).

Fund Sustainability Goal:

Asset Liability Management

ERMD facilitates the Asset Liability Management Advisory Committee (ALMAC) meetings and coordinates efforts with the Financial Office (FINO), Actuarial Office (ACTO), Investment Office (INVO), Legal Office (LEGO), and Communications and Stakeholder Relations Office (CSR) in the board adoption of the strategic asset allocation mix, actuarial assumptions, and discount rate.

Risk Management Goal:

Enterprise Risk Management Framework

With the Enterprise Risk Management Framework in place, ERMD continues to partner with the program areas to mature risk management at CalPERS by conducting the annual enterprise-wide risk assessment which now includes developing risks, reporting Strategic Risk Measures (SRM), and administering enterprise-wide internal controls training.

Risk Awareness

To cultivate a risk-intelligent organization, ERMD works with our internal partners to train and educate CalPERS team members on the importance of risk management and personal accountability. The training emphasizes the responsibility of each team member as first line of defense to identify and report risks.

Enterprise Data Management

ERMD works with our internal partners to facilitate the enterprise-wide Data Management Business Plan Initiative effort to create governance and structure around information and data assets.

Analysis

ERMD significant activities and accomplishments for the first half of fiscal year 2020-21 include:

Fund Sustainability Goal Activities:

Asset-Liability Management (ALM)

ERMD continued to facilitate ALMAC in the following key accomplishments:

- continuing to coordinate Asset Liability Management Advisory Committee (ALMAC) meetings and planning sessions to prepare for the current ALM cycle.
- facilitating ALMAC discussions about the agency termination process.
- review of the Asset Liability Management Policy and preparing membership modifications that were subsequently approved by the board at the September 2020 meeting.
- facilitated development of material for the ALM/Investment information session for January 2021 Stakeholder Forum.

Risk Management Goal Activities:

ERMD continued to collaborate with the enterprise to advance the Enterprise Risk Management Framework through the following key accomplishments:

- completing and presenting the 2020 Annual Enterprise Risk Assessment
- developing new Enterprise Risk Profiles (Profiles) for Climate Change and Long-Term Care.
- updating the Enterprise Risk Dashboard (Dashboard), Profiles, and Enterprise Heatmap (Heatmap) by facilitating discussions with subject matter experts to review risk drivers and mitigations and facilitating risk scoring and prioritization with senior leaders.
- expanding enterprise risk management framework to include developing risks

- reporting of quarterly updates to the Strategic Risk Measures dashboard.

ERMD continued to work together with the enterprise on the cultivation of a risk-intelligent organization by:
- communicating the importance of the first line of defense with team members through internal communication channels.
- collaborating with Enterprise Compliance to organize virtual communication during Compliance and Risk Week aimed at helping team members understand how to maintain a strong culture of ethics and risk-intelligence.

ERMD continued to enhance the Enterprise Internal Control Framework by:
- communicating the importance of preventing risks through the Notice Something, Say Something campaign to promote first line of defense reporting across the enterprise.
- implementing a new intranet website to consolidate and streamline access to available reporting resources for all CalPERS' team members.
- continuing to deliver risk management training to new team members at New Employee Orientation sessions and introduced new What is Risk? webinar for team members.
- establishing the framework to document program level internal controls.

ERMD continued to create and enhance governance policies and processes to strengthen data-driven decisions by:
- leading the Enterprise Data Management Business Plan Initiative to advance governance of CalPERS' information assets.
- completing prioritization process and designing the approval process for the enterprise data glossary.
- gathering program area information to align with State retention requirements to begin drafting the Information Assets Retention policy.

Attachments

Attachment 1 – ERMD 2020-21 Mid-Year Workplan Update

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