



Risk and Audit Committee

Agenda Item 5d

April 18, 2022

Item Name: Status Report – Enterprise Risk Management

Program: Enterprise Risk Management Division

Item Type: Information Consent

Executive Summary

This is an update of the third quarter activities included in the Enterprise Risk Management Plan (Plan) and Strategic Risk Measures (SRMs) for January 1, 2022 through March 31, 2022.

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 CalPERS Board of Administration through the implementation of an effective enterprise-wide risk management program.

Background

ERMD developed the 2021-22 Plan to communicate priorities in support of CalPERS' Strategic and Business Plans, vision, and mission. In April 2021, ERMD received Committee approval for the Plan, which aligns program initiatives to the strategic plan goals of Fund Sustainability and Risk Management. Progress on the Plan activities for the third quarter are reported on the Plan Dashboard. (Attachment 1.)

Analysis

ERMD significant activities and accomplishments for this period include:

Risk Management Goal Activities:

ERMD continued to collaborate with the enterprise to advance the Enterprise Risk Management Framework by:

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

ERMD continued advancing cultivation of a risk-intelligent organization by:

- combining with Enterprise Compliance to administer the fifth annual Compliance and Risk Employee Survey to help develop risk outreach, education, and communication plan.
- continuing to partner with Enterprise Strategy & Performance Division in the development of the 2022–27 Strategic Plan to integrate risk considerations into the process to support risk informed decision making.

ERMD continued enhancing the Enterprise Internal Control Framework by:

- providing risk management training to new team members at New Employee Orientation sessions and conducting a new Your Role in Keeping CalPERS Safe webinar for team members.

ERMD continued enhancing risk and compliance functions throughout the enterprise by:

- communicating the importance of considering risks to CalPERS when making decisions with all team members through bulletins, spotlight ads, team member memos, and Microsoft Yammer posts.
- finalizing and implementing the Information Assets Data Retention policy.

Enterprise Risk Measures:

The Enterprise Risk Measures Dashboard summarizes the status of the CalPERS Strategic Risk Measures (SRMs). Exception reports are attached detailing the risk performance, root cause analysis, and mitigations identified as next steps to reduce the risk for those SRMs that are performing outside of the board’s risk tolerance. (Attachment 2.)

A review of the data reported for the third quarter of fiscal year 2021-22 found three SRMs not meeting their respective risk tolerance as set by the Committee that “Require Attention” for High-Quality Affordable Health Care and Reduce Complexity strategic goals. An analysis and root cause of the risk can be found in the SRM detail provided in Attachment 2.

High-Quality Affordable Health Care:

- Legislation that negatively impacts CalPERS - Senate Bill 510 provides that COVID-19 testing and treatment will be without cost-sharing including employer ongoing/surveillance testing. The employer testing portion of costs being shifted to health plans could impact affordability. CalPERS is working with the Department of Managed Health Care to ensure that costs are reasonable.

Reduce Complexity:

- Proposed legislation that would reduce plan designs - As of March 2022, proposed legislation does not exist.
- Externally proposed bills that have the potential to increase the complexity of the plan design - The Board was most recently provided information of Senate Bills 457, 1173, and 1328 during the March 2022 state and federal legislation update.

Budget and Fiscal Impacts

Not Applicable

Attachments

Attachment 1 – ERMD 2021-22 Q3 Work Plan Update

Attachment 2 – Enterprise Risk Measures Dashboard

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