



## Risk & Audit Committee

# Agenda Item 5d

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**November 16, 2021**

**Item Name:** Status Report – Enterprise Risk Management

**Program:** Enterprise Risk Management Division

**Item Type:** Information Consent

### **Executive Summary**

The purpose of this item is to provide the Risk and Audit Committee (Committee) with an update on first quarter activities included in the Enterprise Risk Management Plan (Plan) and Strategic Risk Measures (SRMs) for July 1, 2021 through September 30, 2021.

### **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.

### **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 goals of Fund Sustainability and Risk Management. Progress on the Plan activities for the period are reported on the Plan Dashboard (Attachment 1).

### **Analysis**

ERMD significant activities and accomplishments for this period include:

#### *Fund Sustainability Goal Activities:*

ERMD continued advancing Asset Liability Management (ALM) within the enterprise by:

- facilitating Asset Liability Management Advisory Committee (ALMAC) meetings to coordinate ALM related topics and presentations such as ALM Stakeholder Webinars, ALM cycle workflow presentations of capital market assumptions, and candidate portfolios.

### *Risk Management Goal Activities:*

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

- advancing the 2021 Annual Enterprise Risk Assessment
- updating the Enterprise Risk Dashboard (Dashboard), Profiles, and Enterprise Heatmap (Heatmap) by facilitating discussions with subject matter experts to review risk drivers and mitigations.
- updating the Developing Risks Report

ERMD continued collaborating with the enterprise to advance the control environment by:

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

ERMD continued collaborating with the enterprise on the cultivation of a risk-intelligent organization by:

- continuing to partner with Enterprise Strategy & Performance Division in the development of the 2022–27 Strategic Plan to integrate risk considerations and risk informed decision making into the process

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 Division Risk Assessment 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.
- completing operationalizing of the Employer Data Request Program.
- drafting the Information Assets Data Retention policy.

### Enterprise Risk Measures:

The Enterprise Risk Measures (ERM) Dashboard summarizes the status of all risk measures. 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 first quarter of fiscal year 2021-22 found one SRM not meeting its respective risk tolerance as set by the Committee and "Requires Attention" for the Reduce Complexity strategic goal. An analysis and root cause of the risk can be found in the SRM detail provided in Attachment 2.

### Reduce Complexity:

- External legislation has been introduced that could potentially increase the complexity of the plan design. The Board was most recently provided information of these bills during the September 2021 state and federal legislation update.

## **Budget and Fiscal Impacts**

Not Applicable

## **Attachments**

Attachment 1 – ERMD 2021-22 Q1 Workplan Update

Attachment 2 – Enterprise Risk Measures Dashboard

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Forrest Grimes  
Chief Risk Officer

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Warren Astleford  
Interim Chief Compliance Officer