



Agenda Item 6b

August 14, 2012

ITEM NAME: Risk Exposure Reports

PROGRAM: Enterprise

ITEM TYPE: Information

EXECUTIVE SUMMARY

These reports provide an overview of CalPERS risk landscape and management's response to those significant risks that may impact the organization. The most significant risks are identified as Top Risk. Management's responses to these Top Risks are described within the report including mitigation strategies. These reports are designed to promote transparency, increase risk awareness, and improve risk management at CalPERS.

BACKGROUND

The Enterprise Risk Management Dashboard (Attachment 1) provides an overview of the risk CalPERS has identified and is managing to better serve our members, employers, and other stakeholders. The Enterprise Risk Management Dashboard is updated periodically and reviewed by Executive Staff.

In the August reporting period, the risk landscape remained relatively stable. However, the Pension Funding risk trend is anticipated to increase over the next reporting period.

Executive staff has updated the mitigation strategies in the Top Residual Risk Report (Attachment 2) to reflect current response to risk exposures.

ANALYSIS

The Enterprise Risk Management Dashboard shows CalPERS current risk profile broken down into strategic, operational, financial/reporting, investment, and ethics/legal/compliance categories. Separate risk domains under each category represent sub-categories of underlying specific related risks. The aggregate ratings on the Enterprise Risk Management Dashboard were derived from a risk assessment performed for each specific risk with the domain. Through continuous monitoring of the risks and performance of additional risk assessments, the Dashboard is updated periodically to display the current risk environment. The Executive Staff are assigned ownership of each domain and provide a response to manage the most significant risks. Management provides assurance as to whether the strategies are on track, within budget, and having the desired effect on treating the risk. Independent

reassurance of the responses to the Top Risk is provided by the Office of Enterprise Risk Management or Office of Audit Services.

Management has indicated these mitigation strategies remain mostly on track, though certain areas, such as enhancements to investment controls and systems, pension funding, and information security have experienced minor impediments in executing some planned strategies.

The Office of Enterprise Risk Management will be developing additional reports to provide the Committee insights on the status of management's mitigation strategies and the measures taken to provide the Committee independent reassurance on the status.

ATTACHMENTS

Attachment 1 – Enterprise Risk Management Dashboard

- Displays the current risk environment and changes since the last reporting period as well as the expected future trend for 38 risk domains.

Attachment 2 – Top Risk Report

- Describes the most significant risk and provides an overview of the mitigation strategies and status of the measures taken to mitigate or manage the risk.

LARRY JENSEN, Risk Officer
Enterprise Risk Management Division

KATHLEEN K. WEBB
Chief Officer of Risk, Compliance, and Ethics

RUSSELL G. FONG
Acting Chief Financial Officer