



CalPERS

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## Risk Exposure Reports

# August 2012

The Office of Enterprise Risk Management (OERM) has worked with executive staff and senior management from across the organization to conduct an enterprise risk assessment and create the following risk exposure reports: Enterprise Risk Management Dashboard, Top Risk Heat Map, and Top Residual Risk Reports. These reports are designed to promote transparency, increase risk awareness, and improve risk management at CalPERS. It demonstrates CalPERS focus on areas of management concern, and ensures the most critical risks are fully recognized and promptly addressed.

The Enterprise Risk Management Dashboard shows the overall residual risk profile broken down into strategic, operational, financial/reporting, investment, and ethics/legal/compliance categories. Under each of these areas, there are risk domains representing the aggregate rating of additional underlying specific residual risks within CalPERS. Each risk domain has an accumulated residual risk rating noting whether the risk exposure of the domain is minimal, moderate, elevated, or high. There is also a projected trend displayed for each domain considering risk management plans and environmental factors and whether expected future residual risk is decreasing, remaining or increasing in the next 3 to 6 months. Currently, there are 38 risk domains identified by executive staff and senior management and displayed within this report.

The Top Risk Heat Map further identifies the top risk domains within the risk dashboard. The map portrays the results between the overall impact and velocity of total risks for each domain to determine which risk domains are of greatest risk. This analysis is facilitated by OERM using the Delphi decision management approach with the Executive Risk Management Committee. For August 2012, it was determined that there are 11 top risk domain areas identified for the August reporting period, see Figure 1.1 below. The top risk domains determined are also noted and labeled accordingly within the Dashboard.

## August 2012 Heat Map with 11 Top Risks Domains

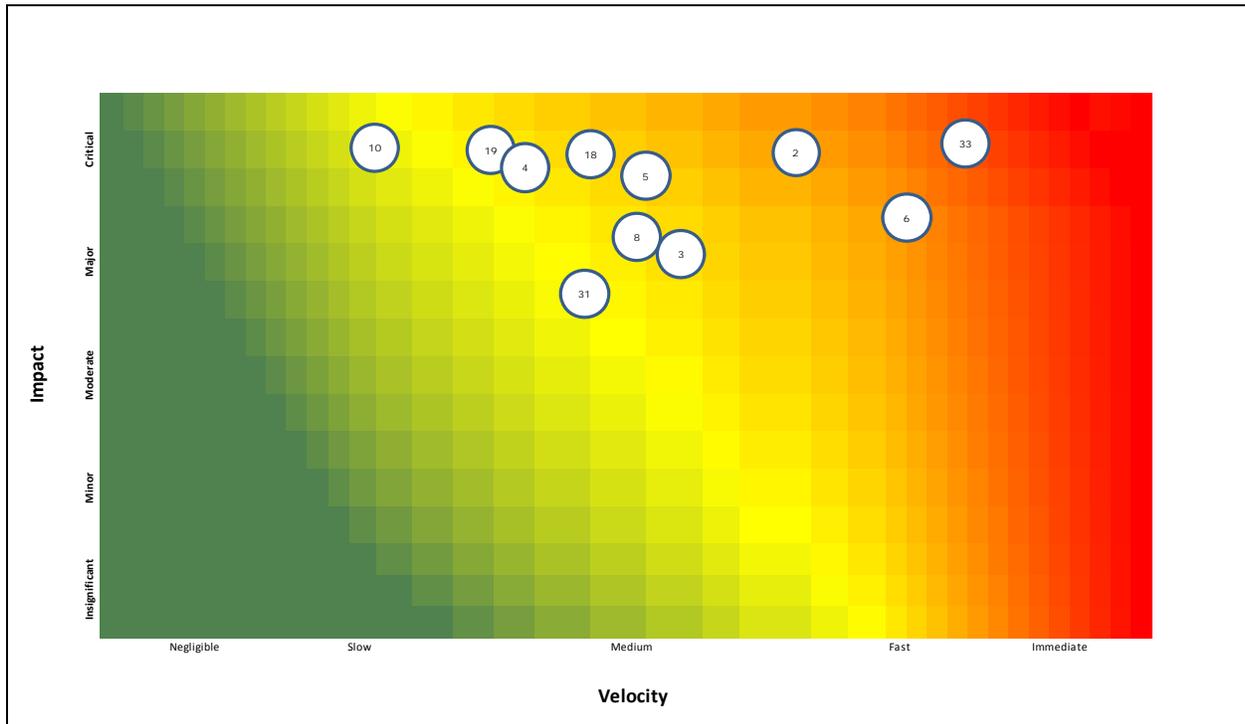


Figure 1.1

Top 11 Risk Domains	
3. Health Care Costs	18. Information Security
4. Long Term Care Program	19. myCalPERS
5. Pension Funding	20. Customer Service
6. Pension Reform	31. Investment Risk Management
8. Governance/Leadership	33. Investment Controls and Systems
10. Stakeholder Perception	

The Top Residual Risk Report then describes the current state of key risks identified for each top risk domain and the risk response for that domain. Risk responses are described within the report including mitigation strategies. The rationale and status of the risk response is provided by the risk domain owner and reassured by the Enterprise Risk Management Division (ERMD). Any changes in this status and the effects it has on the overall risk exposure of its designated risk domain are also displayed within the Dashboard. This specific report is still in draft status. Ongoing the report will show changes in the risk profile over time and management's progress in enterprise risk management activities.

### Enterprise Risk Management Dashboard as of August 14, 2012

California Public Employees' Retirement System																								
Residual Risk Report																								
Strategic			Operational			Financial / Reporting			Investments			Ethics / Legal / Compliance												
FY2012-13 Mag   Aug	Projected Trend	Risk Domain		FY2012-13 Mag   Aug	Projected Trend	Risk Domain		FY2012-13 Mag   Aug	Projected Trend	Risk Domain		FY2012-13 Mag   Aug	Projected Trend	Risk Domain										
			Health Care Reform	1				Business Planning	11				Cash Management	22				Investment Policy	#				Fraud	34
			Health Care PPO Funding	2				Organization	12				Financial / Administrative	23				Leverage	#				Compliance with Laws and	35
			Health Care Costs (Top Risk)	3				Procurement and Contract	13				Fiscal Planning	24				Counterparty Exposure	#				Policy Compliance	36
			Long Term Care Program	4				Business Continuity Management	14				Reporting	25				Investment Risk Management (Top Risk)	31				Ethical Conduct	37
			Pension Funding (Top Risk)	5				Performance Management	15				Administrative Accounting	26				Liquidity	#				Legislative / Regulatory	38
			Pension Reform (Top Risk)	6				Operational Controls	16				Investment Accounting	27				Investment Controls and Systems (Top Risk)	#					
			Actuarial	7				Technology / Systems Management	17															
			Governance / Leadership	8				Information Security (Top Risk)	18															
			Strategy and Policy	9				myCalPERS (Top Risk)	19															
			Stakeholder Perception (Top Risk)	10				Customer Service (Top Risk)	20															
								Human Resources Management	21															

Residual Risk - Previous   Current	
	Considering risk responses, the remaining residual risk exposure is <b>minimal</b> .
	Considering risk responses, the remaining residual risk exposure is <b>moderate</b> .
	Considering risk responses, the remaining residual risk exposure is <b>elevated</b> .
	Considering risk responses, the remaining residual risk exposure is <b>high</b> .

Projected Trend	
	Considering risk management plans and environmental factors, the residual risk is expected to <b>decrease</b> over the next 3-6 months
	Considering risk management plans and environmental factors, the residual risk is expected to <b>remain constant</b> over the next 3-6 months
	Considering risk management plans and environmental factors, the residual risk is expected to <b>increase</b> over the next 3-6 months