

California Public Employees' Retirement System										
Enterprise Risk Management - Top Residual Risk Report										
as of Aug 14, 2012										
Top Risks			Oversight		Management Assurance		Independent Reassurance			
Inherent Risk (Before Mitigations)	FY2012-13 May   Aug	Projected Trend	Risk Domain	Board Committee	Executive Owner	Summary of Additional Planned Mitigation Strategies	Mitigation Status (Time, Budget, Effect)	Reassurance	Reassurance Source	
Extremely High			Investment Controls and Systems	33	Investment Committee	Chief Operating Investment Officer	<ul style="list-style-type: none"> <li>-Implement new equity portfolio construction system and global equity investment book of record The Public Markets Portfolio Management project is in progress with completion targeted for Dec 2012.</li> <li>-Implement operating event measurement and escalation processes INVO established the operating event measurement and escalation processes in Sept 2011.</li> <li>-Develop books of record strategy for private assets and valuation oversight process for private equity INVO has initiated the AIM IBOR project with target completion of Dec 2013. INVO has initiated steps to transition oversight processes currently done thru an external vendor internally.</li> <li>-Establish Investment Office data management function Work stream has been sequenced to begin Jan 2013 and is contingent on the completion of several of the INVO TOM projects.</li> <li>-Continue to push forward enhancements in AREIS, enabling the end to parallel processing AREIS enhancements have been completed and discussions between INVO and FSCD have begun to enable the end to parallel processing.</li> <li>-Develop the ability to record and track Investment expenses FINO/INVO Initiative has been initiated with target completion of Sept 2013.</li> <li>-Implement new travel policy, enhance restricted trading policy process, and train staff INVO has established a new travel policy, has drafted and received board approval for new personal trading policy, and is developing INVO staff training schedule.</li> <li>-Complete financial reporting project Project has been initiated by FINO.</li> <li>-ICOR to develop investment policy monitoring program ICOR is developing a detailed tracking database and testing module for all investment Policies -Database to be complete by June 30, 2012; Initial policy compliance testing which will be risk based will be completed by December 2012.</li> <li>-Performance measurement and Attribution Initiative deferred for 6 months.</li> <li>-Obtaining and Retaining Key Staff CEM survey conducted.; Conducted employee classification study.; Tracking number of vacancies by area; Ramping up position posting.</li> </ul>			Office of Enterprise Risk Management
Extremely High			my CalPERS	19	Risk and Audit Committee	Deputy Executive Officer, Operations and Technology	<ul style="list-style-type: none"> <li>-Between May 1, 2012, and August 1, 2012, completed 20 releases to capture additional system functionality (Completed).</li> <li>-Completed work enabling a disbanding of the death processing lab and return of staff to normal work environment (Completed).</li> <li>-Initiated rapid results teams for service credit purchase and disability retirement processing. Completed the disability retirement processing system changes (Completed).</li> <li>-Continue regular, frequent system releases to capture additional required system functionality with a focus in Q1 of FY 2012/2013 on service credit purchase, retirement adjustments, taxes, and forms (Ongoing).</li> <li>-Continue internal and external outreach campaigns to update members, employers, and staff of system status and business process/service level status (Ongoing).</li> <li>-Continue work on the health deductions team to clean up remaining data issues surrounding member health deductions and employer billings for health prior to the start of open enrollment (October 2012).</li> <li>-Complete staff and member transition activities for initial member self service launch in July, 2012.</li> <li>-Participate in additional rapid results teams, as needed, to improve service delivery across program areas (Ongoing).</li> <li>-Continue execution of updated IT transition activities (June 2014).</li> </ul>			Office of Enterprise Risk Management
Extremely High			Pension Funding	5	Pension and Health Benefits	Chief Actuary	<ul style="list-style-type: none"> <li>-Deliver investment performance that exceeds benchmark results within acceptable risk targets.</li> <li>-Regularly review actuarial policies and update as appropriate (Complete).</li> <li>-Conduct economic study every 4 years (Spring 2013).</li> <li>-Board has adopted actuarial smoothing and an amortization method that strive for a balance between contribution stability and improved funded status over 30 years.</li> </ul>			Office of Enterprise Risk Management
Extremely High			Investment Risk Management	31	Investment Committee	Chief Investment Officer	<ul style="list-style-type: none"> <li>-Implement new investment risk management system and risk budgeting framework - Barra II implementation complete (June 2012) ; new reporting function being rolled out.</li> </ul>			Office of Enterprise Risk Management
Extremely High			Pension Reform	6	Pension and Health Benefits	Deputy Executive Officer, Benefit Programs Policy and Planning	<ul style="list-style-type: none"> <li>-Staff continue to meet with stakeholders to review new proposals and proposed language. Qualified ballot propositions and pension reform legislation is reviewed and evaluated for program impact. Staff have an internal structure to respond to new reports and proposals as appropriate and have developed internal guidance for response mechanisms.</li> <li>-Establish a pension policy and research function (Completed).</li> <li>-Proactive education of decision makers (Ongoing).</li> <li>-Staff created a presentation for the Board of Administration, presented at the January Offsite highlighting major system impacts. Staff have completed a cost impact analysis and pre-planning for implementation. RRPD staff have engaged ESPD to develop a project plan for Pension Reform implementation.</li> </ul>			Office of Enterprise Risk Management
Extremely High			Information Security	18	Finance and Administration Committee	Assistant Executive Officer, Information Technology	<ul style="list-style-type: none"> <li>Reduce security risks and vulnerabilities through improving protection from malicious internet threats, enhancement of data loss prevention technologies, security for mobile devices, and proactive security assessment processes (June 2013).</li> <li>Phase 1 of Security Roadmap Program will address six areas of improvement, which when implemented, will significantly reduce risks and improve information security throughout CalPERS. The six initiatives are outlined below: <ul style="list-style-type: none"> <li>• Non signature-based protection against Malicious Mobile Code (MMC)</li> <li>• United States Government Configuration Baseline (USGCB) Compliance</li> <li>• Mobile Device Management</li> <li>• Develop Procedures for Periodic Security Assessments</li> <li>• Update EPPO Security Practices</li> <li>• Data Loss Prevention.</li> </ul> </li> </ul>			Office of Enterprise Risk Management

Residual Risk - Previous   Current	Trend	Mitigation Status
Considering risk responses, the remaining risk exposure is <u>minimal</u> .	Considering risk management plans and environmental factors, the residual risk is expected to <u>decrease</u> over the next 3-6 months	Considering system and staff readiness, workload impacts, and mitigation strategies, mitigation plans are <u>on track</u> .
Considering risk responses, the remaining risk exposure is <u>moderate</u> .	Considering risk management plans and environmental factors, the residual risk is expected to <u>remain constant</u> over the next 3-6 months	Considering system and staff readiness, workload impacts, and mitigation strategies, mitigation plans are <u>at risk</u> .
Considering risk responses, the remaining risk exposure is <u>elevated</u> .	Considering risk management plans and environmental factors, the residual risk is expected to <u>increase</u> over the next 3-6 months	Considering system and staff readiness, workload impacts, and mitigation strategies, mitigation plans are <u>off track</u> .
Considering risk responses, the remaining risk exposure is <u>high</u> .		

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High		Customer Service	20	Pension and Health Benefits	Deputy Executive Officer, Customer Services and Support	<ul style="list-style-type: none"> <li>-Recruit for additional temporary resources to support Death Benefit processing, Disability Retirement, and Customer Contact Center. (completed).</li> <li>-Developing a backlog reduction plan for payroll adjustments. (in progress).</li> <li>-Developed a backlog reduction plan for Death Benefits. Executing and monitoring the plan. (on-going).</li> <li>-Developed a backlog reduction plan for Service Credit Purchases. Executing and monitoring the plan. (on-going).</li> <li>-Redirection of staff and overtime usage. (on-going).</li> <li>-Continue to implement releases to address fixes and defects. (on-going).</li> <li>-Re-engineering business to streamline and gain efficiencies. (on-going).</li> <li>-Continue outreach efforts to share information with members on alternatives available to them to process requests (i.e. Retirement Estimate Calculator, Service Credit Costing Estimator, on-line education, etc.). (on-going).</li> </ul>					Office of Enterprise Risk Management
High		Long Term Care Program	4	Pension and Health Benefits	Deputy Executive Officer, Benefit Programs Policy and Planning	<ul style="list-style-type: none"> <li>-The Program continues to carefully monitor the financial performance of the Fund (Ongoing).</li> <li>-Staff are developing programmatic improvement proposals for board consideration (2012).</li> <li>-Program enhancements will be developed for implementation with new TPA contract.</li> <li>-Continuation of board approved premium increases for the comprehensive coverage through 2014 will continue to improve fund status.</li> <li>-Implement INVO's April, 2012 policy to modify the LTC portfolio asset allocation and revise the discount rate.</li> <li>-(closed session) Present proposed program option changes and rate increases to Board's PHBC.</li> </ul>					Office of Enterprise Risk Management
High		Health Care Costs	3	Pension and Health Benefits	Deputy Executive Officer, Benefit Programs Policy and Planning	<ul style="list-style-type: none"> <li>- Implement the Board approved Health Benefit Purchasing Review Initiatives (3-5 year strategic plan). Initially focus on the following:                             <ul style="list-style-type: none"> <li>Evidence-based medicine</li> <li>Value-based purchasing</li> <li>Bundled payments</li> <li>Integrated Healthcare</li> <li>Uniform Metrics</li> <li>Shared Decision-Making</li> <li>Transparency</li> <li>Intensive Case Management</li> <li>Reduce Unwarranted Care</li> <li>HMO Procurement</li> <li>Kaiser Contract</li> <li>PPO Procurement</li> <li>Risk Adjustment.</li> </ul> </li> <li>-Focus on the top 3 cost drivers (inpatient hospital, outpatient hospital and specialty drugs) and work with the health plans to develop targeted strategies to address them (Ongoing)</li> </ul>					Office of Enterprise Risk Management
High		Governance / Leadership	8	Board Governance Committee	Chief Executive Officer	<ul style="list-style-type: none"> <li>-CEO is sponsoring a staff work group, including the General Counsel, to work closely with the Board President and Board to implement actions approved by the Board in August and September of 2011</li> <li>-Regular reporting to the Governance Committee is in place.</li> <li>-The new Board committee structure was implemented in February 2012. Executive liaisons to each of the committees were established, and roles and responsibilities defined. A new agenda process is in place. Liaisons continue to meet to discuss ways to improve committee processes and communication between Board and staff. An element will be included in the performance plans of the Committee Liaisons to reinforce this activity.</li> <li>-In February 2012, the Board adopted a new Governance Policy that incorporates the approved principles and recommendations.</li> <li>-Webcasting of the Board and Committee was introduced in March 2012.</li> <li>-The Board approved a gift policy in April 2012., a proposed travel policy will follow.</li> <li>-The Board approved a travel policy in June 2012.</li> <li>-The Board self assessment process began in June 2012. The assessment will occur at the July Board Offsite, with follow up activity to be determined as appropriate.</li> <li>-Board Fiduciary and Lack of Undue Influence Certifications processes have been established; staff reported to the Board on these processes in June 2012.</li> <li>-Board is currently in process of revising 5 year strategic plan. A comprehensive workshop is scheduled for the July 2012 offsite and the plan will be presented to the Board for approval in August. An implementation plan, including measures for performance and a periodic review of the plan, will also be developed.</li> </ul>					Office of Enterprise Risk Management
High		Stakeholder Perception	10	Risk and Audit Committee	Deputy Executive Officer, External Affairs	<ul style="list-style-type: none"> <li>-Conduct Stakeholder Relations risk assessment. (Baseline completed June 2011; Follow-up assessment plan being developed for the next three years 2012-2015).</li> <li>-Develop a unified strategy that strengthens product and service marketing of all programs (June 2012). (Branding initiative currently underway, will be presented to the Board in July 2012 and will be implemented over the next year. Have developed several tactics to unify our marketing and outreach efforts, including:                             <ul style="list-style-type: none"> <li>Reviewing and analyzing the survey responses that were collected from the marketing and outreach representatives</li> <li>Reviewing current marketing and outreach materials</li> <li>Conducting best practice marketing research and developing a Marketing Strategy document that applies to CalPERS</li> <li>Presenting recommendations to the Executive Sponsor's based on the findings).</li> </ul> </li> <li>-Proactively inform Legislative leaders, key committee chairs and vice chairs, and consultants about issues that could impact CalPERS reputation. (This is an ongoing initiative, being conducted by the Office of Government Affairs on a regular basis).</li> <li>-Develop and implement communications strategy to increase visibility and public presence of CalPERS leadership, ethics, governance, and accountability in the media and among stakeholders. (This is included in the Stakeholder Relations Plan and Business Plan 2012-2014, implementation underway).</li> <li>-Develop a social media strategy that targets growth, engagement, education, and awareness of CalPERS online community. (Complete- set growth target for 100% on Facebook. We started on July 1, 2011, with 1,657 Likes and tonight at approximately 8 p.m., met and then surpassed our 3,314 target.; we have also increased the number of twitter followers to 4454)</li> </ul>					Office of Enterprise Risk Management

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