



Agenda Item 7a

December 10, 2012

ITEM NAME: Governance Risk and Compliance Report

PROGRAM: Enterprise

ITEM TYPE: Information

EXECUTIVE SUMMARY

The Office of Enterprise Risk Management (OERM) developed an Enterprise Risk Management (ERM) / Governance Risk and Compliance (GRC) training program for the Board of Administration. The training is designed to provide the Board deeper knowledge of the CalPERS ERM/GRC program, comprised of enterprise risk management, compliance and internal audit. This presentation focuses on ERM/GRC Roles, Responsibilities, and Risk Ownership (Attachment 1).

STRATEGIC PLAN

The Board training program is designed to "Cultivate a high-performing, risk intelligent and innovative organization." The enhanced training will assist the Board to more effectively oversee the enterprise risk management, compliance, and internal audit functions at CalPERS.

BACKGROUND

In October 2012, the Office of Enterprise Risk Management (OERM) developed and conducted a training session with the Board on Risk Management Definitions and Guiding Principles. The ERM / GRC training program for the Board of Administration assists the Board in identification of "leading practices" and to understand both the current state and desired future state of CalPERS ERM / GRC program. The training modules will be presented to the Board of Administration and Executive Staff in the next 12 to 18 months. The Modules will be presented in coordination with bimonthly Risk and Audit Committee Meetings and the Board offsite. This is agenda item addresses ERM/GRC Roles, Responsibilities, and Risk Ownership.

ANALYSIS

Boards today are operating in what may be one of the most challenging business environments any generation of directors has ever known. Effective risk governance, risk management, and compliance are priorities for the Board and Executive Staff at CalPERS. While risk management is everyone's responsibility, certain responsibilities and powers are reserved for the Board. Management also plays a key role in implementing a robust governance, risk, and compliance program. By clarifying risk roles and responsibilities, board members will be better positioned and equipped to determine how to conduct its oversight.

Since no one ERM/GRC program is designed to fit all organizations, each program must be tailored to the unique culture of an organization and business environment in which the organization operates. CalPERS continues its journey to implement a sustainable ERM/GRC program that gives the Board insight into CalPERS key risks and how those risks are being managed.

This agenda item addresses ERM and GRC Roles, Responsibilities and Risk Ownership and covers the following specific topics:

- Importance of Evaluating Risk Roles and Responsibilities
- Current GRC Roles and Responsibilities at CalPERS
- Leading Practices

ATTACHMENTS

Attachment 1 – ERM and GRC Fundamentals: ERM and GRC Roles, Responsibilities, and Risk Ownership

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