

| California Public Employees' Retirement System                             |  |   |   | Enterprise Risk Management Dashboard as of October 20, 2014  |   |  |   |
|--|--|---|---|--|---|--|---|
| Strategic  |  | Operational   |   | Financial  |   | Compliance/Ethics  |   |
| 2014<br>May   Oct   Trend   Risk Domain                                    |  | 2014<br>May   Oct   Trend   Risk Domain               |   | 2014<br>May   Oct   Trend   Risk Domain  |   | 2014<br>May   Oct   Trend   Risk Domain  |   |
| <b>Governance / Leadership</b> <b>BGC</b> 1                                | <b>Business Planning</b> <b>FAC</b> 11                   | <b>Financial Controls and Systems</b> <b>FAC</b> 21   | <b>Laws, Rules, and Regulations</b> <b>RAC</b> 27   | <p>This domain identifies risks that may impact the ability to collectively identify, understand and manage current and future risks effectively in a complex environment to support effective decision-making that guides CalPERS to meet its strategic goals and objectives.</p>   | <p>This domain identifies risks that may impact creating and achieving relevant business plan objectives and action plans that are aligned with strategic goals. This includes effective implementation and monitoring of objectives and alignment of business planning process with other business decision processes.</p> | <p>This domain identifies risks that may impact the effectiveness of CalPERS financial controls to ensure accurate accounting for plan assets and liabilities. This includes policies and processes, implementation and management of controls for decision making, and use of assets, including appropriate authorizations, and segregation of duties.</p>  | <p>This domain identifies risks that may impact CalPERS and staff resulting from non-compliance with statutory requirements, specifically non-compliance with relevant laws, rules and regulations, including regulatory reporting and the effectiveness of a compliance framework.</p> |
| <b>Strategic Planning and Implementation</b> <b>FAC</b> 2                  | <b>Organization</b> <b>FAC</b> 12                        | <b>Financial Planning</b> <b>FAC</b> 22               | <b>Fraud Detection and Prevention</b> <b>RAC</b> 28 | <p>This domain identifies risk to achieving strategic goals and effectively planning and implementing objectives and initiatives to meet CalPERS vision, mission, goals and objectives. Includes the ability to effectively measure, report, and monitor achievement of strategic goals, objectives, and initiatives outlined in the strategic plan.</p> | <p>This domain identifies risks that may impact CalPERS ability to build a strong culture that demonstrates high standards of analytical rigor and information-sharing across the organization with the most efficient and effective use of organizational resources.</p>   | <p>This domain identifies risks that may impact the effectiveness of CalPERS budget and planning process which provides appropriate financial resources for the organization to meet its objectives.</p>   | <p>This domain identifies risks that may impact the protection of CalPERS assets, integrity, and credibility through effective fraud detection and prevention and investigation capabilities.</p>   |
| <b>Pension Funding (Asset Liability Management)</b> <b>FAC</b> 3           | <b>Procurement and Contract Management</b> <b>FAC</b> 13 | <b>Financial Reporting</b> <b>FAC</b> 23              | <b>Policy and Procedures</b> <b>RAC</b> 29          | <p>This domain identifies risks that may impact the sustainability of CalPERS pension plans' affordability and attractiveness to employers, and the goal of low volatility in contributions and appropriate funding levels through the management of assets and liabilities.</p>   | <p>This domain identifies risks that may impact CalPERS process to cost effectively and efficiently acquire goods or services and manage contracts consistent with applicable laws, regulations, and policies.</p>  | <p>This domain identifies risks that may impact the integrity of financial and management reporting which meets management's needs for decision making and legal and statutory requirements for disclosure.</p>  | <p>This domain identifies risks that may impact compliance with all CalPERS policies and the effectiveness of a policy management framework.</p>  |
| <b>Asset Allocation</b> <b>IC</b> 4  | <b>Business Continuity Management</b> <b>FAC</b> 14      | <b>Investment Risk Management</b> <b>IC</b> 24        | <b>Ethical Conduct and Standards</b> <b>RAC</b> 30  | <p>This domain identifies risks related to and arising out of asset allocation that may impact achieving the target rate of return, maintaining sufficient diversification to avoid large losses and preserve capital, and maintaining adequate funds to fulfill liabilities when they arise.</p>  | <p>This domain identifies risks that may impact CalPERS ability to effectively plan for recovery and business continuity in the event of a disaster, hazard, or other business interruption.</p>  | <p>This domain identifies risks that may impact the management, measurement, monitoring and reporting of investment risk. This includes adequacy of resources, tools and governance structure to measure and manage risk.</p>  | <p>This domain identifies risks that may impact adherence to ethical standards, core values, and guiding behaviors in CalPERS.</p>  |
| <b>Participating Employer Financial Hardship / Insolvency</b> <b>FAC</b> 5 | <b>Physical Security Controls</b> <b>FAC</b> 15          | <b>Investment Controls &amp; Systems</b> <b>IC</b> 25 |   | <p>This domain identifies risks related to and arising out of participating employer financial hardship or insolvency that may impact employers and members pension or health plan terms including benefits, contributions or premiums, or other actions that threaten the integrity and soundness of the system.</p>                                    | <p>This domain identifies risks that may impact the proper level of operational controls in place to safeguard CalPERS campus, assets, mail, and equipment from damage or theft.</p>  | <p>This domain identifies risks that may impact CalPERS investment control framework to effectively manage the portfolio, minimize fund expenses, provide for safekeeping of assets, and operate the funds within context of all relevant legal requirements. This includes investment technology systems that are reliable and provide accurate, relevant data in a secure manner that supports the operations and accounting for investment funds.</p> |   |
| <b>Human Resources Management</b> <b>PCTC</b> 6                            | <b>Technology / Systems Management</b> <b>FAC</b> 16     | <b>Actuarial Policies / Practices</b> <b>FAC</b> 26   |   | <p>This domain identifies risks that may impact the availability of an adequate knowledgeable workforce with sufficient training and skills to meet organizational goals and objectives. This includes recruitment, hiring, succession planning, and labor relations.</p>  | <p>This domain identifies risks that may impact CalPERS ability to provide a highly reliable, accessible, available technology infrastructure that meets enterprise-wide information needs.</p>   | <p>This domain identifies risks that may impact actuarial policies relying on assumptions that serve as reasonable forecast of actual economic and demographic conditions and implementation of actuarial methods that are consistent with industry standards.</p>   |   |

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Enterprise Risk Management Dashboard as of October 20, 2014**

| Strategic   | Operational  | Financial                               | Compliance/Ethics                       |
|---|--|---|---|
| 2014<br>May   Oct   Trend   Risk Domain   | 2014<br>May   Oct   Trend   Risk Domain  | 2014<br>May   Oct   Trend   Risk Domain | 2014<br>May   Oct   Trend   Risk Domain |
| <b>Health Care Costs</b> <span style="float:right">PHC 7</span><br>This domain identifies risks in the health care environment that may impact increases in health care benefit costs and may erode CalPERS ability to provide its members with high quality, cost effective health care services and adversely impact CalPERS as the preferred health care choice for employers and employees. | <b>Information Security</b> <span style="float:right">FAC 17</span><br>This domain identifies the risks associated with the capacity and sustainability of information management procedures and practices that ensures the security of CalPERS information assets, including but not limited to health and financial data of our employers and members. |   |   |
| <b>Long Term Care Program</b> <span style="float:right">PHC 8</span><br>This domain identifies risks that may impact CalPERS Long Term Care program and that it is sufficiently funded to provide services expected. This includes performance of third-party administrator and overall fund status.  | <b>Customer Service</b> <span style="float:right">PHC 18</span><br>This domain identifies risks that may impact the ability for CalPERS to efficiently meet and exceed members and employers service expectations and established performance measures.  |   |   |
| <b>Legislative / Regulatory</b> <span style="float:right">BoA 9</span><br>This domain identifies risks associated with changes in State and Federal laws or regulations that may impede CalPERS ability to meet its fiduciary responsibility and accomplish its goals and objectives.   | <b>Health Plan Management</b> <span style="float:right">PHC 19</span><br>This domain identifies risks that may impact health plans and that they are adequately funded for CalPERS to offer cost-effective, accessible, quality health care options.   |   |   |
| <b>Stakeholder Perception</b> <span style="float:right">BoA 10</span><br>This domain identifies risks that may impact effective communications and relationships with key stakeholders who require a high level of confidence in CalPERS. These critical partnerships are necessary in order to successfully deliver retirement and health benefits to CalPERS members.                         | <b>Data Integrity and Management</b> <span style="float:right">FAC 20</span><br>This domain identifies risks related to the lack of enterprise leadership for data governance and controls which may lead to inaccurate, incomplete or unavailable data needed to support CalPERS financial, operational and strategic performance.                      |   |   |

**Residual Risk - Considering risk responses and the remaining risk exposure.**

|  |          |
|--|----------|
|  | Minimal  |
|  | Moderate |
|  | Elevated |
|  | High     |

**Trend - Considering risk management plans and environmental factors, the residual risk trend over the next 6 months.**

|  |                 |
|--|-----------------|
|  | Decrease        |
|  | Remain constant |
|  | Increase        |

**Board Committee Acronyms**

|   |
|---|
| <b>FAC</b> - Finance and Administration Committee                     |
| <b>PHC</b> - Pension and Health Benefits Committee                    |
| <b>IC</b> - Investment Committee                                      |
| <b>RAC</b> - Risk and Audit Committee                                 |
| <b>PCTC</b> - Performance, Compensation & Talent Management Committee |
| <b>BGC</b> - Board Governance Committee                               |
| <b>BoA</b> - Board of Administration                                  |