



## Consent

### Agenda Item 4e

June 16, 2015

**ITEM NAME:** Quarterly Status Report – Enterprise Risk Management

**PROGRAM:** Risk Management

**ITEM TYPE:** Information Consent

#### **EXECUTIVE SUMMARY**

This item provides a status update of key activities and accomplishments for the Enterprise Risk Management Division (ERMD) during the period of February 1, 2015 through April 30, 2015.

#### **STRATEGIC PLAN**

This item supports CalPERS 2012-2017 Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization. By collaborating with stakeholders to focus on strategic and operational risk management, ERMD assists with building a risk-intelligent organization.

#### **BACKGROUND**

Under the Integrated Assurance Model, CalPERS uses the three lines of defense methodology to integrate risk management and compliance responsibilities. ERMD's primary role is to provide the enterprise with a systematic approach to the identification of organizational risks, risk responses, mitigations, and continuous risk monitoring.

#### **ANALYSIS**

Following are brief updates on significant activities and accomplishments of ERMD during the third quarter of Fiscal Year 2014-15.

#### **PIER Plus Report**

ERMD facilitated the independent Post Implementation Evaluation Review (PIER) Plus assessment, an extensive review of the planning, development and implementation of the Pension Resumption Project (PSR) and my|CalPERS system implementation. After a several-month effort conducting its review and analysis, the external consultant, Grant Thornton, finalized its analysis on lessons learned, benefits gained, and recommendations, and presented its report as an information item to the Finance and Administration Committee in February 2015. Grant Thornton completed its final deliverables including the final PIER Plus Report, and knowledge transfer activities related to benefit realization and project management.

### **Annual Risk Plan**

ERMD continues to make progress on the Fiscal Year 2014-15 Annual Risk Assessment Plan. Highlights on projects in-progress include the following:

- Integrated assurance model development and implementation – Staff participated in an extensive internal review on the roles and responsibilities of assurance roles within CalPERS, focusing primarily on Enterprise Compliance, Investment Compliance, and Enterprise Risk roles and responsibilities, and are currently implementing improvements to integrated assurance in the three lines of defense model.
- ERMD is implementing the 2014-16 Business Plan initiative on developing Strategic Risk Measures. ERMD worked with Enterprise Strategy and Performance Division to gain an understanding of the strategic measures objectives and then mapped the risk dashboard to the strategic plan and measures. ERMD's next step is to identify improved methods of assessing and monitoring risk to the accomplishment of the strategic plan, tied to strategic measures.
- For the first time, an integrated risk assessment was coordinated and conducted by ERMD, the Office of Audit Services (OFAS) and the Enterprise Compliance Division (ECOM). The integrated risk assessment approach was well received by the various divisions that participated in the risk assessment interview process, and resulted in the plans that are presented in today's agenda by OFAS, ECOM and ERMD.
- ERMD completed an enterprise risk dashboard recalibration to provide an updated overview of CalPERS risk environment. The update is presented as an information item, Item 6a, in today's agenda.
- The 2015-17 Enterprise Risk Management Plan is presented as Item 6a in today's agenda to the Risk and Audit Committee for approval.

### **Business Continuity Management**

ERMD, in collaboration with business areas, updated 2015 Business Continuity Plans (BCPs) required annually pursuant to Executive Order S-04-06. ERMD is coordinating with Information Technology Services Branch (ITSB) to further strengthen the integration of business continuity and technical recovery planning. The division roles and responsibilities were reorganized and reassigned between Operations Support Services Division, ITSB and ERMD.

### **BENEFITS / RISKS**

Effective enterprise risk management provides significant benefits to the organization. It assists enterprise in achieving CalPERS 2012-2017 Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization. This is achieved by:

- Fostering a culture that seeks strong risk intelligence and enables the enterprise to surface strategic issues and responses.
- Providing leadership and promoting shared understanding of priorities
- Collaboratively reassessing top enterprise risks and mitigation strategies

- Collaboratively establishing risk identification and mitigations with business owners

Lack of enterprise risk management can lead to non-attainment of strategic objectives, siloed decision-making, and missed opportunities for the enterprise.

**BUDGET AND FISCAL IMPACTS**

Not Applicable.

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