Agenda Item 6a

June 16, 2015

ITEM NAME: 2015-17 Enterprise Risk Management Plan

PROGRAM: Enterprise Risk Management

ITEM TYPE: Action

RECOMMENDATION
Approve the proposed 2015-17 Enterprise Risk Management Plan

EXECUTIVE SUMMARY
Enterprise Risk Management Division (ERMD) prepared a proposed plan for approval (Attachment 1). The plan, based on an enterprise risk assessment, will guide ERMD's major activities during the coming fiscal years.

STRATEGIC PLAN
This agenda item supports Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization. To achieve this goal, ERMD establishes plans based on a robust risk framework that includes consideration of risk in decision making, planning, and prioritization of business activities.

BACKGROUND
In the spring of this year, ERMD jointly conducted the first integrated assurance risk assessment in coordination with the Enterprise Compliance Office and the Office of Audit Services. The integrated assurance approach helps these respective functions obtain more robust information and assists in demonstrating and making operational their distinct but related roles within integrated assurance.

To prepare the 2015-17 plan, ERMD analyzed the results of the risk assessment, the recalibrated enterprise risk dashboard, and other inputs to identify key priorities for ERMD. ERMD will continue to coordinate with Enterprise Compliance and Office of Audit Services to ensure the functions' respective activities are complementary and promote stronger assurance, but avoid unwanted overlap.

ANALYSIS
Focus areas for ERMD's activities over the coming years are based on ERMD's vision to proactively collaborate with stakeholders to build a risk-intelligent organization that routinely focuses on strategic and operational risk management.
The plan is designed to meet the objective of providing the most effective and efficient deployment of enterprise risk management resources in a manner that addresses:
- Integration of assurance activities within ERMD, Enterprise Compliance, and Office of Audit Services
- A strong focus on areas of high risk ranking

- An enterprise view of business activities within the organization

Key areas ERMD will address in the coming fiscal years include:

- Business Continuity Management - Enhancing integration of business and technical recovery plans for business continuity management
- Asset-Liability Management – Working with the actuarial, investment, and financial areas in assessing the risks and mitigations for implementation of asset-liability/ funding risk management
- Records Retention – Recommending practices for enterprise records retention and destruction

Please refer to the full plan included as Attachment 1 for detail on each of the focus areas identified. ERMD will refresh the plan annually and adjust according to the changing risk environment and priorities.

BUDGET AND FISCAL IMPACTS
Funding for the proposed activities will be provided through the approved Enterprise Risk Management Division budget.

BENEFITS/RISKS
Enterprise risk management is an ongoing, entity-wide process to identify, evaluate, analyze, respond to, monitor, and communicate about risks. Effective enterprise risk management enables an organization to focus its resources on the most significant risks and make more informed risk decisions.

Approval of the proposed plan will focus the risk management efforts on CalPERS strategic issues and provide plans and action on identified risk areas. Approval of the plan also advances CalPERS towards its strategic goal of becoming a risk intelligent organization.

Failure to implement the plan may reduce the likelihood of achieving the strategic goal or attaining the benefits of enterprise risk management. Without an integrated, coordinated approach, limited resources may not be deployed effectively, and significant risks may not be managed appropriately.

ATTACHMENT
Attachment 1 – 2015-17 Enterprise Risk Management Plan

_____
CHERYL EASON
Chief Financial Officer