



Agenda Item 4f

September 16, 2015

ITEM NAME: Quarterly Status Report – Enterprise Risk Management

PROGRAM: Enterprise Risk Management

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

Enclosed is the Enterprise Risk Management Division's (ERMD) quarterly report for the period of April 1, 2015, through June 30, 2015. This agenda item provides summary information on ERMD's progress on the Enterprise Risk Management Plan (Plan), an essential component of the CalPERS overall Business Plan.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. Specifically, ERMD supports stakeholder focus on strategic and operational risk management through facilitation of a systematic approach to the identification of organizational risks, risk responses, mitigations, and continuous risk monitoring.

BACKGROUND

In June 2014, ERMD staff (Staff) received the Risk and Audit Committee approval for the Plan, which included ten strategic focus areas. In January 2015, ERMD was restructured to better align activities within the lines of defense, such that the operational functions of information security and emergency management now report to the appropriate operational areas. Plan strategic focus areas remaining under the responsibility of Staff include:

- Key Risk Indicator Development/ Implementation
- Insurance Coverage;
- Risk Management Framework;
- Integrated Assurance Model Development/ Implementation;
- Enterprise-wide Risk Assessment.

ANALYSIS

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

2014-16 Enterprise Risk Management Plan

Key Risk Indicators Development/ Implementation

In July 2014, the Board of Administration affirmed a suite of strategic measures designed to evaluate the success of the CalPERS 2012-17 Strategic Plan implementation. In

March 2015, Staff partnered with the Enterprise Strategy and Performance Division to perform initial mapping of enterprise risk domains to corresponding strategic measures, with the intent of further integrating risk into strategic and business planning. In June 2015, Staff refined the initial risk domain mapping and developed a high-level project plan for the incorporation of assessing and monitoring risk into the strategic measure development, assessment, and reporting process.

Integrated Assurance Model Development/ Implementation

Staff developed clarity of roles, priorities and staffing levels, knowledge, skills and abilities necessary for integrated assurance functions related to risk management. Staff provided communication updates to Senior Leadership Council, Investment Operating Committee, and project advisory committee, socialized recommendations and changes with impacted Deputy Executive Officers, and obtained a high level of acceptance to the recommendations.

Enterprise Risk Assessment

Based on the results of the first integrated assurance Risk Assessment conducted by ERMD, Office of Audit Services, and Enterprise Compliance (ECOM), Staff recalibrated the Enterprise Risk Dashboard to provide an updated overview of CalPERS risk environment. Staff have since partnered with Executive Liaisons to draft individual board committee-specific risk presentations, scheduled for October 2015. These presentations are designed to obtain committee input and perspective on identified mitigation strategies, risk rankings, and any previously unforeseen risks/changes in the environment. Immediately following the Board meetings, Staff will meet with Executive liaisons to gather information necessary to recalibrate and update the enterprise dashboard, presented to the Risk and Audit Committee in November 2015.

RSA Archer eGRC System

Staff partnered with ECOM staff to perform an in-depth review of the existing eGRC project, including completed and planned activities, milestones, and deliverables, and project budget and vendor expenditures. Upon development of appropriate governance and oversight structure for the project on a go-forward basis, Staff transferred ongoing operations and maintenance to the Information Technology Services Branch.

Staffing Plan

Efforts continue to actively recruit for the Chief Risk Officer position, as well as additional management-level and four staff-level positions. The length of time expected to successfully recruit a highly-skilled, diverse and motivated workforce is in excess of six months due to the specialized knowledge, skills and abilities required. In the meantime, Staff continue to prioritize and address core workload while driving progress on strategic priorities outlined in the 2015-17 Enterprise Risk Management Plan.

BUDGET AND FISCAL IMPACTS

Funding for the planned activities will be provided through the approved Enterprise Risk Management Division budget.

BENEFITS / RISKS

Effective enterprise risk management provides significant benefits to the organization, including the identification and understanding of strategic, operational, and external risks to effectively mitigate or reduce impact.

CHERYL EASON
Chief Financial Officer