



Consent

Agenda Item 4e

November 17, 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 July 1, 2015, through September 30, 2015. This report includes summary information on the following items:

- Status report on the Enterprise Risk Management Plan
- Status report on Enterprise Risk Management and Oversight

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan B: Cultivate a high-performing, risk-intelligent and innovative organization. Through an effective enterprise-wide risk management program, ERMD aids the integration of strategic and operational risk management into daily business activities, and strategic initiative development and implementation.

BACKGROUND

In alignment with the CalPERS Business plan, ERMD developed the 2015-17 Enterprise Risk Management Plan (Plan) to communicate strategic priorities in support of CalPERS' Strategic Plan, vision, and mission. In June 2015, ERMD staff (Staff) received the Risk and Audit Committee approval for the 2015-17 Plan, which includes five strategic focus areas:

- Business Continuity Management;
- Record Retention/ Destruct;
- Key Risk Indicator Development/ Implementation;
- Asset-Liability Management (ALM);
- Financial Integrity and State Manager's Accountability Act (FISMA) – GC 13400-13407

ANALYSIS

Following are brief updates on significant activities and accomplishments of ERMD during the first quarter of Fiscal Year 2015-16.

2015-17 Enterprise Risk Management Plan

Business Continuity Management

Staff participated in training at the Emergency Operations Center (EOC) to:

- Ensure familiarity of EOC functions/facilities;
- Understand how responses are managed in the Lincoln Plaza campuses; and,
- Discuss management and operational issues, and crisis management techniques.

Following the EOC exercise, Staff are collaborating with Operations Support Services Division and Information Technology Services Branch staff to clarify roles, responsibilities, and Delegations of Authority, in order to ensure an effective and integrated business continuity program.

Staff have begun to develop risk assessment criteria and procedures related to the review of Business Continuity Plans (BCP). Staff are also working to ensure CalPERS meets State Policy requirements, under Executive Order S-04-06, which state each agency is to update annually their BCPs and file a Continuity Plan Evaluation Checklist with the California Office of Emergency Services by January 15th of each year.

State Leadership Accountable Act (SLAA)

Government Code sections 13400-13407 were modified and updated through legislative action, effective June 24, 2015, with focus on assurance that all levels of management are involved in evaluating, strengthening, and monitoring internal controls. The State Leadership Accountability Act (SLAA) was previously known as the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA) requires each state agency to:

- Maintain effective systems of internal control;
- Evaluate and monitor the effectiveness of these controls on an ongoing basis; and,
- Biannually report on the adequacy of the agency's systems of internal control.

Staff has initiated the SLAA reporting project, engaged with Department of Finance (DOF) to enhance the knowledge of report submission requirements, and initiated key stakeholders interviews. Calpers will meet the DOF filing deadline of December 31, 2015.

Enterprise Risk Management and Oversight

Risk Assessment

Staff worked with Executive Liaisons to draft the individual Board committee-specific Enterprise Risk Report presentations, delivered at the respective October committees. The presentations were designed to obtain committee input and perspective on identified mitigation strategies, risk rankings, and any previously unforeseen risks/changes in the environment. Staff provided oversight of the process with input to the agenda items, to ensure consistency of information delivered while

providing each committee with sufficient visibility into actions necessary to appropriately administer its delegated authorities.

Staff met with committee members and engaged in dialogue related to the challenges associated with the identified risk and resulting mitigation activities in progress.

These conversations provided the committees an opportunity to confirm staffs' assessments and proposed rankings for the November Dashboard. Feedback included the need to highlight further the alignment of a committee's calendar, agenda items, and reporting with the management of its respective risk domains.

Staffing

Recruitment continues for key risk positions, with the expectation of filling the majority of the posts by the end of the calendar year. In the meantime, staff continue to prioritize and address core workload while driving progress on strategic priorities outlined in the 2015-17 Plan.

CHERYL EASON
Chief Financial Officer