

CalPERS Risk Management Dashboard - as of November 2015

Strategic					Operational						
2014 June	2015 Oct	June	Trend	Nov	Risk Domain	2014 June	2015 Oct	June	Trend	Nov	Risk Domain
					Pension Funding (Asset Liability Management) FAC 1						Business Continuity Management FAC 2
<p>Risk Description: 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>Risk Description: CalPERS ability to effectively plan for recovery and business continuity in the event of a disaster, hazard, or other business interruption.</p>					
					Participating Employer Financial Hardship/Insolvency FAC 3						Information Security FAC 4
<p>Risk Description: 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>Risk Description: 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.</p>					
					Human Resources Management PCTM 5						Business Planning FAC 13
<p>Risk Description: 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>Risk Description: 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>					
					Asset Allocation IC 6						Procurement and Contract Management FAC 14
<p>Risk Description: 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>Risk Description: CalPERS process to cost effectively and efficiently acquire goods or services and manage contracts consistent with applicable laws, regulations, and policies.</p>					
					Governance / Leadership 7						Organization FAC 15
<p>Risk Description: 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>Risk Description: 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>					
					Strategic Planning and Implementation FAC 8						Technology / Systems Management FAC 16
<p>Risk Description: The ability to achieve strategic goals and effectively plan and implement 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>Risk Description: CalPERS ability to provide a highly reliable, accessible, available technology infrastructure that meets enterprise-wide information needs.</p>					
					Health Care Costs PHBC 9						Physical Security Controls FAC 17
<p>Risk Description: 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.</p>						<p>Risk Description: The proper level of operational controls in place to safeguard CalPERS campus, assets, mail, and equipment from damage or theft.</p>					
					Long Term Care Program PHBC 10						Customer Service PHBC 18
<p>Risk Description: Risks in the Long Term Care program that may impact sufficient funding to provide services expected. This includes performance of third-party administrator and overall fund status.</p>						<p>Risk Description: The ability for CalPERS to efficiently meet and exceed members and employers service expectations and established performance measures.</p>					
					Legislative / Regulatory 11						Health Plan Management PHBC 19
<p>Risk Description: 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.</p>						<p>Risk Description: Risks that may impact health plans and that they are adequately funded for CalPERS to offer cost-effective, accessible, quality health care options.</p>					
					Stakeholder Perception 12						Data Integrity and Management FAC 20
<p>Risk Description: 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.</p>						<p>Risk Description: 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.</p>					

Note: Risk Domain names highlighted in red are Top Five Risks.

CalPERS Risk Management Dashboard - as of November 2015

Financial					Compliance/Ethics				
2014 June	2015 Oct	June Trend	Nov Trend	Risk Domain	2014 June	2015 Oct	June Trend	Nov Trend	Risk Domain
				Financial Controls and Systems FAC 21					Laws, Rules, and Regulations RAC 27
<p>Risk Description: 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>Risk Description: Compliance with relevant laws, rules and regulations, including regulatory reporting and the effectiveness of a compliance framework.</p>				
				Financial Planning FAC 22					Fraud Detection and Prevention RAC 28
<p>Risk Description: The effectiveness of CalPERS budget and planning process which provides appropriate financial resources for the organization to meet its objectives.</p>					<p>Risk Description: The protection of CalPERS assets, integrity, and credibility through effective fraud detection and prevention and investigation capabilities.</p>				
				Financial Reporting FAC 23					Policy and Procedures RAC 29
<p>Risk Description: The integrity of financial and management reporting which meets management's needs for decision making and legal and statutory requirements for disclosure.</p>					<p>Risk Description: Compliance with all CalPERS policies and the effectiveness of a policy management framework.</p>				
				Investment Risk Management IC 24					Ethical Conduct and Standards RAC 30
<p>Risk Description: 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>Risk Description: Adherence to ethical standards, core values, and guiding behaviors in CalPERS.</p>				
				Investment Controls & Systems IC 25	<div style="border: 1px solid black; padding: 5px;"> <p>Residual Risk - Considering risk responses and the remaining risk exposure.</p> <ul style="list-style-type: none"> Minimal Moderate Elevated High </div>				
<p>Risk Description: 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>									
				Actuarial Policies / Practices FAC 26	<div style="border: 1px solid black; padding: 5px;"> <p>Trend - Considering risk management plans and environmental factors, the residual risk trend over the next 6 months.</p> <ul style="list-style-type: none"> Decrease Remain constant Increase </div>				
<p>Risk Description: 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>									

Board Committee Acronyms

FAC - Finance and Administration Committee

PHBC - Pension and Health Benefits Committee

IC - Investment Committee

RAC - Risk and Audit Committee

PCTM - Performance, Compensation & Talent Management Committee