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 October 1, 2015 through December 31, 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 CalPERS Strategic Plan B: Cultivate a high-performing, risk-intelligent and innovative organization. ERMD leads the integration of strategic and operational risk management through implementing an effective enterprise-wide risk management program and promoting a risk aware culture.

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 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
    - FISMA requirements have since been incorporated into the State Leadership Accountability Act (SLAA).

Analysis
ERMD significant activities and accomplishments for the second quarter of fiscal year 2015-16 include:

2015-17 Enterprise Risk Management Plan
Business Continuity Management
Staff collaborated with Operations Support Services Division (OSSD) and Information Technology Services Branch (ITSB) to clarify roles and responsibilities in order to ensure that an effective and integrated business continuity program is in place.

Staff developed risk assessment criteria and procedures related to the review of enterprise and program business continuity plans. Staff also initiated drafting of the CalPERS Business Continuity Plan (BCP) for submittal to the California Department of Emergency Services (CalOES) as required by Executive Order S-04-0. Under this order each state agency is obligated to update and submit a Continuity Plan Evaluation Checklist with CalOES by January 15th of each year.

ERMD Staff subsequently submitted the BCP to CalOES and ERMD transferred all Business Continuity responsibilities to OSSD upon a determination that OSSD is best suited to own this risk mitigation process. ERMD staff will perform business continuity risk assessments and develop monitoring tools for this risk moving forward.

State Leadership Accountability Act (SLAA) (Formerly known as FISMA)
Government Code sections 13400-13407 were modified and updated through legislative action that became effective on June 24, 2015. The intent of the change is to provide the Department of Finance (DOF) with assurance that all levels of management are involved in evaluating, strengthening, and monitoring internal controls. SLAA requires that each state agency:
- 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.

The SLAA reporting was completed and filed with the Department of Finance (DOF). The next SLAA update report is due to DOF by June 30, 2016.

Enterprise Risk Management and Oversight

Risk Assessment
Staff presented enterprise risk reports to the Board's various committees in October 2015. These presentations provided the committees an opportunity to confirm management's assessments and proposed rankings for the Enterprise Risk Management Dashboard (Dashboard). Staff recalibrated the Dashboard to incorporate feedback obtained during committee presentations and presented revisions to the Committee in November 2015.

The current Dashboard includes CalPERS 30 risk domains grouped into Strategic, Operational, Financial, and Compliance/Ethics categories indicating associated risk levels and trends for each individual risk. Staff will propose a further refinement to reduce risk categories to External, Strategic and Operational that are more closely allligned with Board and Staff roles and responsibilities relating to risk identification and management. Staff will continue to identify the top five risks on the Dashboard. Staff anticipates that there will be continued refinement of the Dashboard via an iterative process with the Risk and Audit Committee (Committee) throughout the remainder of the fiscal year.

Staffing
Recruitment for key risk positions continued during the quarter with the expectation that the majority of the posts will be filled by the end of the fiscal year. Staff continued to prioritize and address core workload while driving progress on strategic priorities outlined in the 2015-17 Plan.

Subsequent to this reporting period, the Chief Risk Officer and Staff Services Manager III positions were filled. Recruitment for an Associate Governmental Program Analyst will continue during the third quarter.

Budget and Fiscal Impacts
Not Applicable

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FORREST GRIMES
Chief Risk Officer

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CHERYL EASON
Chief Financial Officer