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 January 1, 2016 through March 31, 2016. 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 received Risk and Audit Committee (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 third quarter of fiscal year 2015-16 include:

2015-17 Enterprise Risk Management Plan
Business Continuity Management
ERMD transferred all Business Continuity responsibilities to Operations Support Services Division (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 DOF. The next SLAA update report is due to DOF by June 30, 2016.

Enterprise Risk Management and Oversight
Risk Assessment
ERMD collaborated with Enterprise Compliance Division (ECOM) and the Office of Audit Services (OFAS) to develop a joint assessment tool and conduct the annual integrated assurance risk assessment interviews with each CalPERS Division and Senior Executive. Upon conducting the integrated assurance risk assessments ERMD, ECOM, and OFAS staff convened to analyze findings. This resulted in the confirmation of top enterprise risks and revealed common themes to consider when contemplating the most effective mitigation measures to determine if present mitigation plans are appropriate.

ERMD has refined the Enterprise Risk Management Framework with the objectives of consolidating the current 30 risk domains into more manageable related categories and writing risk statements to more concisely state the risks from an enterprise perspective. Staff anticipates that there will be continued refinement of the Dashboard via an iterative process with the Committee throughout the remainder of the fiscal year.

Board Education Workshop
ERMD and ECOM worked with Dr. Robert Yetman (UC Davis) in the development of the Risk and Compliance Board Education Workshop regarding best practices of implementing risk management and compliance oversight using the Integrated Assurance Model (three lines of defense). Subsequent to this reporting period, Dr. Yetman delivered the board education workshop in May 2016.

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