

June 13, 2016

**Item Name:** 2016-17 Enterprise Risk Management Plan**Program:** Enterprise Risk Management**Item Type:** Action**Recommendation**

Approve the proposed 2016-17 Enterprise Risk Management Plan

**Executive Summary**

Enterprise Risk Management Division (ERMD) prepared a proposed plan for approval (Attachment 1). Based on the finding from the annual enterprise risk assessment and areas of growth for the program, this work plan will guide ERMD's major activities during the coming fiscal year.

**Strategic Plan**

This agenda item supports Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization. To achieve this goal, ERMD establishes plans based on a robust risk framework that includes consideration of risk in decision making, planning, and prioritization of business activities.

**Background**

To prepare the 2016-17 plan, ERMD analyzed the results of the integrated assurance risk assessment conducted with Enterprise Compliance (ECOM) and the Office of Audit Services (OFAS), the 2016-17 CalPERS Business Plan, and other inputs to identify key priorities for ERMD. ERMD will continue to coordinate with ECOM and OFAS to ensure the functions' respective activities are complementary and promote stronger integration.

**Analysis**

Focus areas for ERMD's activities over the coming year are based on ERMD's vision to proactively collaborate with stakeholders to build a risk-intelligent organization. The plan is designed to meet the objective of providing the most effective and efficient deployment of enterprise risk management resources in a manner that addresses:

- Integration of assurance activities within ERMD, ECOM, and OFAS
- Engagement with the Board on the adoption of risk appetite
- An enterprise view of business activities within the organization

Key areas ERMD will address in the coming fiscal year include:

- Risk Reporting – Refining enterprise risks and implementing a new enterprise risk dashboard
- Strategic Planning – Enhancing integrated processes for conducting enterprise risk assessments with strategic planning efforts

- Risk Awareness – Establishing risk appetite and tolerances to guide decision-making and working to create a communication and training plan to ensure all staff understand their role in risk management
- Asset-Liability Management – Working with the Financial Office (FINO), Actuarial Office (ACTO), and Investment Office (INVO) in exploring the opportunity to incorporate risk factors to enhance asset liability management.

Please refer to the full plan included as Attachment 1 for detail on each of the focus areas identified. ERMD will refresh the plan annually and adjust according to the changing risk environment and priorities.

### **Budget and Fiscal Impact**

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

### **Benefits/Risks**

Enterprise risk management provides CalPERS a process to effectively manage and prioritize a portfolio of risks that impact our ability to successfully meet business objectives. Effective enterprise risk management embeds the responsibility for risk management to all levels of the organization.

Approval of the proposed plan will focus the risk management efforts on CalPERS strategic issues and provide assurance that enterprise risks are actively managed and reported to the Board. Approval of the plan also advances CalPERS strategic goal of becoming a risk-intelligent organization.

Without an integrated, coordinated approach, limited resources may not be deployed effectively, and significant risks may not be managed appropriately.

### **Attachment**

Attachment 1 – 2016-17 Enterprise Risk Management Plan

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### **FORREST GRIMES**

Chief Risk Officer  
Enterprise Risk Management Division

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### **CHERYL EASON**

Chief Financial Officer

