

<b>Pension Funding</b>				
<b>Enterprise Risk Management Profile</b>				
<b>Enterprise Risk</b>	<b>Owner</b>	<b>Oversight</b>	<b>Category</b>	<b>Prioritization</b>
Pension Funding	Chief Financial Officer, Chief Actuary, Chief Investment Officer	Finance & Administration Committee, Investment Committee	Strategic	TBD
<b>Strategic Plan Goal and Objective</b>	Under development			
<b>Functional Objective</b>	To ensure the sustainability of the pension system by achieving the funded status required to meet financial obligations.			
<b>Risk Statement</b>	Failure to meet benefit obligations to current and future members and beneficiaries.			
<b>Risk Driver #1: Accuracy of actuarial assumptions, including discount rate</b>				
<b>Effective Mitigations and Controls In Place:</b>				
1.1 Board Review of actuarial assumptions, asset allocation strategy.				
1.2 Board reviews policies on Actuarial Methods every four years.				
1.3 Actuarial Board Policy allows flexibility to adjust amortization schedules as needed.				
<b>Risk Driver #2: Length of amortization schedule</b>				
<b>Effective Mitigations and Controls In Place:</b>				
2.1 Actuarial Amortization Policy				
<b>Risk Driver #3: Asset cash flows and the liability cash flows are mismatched</b>				
<b>Effective Mitigations and Controls In Place:</b>				
3.1 Treasury Management Policy helps match asset and liability cash flows over the short-term				
3.2 Assets invested to offset the liabilities in amount and timing for Terminated Agency Pool				
3.3 Asset Liability Management four-year cycle reviews cash flows over the long-term				
<b>Risk Driver #4: Liability volatility and uncertainty</b>				
<b>Effective Mitigations and Controls In Place:</b>				
4.1 Actuarial Smoothing Policy				
<b>Risk Driver #5: Employer ability to meet obligations</b>				
<b>Effective Mitigations and Controls In Place:</b>				
5.1 Enhanced employer contracting process				
5.2 Termination process				
5.3 Employer education				

**Risk Driver #6: Adverse economic and capital market conditions negatively impact expected returns**

**Effective Mitigations and Controls In Place:**

- 6.1 Strategic and tactical portfolio positioning includes broad diversification of assets
- 6.2 Investment Strategy Group, Portfolio Allocation Subcommittee.
- 6.3 Processes established by INVO Programs, including Asset Allocation and Investment Risk and Performance
- 6.4 CalPERS Board reporting controls in place, including biannual (February and August) CalPERS Trust Level Review, to provide summary level economic views, market analysis, portfolio risk, and performance for the CalPERS Funds.
- 6.5 INVO Roadmap Initiatives and Target Operating Model
- 6.6 Funding Risk Mitigation Policy

Residual Risk	Probability	Impact	Velocity	Rating	Trend
For future development (November 2016)					

**Future Mitigations**

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**Risk Driver #5: Employer ability to meet obligations**

- Enhanced employer monitoring process (TBD)