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September 20, 2016

**Item Name:** Risk Profile Review

**Program:** Enterprise Risk Management Division

**Item Type:** Information

**Executive Summary**

To further enrich the integrated enterprise assessment and management of risk, Committee Executives presented the Risk Profiles that correspond to the enterprise risks delegated to their respective committees for feedback. The objectives of the presentations are to obtain the input and perspectives of the committees that oversee the first line of defense on those risks, and to use this information to finalize the risk profiles prior to their assessment and the presentation of the Risk Management Dashboard (Dashboard) to the Risk and Audit Committee (RAC) in November 2016.

**Strategic Plan**

This agenda item supports CalPERS Strategic Plan B: Cultivate a high-performing, risk-intelligent and innovative organization. To achieve this goal, management across the enterprise continues to contribute to a robust risk management framework that includes consideration of risk in decision-making, planning, and prioritization of business activities to achieve strategic and operational objectives.

**Background**

Enterprise risk management is a vital function in facilitating risk identification and monitoring activities that inform and support decision-making and resource allocation priorities at both the strategic and operational levels across the enterprise.

In June 2016, Enterprise Risk Management Division (ERMD) provided RAC with a summary, identifying the proposed enterprise risks, their risk statements, the executive owner, and specific Board Committee oversight body (Attachment 1).

Incorporating feedback from the June RAC meeting, staff met with process owners and the Executive team in the first quarter of 2016/17, to identify risk drivers and associated mitigations measures in place for each enterprise risk.

To ensure risk management is effective and delegated committees are receiving appropriate, useful information to carry out their delegated authority related to risk management, and to further enhance the assessment and management of enterprise risk, the respective committees' risk profiles were presented for discussion, with the exception of the Talent Management Profile which will be presented to the Performance, Compensation, and Talent Management Committee in November 2016. Feedback from the committees will be incorporated into the finalized

Dashboard. A verbal summary of the feedback provided to the various committees will be presented in this agenda item, in addition to an update on the risk directly overseen by the RAC.

## **Analysis**

### **Risk(s) Directly Overseen by the Risk and Audit Committee**

While RAC responsibilities include approval and oversight of the entire enterprise risk management framework and setting of risk appetite (with the exception of investment risk), the Committee also directly provides oversight for the Compliance enterprise risk. The Compliance risk monitors those efforts in place to mitigate and control for enterprise compliance with laws, regulations and policies, and includes the promotion of a culture of compliance.

The remaining risk profiles have been presented to the committees assigned oversight of those enterprise risks:

- Benefit Administration (Pension and Health Benefits Committee)
- Business Continuity (Financial and Administration Committee)
- Data Management (Financial and Administration Committee)
- Health Care Administration (Pension and Health Benefits Committee)
- Information Security (Financial and Administration Committee)
- Operational Efficiency (Financial and Administration Committee)
- Pension Funding (Shared between Financial and Administration Committee and Investment Committee)
- Stakeholder Confidence (Financial and Administration Committee)
- Talent Management (Performance, Compensation, & Talent Management Committee – to be presented in November 2016)

### **Next Steps Will Include:**

- Incorporate feedback from committee into Risk Profile(s)
- Refine residual risk rating methodology
- Perform gap analysis in collaboration with the Integrated Assurance workgroup to assess the effectiveness of current mitigations.
- Conduct risk assessments for the enterprise risks with Executive team, senior leaders, and members of the Integrated Assurance workgroup.
- Present updated Framework and Dashboard to the RAC at the November 2016 meeting.

## **Attachments**

Attachment 1 - CalPERS Risks Summary

Attachment 2 - Compliance Enterprise Risk Profile

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### **FORREST GRIMES**

Chief Risk Officer

Enterprise Risk Management Division

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### **CHERYL EASON**

Chief Financial Office

