



# Performance, Compensation & Talent Management Committee

## Agenda Item 7

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November 15, 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 were 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 Goal 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.

A cross-functional ad hoc working group was convened in Spring 2016 to examine enterprise risks and descriptions included in the Risk Management Dashboard (Dashboard) producing the following findings and recommendations:

- The prior Dashboard did not succinctly state the specific nature of the risks
- Replacing risk descriptions with risk statements will provide more clarity
- Focused risks and risk statements will lead to more concise and effective mitigation measures
- Consolidating risks with significant correlations provides the opportunity to implement mitigation strategies that are synergistic and produce an enterprise-wide impact
- Mitigation efforts should be aimed at drivers of the risk

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 currently 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 in September 2016, with the exception of the Talent Management Profile. Feedback from the Performance, Compensation, and Talent Management Committee (Committee) will be incorporated into the finalized Dashboard following the November 2016 meeting.

### **Analysis**

#### Risks Overseen by the Performance, Compensation, and Talent Management Committee

The Performance, Compensation, and Talent Management Committee provides direct oversight for the Talent Management enterprise risk. The Talent Management Risk Profile monitors those efforts in place to mitigate and controls for recruitment, employee engagement, and workforce and succession strategies. Attachment 2 includes the Talent Management Risk Profile reported to the Committee.

#### Next Steps Will Include:

- Seek feedback from Committee on Risk Profile
- Present updated Framework and Dashboard to the RAC at the November 2016 meeting, identifying Committee comments
- Finalize Risk Dashboard

### **Budget and Fiscal Impacts**

Not Applicable.

### **Attachments**

Attachment 1 – CalPERS Risks Summary

Attachment 2 – Talent Management Risk Profile

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### **FORREST GRIMES**

Chief Risk Officer

Enterprise Risk Management Division

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### **DOUGLAS HOFFNER**

Deputy Executive Officer

Operations and Technology

