

November 15, 2016

Item Name: Quarterly Status Report – Enterprise Risk Management**Program:** Enterprise Risk Management**Item Type:** Information Consent**Executive Summary**

The following provides the Enterprise Risk Management Division's (ERMD) quarterly report for the period July 1, 2016 through September 30, 2016. This report includes updates on progress made during the quarter for the following items:

- Continued integration of Asset Liability Management (ALM) activities through finalizing the Pension Funding Risk Profile
- Ongoing refinement of the Enterprise Risk Management Framework (Dashboard) to be presented to the Risk and Audit Committee (Committee) later in the Agenda
- Strengthened Governance by aligning the anticipated Five Year Strategic Plan goals and objectives with Enterprise Risks

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 2016-17 Enterprise Risk Management Plan (Plan) to communicate priorities in support of CalPERS' Strategic Plan, vision, and mission. In June 2016, ERMD staff (Staff) received Risk and Audit Committee approval for the Plan, which includes four focus areas:

- Education and Communication
- Asset-Liability Management
- Refined Enterprise Risk Management Framework
- Integration of Leadership and Governance

Analysis

ERMD significant activities and accomplishments for the first quarter of fiscal year 2016-17 include:

Asset-Liability Management

ERMD participated in continuing to advance ALM within the enterprise by:

- Engaging with the ALM Advisory Committee (Financial, Investment, Actuarial, Legal and Public Affairs Offices) in order to arrive at consensus on how best to describe and

structure the pension funding enterprise risk. This culminated in the development of a refined perspective in identifying and discussing this risk allowing for the creation and prioritization of risk drivers and mitigations viewed from an enterprise rather than individual program perspective.

Enterprise Risk Management Framework

ERMD continued to refine the Dashboard by:

- Finalizing the 10 Enterprise Risks to present to the Committee for review.
- Evaluating the confidence levels of the program area subject matter experts in the current risk mitigations and controls in place. Incorporating the feedback and reviews of the Integrated Assurance Team (Audits, Compliance, Legal, and Risk).
- Developing risk scoring methodology in preparation of scoring and prioritization by program and executive staff.
- Presenting the Risk Profiles to respective Board Committees with delegated authority oversight for review and feedback.

Leadership and Governance

ERMD continued to promote an enterprise-wide risk management program by:

- Collaborating with the Enterprise Strategy and Performance Division to seek alignment of the Strategic Plan goals and objectives with enterprise risks.
- Performing gap analysis to determine if any stated goals and objectives were overlooked when contemplating enterprise risks.

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

- 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 develop and implement a communication and training plan to ensure all staff understand their role in risk management.
- Asset-Liability Management – Working with the ALM Advisory Committee to address the ALM cycle, stakeholder engagement and mid-cycle assessment.

Budget and Fiscal Impacts

Not Applicable

FORREST GRIMES

Chief Risk Officer

CHERYL EASON

Chief Financial Officer

