
February 13, 2017**Item Name:** Review of the Risk & Audit Committee Delegation**Program:** Administration**Item Type:** Action**Recommendation**

Approve the proposed amendments to the Risk and Audit Committee Delegation Resolution (RAC Delegation) as part of the annual Board Delegation review process.

Executive Summary

The Board of Administration Governance Policy requires that each Board Committee conduct an annual review and revise their Committee Delegation Resolution as necessary. This year the leadership team proposed refinements that enhance and clarify the Committee's role and authority. Enclosed are the following related attachments:

Attachment 1 - Current version of RAC Delegation RA-16-01

Attachment 2 - Black-line version of proposed changes to RAC Delegation RA-17-01

Attachment 3 - Final version of FAC Delegation FA-17-01

Strategic Plan

This item supports Goal B of the CalPERS 2012-2017 Strategic Plan, which is to cultivate a high-performing, risk-intelligent and innovative organization. It also supports the specific objectives: use a focused approach to generate, test, refine and implement new ideas, to deliver superior end-to-end customer services that are adaptive to customer needs, and to actively manage business risks with an enterprise-wide view.

Background

In accordance with the Board Governance Policy, each committee's delegation is reviewed annually and updated as needed. This presents the Committee with the opportunity to review and update the authorities delegated to the committee by the full Board, enhancing the overall role of the Committee from an enterprise-wide perspective.

Analysis

The RAC Delegation was reviewed to ensure conformance with CalPERS Policy and Delegation Standards, as well as recommended enhancements from the leadership team. The team recommends revising the RAC Delegation as follows:

Paragraph 4:

- Removed “risk appetite” and “excluding investment risk” from the paragraph in order to create Paragraph 5. Added “management” to create “risk management strategy.”

New Paragraph 5:

- Added “Approve and oversee enterprise risk appetite and tolerances (excluding investment risk)” as a new paragraph to clarify the Committee’s authority to “Approve and oversee” the enterprise risk appetite in alignment with current practices.

Paragraph 6 (formerly Paragraph 5)

- Changed “investment risk management” to “enterprise risk management,” and changed “investment policy compliance” to “enterprise and Board-approved policy compliance.” Without these revisions, the Committee’s authority is limited to overseeing investment risk management and investment policy compliance.

Paragraph 8 (formerly Paragraph 7):

- Changed “whistleblower and hotline processes” to “ethics-related complaints, processes, and findings.” This proposed revision provides the Committee with broader oversight authority of ethics-related complaints, consistent with current reporting practices and Board direction.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

The benefits of accepting this item include:

- Appropriately defined guidance to the RAC and staff to manage the effectiveness and integrity of the Board's processes, including oversight, accountability, transparency, efficiency and decision-making.
- Maintaining RAC authorities that align with the Strategic Plan and the Board Governance Policy.
- Identifying and distinguishing between the roles of the Board, RAC, and staff.
- Ensuring the RAC has appropriate authority to maintain strategic oversight of Enterprise operations and needs.

The risks of not accepting this item include:

- Reduced effectiveness of the RAC and staff in operating in accordance with the Board's processes, including oversight, accountability, transparency, efficiency and decision-making.
- Reduced clarity between the roles of the Board, RAC, and staff.
- The RAC not having the required authority to take action on or oversee mission critical objectives.

Attachments

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