

June 20, 2017

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 January 1, 2017, through March 31, 2017. This report includes updates on progress made during the quarter for the following items:

- Continued facilitation and oversight role of Asset Liability Management (ALM)
- Ongoing refinement of the Enterprise Risk Management Framework (Framework) by developing Board Risk Appetite

Strategic Plan

This agenda item supports CalPERS Strategic Plan Goal 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 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 third quarter of fiscal year 2016-17 include:

Asset Liability Management

ERMD continued to advance ALM within the enterprise by:

- Facilitating Asset Liability Management Advisory Committee (ALMAC) meetings that include Financial, Investment, Actuarial, Legal, and Public Affairs Senior Leadership
- Taking a project lead role in collaboration with ALMAC members to develop the Asset Liability Management Policy presented to the Finance and Administration Committee at the February 2017 meeting as a first reading agenda item.

Enterprise Risk Management Framework

ERMD continued to refine the Framework by:

- Conducting the Board Risk Appetite Workshop during the January Offsite. The Workshop resulted in establishing:
 - a common understanding of risk appetite principles and terminology, and
 - guidance from the Board on the appropriate level of appetite for CalPERS 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 and budgeting efforts.
- Risk Awareness – Working to develop a communication and training plan to ensure all CalPERS team members understand their role in risk management.
- Asset Liability Management – Working with ALMAC to continue to advance ALM cycle deliverables, present the ALM policy for second reading and approval and assist with stakeholder engagement.

Budget and Fiscal Impacts

Not Applicable

Forrest Grimes

Chief Risk Officer

Marlene Timberlake D'Adamo

Interim Chief Financial Officer