



Risk and Audit Committee Agenda Item 6a

June 20, 2017

Item Name: 2017-18 Enterprise Risk Management Plan

Program: Enterprise Risk Management

Item Type: Action

Recommendation

Approve the 2017-18 Enterprise Risk Management Plan.

EXECUTIVE SUMMARY

The Enterprise Risk Management Division (ERMD) prepared the proposed 2017-18 Enterprise Risk Management Plan (Plan) for the Risk and Audit Committee's (Committee) review and approval. The Plan is designed to continue efforts that will enhance and embed risk management functions and awareness throughout the enterprise. The Plan is comprised of three key areas of focus: Asset Liability Management (ALM), refinements to the Enterprise Risk Management Framework, and educational and awareness efforts.

STRATEGIC PLAN

This agenda item supports the CalPERS 2017-2022 Strategic Plan and the goals of strengthening the long-term sustainability of the pension fund and cultivating a risk-intelligent organization. ERMD works collaboratively with all the program areas to identify, assess and manage enterprise risk.

BACKGROUND

To construct the Plan, ERMD conducted a SWOT analysis, which included inputs from the prior 2016-17 Risk Assessment Plan, the newly approved 2017-22 CalPERS Strategic Plan (Strategic Plan), and results of the Integrated Assurance risk assessment interviews conducted in coordination with Enterprise Compliance (ECOM) and the Office of Audit Services (OFAS).

ANALYSIS

ERMD's activities are aligned with the Strategic Plan and will continue over multiple years. ERMD's vision is to proactively collaborate with the program areas with a continuous improvement approach in building a risk-intelligent organization that focuses on strategic and operational risk management. In order to meet the strategic goals of Fund Sustainability and Risk Management, ERMD will work with our internal partners to complete the following initiatives in the coming year as we continue to advance toward the organization's ultimate goals:

Asset-Liability Management

In focusing on the Pension Funding Enterprise Risk, ERMD will coordinate efforts with the Financial Office (FINO), Actuarial Office (ACTO), and Investment Office (INVO) to set pension funding risk appetite, develop reporting metrics, and help to facilitate a cross-functional and stakeholder approach to addressing long-term funding solutions. ERMD will

also continue to advance the current ALM Cycle that will culminate in the implementation of any Board adopted ALM related changes in July 2018.

Enterprise Risk Management Framework

As we continue to mature the Enterprise Risk Management Framework, ERMD will partner with the program areas to conduct the annual enterprise-wide risk assessment, develop and implement Key Risk Indicators, and implement an internal control framework to document internal controls and monitor operational risk events.

Risk Awareness

To cultivate a risk-intelligent organization, ERMD will work with our internal partners to train and educate our fellow CalPERS' team members on the importance of risk management and personal accountability towards reporting risk.

Please refer to the full Plan included as Attachment 1 for detail on each of the focus areas identified. ERMD will refresh the Plan periodically and adjust according to the changing risk environment and priorities. Updates and proposed changes will be presented to the Committee for review and approval during the Semi-Annual Risk Report agenda items.

BUDGET AND FISCAL IMPACT

Funding for the proposed activities will be provided through the approved Enterprise Risk Management Division budget.

BENEFITS/RISKS

Enterprise risk management provides CalPERS a process to effectively manage and prioritize a portfolio of risks that impact our ability to successfully meet business objectives. Effective enterprise risk management embeds the responsibility for risk management to all levels of the organization.

Approval of the proposed Plan will focus risk management efforts on CalPERS' strategic issues and provide assurance that enterprise risks are actively managed and reported to the Board.

Without an integrated, coordinated approach, limited resources may not be deployed effectively, and significant risks may not be managed appropriately.

Attachment

Attachment 1 – 2017-18 Enterprise Risk Management Plan

FORREST GRIMES

Chief Risk Officer
Enterprise Risk Management Division

MARLENE TIMBERLAKE D'ADAMO

Interim Chief Financial Officer

